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

**NOTICE OF CONVOCATION OF
THE 162ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Tuesday, June 22, 2021 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 Five (5) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

Proposal No. 3: Election of Four (4) Directors who are Audit & Supervisory Committee Members

Please exercise your voting rights in writing or via the Internet by
5:00 p.m. on Monday, June 21, 2021.

This year, the Company will not distribute souvenirs or beverages at the General Meeting of Shareholders.
We appreciate your understanding.

Message from the Management To Our Shareholders

With the SDGs as our compass, we will continue to challenge ourselves to resolve a variety of social issues, and strive to enhance corporate governance to accurately reflect social demands, aiming to an indispensable corporate member of society.

Enclosed please find the Notice of Convocation of the 162nd 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.

May 2021

Manabu Yamamoto (left)
Chairman and Representative Director

Toshio Imai (right)
Representative Director,
President and Chief Executive Officer

During the fiscal year ended March 31, 2021 (fiscal 2020), the Japanese economy faced difficult conditions including substantial restrictions on economic activities overall, and a significant downturn, especially in personal consumption and exports, due to the spread of COVID-19. The global economy deteriorated, primarily in Europe and the United States as the COVID-19 pandemic continued to spread, except in China and some other regions. In the chemical industry, demand declined during the first half of the fiscal year, due to the spread of COVID-19, but corporate earnings remained resilient overall, with a subsequent recovery in demand, primarily in the automobile and semiconductor sectors.

Against this economic backdrop, in order to realize "The Denka Value" corporate philosophy, the Group pushed ahead with the refocusing of the business portfolio and the introduction of innovative processes, two strategies set forth in our "Denka Value-Up" five-year management plan launched in 2018, and focused its efforts on expanding businesses and enhancing profitability, under the three elements of our growth vision: to be a "Specialty-Fusion Company" with sustainable and sound growth.

As a result, during the year under review, sales volumes declined overall, as a consequence of the fall in demand due to the global economic slowdown, despite a positive contribution from growth in electronics and highly advanced product lines and new healthcare products. In addition, net sales decreased due to revisions to selling prices for certain products in step with declines in raw material prices. Turning to earnings, operating income increased to the highest level on record, thanks to an increase in sales of high value-added products for growth sectors, as well as a reduction in fixed costs. Ordinary income and profit attributable to owners of the parent also increased, both exceeding the previous fiscal year's levels.

In fiscal 2020, the middle year of "Denka Value-Up," along with the progress in process innovation, we began to observe tangible results from the growth strategies we progressively implemented up until now, primarily in the healthcare field and environment and energy field, and we achieved a new record level of operating income. We are progressing smoothly along the path to becoming a "Specialty-Fusion Company," the objective of our long-term growth vision, and we were able to reaffirm that the direction of our initiatives under "Denka Value-Up" has been correct. We have positioned the final two years of the "Denka Value-Up" plan, including fiscal 2020, as an important period of preparations to leap ahead to our vision for the next management plan. As a first step towards being an indispensable corporate member of society, we are focusing on three "Value-Up" initiatives, concerning our business, the environment, and human resources. Please refer to pages 32 to 35 of this Notice of Convocation for details.

From April this year, we have implemented a change in top management to respond the unprecedented changes that have occurred in the Company's environment since last year. At the same time, we undertook a restructuring of business divisions to promote the further optimization and expansion of our businesses. If the proposal submitted to this General Meeting of Shareholders is approved, we will reduce the number of Directors from twelve to nine, a more appropriate composition to clarify the respective roles of the Board of Directors and executive management, with the aim of further enhancing the effectiveness of discussion by the Board of Directors, and expediting its decision-making. In addition, we will increase the proportion of Outside Directors, and strengthen their degree of involvement in the Board of Directors.

The social requirements placed on corporate governance are growing ever higher, including the enhanced standards of governance required from companies in the Prime Market under the new market segments to be introduced by the Tokyo Stock Exchange next spring. We will continue to strive for a higher level of corporate governance, accurately reflecting these requirements.

We will continue to deepen transformation and coordination across the whole Group. With the SDGs as our compass, we will challenge ourselves to resolve a variety of social issues in ways that only Denka can, to be

an indispensable corporate member of society, of which all our employees and stakeholders can feel proud. We hope we can count on the continued understanding and support of our shareholders in this endeavor.

To Our Shareholders:

Toshio Imai
President
Denka Co., Ltd.
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF
THE 162ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 162nd Ordinary General Meeting of Shareholders of Denka Co., Ltd. (the “Company”) will be held as described below.

Recently, the national government and prefectural governors have been strongly requesting that people refrain from leaving their homes, in order to prevent the spread of the COVID-19 coronavirus. After careful consideration in light of these circumstances, the Company has decided to hold the General Meeting of Shareholders while taking appropriate measures to counter the spread of the virus (for details thereof, please refer to the enclosed “Measures to Prevent the Spread of the COVID-19 Coronavirus at the 162nd Ordinary General Meeting of Shareholders”).

From the perspective of preventing the spread of the virus, the Company strongly requests that shareholders make the utmost effort to refrain from attending the General Meeting of Shareholders, regardless of the status of your health as an individual.

The Company strongly recommends that shareholders exercise voting rights in advance. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights in writing by mail (Voting Rights Exercise Form) or via the Internet, etc., as described in the “Guide for Exercise of Voting Rights” (Page 6), by no later than 5:00 p.m. on Monday, June 21, 2021.

- 1. Date and Time:** Tuesday, June 22, 2021 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 162nd Term (from April 1, 2020 to March 31, 2021) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 162nd Term (from April 1, 2020 to March 31, 2021)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Election of Five (5) Directors (Excluding Directors who are Audit & Supervisory Committee Members)
Proposal No. 3: Election of Four (4) Directors who are Audit & Supervisory Committee Members

© The following are posted on the Company’s website at <https://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 Committee 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 <https://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.

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 Monday, June 21, 2021.

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 Monday, June 21, 2021.

(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.)

●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.

Furthermore, the Company will not distribute souvenirs or beverages at the General Meeting of Shareholders. We appreciate your understanding.

***Handling of duplicated exercise of voting rights**

If you exercise your voting rights both by the method of exercising voting rights in writing by mail (Voting Rights Exercise Form) and by the method of exercising voting rights via the Internet etc., the exercise of voting rights by the method of exercising 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

In the management plan “Denka Value-Up,” formulated in November 2017, the Company sets out its 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 aim to realize sustainable and sound growth as a “Specialty-Fusion Company,” through new strategies to achieve dramatic growth globally.

While the Company has formulated an investment plan as we look to achieve these goals, we have also established a “Policy on Shareholder Returns,” with a 50% target total payout ratio.

<Shareholder returns in the management plan “Denka Value-Up”>

Committed to a 50% standard for the target 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

<Investment plan in the management plan “Denka Value-Up”>

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)

With respect to the year-end dividend for the 162nd 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

¥65 per share of common stock of the Company

Total amount of dividends: ¥5,608,179,785

(3) Effective date of dividends from surplus

June 23, 2021

Proposal No. 2: Election of Five (5) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

The terms of office of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter, the same applies in this proposal) will expire at the conclusion of this Ordinary General Meeting of Shareholders.

It is proposed to reduce the number of Directors from seven (7) to five (5), in order to achieve even more effective discussions and even swifter decision-making by the Board of Directors, as well as ensuring an appropriate composition to realize clearer roles for the Board of Directors and the executive structure. Accordingly, the election of five (5) Directors is proposed.

The candidates for Directors are as follows.

No.		Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Reappointed	Manabu Yamamoto	Chairman and Representative Director	13/13 (100%)
2	Reappointed	Toshio Imai	Representative Director, President and Chief Executive Officer	13/13 (100%)
3	New appointment	Tetsuya Shinmura	Senior Managing Executive Officer Chief Technical Officer (CTO) In charge of Purchasing Dept., Logistics Dept., Electric Power Dept., Production & Process Technology Dept., Engineering Dept., Digital Innovation Dept.	-/-
4	New appointment	Kazuo Takahashi	Managing Executive Officer Chief Compliance Officer (CCO) In charge of Corporate Planning Dept., Corporate Communications Dept., Automotive Materials & Solutions Dept., Denka Corporation, Denka Chemicals GmbH, DCG Denka Value-Up Promotion	-/-
5	New appointment Outside Independent Director (planned)	Yoshiyuki Fukuda		-/-

Reappointed: Candidate for reappointment as Director

New appointment: Candidate for new appointment as Director

Outside: Candidate for Outside Director

Independent Director: Independent Director as notified to the Tokyo Stock Exchange

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
1	(Reappointed) Manabu Yamamoto (March 31, 1956) Age: 65 [June 2013] [8 years * at the conclusion of this Ordinary General Meeting of Shareholders]	<p>April 1981 Joined the Company</p> <p>June 2004 General Manager of Functional Ceramics Div. of Electronics Materials Business Group of the Company</p> <p>April 2009 Executive Officer, General Manager of Electronics Materials Div. of Electronics Materials Business Group of the Company</p> <p>April 2011 Senior Executive Officer of the Company</p> <p>April 2013 Managing Executive Officer, Head of Electronics & Innovative Products of the Company</p> <p>June 2013 Director and Managing Executive Officer of the Company</p> <p>April 2015 General Manager of Corporate Planning Dept. of the Company</p> <p>April 2016 Director and Senior Managing Executive Officer of the Company</p> <p>June 2016 Outside Audit & Supervisory Board Member of Koatsu Gas Kogyo Co., Ltd. (until June 2019)</p> <p>April 2017 Representative Director, President and Chief Executive Officer of the Company</p> <p>April 2021 Chairman and Representative Director of the Company (present)</p>	9,900
	Attendance at Board of Directors meetings 13/13 (100%)	<p>[Reasons for selection as a 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 supervised 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 communications divisions, Mr. Yamamoto promoted "Denka Value-Up" as Representative Director, President. As Chairman and Representative Director, he currently serves in the position of the Chairman of the Board of Directors, 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] In addition to striving for more sophisticated corporate governance that accurately reflects society's expectations, I will endeavor to enhance the effectiveness of the Company's Audit & Supervisory Committee system, currently in its third year, and promote a stronger management advisory and supervisory function and even swifter decision-making, in order to achieve "Denka Value-Up".</p>	

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

2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
2	(Reappointed) Toshio Imai (January 25 1959) Age: 62 [June 2019] [2 years * at the conclusion of this Ordinary General Meeting of Shareholders]	<p>April 1982 Joined the Company</p> <p>October 2006 General Manager, Styrene Div. of the Company</p> <p>June 2011 General Manager, Corporate Planning Dept. of the Company</p> <p>April 2013 Executive Officer, Assistant to General Manager, Elastomers & Performance Plastics of the Company</p> <p>April 2015 General Manager, Elastomers & Performance Plastics of the Company</p> <p>April 2017 Managing Executive Officer of the Company</p> <p>April 2019 General Manager, Denka Value-Up Promotion Dept. of the Company</p> <p>June 2019 Director and Managing Executive Officer of the Company</p> <p>April 2020 Director and Senior Managing Executive Officer of the Company</p> <p>April 2021 Representative Director, President and Chief Executive Officer of the Company (present)</p>	8,300
	Attendance at Board of Directors meetings 13/13 (100%)	<p>[Reasons for selection as a candidate for Director] Mr. Toshio Imai possesses an international perspective and adequate operational experience, including work experience at overseas subsidiaries, and taking responsibility for the styrene and elastomer businesses over many years. After taking charge of business strategy for the Denka Group as a whole, including overseas businesses, as the executive responsible for management strategy and investor relations and corporate communications divisions, he currently serves as Representative Director, President. 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] I will promote the "Denka Value-Up" plan, and realize "sustainable and sound growth" as a "company that contributes to sound social development through new value creation."</p>	

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

2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
3	(New appointment) Tetsuya Shinmura (January 28, 1958) Age: 63 [-] [-]	<p>April 1980 Joined the Company</p> <p>January 2007 General Manager, Polymers Center, Chiba Plant of the Company</p> <p>April 2009 Deputy General Manager, Central Research Institute of the Company</p> <p>April 2011 Deputy General Manager, Omi Plant of the Company</p> <p>April 2013 Executive Officer, General Manager, Omi Plant of the Company</p> <p>April 2015 General Manager, Technology Dept. of the Company</p> <p>April 2017 Managing Executive Officer of the Company</p> <p>April 2019 General Manager, Omi Plant of the Company</p> <p>April 2021 Senior Managing Executive Officer of the Company (present)</p>	4,200
	Attendance at Board of Directors meetings -/- (-)	<p>[Reasons for selection as a candidate for Director] Mr. Tetsuya Shinmura has adequate operational experience, including research and development and plant manufacturing. Currently, Mr. Shinmura directs the technical division overall as Chief Technical Officer, while also taking responsibility for the Digital Innovation Dept., a department created to strategically build and operate general information systems for the Group. 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] I will endeavor to enhance corporate value by developing technologies to challenge the possibilities of chemistry and contributing to the resolution of global issues, to make this a company genuinely needed by society.</p>	

- Notes:1. No material relationship of interest exists between the Company and the above candidate.
2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
4	(New appointment) Kazuo Takahashi (March 30, 1960) Age: 61 [-] [-]	<p>April 1983 Joined the Company</p> <p>October 2013 Deputy General Manager, Chiba Plant of the Company</p> <p>April 2015 General Manager, Ofuna Plant of the Company</p> <p>April 2017 Executive Officer, General Manager, Omuta Plant of the Company</p> <p>April 2019 President of Denka Performance Elastomer LLC</p> <p>April 2021 Managing Executive Officer of the Company (present)</p>	-
	Attendance at Board of Directors meetings -/- (-)	<p>[Reasons for selection as a candidate for Director] Mr. Kazuo Takahashi possesses adequate operational experience, including work experience in plant manufacturing and overseas subsidiaries. Currently, Mr. Takahashi is in charge of business strategy for the Denka Group as a whole, including overseas businesses, as the executive responsible for management strategy and investor relations and corporate communications divisions, and he is promoting the management plan, "Denka Value-Up." 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] The new normal and paradigm shift have arisen over an extremely short period of time. Apprehending these dramatic changes in the world as an opportunity to soar, I will endeavor to leverage the Company's comprehensive capabilities to enhance corporate value and achieve sound growth.</p>	

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

2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
5	(New appointment) (Candidate for Outside Director) (Independent Director (planned)) Yoshiyuki Fukuda (September 8, 1956) Age: 64 [-] [-]	<p>April 1979 Joined The Industrial Bank of Japan, Limited</p> <p>April 2004 General Manager, Business Division No.7 of Mizuho Corporate Bank, Limited</p> <p>March 2006 Executive Officer, General Manager, Corporate Banking Division No.15 of Mizuho Corporate Bank, Limited</p> <p>April 2007 Executive Officer, General Manager, Securities Division of Mizuho Corporate Bank, Limited</p> <p>April 2008 Managing Executive Officer in charge of Corporate Banking of Mizuho Corporate Bank, Limited</p> <p>April 2010 Managing Executive Officer, Chief Compliance Officer and Chief Credit Officer of Mizuho Corporate Bank, Limited</p> <p>April 2011 Managing Executive Officer, Head of Corporate Banking Unit of Mizuho Corporate Bank, Limited</p> <p>April 2012 Managing Executive Officer, Head of Corporate Banking Unit (Large Corporations) and Corporate Banking Unit of Mizuho Corporate Bank, Limited (until March 2013)</p> <p>April 2013 Deputy President and Deputy President-Executive Officer, Head of Investment Banking Division, Head of Public & Financial Institutions Group of Mizuho Securities Co., Ltd. (until March 2014)</p> <p>April 2014 Chairman of Shinko Asset Management Co., Ltd. (until November 2015)</p> <p>November 2015 President & CEO of Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc. (until June 2021 (planned))</p>	-
	Attendance at Board of Directors meetings -/- (-)	<p>[Reasons, etc. for selection as a candidate for Director, and summary of expected roles] Having worked in corporate management at financial institutions for many years, Mr. Yoshiyuki Fukuda has rich experience and broad 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 (8 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 Outside Directors" 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] I will focus on creating an open and transparent organizational culture, and hope to contribute to building an organization with a high level of risk management.</p>	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. If the election of Mr. Fukuda is approved, the Company intends to conclude a liability limitation contract with him, based on Article 427, Paragraph 1 of the Companies Act, that limits 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.

3. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

Proposal No. 3: Election of Four (4) Directors who are Audit & Supervisory Committee Members

The terms of office of five (5) Directors who are Audit & Supervisory Committee Members will expire at the conclusion of this Ordinary General Meeting of Shareholders.

The transition to a company with an Audit & Supervisory Committee was approved by the 160th Ordinary General Meeting of Shareholders of the Company held in June 2019. Two years have subsequently passed, the new system is operating stably, and the Company has deemed that it ensures sufficiently effective governance. Therefore, it is proposed to reduce the number of internal Directors who are Audit & Supervisory Committee Members from two (2) to one (1), and elect four (4) Directors who are Audit & Supervisory Committee Members, as follows.

If Proposal No. 2 and this Proposal are approved as originally proposed, then the proportion of the Board of Directors composed of Outside Directors will increase, and the involvement of Outside Directors in the Board of Directors will be further strengthened.

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

The candidates for Directors who are Audit & Supervisory Committee Members are as follows:

No.	Name	Positions and responsibilities at the Company	Attendance at Audit & Supervisory Committee meetings	Attendance at Board of Directors meetings
1	New appointment Masaharu Suzuki	Director, Advisor	-/- (-)	13/13 (100%)
2	Reappointed Outside Independent Director Toshio Kinoshita	Director, Audit & Supervisory Committee Member	15/15 (100%)	13/13 (100%)
3	New appointment Outside Independent Director Akio Yamamoto	Director	-/- (-)	13/13 (100%)
4	New appointment Outside Independent Director (planned) Miyuki Matoba		-/- (-)	-/- (-)

Reappointed: Candidate for reappointment as Director (Audit & Supervisory Committee Member)

New appointment: Candidate for new appointment as Director (Audit & Supervisory Committee Member)

Outside: Candidate for Outside Director (Audit & Supervisory Committee Member)

Independent Director: Independent Director as notified to the Tokyo Stock Exchange

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary, positions, responsibilities and significant concurrent positions, etc.	Number of shares of the Company held
1	(New appointment) Masaharu Suzuki (December 11, 1955) Age: 65 [June 2019] [2 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1981 Joined the Company June 2005 Deputy General Manager, Shibukawa Plant of the Company June 2007 Deputy General Manager, Omuta Plant of the Company April 2011 Executive Officer of the Company, Director Chairman of Denka Chemicals Holdings Asia Pacific Pte., Ltd. April 2015 Managing Executive Officer of the Company April 2017 General Manager, Corporate Planning Dept. of the Company May 2017 General Manager, Business Process Reform Promotion Dept. of the Company January 2018 General Manager, Denka Value-Up Promotion Dept. of the Company June 2019 Director and Managing Executive Officer of the Company April 2020 Director and Senior Managing Executive Officer of the Company April 2021 Director and Advisor of the Company (present)	4,000
	Attendance at Audit & Supervisory Committee meetings -/- (-) Attendance at Board of Directors meetings 13/13 (100%)	[Reasons for selection as a candidate for Director who is an Audit & Supervisory Committee Member] Mr. Masaharu Suzuki possesses adequate operational experience, including work experience in research and development and plant manufacturing, responsibility for the management of an overseas subsidiary, business strategy, and administrative divisions such as investor relations and corporate communications, followed by experience directing the technical division overall as Chief Technical Officer, while also taking responsibility for the Digital Innovation Dept., a department created to strategically build and operate general information systems for the Group. The Company judges that this abundant and broad knowledge and insight is necessary for the supervision and audit of the Company's management, and requests his election as Director who is an Audit & Supervisory Committee Member. [Message to shareholders] I intend to engage in audit activities focused on the implementation of growth strategy and response to internal and external risk, to sustainably boost the corporate value of the Company.	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
 2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary, positions, responsibilities and significant concurrent positions, etc.	Number of shares of the Company held
2	(Reappointed) (Outside) (Independent Director) Toshio Kinoshita (April 12, 1949) Age: 72 [June 2019] [2 years * at the conclusion of this Ordinary General Meeting of Shareholders]	July 1983 Registered as Certified Public Accountant July 1989 Partner, U.S. Coopers & Lybrand L.L.P (current PricewaterhouseCoopers) (until June 1998) June 1994 Representative employee of Chuo Audit Corporation (until July 2005) July 1998 Senior Managing Partner for North America, New York Head Office, U.S. PricewaterhouseCoopers L.L.P. (until June 2005) July 2005 Management Board Member for International Business of Tokyo Office of ChuoAoyama PricewaterhouseCoopers (until June 2007) July 2007 Chief Executive of The Japanese Institute of Certified Public Accountants (JICPA) (until July 2013) July 2013 Council Member of JICPA (until July 2016) June 2014 Outside Audit & Supervisory Board Member of Panasonic Corporation (present) July 2014 Representative Director of Global Professional Partners (present) August 2014 Outside Corporate Auditor of Weathernews Inc. (until August 2018) March 2015 Outside Director of Asatsu-DK Inc. (until December 2018) June 2015 Outside Audit & Supervisory Board Member of the Company June 2015 Outside Director of TACHI-S CO., LTD. (present) July 2015 Outside Director of Mizuho Bank, Ltd. (until September 2019) January 2018 Outside Director of ThreePro Group Inc. (current GiG Works Inc.) (present) June 2019 Outside Director (Audit & Supervisory Committee Member) of the Company (present) (to date)	-
	Attendance at Audit & Supervisory Committee meetings 15/15 (100%) Attendance at Board of Directors meetings 13/13 (100%)	[Reasons for selection as a candidate for Outside Director who is an Audit & Supervisory Committee Member and summary of expected roles] Mr. Toshio Kinoshita has experience and rich accounting knowledge gained as a certified public accountant who practiced in Japan and the U.S. for many years and is well versed in international accounting. The Company proposes that Mr. Kinoshita be elected as an Outside Director who is an Audit & Supervisory Committee Member in the expectation that he will utilize his knowledge in supervision and audit of the Company's management. [Message to shareholders] I will contribute to enhancing corporate governance, aimed at Denka's sustainable growth as a global company and the medium- and long-term enhancement of corporate value.	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits 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. Kinoshita is approved, the Company plans to continue the same contract.
3. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary, positions, responsibilities and significant concurrent positions, etc.	Number of shares of the Company held
	(New appointment) (Candidate for Outside Director) (Independent Director) Akio Yamamoto (December 2, 1951) Age: 69 [June 2015] [6 years * at the conclusion of this Ordinary General Meeting of Shareholders]	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)	-
3	Attendance at Audit & Supervisory Committee meetings -/- (-) Attendance at Board of Directors meetings 13/13 (100%)	<p>[Reasons, etc. for selection as a candidate for Outside Director who is an Audit & Supervisory Committee Member and summary of expected roles] Mr. Akio Yamamoto has rich experience and broad insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career includes 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 and has provided suggestions about the Company's overseas business expansion strategy and management in general based on this knowledge. The Company proposes that Mr. Yamamoto be elected as an Outside Director who is an Audit & Supervisory Committee Member in the expectation that he will utilize his abundant and broad knowledge and insight in the supervision and audit of the Company's management</p> <p>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 4.6% of the Company's total sales, transactions between the Company and the said company are substantially 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 Directors" 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] We are entering an era of significant change in the environment and value perceptions that surround companies. I intend to firmly maintain a medium- to long-term perspective and a sincere, fair and upright attitude, and endeavor to further strengthening corporate governance, to contribute to the Company's sound growth and the enhancement of its corporate value.</p>	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
 2. Mr. Yamamoto served as the Representative Director and President of a specified related party of the Company until June 2014.
 3. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits 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 contract.
 4. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover

legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary, positions, responsibilities and significant concurrent positions, etc.	Number of shares of the Company held
4	(New appointment) (Candidate for Outside Director) (Independent Director (planned)) Miyuki Matoba (August 15, 1973) Age: 47 [-] [-]	<p>April 2000 Registered as a lawyer (Tokyo Bar Association)</p> <p>April 2013 Executive Governor of the Japan Federation of Bar Associations (until March 2014)</p> <p>October 2015 Senior Leader, Management Support Division of MOS FOOD SERVICES, INC.</p> <p>April 2018 Risk Management & Compliance Group Leader of MOS FOOD SERVICES, INC. (until March 2019)</p> <p>April 2019 General Manager, Risk Management & Compliance Office of MOS FOOD SERVICES, INC. (until September 2020)</p> <p>September 2020 Intellectual Property and Legal Div., General Affairs H.Q. of NITTO KOHKI CO., LTD.</p> <p>April 2021 General Manager, Intellectual Property and Legal Div., General Affairs H.Q., and compliance supervisor of NITTO KOHKI CO., LTD. (present) (to date)</p>	-
	<p>Attendance at Audit & Supervisory Committee meetings -/- (-)</p> <p>Attendance at Board of Directors meetings -/- (-)</p>	<p>[Reasons, etc. for selection as a candidate for Outside Director who is an Audit & Supervisory Committee Member and summary of expected roles] Ms. Miyuki Matoba has abundant legal knowledge acquired over many years as a lawyer. The Company proposes that Ms. Matoba be elected as an Outside Director who is an Audit & Supervisory Committee Member in the expectation that she will utilize her knowledge in the supervision and audit of the Company's management, while also providing advice from a perspective based on diversity. Although she has never been directly involved in corporate management, she has extensive knowledge of corporate legal affairs as a lawyer, and sufficient insight regarding corporate governance, including through her experience as corporate counsel. It is hence judged by the Company that she can appropriately fulfill the duties of an Outside Director who is an Audit & Supervisory Committee Member.</p> <p>[Message to shareholders] I will contribute to enhancing corporate value by focusing on the further strengthening of corporate governance and thorough compliance.</p>	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. If the election of Ms. Matoba is approved, the Company intends to conclude a liability limitation contract with her, based on Article 427, Paragraph 1 of the Companies Act, that limits her 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.
3. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

(Reference)

The Company's views regarding the election of Directors

In order to promote the 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 it is important for the Board of Directors as a whole to elect a good balance of personnel with a variety of knowledge, experience, and abilities, and ensure that the composition of the Board of Directors is diverse in terms of gender, international background, and other factors.

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

Standards of Independence for Denka Outside Directors

The Company selects candidates for Outside Directors 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 Directors

The standard of independence for an Outside Director 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.

(*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

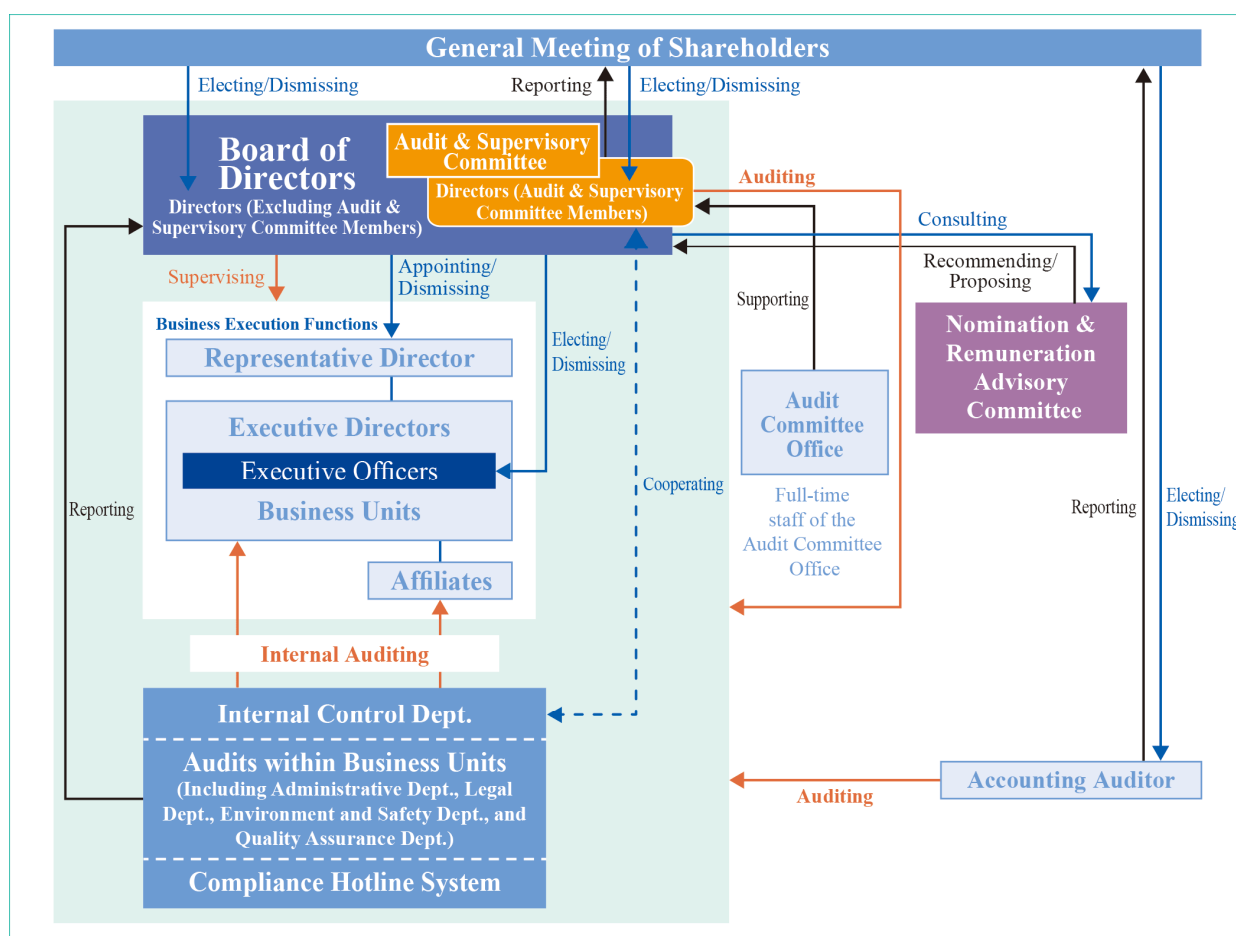
We:

- 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



Current Corporate Governance System



Board of Directors and optional committees

■ Board of Directors (Met 13 times in fiscal 2020)

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. For further details of our approach in appointing members of the Board of Directors, please see page 21.

Additionally, the Nomination & Remuneration 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' (excluding Audit & Supervisory Committee Members) terms to one year, in order to facilitate flexible checks on them at the General Meeting of Shareholders.

■ Nomination & Remuneration Advisory Committee (Met 2 times in fiscal 2020)

For major management matters such as nomination, remuneration and other elements of governance, the Board of Directors has set up the Nomination & Remuneration Advisory Committee, comprising all Outside Directors, 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 inquiries from the Board of Directors regarding the policy for determining Directors' remuneration, and remuneration and redeployments at the Director and Executive Officer level, including the abolition of the office of Counselor, and made recommendations and proposals regarding the results of these inquiries.

■ **D&A Round Table (Met 4 times in fiscal 2020)**

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

■ **Evaluation of the Effectiveness of the Board of Directors**

At Denka, the effectiveness of the Board of Directors is analyzed and evaluated annually. As a result of measures taken in the previous fiscal year, we reaffirmed that discussion was reinvigorated at the Board of Directors, by ensuring an appropriate Board size and composition (in terms of achieving the right balance of expertise, experience, ability and diversity) and an appropriate meeting frequency and duration. In addition, we affirmed that the monitoring and supervision of the management was being appropriately implemented by the Board of Directors, 42% of the members of which are Outside Directors.

Furthermore, based on the view expressed in the previous year's appraisal, that the transition to a company with an Audit & Supervisory Committee should be used as an opportunity to achieve even more appropriate operation of the Board of Directors, the Board of Directors engaged in a review of the meeting agenda. As a result, it was possible to allot more time to the consideration of important matters through the strict selection of agenda items necessary for the monitoring and supervision of the execution of duties, and we affirmed that discussions had become deeper.

Meanwhile, the view was expressed that more substantial discussion was needed regarding long-term company-wide targets and specific business strategy, based on changes in the management environment, while strengthening our focus on ESG management. Regarding the necessity for a continuing review of the criteria for forming a resolution and operation after the transition to a company with an Audit & Supervisory Committee, we evaluated operation during the first year as smooth overall, and shared an awareness that more optimal operation should be pursued during the second year.

Looking ahead, in light of these constructive opinions, we will take steps to further improve the effectiveness of the Board of Directors, aiming to improve medium-to-long-term corporate value, and respond to the expectations and trust placed in us by our shareholders and numerous other stakeholders.

■ **Audit & Supervisory Committee (Met 15 times in fiscal 2020)**

In accordance with their fiduciary responsibilities to shareholders, Audit & Supervisory Committee Members and the Audit & Supervisory Committee work with the support of the full-time staff of the Audit Committee Dept., whose independence from management is ensured, to conduct audits of the execution of directors' duties, internal control, 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, non-reappointment, and remuneration of an auditing firm.

In addition, the Audit & Supervisory Committee forms views on matters related to the election, etc. and compensation, etc. of Directors (excluding Directors who are Audit & Supervisory Committee Members), including matters to be put forward at the General Meeting of Shareholders.

Furthermore, the Company appoints candidates for Directors who are Audit & Supervisory Committee Members based on its judgment that, in order for the Audit & Supervisory Committee to fulfill its roles and responsibilities, Audit & Supervisory Committee Members should possess appropriate experience and ability as required for their duties, and that in particular, there should be at least one person with expertise in finance and accounting.

■ **Outside Directors**

Regarding Outside Directors, 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 21), 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 Directors 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:

■ Objective briefings (Met twice in fiscal 2020)

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

■ Outside Officer Liaison Committee (Met 4 times in fiscal 2020)

The Company holds "Outside Officer Liaison Committee" meetings 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

	Purpose	Measures
2007	To speed up decision-making	Cut the number of directors by half and introduce an executive officer system
2008	Ensure that Directors monitor and supervise the execution of business on an equal footing	Abolition of executive titles (such as Senior Managing Director, Managing Director)
	Clear separation of monitoring and supervisory functions from the execution of business	Reassigning the authority of business execution and executive titles from directors to executive officers
	Flexibly perform checks on directors	Shortening the length of directors' appointments to one year
	Step up checks on management from an external perspective	By appointing two Outside Directors, the number of appointments of outside officers rises to four, including two Outside Audit & Supervisory Board Members (per statutory requirements)
	Create system enabling appropriate advice-giving even outside of meetings of the Board of Directors, by arranging ample exchange of opinions	Implement regular opportunities for outside officers to exchange opinions with top management
	Speed up decision-making by deepening discussions of important management matters	Establishment of a Management Committee comprising Directors, Audit & Supervisory Board Members (internal), and some executive officers
2015	Improve the governance framework and raise standards of transparency and soundness of management	Increasing the number of Outside Directors (from two to three) and reducing the number of members of the Board of Directors (by two)
	Create venues for free, vigorous and constructive deliberations, exchange of opinions and information and alliance-strengthening for internal and Outside Directors and Audit & Supervisory Board Members	To step up round-table meetings of Outside Directors and Audit & Supervisory Board Members formerly held twice per year, hold a round-table conference of Directors and Audit & Supervisory Board Members
	Achieve optimum standards of corporate governance to ensure sustainable growth and improve medium to long-term corporate value	Compilation of the Denka Corporate Governance Guidelines
	Deepen understanding of the Company's business, and stimulate debate at meetings of the Board of Directors	Enhance the provision of advance explanation for outside officers regarding specific agenda items that require adequate explanation
	Enable exchange of information and formation of consensus among outside officers	Holding "Outside Officer Liaison Committee" four times per year
2016	Promote understanding of the Company's medium- to long-term and short-term business and research objectives	Holding business and research objective briefings (currently referred to as objective briefings) for outside officers twice a year
	Ensure adequate auditing and supervision of business execution by executive officers	Clarification of the details of agenda and report materials at the Board of Directors meetings
	Step up the effectiveness of the Board of Directors	Arrangement for all Directors and all Audit & Supervisory Board Members to annually analyze and evaluate the effectiveness of the Board of Directors, and disclose the results in the Corporate Governance Report
2017	Foster greater transparency and objectivity in business decision-making, with the Board of Directors accepting diverse opinions and advice from the outside officers with regard to major business topics including appointments, remuneration and other governance matters	Establishment of the Management Advisory Committee comprising all Outside Directors, all Outside Audit and Supervisory Board Members, the Chairman and the President
		Renaming the "round-table conference of Directors and Audit & Supervisory Board Members" the "D&A Round Table"

	Purpose	Measures
2019	Further strengthen corporate governance and improve corporate value by further strengthening the supervisory role of the Board of Directors, by enabling more rapid decision-making and vesting directors who are members of the Audit & Supervisory Committee with voting rights at the Board of Directors meeting	Shift from the “Company with Audit & Supervisory Board” model to that of a “Company with Audit & Supervisory Committee”
		Change the name of the “Management Advisory Committee” to the “Nomination & Remuneration Advisory Committee
2021	Review of regulations regarding the appointment of retirees from the office of Chairman and President as Counselors and Advisors.	Abolish the office of Counselor
2021 (planned)	Clarify the roles of the Board of Directors and the executive structure, further enhance the effectiveness of discussions at Board of Directors meetings, and further expedite its decision-making process	Reduce the number of Directors from 12 to 9, and raise the proportion of Outside Directors on the Board of Directors to over 44%

Business Report

(From April 1, 2020 to March 31, 2021)

1. Overview of the Group

(1) Business Progress and Results

During the fiscal year under review, the Japanese economy faced difficult conditions including substantial restrictions on economic activities overall, and a significant downturn, especially in personal consumption and exports, due to the spread of COVID-19. The global economy deteriorated, primarily in Europe and the United States as the COVID-19 pandemic continued to spread, except in China and some other regions.

In the chemical industry, demand declined during the first half of the fiscal year, due to the spread of COVID-19, but corporate earnings remained resilient overall, with a subsequent recovery in demand, primarily in the automobile and semiconductor sectors.

Against this economic backdrop, in order to realize “The Denka Value” corporate philosophy, the Group pushed ahead with “Business Portfolio Shift” and “Introduction of Innovative Processes,” two strategies set forth in our “Denka Value-Up” five-year management plan launched in fiscal 2018, and focused its efforts on expanding businesses and enhancing profitability, under the three elements of our growth vision, namely, “Specialty-Fusion Company,” “Sustainable Growth,” and “Sound Growth.” As a result, during the year under review, sales volumes declined overall, as a consequence of the fall in demand due to the global economic slowdown, despite a positive contribution from growth in electronics and highly advanced product lines and new healthcare products. Sales decreased ¥26,412 million or 6.9% year on year to ¥354,391 million, partly due to revisions to selling prices for certain products in step with declines in raw material prices. Turning to earnings, operating income increased by ¥3,142 million or 9.9% year on year to ¥34,729 million, the highest on record, and the ratio of operating income to net sales was 9.8%, an increase of 1.5 percentage points, thanks to an increase in sales of high value-added products for growth sectors, as well as a reduction in fixed costs. Furthermore, ordinary income increased ¥2,108 million or 7.0% to ¥32,143 million, and profit attributable to owners of the parent increased ¥81 million or 0.4% to ¥22,785 million, both exceeding the previous fiscal year’s levels.

Results of operations by division are described below.

Elastomers & Performance Plastics Division (Sales: ¥124,301 million)

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

Sales of chloroprene rubber have begun to recover, but were down year on year due to an overall slump in production activities, resulting from the substantial impact of the worldwide economic slowdown due to the spread of COVID-19. In addition, sales of styrene monomer, ABS resin, polystyrene resin and MS resin at Denka Singapore Pte., Ltd. were generally robust in volume terms, but sales revenues fell owing to revisions to selling prices in step with the decline in prices of raw materials.

As a result, division sales decreased ¥25,023 million or 16.8% year on year to ¥124,301 million.

Infrastructure & Social Solutions Division (Sales: ¥50,547 million)

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

Sales of corrugated drainpipes for agriculture and civil engineering were generally robust, but sales of cement, special cement additives, fertilizers, fire resistant materials, and steel materials were down year on year as a result of factors including the impact of unfavorable weather conditions, in addition to COVID-19.

As a result, division sales decreased ¥4,254 million or 7.8% year on year to ¥50,547 million.

Electronics & Innovative Products Division (Sales: ¥71,195 million)

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

Sales volumes grew for spherical alumina and high-purity conductive carbon black, primarily for xEV. Sales of functional films for electronic components and semiconductors, and spherical fused silica fillers were robust, due to expansion in worldwide demand related to 5G and data centers, and sales of HITTPATE aluminum substrate for automotive applications also increased. In addition, ALONBRIGHT SiAlON phosphors for LED performed strongly owing to PC-related demand, but sales of ALSINK highly reliable heat-dissipating plate and AN PLATE high thermal conductivity substrates fell year on year due to a slump in electric railway-related demand.

As a result, division sales increased ¥3,166 million or 4.7% year on year to ¥71,195 million.

Life Science & Environmental Products Division (Sales: ¥33,441 million)

Principal products: Food packaging materials, housing materials, industrial tapes, synthetic fiber for wigs, etc.

Sales of film for food packaging material and processed products were robust in general, due to an increase in demand for take-out food. However, sales of plastic rain gutters, “TOYOKALON” synthetic fiber for wigs, and industrial tapes were down year on year, due to the impact of the spread of COVID-19.

As a result, division sales decreased ¥3,532 million or 9.6% year on year to ¥33,441 million.

Life Innovation Division (Sales: ¥42,947 million)

Principal products: Joint function improvers, vaccines, and diagnostic reagents, etc.

Shipments of influenza vaccines were up year on year, and revenues increased, with the rise in vaccination rates resulting from increased awareness of vaccination due to the COVID-19 pandemic. Production and sales of the COVID-19 Rapid Antigen Test Kit QuickNavi™- COVID19 Ag, launched in August 2020, were robust, but sales of our existing testing reagents fell year on year, as the number of people using our influenza testing kits and similar products declined due to the impact of the COVID-19 pandemic. In addition, we commenced shipments of diethyl malonate, a raw material used to produce the anti-flu medicine Avigan® Tablet, which is expected to be effective against COVID-19.

As a result, division sales increased ¥7,436 million or 20.9% year on year to ¥42,947 million.

*Avigan is a registered trade name of FUJIFILM Toyama Chemical Co., Ltd.

Others Division (Sales: ¥31,958 million)

Principal business: Plant engineering etc.

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

As a result, division sales decreased ¥4,204 million or 11.6% year on year to ¥31,958 million.

(2) Capital Investment

In the “Denka Value-Up” management plan, investments totaling 200 billion over five years are planned under the two growth strategies of “Business Portfolio Shift” and “Introduction of Innovative Processes,” to meet numerical targets. In the fiscal year ended March 31, 2021, the Group carried out capital investments totaling ¥42,323 million.

Capital investment in the Elastomers & Performance Plastics Division amounted to ¥9,716 million. Principal items were construction for increased MS resin capacity at Denka Singapore Pte. Ltd. through the redeployment of polystyrene production facilities, in addition to investments at the Company’s Omi Plant, Chiba Plant, etc.

In the Infrastructure & Social Solutions Division, capital investment amounted to ¥11,452 million, which mostly concerned the Company’s Omi Plant.

In the Electronics & Innovative Products Division, capital investment amounted to ¥12,671 million. The investments were mostly works to expand spherical alumina production capacity and works to expand high purity conductive carbon black capacity at the Company’s Omuta Plant and our Singapore subsidiary

Capital investment in the Life Science & Environmental Products Division amounted to ¥1,877 million mainly for the Company and DENKA Polymer Co., Ltd.

In the Life Innovation Division, capital investments of ¥6,459 million were made, in regard to construction of a new influenza vaccine base manufacturing facility wing at the Company’s Gosen Site and other items.

Main capital investment projects completed during fiscal 2020 included the construction of a new influenza vaccine base manufacturing facility wing at the Company’s Gosen Site, and a new hydroelectric power facility at the Omi Plant. In addition, capital investment projects currently under construction include works to increase production capacity for electronics and highly advanced product lines at the Company’s Omuta Plant and Singapore subsidiary.

(3) Financing

In fund procurement, the Company did not obtain any financing through the issue of new shares or corporate bonds during the fiscal year under review.

(4) Significant Business Reorganization

Effective April 1, 2020, the Company assumed the rights and obligations of DENKA SEIKEN Co., Ltd. through an absorption-type merger with the Company as the surviving company.

Furthermore, effective April 1, 2020, the Company’s subsidiaries Akros Trading Co., Ltd. and YK Inoas Co., Ltd. conducted an absorption-type merger, with Akros Trading Co., Ltd. as the surviving company and YK Inoas Co., Ltd. as the absorbed company.

(5) Issues to be Addressed

Since fiscal 2018, the Company has been focusing significant efforts on promoting the “Denka Value-Up” five-year management plan, in order to realize its corporate philosophy “The Denka Value.” Here we would like to describe some specific measures implemented in fiscal 2020, the third year of the plan.

Firstly, in the environment and energy field, we strengthened our functional ceramics businesses in Singapore and at the Omuta Plant. In Singapore, we proceeded with works to strengthen production capacity for spherical alumina, a heat-dissipating material for fifth-generation mobile communications systems (5G) and next-generation automobiles (xEV). We leveraged the unique fusion technologies that the Company has developed over many years, to raise spherical alumina to a level beyond the reach of our competitors. We aim to complete all works in March 2022. At the Omuta Plant, we will strengthen our production capacity for silicon nitride powder, a heat dissipating material for xEV, by approximately 30% by the second half of fiscal 2022. The Company boasts an industry leading production capacity and market share in silicon nitride powder, a leading engineering ceramic with outstanding thermal and mechanical properties. We will continue to promote the development of new materials, for 5G and xEV in particular, and endeavor to further strengthen our presence in the environment and energy field.

In the healthcare domain, we obtained approval for the sale in Japan of a rapid antigen test kit for COVID-19, a disease threatening the entire world, and commenced sales. In January 2021, we also developed a rapid antigen test kit capable of testing for COVID-19 and influenza simultaneously on a single device. We have applied for regulatory approval of this kit in Japan. In December 2020, Daiichi Sankyo Co., Ltd. submitted a new drug application for production and marketing of regenerative medicine, etc. for G47Δ (delta), an oncolytic virus for which the Company has been developing

commercial production technology. After production and sale of G47Δ is approved by the Ministry of Health, Labour and Welfare, it is planned that the Company will be responsible for manufacturing it. G47Δ is a promising, innovative cancer treatment. The Company, with its many years of experience in the development and manufacture of vaccines and virus testing reagents, has been engaged in developing production technology to turn virus into drugs. In addition to the infectious disease domain, including influenza vaccines and various virus antigen rapid test kits, the Company will now embark on a range of new businesses in the cancer domain.

In fiscal 2020, the whole world experienced the disaster of the COVID-19 pandemic. The Company steadily continued its businesses around the world however, still providing the value that society needs, as a result of the steady initiatives described above, under the “Denka Value-Up” management plan. At the same time however, the Company was unable to achieve the level of operating income planned for fiscal 2020 under “Denka Value-Up.” We have recently announced a revision of the remaining two years of “Denka Value-Up,” establishing an operating income target for fiscal 2022 of ¥50.0 billion, within the original range of the plan, and determined to engage in threefold “Value-Up” initiatives.

The first initiative is “enhancing the value of our business.” We will focus our efforts on achieving numerical targets through measures such as riding megatrends including 5G and xEV to expand income from advanced electronics materials, steady growth in the healthcare field, and faster specialization of our key operations.

The second initiative is “enhancing the value of our environment.” With the reduction of environmental impact as the foundation of our management, we will accelerate decarbonization initiatives, to achieve a 50% reduction in greenhouse gas emissions by 2030 (compared to 2013), and carbon-neutral status by 2050.

The third initiative is “enhancing the value of human resources.” The COVID-19 crisis highlighted the fact that the task of enhancing operational productivity through flexible working styles is indispensable for corporate survival. We will pursue work styles applicable to the post-COVID-19 era, to become a company in which each employee can achieve job satisfaction and personal growth through their job.

Ultimately, the COVID-19 crisis has given rise a keen awareness of the fact that “only companies that provide genuine value will survive in the society of the future.” This is precisely what drives the promotion of specialization, the core of the “Denka Value-Up” management plan, or “concentrating on jobs that we do best.” With the SDGs as our compass, we will continue to challenge ourselves to resolve a variety of social issues, and strongly promote our threefold “Value-Up” initiatives, to be an indispensable corporate member of society.

(Reference)

Management Plan

Denka Value-Up ~Numerical Targets for Fiscal 2022 and Initiatives for the Next Two Years~

The Company recently completed an interim review of the five-year management plan “Denka Value-Up” that started in 2018, determining initiatives to focus on over the coming two years and establishing numerical targets for fiscal 2022.

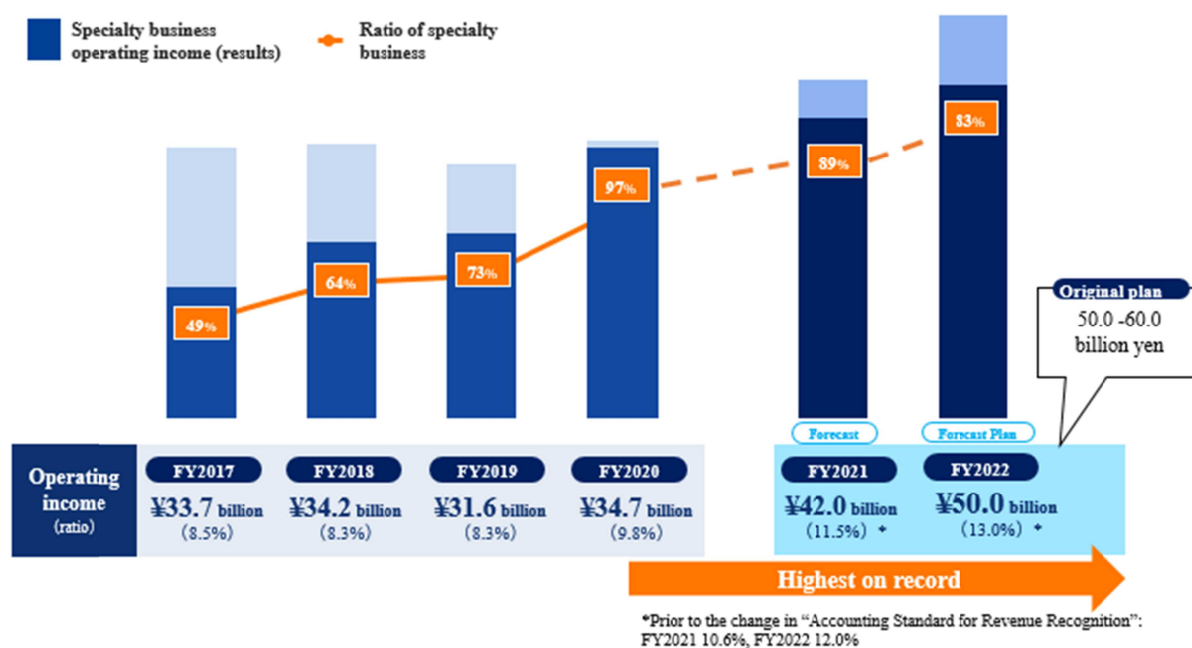
Until now, the results of our growth strategy under “Denka Value-Up” have steadily materialized, primarily in the fields of healthcare, the environment and energy, and we are smoothly progressing on the road to achieving our long-term vision to be a “Specialty-Fusion Company.” This demonstrates that the Company was heading in the right direction with “Denka Value-Up.”

Now, in addition to initiatives for the next two years, based on the growth strategy set forth in “Denka Value-Up,” we aim to achieve our numerical targets for fiscal 2022 by clarifying our social raison d’être.

We have also designated these last two years of “Denka Value-Up” as an important time to prepare to aim even higher under our next management plan. We will strive forward, our vision set on new heights.

Revision of numerical targets

Numerical targets (consolidated operating income, income ratio, ratio of specialty business)



<Definition of Specialty Business>

- A business with a top-class share, that is consistent with ESG initiatives, that is both unique and high value-added, and that is not easily shaken by the external environment; or a business that has the potential to gain these qualities in the near future.
- In addition to our threefold focus on healthcare, the environment and energy, and high value-added infrastructure, since fiscal 2018 we are striving to specialize our key operations.

Allocation of profits

Investment

Forecast to exceed plans, due to the active implementation of investment strategy (specialty business and process innovation).

	2018~20	2018~22	
	3-year results	5-year plan	5-year forecast
Strategic investment	51.8 billion yen	75.0 billion yen	85.0 billion yen
Regular investment	75.8 billion yen	125.0 billion yen	125.0 billion yen
Total	127.6 billion yen	200 billion yen	210.0 billion yen

Shareholder returns

Continue according to the original plan, with a benchmark **total payout ratio of 50%** in both FY2021 and FY2022.

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

	FY2018 results	FY2019 results	FY2020 results
Profit	25.0 billion yen	22.7 billion yen	22.8 billion yen
Total dividends	10.5 billion yen	10.8 billion yen	10.8 billion yen
Share repurchases	2.1 billion yen	0.0 billion yen	0.0 billion yen
Total payout ratio	50%	48%	47%

Initiatives over the next two years to realize our vision for Denka

With the SDGs as our compass, we will challenge ourselves to resolve a range of social issues in ways that only Denka can. As a first step towards being a company that our employees and stakeholders can take pride in, an indispensable corporate member of society, we will focus our efforts on threefold “Value-Up” initiatives.

Initiatives for the next two years

<1> Enhancing the value of our business

Transforming our portfolio and achieving further specialization by concentrating on the jobs that we do best

1. Business Portfolio Shift

◇ Accelerate growth of specialty businesses

The environment and energy	<ul style="list-style-type: none">• Expand sales in markets related to xEV, 5G, semiconductors and renewable energy• Focus on developing a product lineup that anticipates the coming age
Healthcare	<ul style="list-style-type: none">• Actively contribute to responding to new and re-emerging infectious diseases• Respond to the digitalization of diagnosis and treatment through genetic testing
High value-added infrastructure	<ul style="list-style-type: none">• Overseas expansion• New product development• Accelerate radical reform of unprofitable products• Continue to regard as a key field, and place on a new growth trajectory

◇ Specialize our key operations, redefine the positioning of the commodity business

- Address portfolio shift for businesses requiring restructuring within two years

2. Innovative Processes

◇ Fuse processes through DX, and transform the business model and organizational structure

Reform production processes	<ul style="list-style-type: none">• Focus on automation of visual examination, introduction of robotics, stronger sensors, etc.
Reform R&D processes	<ul style="list-style-type: none">• Full-scale utilization of R&D support systems and material infomatics
Business process reform, work style reform	<ul style="list-style-type: none">• Shift to online meetings, digitalization of documents and approvals• Elimination of difficult, dirty, and dangerous workplaces

<2> Enhancing the value of our environment

Environmental management (initiatives to achieve carbon-neutral status)

Make the reduction of environmental impact the foundation of our management

50% reduction in greenhouse gas emissions by 2030 (compared to 2013)

Aim for carbon-neutral status by 2050

- Portfolio shift
- Expand the use of clean energy and introduce high-efficiency gas turbine power generation
- Products to contribute to the environment and technologies to reduce environmental impact
- Develop and implement CCUS (carbon capture, utilization and storage technologies)
- Chemical recycling technologies
- Reduce overall greenhouse gas emissions throughout product recycling (LCA)

<3> Enhancing the value of human resources

To be a company where employees can feel their own growth through meaningful jobs

- Establish securing specialty human resources, diversity promotion and work style reform as KPIs
- Reform systems for evaluation, recruitment, training, work environment, etc.
- Human resources education for early development of senior management candidates, radical renewal of organization and human resources
- Promotion of wellness management, including the creation of environments where employees can make full use of their abilities

(6) Financial Position and Results of Operations

(Millions of yen, unless otherwise stated)

Item	159th term (from April 1, 2017 to March 31, 2018)	160th term (from April 1, 2018 to March 31, 2019)	161st term (from April 1, 2019 to March 31, 2020)	162nd term (from April 1, 2020 to March 31, 2021)
Net sales	395,629	413,128	380,803	354,391
Operating income	33,652	34,228	31,587	34,729
Ordinary income	31,499	32,811	30,034	32,143
Profit attributable to owners of parent	23,035	25,046	22,703	22,785
Net income per share (yen)	261.80	286.18	262.62	264.24
Total assets	473,799	483,827	501,448	526,035
Total net assets	242,780	250,481	254,014	270,036
Net assets per share (yen)	2,727.94	2,839.16	2,906.95	3,101.92
Total shareholders' equity ratio (%)	50.5	51.0	50.0	50.8
Return on equity (ROE) (%)	10.0	10.3	9.1	8.8
Total dividends paid	9,206	10,479	10,785	10,785
Dividends per share (yen)	105.00	120.00	125.00	125.00

- 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 159th 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 162nd term, the sum of the interim dividend paid in December 2020 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.
4. The Company applied Partial Amendments to Accounting Standards for Tax Effect Accounting (Accounting Standards Board of Japan (“ASBJ”) No. 28, February 16, 2018) from the beginning of the 160th term, and these standards have been retrospectively applied to the details of assets and profit/loss in the 159th term.

(7) Significant Subsidiaries (as of March 31, 2021)

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 fertilizers and chemical products
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	100.0 (100.0)	Manufacturing and sales of construction chemicals
Denka Construction Solutions Malaysia Sdn Bhd.	MYR 1,500 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
PT. Hissan Trading Indonesia	USD 300 thousand	100.0 (100.0)	Sales of special cement additives, etc.in Indonesia
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
Denka Electronic Materials Dalian Co., Ltd.	JPY 1,000 million	100.0	Processing and sales of electronic materials
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 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 Chemicals GmbH	EUR 256 thousand	100.0	Import, export and sales of chemical and electronics products

Company name	Capital	The Company's percentage of equity participation	Principal business
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	76.8	Sales of inorganic industrial products, organic industrial products, civil engineering and construction materials, interior materials, 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.

- Notes: 1. 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. Effective April 1, 2021, the Company executed a corporate demerger, divesting itself of its housing equipment-related business, which was absorbed by Nakagawa Techno Industrial Co., Ltd. Nakagawa Techno Industrial Co., Ltd. was renamed Denka Astec Co., Ltd. (Minato-ku, Tokyo) effective the same day.

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 sales of polystyrene resin and styrene-based special resin.
Denak Co., Ltd.	JPY 600 million	50.0	Manufacturing and sales of monochloroacetic acid
Kurobegawa Power Plant	JPY 3,000 million	50.0	Operation of electric power business and other incidental business

(8) Principal Business Details (as of March 31, 2021)

The Company manufactures and sells the following products.

Business division	Main products
Elastomers & Performance Plastics Division	Chloroprene rubber, 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, acetylene black, etc.
Life Science & Environmental Products Division	Food packaging materials, housing materials, industrial tapes, synthetic fiber for wigs, etc.
Life Innovation Division	Joint function improvers, Vaccines, diagnostic reagents, etc.
Others Division	Plant engineering etc.

(9) Principal Offices and Factories (as of March 31, 2021)

Company name	Principal offices
Denka Co., Ltd.	Head Office: 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo Branches: Tokyo, Osaka, Nagoya, Fukuoka, Niigata, Kanetsu (Saitama), Hokuriku (Toyama), Sapporo, Tohoku (Sendai) Plants: Omi (Itoigawa, Niigata Prefecture), Omuta, Chiba (Ichihara, Chiba Prefecture), Shibukawa, Ofuna (Kamakura, Kanagawa Prefecture), Isesaki, Gosen 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
Denka Construction Solutions Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
PT. Hissan Trading Indonesia	Head Office: Jakarta, Indonesia
Denka Advantech Pte., Ltd.	Head Office and Plant: Singapore
Denal Silane Co., Ltd.	Head Office: Chuo-ku, Tokyo

Company name	Principal offices
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 Advanced Materials Vietnam Co., Ltd.	Head Office and Plant: Hung Yen, Vietnam
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 Chemicals GmbH	Head Office: Düsseldorf, Germany
Denka Consultant & Engineering Co., Ltd.	Head Office: Ichihara, Chiba Prefecture
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

Note: Effective April 1, 2021, the Company executed a corporate demerger, divesting itself of its housing materials business, which was absorbed by Nakagawa Techno Industrial Co., Ltd. Nakagawa Techno Industrial Co., Ltd. was renamed Denka Astec Co., Ltd. (Minato-ku, Tokyo) effective the same day.

(9) Employees (as of March 31, 2021)

1) The Group

Business segment	Number of employees	
Elastomers & Performance Plastics Division	1,050	[99]
Infrastructure & Social Solutions Division	1,042	[129]
Electronics & Innovative Products Division	1,228	[118]
Life Science & Environmental Products Division	1,026	[186]
Life Innovation Division	925	[279]
Others Division	711	[195]
Corporate (common)	369	[56]
Total	6,351	[1,062]

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
4,166 [697]	+817 [+179]	40.5	16.5

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 increase of 817 in the number of employees compared to the previous year-end is due to factors including the absorption-type merger of its consolidated subsidiary DENKA SEIKEN Co., Ltd.

(10) Principal Lenders (as of March 31, 2021)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	35,000
Mizuho Bank, Ltd.	17,416
M&A loans	12,442
The Norinchukin Bank	5,735
Sumitomo Mitsui Banking Corporation	5,118

- Notes: 1. The syndicated loan is managed by Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation 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, 2021)

(1) Total Number of Authorized Shares	290,000,000 shares
(2) Shares of Common Stock Issued	88,555,840 shares (including 2,276,151 shares of treasury stock)
(3) Number of Shareholders	35,737

(4) Major Shareholders

Shareholder name	Number of shares held (hundred shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	114,701	13.29
Custody Bank of Japan, Ltd. (Trust Account)	73,101	8.47
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Mizuho Bank Account (Account re-entrusted by Custody Bank of Japan, Ltd.)	32,158	3.73
National Mutual Insurance Federation of Agricultural Cooperatives	29,007	3.36
TAIJU LIFE INSURANCE COMPANY LIMITED	23,816	2.76
SSBTC CLIENT OMNIBUS ACCOUNT	14,197	1.65
Mitsui Sumitomo Insurance Company, Limited	13,832	1.60
Japan Post Insurance Co., Ltd.	13,800	1.60
THE BANK OF NEW YORK MELLON 140044	13,473	1.56
STATE STREET BANK AND TRUST COMPANY 505001	12,990	1.51

- Notes: 1. 2,276,151 shares of treasure stock have been excluded from the above list of major shareholders.
2. Treasury stock is excluded for calculation of the percentage of shares held.

(5) Other Significant Matters concerning Shares

Not applicable.

3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2021)

Not applicable

4. Company Officers

(1) Directors (as of March 31, 2021)

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
Norihiro Shimizu	Director	Senior Managing Executive Officer Chief Scientific Officer (CSO) Chief R&D Officer In charge of New Business Planning & Development Dept., R&D Promoting Dept., Intellectual Property Dept.
Masaharu Suzuki	Director	Senior Managing Executive Officer Chief Technical Officer (CTO) In charge of Purchasing Dept., Logistics Dept., Electric Power Dept., Production & Process Technology Dept., Engineering Dept., Digital Innovation Dept.
Toshio Imai	Director	Senior Managing Executive Officer Chief Compliance Officer (CCO) In charge of Corporate Planning Dept., Corporate Communications Dept., Automotive Materials & Solutions Dept., Denka Corporation, Denka Chemicals GmbH In charge of Denka Value-Up Promotion
Akio Yamamoto	Director (Outside)	
Tatsutsugu Fujihara	Director (Outside)	
Mitsukuni Ayabe	Director (Full-time Audit & Supervisory Committee Member)	
Junichi Kimura	Director (Full-time Audit & Supervisory Committee Member)	
Yasuo Sato	Director (Outside) (Audit & Supervisory Committee Member)	Chairman and Director of Wisemech Corporation
Toshio Kinoshita	Director (Outside) (Audit & Supervisory Committee Member)	Representative Director of Global Professional Partners Outside Audit & Supervisory Board Member of Panasonic Corporation Outside Director of TACHI-S CO., LTD. Outside Director of GiG Works Inc.
Hiroko Yamamoto	Director (Outside) (Audit & Supervisory Committee Member)	Lawyer, Sasanami Law Office

- Notes: 1. Directors Mr. Akio Yamamoto, Mr. Tatsutsugu Fujihara, Mr. Yasuo Sato, Mr. Toshio Kinoshita, and Ms. Hiroko Yamamoto are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Director who is an Audit & Supervisory Committee Member, Mr. Toshio Kinoshita is a certified public accountant, and has an adequate level of knowledge regarding finance and accounting.
3. The Company has appointed Directors Mr. Mitsukuni Ayabe and Mr. Junichi Kimura as Full-time Audit & Supervisory Committee Members, in order to enhance the effectiveness of audits through better information gathering and sufficient coordination with the Internal Control Dept., etc., and thereby strengthen audit and supervisory functions.

4. The Company designated Directors Mr. Akio Yamamoto, Mr. Tatsutsugu Fujihara, Mr. Yasuo Sato, Mr. Toshio Kinoshita, and Ms. Hiroko Yamamoto as independent officers as defined by Tokyo Stock Exchange, Inc. and notified it of the designation.

(Reference)

Executive Officers (as of April 1, 2021)

Position	Name	Responsibilities
President and Chief Executive Officer	Toshio Imai	
Senior Managing Executive Officer	Tetsuya Shinmura	Chief Technical Officer (CTO) In charge of Purchasing Dept., Logistics Dept., Electric Power Dept., Production & Process Technology Dept., Engineering Dept., Digital Innovation Dept.
Managing Executive Officer	Hideki Watanabe	General Manager, Chiba Plant
	Koki Tabuchi	General Manager, Elastomers & Infrastructure Solutions
	Shojiro Watanabe	Supervisor of Environmental Measures Promotion In charge of Internal Control Dept., Environment and Safety Dept., Sustainability Promotion Dept., Quality Assurance Dept.
	Nobuyuki Yoshino	Chief R&D Officer In charge of New Business Planning & Development Dept., R&D Promoting Dept., Intellectual Property Dept.
	Kazuya Tokumoto	Managing Director, DCHA, DSPL, DAPL
	Hideki Takahashi	General Manager, Life Innovation
	Kazuo Takahashi	Chief Compliance Officer (CCO) In charge of Corporate Planning Dept., Corporate Communications Dept., Automotive Materials & Solutions Dept., Denka Corporation, Denka Chemicals GmbH In charge of Denka Value-Up Promotion
Executive Officer	Rimiru Hayashida	In charge of Accounting & Finance Dept.
	Yoshimi Ishizuka	General Manager, Omuta Plant
	Kiyoshi Asami	In charge of Secretary Dept., Administrative Dept., Legal Dept., HR Dept.
	Ikuo Ishida	General Manager, Electronics & Innovative Products
	Yasuo Nakatomi	General Manager, Gosen Site
	Yukio Sasagawa	General Manager, Shibukawa Plant
	Mikio Shimizu	President, Denka Performance Elastomer LLC
	Hideki Toya	Assistant to Chief R&D Officer In charge of Innovation Center General Manager, Infrastructure & Solutions Development Research Institute
	Masanobu Kosaka	General Manager, Omi Plant
Kenjiro Ishizuka	General Manager, Polymer Solutions	

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

DSPL: Denka Singapore Pte., Ltd.

DAPL: Denka Advantech Pte., Ltd.

(2) Summary of Liability Limitation Agreements

Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has liability limitation contracts with Directors Mr. Akio Yamamoto, Mr. Tatsutsugu Fujihara, Mr. Yasuo Sato, Mr. Toshio Kinoshita, and Ms. Hiroko Yamamoto that limit their liability for damages provided for in 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.

(3) Summary of Directors and Officers Liability Insurance

The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The Company's Directors (including Directors who are Audit & Supervisory Committee Members), Executive Officers, and Directors, Corporate Auditors and Executive Officers of some of the Company's Group companies are insured parties under the contract. As a rule, the insured parties are not responsible for paying insurance premiums.

The Directors and officers liability insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured persons due to an act committed by an insured person in his/her capacity as such. However, measures have been implemented to ensure that proper execution of duties by officers, etc. is not impaired. These include an exclusion where the Company makes a claim for damages against the insured parties, as well as the establishment of a deductible amount.

(4) Remuneration and Other Payments to Directors

1) Policy on the determination of remuneration and other payments to individual Directors

The Board of Directors of the Company has decided on the following policy for determining remuneration and other payments to individual Directors (hereinafter referred to as the "Decision Policy"), after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee.

[Basic Policy]

Remuneration for individual Directors (excluding Directors who are Audit & Supervisory Committee Members; the same applies hereinafter) shall be in accordance with each Director's roles and responsibilities, and shall be determined by the Board of Directors after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee, and set forth in internal regulations, in order to enhance objectivity and transparency.

The structure of Directors' remuneration shall, in addition to a fixed monthly amount of basic remuneration, consist of performance-linked cash remuneration, designed to increase motivation to improve the financial results for each fiscal year, and stock remuneration, designed to increase motivation to contribute to improving medium- and long-term performance and enhancing corporate value. These function as sound incentives to maintain growth. However, in view of the duties performed by Outside Directors and non-executive Directors, remuneration for these Directors shall consist solely of basic remuneration.

[Policy on the determination of remuneration and other payments to individual Directors]

- i) Policy on the determination of the amount and calculation method of basic cash remuneration.
Basic remuneration shall be determined in accordance with each Director's roles and responsibilities, taking into consideration factors such as the level of employee pay. It shall be paid in a fixed amount every month.
- ii) Policy on the determination of the performance indicators, amount and calculation method of performance-linked cash remuneration
The total amount of performance-linked remuneration shall be determined with reference to consolidated operating income, a key indicator under the Company's management plan. It shall then be allotted in accordance with each Director's roles and responsibilities, and paid promptly after the financial results are finalized. However, if consolidated operating income is below a certain level, or a massive extraordinary loss is recorded, or if a serious compliance breach has occurred, then no payment shall be made, or the payment amount shall be reduced.
- iii) Policy on the determination of the details, amount and calculation method of stock remuneration

The stock remuneration scheme shall utilize a trust structure. Points shall be granted to Directors each month in accordance with rank, based on stock delivery regulation established by the Company, and shares of the Company's stock shall be delivered to Directors through the trust on retirement, based on the number of points they have accumulated. The maximum amount of money to be contributed by the Company to the trust for the purpose of delivering the Company's shares to Directors shall be ¥40 million per year.

- iv) Policy on the determination of the proportions of the total amount of remuneration paid as basic remuneration, performance-linked remuneration, and stock remuneration

No policy is established specifically to determine the proportion of Directors' remuneration to be paid as basic remuneration, performance-linked remuneration, and stock remuneration. However, if the operating income target under the management plan is achieved, then the proportions will be approximately 70%, 20% and 10% respectively.

- v) Method used to determine remuneration and other payments to individual Directors

The details of remuneration and other payments to individual Directors shall be determined by the Board of Directors, after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee, and set forth in internal regulations.

2) Reason why the details of remuneration and other payments to individual Directors are judged by the Board of Directors to be in accordance with the Decision Policy

The Board of Directors establishes the details of remuneration in internal regulation, in accordance with the Decision Policy, after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee. Remuneration for individual Directors is determined based on these regulations. Therefore, the Board of Directors deems it to be in accordance with the Decision Policy.

3) Remuneration and other payments to Directors

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 (excluding Directors who are Audit & Supervisory Committee Members) (of which Outside Directors)	7 (2)	349 (24)	7 (2)	285 (24)	5 (-)	42 (-)	5 (-)	21 (-)
Directors (Audit & Supervisory Committee Members) (of which Outside Directors)	5 (3)	91 (36)	5 (3)	91 (36)	- (-)	- (-)	- (-)	- (-)
Total (of which Outside Directors)	12 (5)	441 (60)	12 (5)	376 (60)	5 (-)	42 (-)	5 (-)	21 (-)

Notes: 1. The maximum amount of cash compensation remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is ¥490 million per year (of which the maximum amount of remuneration for Outside Directors is ¥40 million,

excluding the portions of their salaries as employees) as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 7 Directors (excluding Directors who are Audit & Supervisory Committee Members), including 2 Outside Directors, as of the conclusion of the 160th Ordinary General Meeting of Shareholders.

2. The maximum amount of remuneration for Directors who are Audit & Supervisory Board Members is ¥166 million per year as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 5 Directors who are Audit & Supervisory Board Members as of the conclusion of the 160th Ordinary General Meeting of Shareholders.
3. Regarding the amount of stock remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors), the maximum amount of cash to be contributed by the Company is ¥40 million per year, and the maximum number of points to be awarded to Directors is 110,000 points per year, as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 5 Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors) as of the conclusion of the 160th Ordinary General Meeting of Shareholders.
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 Directors who are Audit & Supervisory Committee Members and Outside Directors) through said trust).
5. The amount of performance-linked remuneration paid is determined with reference to the consolidated operating income for each fiscal year. If consolidated operating income is below a certain level, or if a serious compliance breach has occurred, then no payment is made, or the payment amount is reduced. The reason why consolidated operating income has been selected as an index is because it is a key indicator in the Company's management plan. The trend in operating income for fiscal 2020 and other years is presented in 1. (6) Financial Position and Results of Operations.

(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 who is an Audit & Supervisory Committee Member Mr. Yasuo Sato is Chairman and Director of Wisemech Corporation. There are no significant transactions between the Company and Wisemech Corporation.

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

Director who is an Audit & Supervisory Committee Member Ms. Hiroko Yamamoto is a lawyer with Sasanami Law Office. There are no significant transactions between the Company and Sasanami Law Office.

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

Director who is an Audit & Supervisory Committee Member Mr. Toshio Kinoshita is Outside Audit & Supervisory Board Member of Panasonic Corporation and Outside Director of TACHI-S CO., LTD., and Outside Director of GiG Works Inc.

There are no significant transactions between the Company and TACHI-S CO., LTD., or GiG Works Inc.

The Company has transactions with Panasonic Corporation, 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, 2021

i. Outside Directors

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2021. Mr. Akio Yamamoto, Mr. Tatsutsugu Fujihara, Mr. Yasuo Sato, Mr. Toshio Kinoshita and Ms. Hiroko Yamamoto attended all 13 meetings of the Board of Directors (attendance rate: 100%). Mr. Akio Yamamoto, based on his rich experience and wide views as a corporate executive and rich international experience serving as a business manager at global companies, and Mr. Tatsutsugu Fujihara, based on his rich experience and wide views as a manager, and expert knowledge of corporate finance, actively made necessary inquiries and recommendations.

In addition, as Directors who are Audit & Supervisory Committee Members, Mr. Yasuo Sato, based on his rich experience and wide views as a corporate executive and rich international experience serving as a business manager at global companies, Mr. Toshio Kinoshita, based on his experience and rich accounting knowledge as a certified public accountant in Japan and the US, and Ms. Hiroko Yamamoto, based on her rich experience and expert knowledge as a lawyer, actively made necessary inquiries and recommendations.

[Audit & Supervisory Committee]

The Audit & Supervisory Committee met 15 times in the fiscal year ended March 31, 2021. Mr. Yasuo Sato, Mr. Toshio Kinoshita and Ms. Hiroko Yamamoto attended all 15 meetings of the Audit & Supervisory Committee (attendance rate: 100%). Each member of the Audit & Supervisory Committee worked closely with the Internal Control Dept., etc. to perform efficient and effective audits of the Company's divisions and departments, business sites and subsidiaries and receive briefings on the status of business execution at periodic divisional report meetings. They reported the results of these activities to the Audit & Supervisory Committee and had necessary discussions with other Directors who are Audit & Supervisory Committee Members.

	Board of Directors meetings		Audit & Supervisory Committee	
	Attendance	Attendance rate	Attendance	Attendance rate
Director Akio Yamamoto	13/13	100%	-	-
Director Tatsutsugu Fujihara	13/13	100%	-	-
Director (Audit & Supervisory Committee Member) Yasuo Sato	13/13	100%	15/15	100%
Director (Audit & Supervisory Committee Member) Toshio Kinoshita	13/13	100%	15/15	100%
Director (Audit & Supervisory Committee Member) Hiroko Yamamoto	13/13	100%	15/15	100%

5) Summary of Duties Fulfilled by Outside Directors Related to Their Expected Roles

	Expected roles	Summary of duties performed related to expected roles
Director Akio Yamamoto	Recommendations and supervision regarding the Company's management in general, based on his rich experience in Japan and overseas and wide views as a corporate executive, and rich international experience serving as a business manager at global companies	Inquiries and recommendations regarding business strategy and risk management at subsidiaries in Japan and overseas, and medium- to long-term environmental management
Director Tatsutsugu Fujihara	Recommendations and supervision regarding the Company's management in general, based on his rich experience and wide views as a manager, and expert knowledge of corporate finance	Inquiries and recommendations regarding funding strategy for the Group as a whole and the completeness of governance systems at overseas subsidiaries
Director (Audit & Supervisory Committee Member) Yasuo Sato	Supervision and audit of the Company's management, based on his rich experience and wide views as a corporate executive and rich international experience serving as a business manager at global companies, as well as his experience as outside auditor of a listed company	Inquiries and recommendations regarding overseas development plans for new businesses and the completeness of regulation across the Group
Director (Audit & Supervisory Committee Member) Toshio Kinoshita	Supervision and audit of the Company's management, based on his experience and rich accounting knowledge as a certified public accountant in Japan and the US	Inquiries and recommendations regarding the strengthening of risk management in overseas businesses and the United States tax system
Director (Audit & Supervisory Committee Member) Hiroko Yamamoto	Supervision and audit of the Company's management, based on her rich experience and expert knowledge as a lawyer	Advice on the completeness of the Company's internal regulation, and inquiries and recommendations regarding Group businesses and intellectual property strategy

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, 2021**

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2021	94,000
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	124,770

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, 2021.

2. The Audit & Supervisory Committee 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, 2020, 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 advice and guidance provided in relation to the introduction of accounting standards for revenue recognition.

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

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

If it is deemed appropriate to dismiss the Accounting Auditor is deemed, because it falls under any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Committee will dismiss the Accounting Auditor upon consent of all the Audit & Supervisory Committee 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, 2021)

(Millions of yen)

Account item	(Reference) 161st term	162nd term	Account item	(Reference) 161st term	162nd term
(Assets)	501,448	526,035	(Liabilities)	247,434	255,998
Current assets	198,452	200,726	Current liabilities	160,807	155,062
Cash and deposits	29,172	25,910	Notes and accounts payable-trade	43,005	40,188
Notes and accounts receivable-trade	85,637	92,816	Short-term loans payable	51,929	41,867
Merchandise and finished goods	52,159	46,718	Commercial paper	9,000	8,000
Work in process	4,037	4,617	Current portion of long-term loans payable	10,010	10,003
Raw materials and supplies	19,582	20,379	Accounts payable-other	18,079	23,313
Other	8,156	10,479	Income taxes payable	3,550	5,431
Allowance for doubtful accounts	(293)	(195)	Accrued consumption taxes	1,431	453
			Accrued expenses	11,194	10,871
			Provision for bonuses	2,992	2,718
			Other	9,613	12,213
Noncurrent assets	302,995	325,309	Noncurrent liabilities	86,626	100,935
Property, plant and equipment	231,815	247,834	Bonds payable	37,000	37,000
Buildings	40,733	45,710	Long-term loans payable	26,400	41,319
Structures	21,770	29,086	Deferred tax liabilities	3,245	5,161
Machinery and equipment	69,098	71,914	Deferred tax liabilities for land revaluation	8,403	8,397
Vehicles	691	909	Net defined benefit liability	7,874	5,892
Tools, furniture and fixtures	4,146	4,510	Provision for stock benefits	58	80
Land	63,370	63,562	Other	3,644	3,084
Lease assets	2,260	1,929	(Net assets)	254,014	270,036
Construction in progress	29,745	30,211	Shareholders' equity	235,628	247,596
Intangible assets	11,808	11,392	Capital stock	36,998	36,998
Software	1,002	1,166	Capital surplus	49,365	49,397
Goodwill	7,544	7,203	Retained earnings	156,857	168,878
Right of using patent	3,261	3,022	Treasury stock	(7,593)	(7,677)
Investments and other assets	59,371	66,081	Accumulated other comprehensive income	15,092	19,852

Investment securities	51,200	59,569	Valuation difference on available-for-sale securities	10,691	16,143
Long-term loans receivable	178	158	Deferred gains or losses on hedges	(551)	(442)
Long-term prepaid expenses	2,423	1,904	Revaluation reserve for land	10,259	10,245
Deferred tax assets	3,160	2,146	Foreign currency translation adjustment	(876)	(3,004)
Other	2,526	2,420	Remeasurements of defined benefit plans	(4,429)	(3,090)
Allowance for doubtful accounts	(117)	(118)	Non-controlling interests	3,294	2,588
Total	501,448	526,035	Total	501,448	526,035

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

Consolidated Statement of Income

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account item	(Reference) 161st term		162nd term	
Net sales		380,803		354,391
Cost of sales		281,465		254,196
Gross profit		99,338		100,194
Selling, general, and administrative expenses		67,750		65,464
Operating income		31,587		34,729
Non-operating income				
Interest and dividend income	1,552		1,405	
Equity in earnings of affiliates	1,170		933	
Other	822	3,545	1,314	3,653
Non-operating expenses				
Interest expenses	866		821	
Other	4,231	5,098	5,418	6,239
Ordinary income		30,034		32,143
Extraordinary income				
Loss on sales of investment securities	280	280	158	158
Extraordinary loss				
Loss on liquidation of business	940		-	
Loss on disaster	249		-	
Merger-related expenses	113		252	
Loss on litigation	-	1,303	2,997	3,250
Income before income taxes		29,011		29,052
Income taxes-current	6,344		7,122	
Income taxes-deferred	131	6,475	(129)	6,993
Profit		22,535		22,059
Profit (loss) attributable to non-controlling interests		(167)		(725)
Profit attributable to owners of parent		22,703		22,785

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Account item	(Reference) 161st term	162nd term	Account item	(Reference) 161st term	162nd term
(Assets)	391,666	451,002	(Liabilities)	216,290	228,391
Current assets	133,727	158,682	Current liabilities	141,764	137,598
Cash and deposits	17,556	14,651	Notes payable-trade	-	4,138
Notes receivable-trade	3,637	4,482	Accounts payable-trade	24,057	25,292
Accounts receivable-trade	57,262	73,378	Short-term loans payable	38,675	27,675
Merchandise and finished goods	36,515	36,447	Commercial paper	9,000	8,000
Work in progress	-	3,941	Current portion of long-term loans payable	10,000	10,000
Raw materials and supplies	11,962	16,758	Accounts payable-other	16,269	21,260
Prepaid expenses	1,420	1,632	Income taxes payable	1,201	4,726
Short-term loans receivable	756	209	Accrued consumption taxes	844	-
Other	4,616	7,184	Accrued expenses	6,983	8,497
Allowance for doubtful accounts	(1)	(5)	Deposits received	32,526	24,988
			Provision for bonuses	1,807	2,173
			Other	398	847
Noncurrent assets	257,939	292,319	Noncurrent liabilities	74,526	90,792
Property, plant and equipment	173,160	210,767	Bonds payable	37,000	37,000
Buildings	28,586	38,526	Long-term loans payable	24,442	39,442
Structures	19,293	26,791	Deferred tax liabilities	3,889	5,048
Machinery and equipment	46,619	55,314	Deferred tax liabilities for land revaluation	8,403	8,397
Vehicles	559	805	Provision for stock benefits	58	80
Tools, furniture and fixtures	2,793	3,714	Asset retirement obligations	129	129
Land	60,375	61,781	Other	603	695
Leased assets	-	199	(Net assets)	175,376	222,610
Construction in progress	14,932	23,633	Shareholders' equity	155,726	197,880
Intangible assets	1,216	1,417	Capital stock	36,998	36,998
Software	618	826			

Right of using patent	597	590	Capital surplus	49,284	49,284
Investments and other assets	83,562	80,135	Legal capital surplus	49,284	49,284
Investment securities	26,586	33,362	Other capital surplus	0	0
Stocks of subsidiaries and affiliates	48,280	38,254	Retained earnings	77,036	119,274
Long-term loans receivable	4,654	4,717	Other retained earnings	77,036	119,274
Long-term prepaid expenses	1,930	1,546	Reserve for advanced depreciation of noncurrent assets	3,786	3,767
Prepaid pension cost	614	685	Retained earnings brought forward	73,250	115,506
Other investments	1,496	1,616	Treasury stock	(7,593)	(7,677)
Allowance for doubtful accounts	(1)	(47)	Valuation and translation adjustments	19,649	24,730
			Valuation difference on available-for-sale securities	9,389	14,485
			Revaluation reserve for land	10,259	10,245
Total	391,666	451,002	Total	391,666	451,002

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

Non-consolidated Statement of Income

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account item	(Reference) 161st term		162nd term	
Net sales		228,249		252,492
Cost of sales		165,432		171,437
Gross profit		62,817		81,054
Selling, general, and administrative expenses		46,796		52,800
Operating income		16,020		28,254
Non-operating income				
Interest and dividend income	6,571		2,097	
Other	1,060	7,631	1,404	3,501
Non-operating expenses				
Interest expenses	660		486	
Other	3,237	3,897	4,346	4,832
Ordinary income		19,753		26,923
Extraordinary income				
Gain on sales of investment securities	280		158	
Gain on extinguishment of tie-in shares	-	280	32,373	32,532
Extraordinary loss				
Loss on liquidation of business	730		-	
Loss on disaster	249	980	-	-
Income before income taxes		19,053		59,455
Income taxes-current	2,991		6,291	
Income taxes-deferred	241	3,232	161	6,453
Profit		15,821		53,002

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

Independent Auditors' Report
(English Translation)

May 10, 2021

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office

Mineo Kambayashi
Certified Public Accountant
Designated and Engagement Partner
Shigeyuki Honda
Certified Public Accountant
Designated and Engagement Partner
Yasuyuki Kitamura
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Denka Co., Ltd. (the "Company") for the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Denka Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the 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, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards. The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of 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 10, 2021

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office

Mineo Kambayashi
Certified Public Accountant
Designated and Engagement Partner
Shigeyuki Honda
Certified Public Accountant
Designated and Engagement Partner
Yasuyuki Kitamura
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Denka Co., Ltd. (the "Company") for the 162nd fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based. The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards. The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Conflicts of Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

Audit Report

(English Translation)

The Audit & Supervisory Committee has audited the Directors' performance of their duties during the 162nd term from April 1, 2020 to March 31, 2021, and hereby reports the method and results thereof as follows:

1. Auditing Method and Details Thereof

The Audit & Supervisory Committee received regular reports from Directors, employees, etc. on the details of resolutions of the Board of Directors related to matters listed in Article 399-13, Paragraph 1, item (i), (b) and (c) of the Companies Act and the creation and operational status of systems developed pursuant to such resolutions (internal control systems), requested explanations as necessary, and expressed its views, in addition to conducting audits via the methods below. Some auditing activities were carried out through the online meetings system, etc. as a COVID-19 countermeasure, and activities were largely implemented in accordance with the original audit plan.

- 1) Audit & Supervisory Committee Members conformed with the Audit & Supervisory Committee Audit Standards set forth by the Audit & Supervisory Committee and, in accordance with audit policies, the assignment of duties, etc., worked with the Internal Auditing Department and other internal control departments to attend meetings of important committees, receive reports on matters related to the execution of duties from Directors, employees, etc., requested explanations as necessary, reviewed important approval documents, etc., and investigated the status of operations and assets at head office and important business sites. In addition, with regard to subsidiaries, Audit & Supervisory Committee Members took steps to communicate and exchange information with the Directors, Audit & Supervisory Board Members, etc. of subsidiaries, and received business reports from subsidiaries as necessary.
- 2) 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 Committee examined the content based on the status of deliberations at meetings of the Board of Directors and other meetings.
- 3) The Audit & Supervisory Committee 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 Committee 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 Committee 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 and initiatives regarding the determination of policies on control of the finances and business of the Company described in the Business Report.
- (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 10, 2021

Audit & Supervisory Committee, Denka Co., Ltd.

Full-time Audit & Supervisory Committee Member	Mitsukuni Ayabe
Full-time Audit & Supervisory Committee Member	Junichi Kimura
Audit & Supervisory Committee Member	Yasuo Sato
Audit & Supervisory Committee Member	Toshio Kinoshita
Audit & Supervisory Committee Member	Hiroko Yamamoto

(Note) Audit & Supervisory Committee Members Yasuo Sato, Toshio Kinoshita and Hiroko Yamamoto are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Section 6 of the Companies Act.