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Notice of Convocation of the 166th Ordinary General Meeting of Shareholders
Other Matters Subject to the Electronic Provision
(Matters for Which Document Provision is Omitted)

Company's Systems and Policies

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

(from April 1, 2024 to March 31, 2025)

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

Company's Systems and Policies

(1) Systems to Ensure the Appropriateness of Operations

The Company has determined the following by the resolution of the Board of Directors as a system to ensure the appropriate execution of duties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company sets up the Audit Committee Office as an organization that provides assistance to the Audit Committee and assigns at least one exclusively assigned employee to the Audit Committee Office based on consultation with the Audit Committee in advance. The Audit Committee Office serves as the secretariat for the Audit Committee and is directly commanded by the Audit Committee.

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

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

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

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

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

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

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

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

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

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

1) Compliance structure

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

Regarding the improprieties related to certain resin products manufactured and sold by the Company and Toyo Styrene Co., Ltd., an equity-method associate, and certified by Underwriters Laboratories Limited Liability Company, an independent safety science organization based in the United States, etc., which were announced on May 29, 2023, and a series of improprieties recognized by the Company-wide leniency survey organized by the external investigation committee set after the announcement, the Group formulated and published measures to prevent any recurrence and have been promoting corrective actions. As a result, the majority of corrective actions have been completed, and the measures to prevent any recurrence have progressed mostly as planned. In addition, the details of these are disclosed on the Company website when necessary, striving to ensure transparency.

Furthermore, in order to instill a management stance prioritizing compliance throughout the entire group, town hall meetings with the management executives were held to promote strengthening of the communication platform.

2) Business execution of Directors

The Board of Directors of the Company is composed of nine members, including four Outside Directors, and meetings of the Board of Directors were held 15 times during the fiscal year under review. Based on laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations, decision-making was conducted regarding important business execution, reports were received from Directors and Executive Officers regarding required business execution conditions, and appropriate supervision was provided.

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

3) Business execution of the Audit Committee

The Audit Committee of the Company is composed of four members, including three Outside Directors, and meetings of the Audit Committee were held 13 times during the fiscal year under review. In addition, the Audit Committee Office was set up and exclusive employees were assigned in order to assist in the duties of the Audit Committee.

The Committee audited legality and validity associated with Directors' execution of duty while considering efficiency through close cooperation with the Internal Control Department and other departments. Additionally, the Committee visited the Company's divisions, departments, branches, business sites, and subsidiaries and engaged in activities such as confirmation of hearing and the exchange of opinions for the status of business execution. They also worked on enhancing effectiveness of audit by reporting their opinions to the Board of Directors after the necessary discussions concerning results of these activities at the Audit Committee.

4) Risk management structure

To respond appropriately to events that may greatly affect the corporate activities of the Company, the Risk Management Guidelines were defined, containing categories of specific types of risk that may occur, and a controlling division and emergency contact structure are maintained.

During the fiscal year under review, the Company continued to engage in establishing an integrated risk management framework to enhance risk management efforts during regular operations. Denka Group Risk Management Committee and other relevant meetings were held periodically as required. In order to address identified priority risks, the Company strengthened the initial response to cyberattacks, reviewed business continuity plans, and implemented the physical security assessment for business sites and plants.

5) Implementation of internal audits

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

(Note) By resolution of the Board of Directors meeting held on March 10, 2025, the Denka Group Ethics Policy was revised to the Denka Group Corporate Ethics Policy, and the Whistle-blowing Regulation was revised to the Denka Group Internal Reporting Policy.

(3) Basic Policies regarding the Control of the Company

Under the new Vision and management plan "Mission 2030" (eight years from fiscal 2023), the Company will enhance human resources and management value, and focus on creating value in businesses that incorporate the three elements of *Specialty*, *Megatrends*, and *Sustainability*. The Company will also set specific financial and non-financial targets for fiscal 2030 and focus on achieving them in order to enhance the corporate value and the common interests of shareholders from a medium- to long-term perspective.

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

Consolidated Statement of Changes in Net Assets
(From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	**36,998**	**49,405**	**187,574**	**(7,785)**	**266,192**
Cumulative effects of changes in accounting policies			(435)		(435)
Restated balance	**36,998**	**49,405**	**187,138**	**(7,785)**	**265,757**
Changes during period					
Dividends of surplus			(7,764)		(7,764)
Loss attributable to owners of parent			(12,300)		(12,300)
Change in ownership interest of parent due to transactions with non-controlling interests		16			16
Sale of shares of consolidated subsidiaries		(8)			(8)
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		(0)	(0)	4	4
Reversal of revaluation reserve for land			0		0
Net changes in items other than shareholders' equity					–
Total changes during period	**–**	**7**	**(20,064)**	**(0)**	**(20,058)**
Balance at end of period	**36,998**	**49,412**	**167,074**	**(7,786)**	**245,698**

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	**14,257**	**(34)**	**10,407**	**16,680**	**33**	**41,344**	**9,377**	**316,915**
Cumulative effects of changes in accounting policies						–		(435)
Restated balance	**14,257**	**(34)**	**10,407**	**16,680**	**33**	**41,344**	**9,377**	**316,479**
Changes during period								
Dividends of surplus						–		(7,764)
Loss attributable to owners of parent						–		(12.300)
Change in ownership interest of parent due to transactions with non-controlling interests						–		16
Sale of shares of consolidated subsidiaries						–		(8)
Purchase of treasury shares						–		(5)
Disposal of treasury shares						–		4
Reversal of revaluation reserve for land						–		0
Net changes in items other than shareholders' equity	(2,195)	(22)	(246)	9,424	2,177	9,138	2,736	11,874
Total changes during period	**(2,195)**	**(22)**	**(246)**	**9,424**	**2,177**	**9,138**	**2,736**	**(8,183)**
Balance at end of period	**12,062**	**(56)**	**10,161**	**26,104**	**2,210**	**50,483**	**12,114**	**308,296**

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries: 38

Names of principal consolidated subsidiaries:

Denka Singapore Pte., Ltd.

Denka Advantech Pte., Ltd.

Denka Performance Elastomer LLC

DENKA Polymer Co., Ltd.

Hinode Kagaku Kogyo

Akros Trading Co., Ltd.

Effective from the fiscal year under review, Nishi-nihon Koatsu Gas Co., Ltd., which was a consolidated subsidiary, has been excluded from the scope of consolidation due to the sale of all shares owned by the Company. Other two companies, Denka Chemicals Hong Kong Co., Ltd. and PT Estop Indonesia were excluded from the scope of consolidation due to the completion of liquidation.

(2) Principal non-consolidated subsidiaries

Names of principal non-consolidated subsidiaries:

Kyushu Plastic Kogyo K.K., Denka E-material K.K.

Reason for exclusion from the scope of consolidation:

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

2. Application of the equity method

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

Number of non-consolidated subsidiaries and associates to which the equity method is applied: 9

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

SUZAWA NAMAKON K.K.

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

TOYO STYRENE Co., Ltd.

JUZEN Chemical Corporation

Denak Co., Ltd.,

Kurobegawa Electric Power Company

Effective from the fiscal year under review, Higashi Nihon Koatsu Co., Ltd. and Kanto Acetylene Industry Co., Ltd, which were previously equity-method associates of the Company, have been excluded from the scope of associates by equity method due to the sales of all shares owned by the Company in those two companies.

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

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

Kyushu Plastic Kogyo K.K.

Reason for not applying the equity method:

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

3. Accounting periods of consolidated subsidiaries

Among the consolidated subsidiaries, Denka Singapore Pte., Ltd. and 27 other subsidiaries have a year-end balance sheet date of December 31.

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

4. Accounting policies

(1) Standards and methods for valuation of principal assets

Securities

Available-for-sale securities

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

Stated at market value

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

Shares, etc. that do not have a market price

Stated principally at cost using the moving-average method

Investments in limited liability partnership (those deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are recorded as the net amount of equity interest based on the most recent financial statements available as of the reporting date of the financial statements specified in the partnership agreement.

Derivatives

Stated at market value

Inventories

Stated principally at cost using the weighted-average method

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

(2) Depreciation method for principal depreciable assets

Property, plant and equipment

Principally, the straight-line method is applied.

Intangible assets

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

Lease assets

For finance leases that do not transfer the ownership of the lease assets to the lessee, the straight-line method with no residual value is applied, regarding the lease term as the useful life. Furthermore, for consolidated subsidiaries overseas preparing their financial statements in accordance with International Financial Reporting Standards, International Financial Reporting Standard 16 *Leases* (“IFRS 16”) or US GAAP Accounting Standards Update (ASU) 2020-5 *Leases* is applied. Under IFRS 16 and ASU 2020-5, lessees record all leases as assets and liabilities on the balance sheet, in principle, and the straight-line method is used as the depreciation method for right-of-use assets recorded as assets.

(3) Standards of accounting for principal allowances and provisions

• Allowance for doubtful accounts

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

• Provision for bonuses

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

• Provision for stock benefits

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

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

• Method of amortization of goodwill and amortization period

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

• Method of hedge accounting

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

• Method of accounting for retirement benefits

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

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

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

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

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

• Revenue and expense recognition standards

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

(1) Revenue recognition related to product sales

The Group's principal business is the manufacture and sale of "Electronics & Innovative Products," "Life Innovation," "Elastomers & Infrastructure Solutions," and "Polymer Solutions." The Group is obligated to deliver products under sales contracts with customers, and recognizes revenue when control of the products is transferred to the customer and the performance obligation is satisfied. The Group recognizes revenue at the time of delivery, acceptance inspection, or shipment, as appropriate.

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

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

(3) Revenue recognition related to agent transactions

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

(4) Revenue recognition related to construction contracts

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

(Notes to Changes in Accounting Policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard 2022"), etc. from the beginning of the fiscal year under review. This change in accounting policies has no impact on the consolidated financial statements.

(Change in the calculation method of retirement benefit obligations)

Effective from the fiscal year under review, Akros Trading Co., Ltd., a consolidated subsidiary of the Company, changed its method for calculating retirement benefit obligations from the simplified method to the principle method.

Akros Trading Co., Ltd. has increased its number of employees in recent years and may further expand its workforce going forward as a means to adapt to future business changes. Given such circumstances, Akros Trading Co., Ltd. evaluated the reliability of the actuarial estimates for retirement benefits and determined that the adoption of the principle method will enhance the accuracy of the calculation of retirement benefit obligations and retirement benefit expenses could be more appropriately reflected in the periodic profit and loss calculation.

The change in accounting policy has been applied prospectively from the beginning of the fiscal year under review, as Akros Trading Co., Ltd. has not accumulated necessary data on prior periods and it is impracticable to apply the change in principle on a retrospective basis.

As a result, retained earnings at the beginning of the fiscal year under review decreased by 435 million yen. The effect of this change on consolidated statement of income and per share information for the fiscal year under review is immaterial.

(Notes to Accounting Estimates)

Valuation of noncurrent assets

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

Property, plant and equipment	312,969 million yen
Intangible assets	3,097 million yen
Impairment loss	16,111 million yen
Loss on liquidation of business	3,941 million yen

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

1) Calculation method

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

Denka Performance Elastomer LLC (DPE), a consolidated subsidiary of the Company has faced significant cost, production and other challenges at its facility in the United States. Rising costs are attributable to, among other factors: identification, design, purchase, installation, and operation of pollution control equipment to reduce chloroprene emissions that DPE did not anticipate being required at the time it acquired the facility from E.I. DuPont de Nemours and Company (“DuPont”); rising energy costs and a shortage of qualified staff necessary to operate new pollution control equipment and implement other emission reduction measures; increasing prices of key raw materials and repair work, exacerbated by inflation in the United States; and, overall challenges in securing and maintaining qualified staff. In addition to rising costs and staffing challenges, DPE has faced declining volumes of chloroprene rubber production at its facility, due in part to operational restrictions arising from the pollution reduction measures and unscheduled plant outages associated with supply chain disruptions and severe weather events. These challenges, combined with the impact of changes in the global economic environment affecting the chloroprene rubber market, have placed pressure on profits. As a result of these circumstances, the Company has recorded 16,111 million yen as an impairment loss on non-current assets of in the financial results of the fiscal year under review.

In addition, the Company has recorded 3,941 million yen as loss on liquidation of business for impairment loss on non-current assets of businesses from which the Company has decided to withdraw in line with the business portfolio restructuring including the closure of Ofuna Plant.

2) Principal assumptions

For fixed assets or asset groups for which there is an indication of impairment, the undiscounted future cash flows from such assets or asset groups are calculated on the basis of the business plans that are prepared, reflecting past experiences and external and internal information, and approved by the Board of Directors. Principal assumptions are the sales volumes and sales prices included in the forecast of undiscounted future cash flows from the assets or asset groups.

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

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

(Notes to the Consolidated Balance Sheet)

1. Assets pledged as collateral

Investment securities: 232 million yen

Liabilities corresponding to pledged assets

Notes and accounts payable-trade and other liabilities: 78 million yen

2. Accumulated depreciation of property, plant and equipment: 555,971 million yen

3. Guarantee obligations, etc.

Guarantee for loans from financial institutions: 10,943 million yen

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

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

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Shares issued				(Shares)
Common shares	88,555,840	–	–	88,555,840
Total	88,555,840	–	–	88,555,840
Treasury shares				
Common shares (Notes 1 and 2)	2,379,319	2,372	1,568	2,380,123
Total	2,379,319	2,372	1,568	2,380,123

Notes: 1. The increase of 2,372 shares of common shares of treasury shares was due to the purchase of odd-lot shares.

2. The decrease of 1,568 shares of common shares of treasury shares was due to the decrease of 168 shares by the sale of odd-lot shares and the delivery of 1,400 shares by a stock benefit trust.

2. Dividends

(1) Payment of dividends

• Dividends for common shares

Resolution	Types of shares	Dividends paid (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2024	Common shares	3,450	40.00	March 31, 2024	June 21, 2024
Meeting of the Board of Directors held on November 8, 2024	Common shares	4,313	50.00	September 30, 2024	December 3, 2024

(2) Dividends whose record date falls during fiscal 2024 but whose effective date is in the next fiscal year

• Dividends for common shares

The following resolutions are expected to be made.

Resolution	Types of shares	Dividends paid (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 20, 2025	Common shares	4,313 million yen	Retained earnings	50.00 yen	March 31, 2025	June 21, 2025

(Financial Instruments)

1. Status of financial instruments

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

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

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

2. Fair values of financial instruments

Carrying amounts and market values of the financial instruments and the differences between carrying amounts and market values as of March 31, 2025 (consolidated balance sheet date of fiscal 2023) are as follows. Shares, etc. that do not have a market price (carrying amount of 27,376 million yen) are not included in available-for-sale securities. In addition, the note for cash is omitted and the note for deposits is omitted because deposits comprise short-term instruments whose carrying amount approximates their fair value.

(Millions of yen)

	Carrying amount	Market value	Difference
(1) Notes and accounts receivable - trade, and contract assets	88,035	88,035	–
(2) Investment securities			
Available-for-sale securities	19,551	19,551	–
Shares of subsidiaries and associates	1,775	1,775	–
Total assets	109,361	109,361	–
(3) Notes and accounts payable - trade	48,023	48,023	–
(4) Short-term borrowings	74,679	74,679	–
(5) Commercial paper	33,000	33,000	–
(6) Long-term borrowings (*1)	80,000	77,976	(2,023)
(7) Bonds payable	30,000	29,775	(225)
Total liabilities	265,703	263,454	(2,248)
(8) Derivatives (*2)	–	–	–

(*1) Long-term borrowings include loans to be repaid within one year.

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

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

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

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

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

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

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

(Millions of yen)

Section	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities	19,551	–	–	19,551

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

(Millions of yen)

Section	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable-trade, and contract assets	–	88,035	–	88,035
Investment securities Shares of subsidiaries and associates	1,775	–	–	1,775
Notes and accounts payable - trade	–	48,023	–	48,023
Short-term borrowings	–	74,679	–	74,679
Commercial paper	–	33,000	–	33,000
Long-term borrowings	–	77,976	–	77,976
Bonds payable	–	29,775	–	29,775

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

Investment securities

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

Derivatives

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

Notes and accounts receivable-trade, and contract assets

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

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

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

Long-term borrowings

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

Bonds payable

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

(Real Estate for Rent)

Disclosure is omitted because the Group's total amount of real estate for rent is immaterial.

(Notes to Revenue Recognition)

(1) Disaggregation of revenue from contracts with customers

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

(Millions of yen)

	Reportable segment					Other businesses (Note 1)	Total
	Electronics & Innovative Products	Life Innovation	Elastomers & Infrastructure Solutions	Polymer Solutions	Total		
Japan	40,197	31,974	53,391	82,737	208,302	13,243	221,545
China	19,072	2,927	6,052	31,941	59,994	1,906	61,900
Other countries in Asia	15,451	679	23,081	11,676	50,889	1,616	52,505
Other countries	17,481	7,564	29,147	9,010	63,203	980	64,184
Revenue from contracts with customers	92,203	43,146	111,673	135,365	382,389	17,746	400,135
Other revenue	–	115	–	–	115	–	115
Sales to external customers	92,203	43,262	111,673	135,365	382,505	17,746	400,251

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

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

(2) Useful information in understanding revenue

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

(3) Information in understanding the amount of revenue for the fiscal year under review and following fiscal years

• Balances of contract assets and contract liabilities

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

(Millions of yen)

	Balance at beginning of the fiscal year	Balance at end of the fiscal year
Trade receivables	95,328	86,861
Contract assets	1,103	1,173
Contract liabilities	2,067	1,365

• Transaction price allocated to the remaining performance obligations

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

(Millions of yen)

	Fiscal year under review
Within one year	3,007
Over one year	388
Total	3,395

(Notes to Per Share Information)

1. Net assets per share: 3,436.95 yen
2. Net loss attributable to owners of parent per share: 142.73 yen

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

In addition, in the calculation of net loss attributable to owners of parent per share, those shares are included in the deduction of treasury shares for calculating the average number of shares in the period.

(Other Notes)

1. Other

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

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of period	**36,998**	**49,284**	**0**	**49,284**	**3,589**	**113,840**	**117,429**	**(7,785)**	**195,926**
Changes during period									
Reversal of reserve for advanced depreciation of noncurrent assets				–	(59)	59	–		–
Dividends from surplus				–		(7,764)	(7,764)		(7,764)
Net loss				–		(11,110)	(11,110)		(11,110)
Purchase of treasury shares				–			–	(5)	(5)
Disposal of treasury shares			(0)	(0)			–	4	4
Transfer of loss on disposal of treasury shares			0	0		(0)	(0)		–
Reversal of revaluation reserve for land				–		0	0		0
Net changes of items other than shareholders' equity				–			–		–
Total changes of items during period	–	–	**(0)**	**(0)**	**(59)**	**(18,815)**	**(18,874)**	**(0)**	**(18,875)**
Balance at end of period	**36,998**	**49,284**	**–**	**49,284**	**3,529**	**95,025**	**98,554**	**(7,786)**	**177,051**

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	**12,062**	**10,407**	**22,470**	**218,397**
Changes of items during the fiscal year				
Reversal of reserve for advanced depreciation of noncurrent assets			–	–
Dividends from surplus			–	(7,764)
Net loss			–	(11,110)
Purchase of treasury shares			–	(5)
Disposal of treasury shares			–	4
Transfer of loss on disposal of treasury shares			–	–
Reversal of revaluation reserve for land			–	0
Net changes of items other than shareholders' equity	(2,169)	(246)	(2,415)	(2,415)
Total changes of items during the period	**(2,169)**	**(246)**	**(2,415)**	**(21,291)**
Balance at end of the period	**9,893**	**10,161**	**20,054**	**197,105**

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

Notes to Non-consolidated Financial Statements

(Matters Related to Significant Accounting Policies)

1. Standards and methods for valuation of assets

(1) Securities

Shares of subsidiaries and associates

Stated at cost using the moving-average method

Investments in limited liability partnership (those deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are recorded as the net amount of equity interest based on the most recent financial statements available as of the reporting date of the financial statements specified in the partnership agreement.

Available-for-sale securities

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

Stated at market value

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

Shares, etc. that do not have a market price

Stated at cost using the moving-average method

(2) Inventories

Stated at cost using the weighted-average method

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

2. Depreciation method for noncurrent assets

Property, plant and equipment

The straight-line method is applied.

Intangible assets

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

Lease assets

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

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

3. Standards of accounting for allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

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

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

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

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

(4) Provision for stock benefits

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

(5) Provision for loss on business of subsidiaries and associates

Provision for loss on business of subsidiaries and associates is provided to cover losses on business of subsidiaries and associates. The Company records an estimated amount of loss incurred taking into account the financial position and other factors of the subsidiaries and associates.

4. Revenue and expense recognition standards

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

(1) Revenue recognition related to product sales

The Company's principal business is the manufacture and sale of "Electronics & Innovative Products," "Life Innovation," "Elastomers & Infrastructure Solutions," and "Polymer Solutions." The Company is obligated to deliver products under sales contracts with customers, and recognizes revenue when control of the products is transferred to the customer and the performance obligation is satisfied. The Company recognizes revenue at the time of delivery, acceptance inspection, or shipment, as appropriate.

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

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

(Notes to Changes in Accounting Policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard 2022"), etc. from the beginning of the fiscal year under review. This change in accounting policies has no impact on the non-consolidated financial statements.

(Notes to Accounting Estimates)

Valuation of investments and loans to subsidiaries and associates

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

Shares of subsidiaries and associates	29,842 million yen
Loss on valuation of shares of subsidiaries and associates	3,449 million yen
Short-term loans receivables	1,321 million yen
Allowance for doubtful accounts (on subsidiaries and associates)	(55) million yen
Provision for loss on business of subsidiaries and associates	8,677 million yen
Provision for loss on business of subsidiaries and associates (recognized in profit or loss)	8,677 million yen

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

1) Calculation method

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

Valuation of investments and loans to subsidiaries and associates takes into account the financial position and other factors of the relevant companies as of the closing date. The estimated unrecoverable amount is recorded as an allowance for doubtful accounts, and the estimated amount of losses incurred is recorded as provision for loss on business of subsidiaries and associates.

In the fiscal year under review, the Company recorded a provision for loss on business of subsidiaries and associates 8,677 million yen due to the deterioration of the financial position of a subsidiary, Denka Performance Elastomer LLC, which recorded impairment losses on non-current assets. In addition, we have written down the value of shares in Denka USA LLC, which invests in Denka Performance Elastomer LLC, to their actual value, and recorded 2,338 million yen in loss on valuation of shares of subsidiaries.

2) Principal assumptions

Some of the shares of subsidiaries and associates, which were acquired with an expectation of the excess earning power, etc. are valued based on the business plans that are prepared, reflecting past experiences and external and internal information, and approved by the Board of Directors. Principal assumptions are the sales volume and sales price projections included in the business plan.

When recording a provision for loss on business of subsidiaries and associates, we determine the estimated amount of loss to be incurred based on the financial position, such as insolvency, operating results, and other factors of the relevant companies as of the closing date.

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

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

Valuation of noncurrent assets

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

Property, plant and equipment	239,888 million yen
Intangible assets	1,958 million yen
Loss on liquidation of business	3,941 million yen

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

1) Calculation method

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

In the fiscal year under review, the Company recorded 3,941 million yen as loss on liquidation of business for impairment loss on non-current assets of businesses from which the Company has decided to withdraw in line with the business portfolio restructuring including the closure of Ofuna Plant.

2) Principal assumptions

The undiscounted future cash flows from assets or asset groups are calculated on the basis of the business plans that are prepared, reflecting past experiences and external and internal information, and approved by the Board of Directors. Principal assumptions are the sales volumes and sales prices included in the forecast of undiscounted future cash flows from the assets or asset groups.

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

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

(Notes to the Non-consolidated Balance Sheet)

1. **Assets pledged as collateral:** None
2. **Accumulated depreciation of property, plant and equipment:** 449,698 million yen
3. **Guarantee obligations**

Guarantee for loans from financial institutions:	24,536 million yen

4. **Monetary receivables from and monetary obligations to subsidiaries and associates**

Short-term monetary receivables:	35,051 million yen
Short-term monetary obligations:	22,104 million yen
Long-term monetary receivables:	86 million yen

(Notes to the Non-consolidated Statement of Income)

Amount of transactions with subsidiaries and associates

Sales to subsidiaries and associates:	86,030 million yen
Purchase from subsidiaries and associates:	60,651 million yen
Transactions with subsidiaries and associates other than business transactions:	13,170 million yen

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

Type and number of shares of treasury shares

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
				(Shares)
Common shaers	2,379,319	2,372	1,568	2,380,123

Notes: 1. The increase of 2,372 shares of common shares of treasury shares was due to the purchase of odd-lot shares.

2. The decrease of 1,568 shares of common shares of treasury shares was due to the decrease of 168 shares by the sale of odd-lot shares and the delivery of 1,400 shares by a stock benefit trust.

(Notes to Deferred Tax Accounting)

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

(Millions of yen)

	As of March 31, 2025
Deferred tax assets	
Provision for bonuses	682
Loss on liquidation of business	6,152
Asset retirement obligations	576
Loss on valuation of investment securities	228
Loss on valuation of shares of subsidiaries and associates	5,866
Loss on valuation of golf club membership	397
Impairment loss	874
Enterprise tax payable	155
Provision for loss on business of subsidiaries and associates	2,736
Tax loss carryforward	2,545
Other	2,316
Subtotal of deferred tax assets	22,527
Valuation allowance	(7,303)
Total deferred tax assets	15,224
Deferred tax liabilities	
Prepaid pension cost	430
Valuation difference on available-for-sale securities	4,553
Reserve for advanced depreciation of non-current assets	1,610
Other	103
Total deferred tax liabilities	6,696
Net deferred tax assets (liabilities)	8,528

(Notes concerning Related Party Transactions)

Subsidiaries

Type	Company name	Location	Capital or equity	Business	Ownership of voting rights	Relationship		Transactions	Transaction amount (Millions of yen)	Account	Balance at the end of the year (Millions of yen)
						Concurrent positions, etc. of directors	Business relationship				
Subsidiary	Akros Trading Co., Ltd.	Minato-ku, Tokyo	1,200 million yen	Sales of pulp, paper, organic/inorganic industrial products, etc.	77.4% directly owned by the Company	1 director with a concurrent position at the Company	The Company sells synthetic rubber products, synthetic resin products, civil engineering and construction materials, etc. to it.	Sales of the Company's products	42,246	Accounts receivable-trade	13,588
Subsidiary	Denka Performance Elastomer LLC	Louisiana, U.S.A.	121 million US dollars	Manufacturing and sales of synthetic rubber	70% indirectly owned by the Company	1 director with a concurrent position at the Company	The Company purchases finished products	Goods stocking Guarantee for obligation	34,890 10,542	Accounts payable – trade –	2,382 –
Subsidiary	Denka Chemicals Holdings Asia Pacific Pte., Ltd.	Singapore	68.70 million US dollars	Regional headquarters for Southeast and South Asia	100% directly owned by the Company	1 director with a concurrent position at the Company	Regional headquarters of the Company	Holding of funds Payment of interest	14,207 779	Deposits received	13,158
Subsidiary	Denka Singapore Pte., Ltd.	Singapore	69.41 million SG dollars	Manufacturing and sales of acetylene black and functional resin products	100% indirectly owned by the Company	–	The Company provides technologies	Technical support fee income	1,053	Other current assets	234
Associate	TOYO STYRENE Co., Ltd	Minato-ku, Tokyo	5,000 million yen	Manufacturing, processing, and sales of polystyrene resin	50% directly owned by the Company	–	The Company supplies its products as raw materials and purchases certain finished products from it.	Sales of the Company's products	16,769	Accounts receivable-trade	5,752

Notes:
1. Sales of the Company's products are determined on the same terms and conditions as general transactions. Purchase of merchandise is determined by negotiation in consideration of total cost.
2. The Company provides guarantee for obligations of Denka Performance Elastomer LLC, including loans from banks, and receives guarantee fees determined based on generally accepted rates for such guarantees.
3. Terms and conditions for loans to and deposits of funds from subsidiaries are determined in consideration of market interest rates.
4. The transaction amount of deposits is the average balance during the period.
5. Rates for technical support fees are determined based on reasonable standard agreed upon with group companies.

(Notes on Revenue Recognition)

Basis for understanding revenue is as described in (Matters Related to Significant Accounting Policies), 4. Revenue and expense recognition standards

(Per share information)

1. Net assets per share: 2,287.25 yen

2. Loss per share, fiscal year under review: 128.92 yen

Note: For the purpose of calculating net assets per share, the Company's shares held by the Stock Benefit Trust are included in treasury stock, which is deducted from the total number of shares issued and outstanding at the end of the fiscal year. In addition, for the calculation of loss per share, the Company's shares held by the Stock Benefit Trust are included in treasury stock, which is deducted from the average number of shares outstanding during the fiscal year.

(Significant Subsequent Events)

(Capital increase in a subsidiary)

Based on the resolution at the extraordinary Board of Directors meeting held on March 28, 2025, the Company has increased the capital of its subsidiary, Denka Performance Elastomer LLC. Details are as follows.

1. Purpose of the capital increase

   To provide working capital for the consolidated subsidiary.

2. Overview of the capital increase

Amount to be paid	21,000 thousand US dollars
Date of payment	April 30, 2025 (made through Denka USA LLC, a consolidated subsidiary of the Company)
Investment ratio after the capital increase	70.0% (unchanged)

(Other Notes)

1. Other

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