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DENKI KAGAKU KOGYO KABUSHIKI KAISHA

(Securities Code: 4061)

**NOTICE OF CONVOCATION OF
THE 155TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Friday, June 20, 2014 at 10:00 a.m.

Place: Nihonbashi Mitsui Hall, 4th floor of COREDO Muromachi
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Nine (9) Directors

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

Please exercise your voting rights in writing or via the Internet by
5:00 p.m. on Thursday, June 19, 2014.

Message from the Management To Our Shareholders

Ensuring the new growth strategies of the DENKA100 management plan lead to actual results and implementing further measures with a challenging spirit

Enclosed please find the Notice of Convocation of the 155th Ordinary General Meeting of Shareholders.

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

During the fiscal year ended March 31, 2014 (fiscal 2013), the Japanese economy saw an overall increase in domestic demand owing to robust public investment and personal consumption buoyed by Abenomics, coupled with rush demand in the second half of the year before the consumption tax increase. On the other hand, exports were sluggish partly due to slowing of China's economic growth and deceleration of emerging economies. Overall, the Japanese economy achieved a moderate recovery.

In these circumstances, the DENKA Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas, revising product prices and cutting costs. Consolidated net sales for fiscal 2013 increased year on year as a result of the impact of depreciation of the yen, revision of product prices corresponding to the increases in raw material prices, and an increase in sales volumes of principal products. Net income also increased. However, we regret that we were unable to achieve the forecast business results owing to little growth in sales volumes of certain products, a delay in reflecting increased costs in prices of certain downstream products, and increased electricity prices.

Regarding the outlook of the Japanese economy, there are some factors that may have adverse impacts on the economic recovery, such as the decrease in demand following the consumption tax increase and serious labor shortages in construction and some other sectors.

In these circumstances, as already reported, we revised the DENKA100 management plan and started a new phase of DENKA100 in April 2013 with new growth strategies formulated in view of change in the demand structure and needs. In fiscal 2013, in accordance with the new growth strategies, we proactively implemented many concrete measures.

For creation of the most optimal production system, the first element of the new growth strategies, we accelerated global business development centering on China and Southeast Asia in the special cement additives field. We established production structure for food packaging sheets in China and also promoted local production of VINI-TAPE® polyvinyl chloride adhesive tapes in Vietnam. In addition, we decided to withdraw from the vinyl acetate monomer business, which had been operating in a harsh environment, and are preparing to do so.

Regarding the second element, scrutinizing of every cost element, we have achieved cost reductions thorough measures that vary in scale, without being constrained by past customs. To strengthen competitiveness for the next 100 years, we are endeavoring to expand use of clean energy. As part of this initiative, we have launched a new hydroelectric power plant construction project in addition to the increase of the output capacity of the existing hydroelectric power plant.

With respect to the third element, focusing of management resources on new growth drivers and develop next-generation products, construction of production facilities for ultrahigh-purity acetylene black was started at the Company's Chiba Plant, which is for application in next-generation lithium-ion secondary batteries. We also strengthened the capital alliance with SEI Corporation, which has sophisticated technology in the lithium-ion secondary battery field.

In April 2014, construction of the main building of the DENKA Innovation Center in Machida, Tokyo, was completed, which promotes open innovation indispensable for initiatives to develop next-generation products. As well as being the base for research activities centering on innovative research for creating new value, it also serves as a venue for social contribution with its doors open to the community. Please refer to Page 17 for details about the DENKA Innovation Center.

Fiscal 2014 is the second year since the launch of a new phase of DENKA100. We will endeavor to ensure that the measures we have implemented so far lead to actual results and will implement further measures in accordance with the new growth strategies with a challenging spirit in an effort to enhance corporate value.

Staying true to our tradition of maintaining an earnest attitude and sincere conduct cultivated in the past 100 years, we are resolved to achieve sustainable growth over the next 100 years, underpinned by the trust of society that we strive to earn.

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

Shinsuke Yoshitaka
President

To Our Shareholders:

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

**NOTICE OF CONVOCATION OF
THE 155TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 155th Ordinary General Meeting of Shareholders of DENKI KAGAKU KOGYO KABUSHIKI KAISHA (the “Company”) to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing by submitting the Voting Rights Exercise Form by mail or via the Internet etc. as described in the “Guide for Exercise of Voting Rights” (Page 5). Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Thursday, June 19, 2014.

- 1. Date and Time:** Friday, June 20, 2014 at 10:00 a.m.
- 2. Place:** **Nihonbashi Mitsui Hall, 4th floor of COREDO Muromachi**
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 155th Term (from April 1, 2013 to March 31, 2014) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 155th Term (from April 1, 2013 to March 31, 2014)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Nine (9) Directors
- Proposal No. 3:** Election of One (1) Substitute Audit & Supervisory Board Member

© The following are posted on the Company's website at <http://www.denka.co.jp/> in accordance with law and Article 16 of the Company's Articles of Incorporation and thus are not included in the documents attached to this notice of convocation.

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

The consolidated financial statements and the non-consolidated financial statements audited by the Audit & Supervisory Board Members and the Accounting Auditor include the Notes to Consolidated Financial Statements and the Notes to Non-consolidated Financial Statements, which are posted on the Company's website.

© If any revisions are made to the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements, or Reference Documents for the General Meeting of Shareholders, they will be posted on the Company's website at <http://www.denka.co.jp/>.

<Guide for Exercise of Voting Rights>

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

(1) Exercise of Voting Rights by Attending the Meeting

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

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

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

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send the completed form to us so that it is received by 5:00 p.m. on Thursday, June 19, 2014.

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

Please access the website for exercising voting rights designated by the Company (<http://www.web54.net>), use the "Voting Rights Exercise Code" and the "Password" indicated on the enclosed Voting Rights Exercise Form, and follow the on-screen guidance. Please vote for or against the proposals by 5:00 p.m. on Thursday, June 19, 2014.

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

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

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

Matters concerning year-end dividends

The Company believes long-term increase of corporate value leads to greater shareholder value and considers dividend to shareholders to be one of the management priorities. Based on this recognition, our basic policy is to decide the return of profit to shareholders while securing internal reserve necessary for future business development, taking into account the Company's financial performance.

With respect to the year-end dividend for the 155th term, the Company proposes the following, taking into account the business results for the term and future business development.

- (1) Type of dividend property
Cash
- (2) Allocation of dividend property and total amount thereof
¥5 per share of common stock of the Company
Total amount of dividends: ¥2,329,722,860
- (3) Effective date of dividends from surplus
June 23, 2014

The amount of dividends for the full year will be ¥10 per share, including the interim dividend of ¥5 per share paid in December 2013.

Proposal No. 2: Election of Nine (9) Directors

The terms of office of all of the nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of nine Directors is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Shinsuke Yoshitaka (February 1, 1951) [June 2008] (Reappointed)	<p>April 1974 Joined the Company</p> <p>January 2001 General Manager of Corporate Planning Dept. of the Company</p> <p>June 2006 Director of the Company, General Manager of Corporate Planning Dept. and Investor Relations & Corporate Communications Dept.</p> <p>June 2007 Senior Executive Officer of the Company, General Manager of Investor Relations & Corporate Communications Dept.</p> <p>April 2008 Senior Executive Officer of the Company, General Manager of Medical Sciences Div.</p> <p>June 2008 Director and Senior Executive Officer of the Company</p> <p>April 2010 Representative Director and Managing Executive Officer of the Company</p> <p>April 2011 Representative Director, President and Chief Executive Officer of the Company (present)</p> <p>June 2011 Director of Koatsu Gas Kogyo Co., Ltd. (present)</p>	92,000
2	Hitsoshi Watanabe (June 11, 1948) [June 2010] (Reappointed)	<p>April 1971 Joined the Company</p> <p>June 2006 Director of the Company, General Manager of Chiba Plant</p> <p>June 2007 Senior Executive Officer of the Company</p> <p>April 2008 Senior Executive Officer of the Company, General Manager of Omi Plant</p> <p>April 2010 Managing Executive Officer of the Company</p> <p>June 2010 Director and Managing Executive Officer of the Company</p> <p>April 2011 Representative Director and Senior Managing Executive Officer of the Company (present)</p>	44,000
3	Tetsuro Maeda (July 12, 1951) [June 2004] (Reappointed)	<p>April 1977 Joined the Company</p> <p>June 2000 General Manager of Research and Development Dept. of the Company</p> <p>June 2004 Director of the Company, General Manager of Planning & Promoting Dept. of Electronics Materials Business Group</p> <p>June 2006 Director of the Company, President of Electronics Materials Business Group</p> <p>April 2008 Director and Managing Executive Officer of the Company</p> <p>April 2010 Representative Director and Senior Managing Executive Officer of the Company, General Manager of Central Research Institute</p> <p>April 2011 Representative Director, Executive Vice President and Chief Operating Officer of the Company</p> <p>April 2013 Director of the Company (present) President and Representative Director of DENKA SEIKEN Co., Ltd. (present)</p>	73,000

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
4	Mitsukuni Ayabe (September 23, 1952) [June 2011] (Reappointed)	<p>April 1977 Joined the Company</p> <p>June 2004 General Manager of Research and Development Dept. of the Company</p> <p>June 2007 Executive Officer of the Company, Managing Director of Denka Singapore Pte., Ltd., Managing Director of Denka Advantech Pte., Ltd.</p> <p>June 2009 Executive Officer of the Company, Managing Director of Denka Chemicals Holdings Asia Pacific Pte., Ltd.</p> <p>April 2010 Senior Executive Officer of the Company, Director and Chairman of Denka Chemicals Holdings Asia Pacific Pte., Ltd.</p> <p>April 2011 Managing Executive Officer of the Company, General Manager of Medical Sciences Div.</p> <p>June 2011 Director and Managing Executive Officer of the Company</p> <p>April 2013 Director and Senior Managing Executive Officer of the Company (present)</p>	29,000
5	Shinji Sugiyama (June 21, 1951) [June 2013] (Reappointed)	<p>April 1975 Joined the Company</p> <p>June 2000 General Manager of ABS Functional Resin Div. of the Company</p> <p>June 2004 General Manager of Functional Resin Div. of the Company</p> <p>April 2008 Executive Officer of the Company, General Manager of Styrene Div.</p> <p>April 2010 Senior Executive Officer of the Company, President and Representative Director of DENKA Polymer Co., Ltd.</p> <p>April 2013 Managing Executive Officer of the Company, Head of Elastomers & Performance Plastics (present)</p> <p>June 2013 Director and Managing Executive Officer of the Company (present)</p>	19,000
6	Hideyuki Udagawa (November 1, 1952) [June 2013] (Reappointed)	<p>April 1976 Joined the Company</p> <p>June 2006 General Manager of Special Cement Additives Div. of the Company</p> <p>April 2008 Deputy General Manager of Cement and Special Cement Additives Div. and General Manager of Business Planning Dept. of the Company</p> <p>April 2009 Executive Officer of the Company, General Manager of Cement and Special Cement Additives Div.</p> <p>April 2011 Senior Executive Officer of the Company</p> <p>April 2013 Managing Executive Officer of the Company, Head of Infrastructure & Inorganic Materials (present), President of Disaster Reconstruction Support Div. (present)</p> <p>June 2013 Director and Managing Executive Officer of the Company (present)</p>	15,000

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
7	Manabu Yamamoto (March 31, 1956) [June 2013] (Reappointed)	<p>April 1981 Joined the Company</p> <p>June 2004 General Manager of Functional Ceramics Div. of Electronics Materials Business Group of the Company</p> <p>June 2007 Vice President of Electronics Materials Business Group of the Company</p> <p>April 2008 General Manager of Electronics Materials Div. of Electronics Materials Business Group of the Company</p> <p>April 2009 Executive Officer of the Company</p> <p>April 2010 Executive Officer of the Company, General Manager of Electronics Materials Div.</p> <p>April 2011 Senior Executive Officer of the Company</p> <p>April 2013 Managing Executive Officer of the Company, Head of Electronics & Innovative Products (present)</p> <p>June 2013 Director and Managing Executive Officer of the Company (present)</p>	13,000

Candidates for Outside Director

8	<p>Kozo Tanaka (May 15, 1940) [June 2008] (Reappointed)</p> <p>(Independent Director)</p>	<p>April 1966 Admitted to the bar in Japan (TOKYO BAR ASSOCIATION)</p> <p> Joined Shigeru Kuriyama Law Office</p> <p>July 1970 Established Tanaka Law Office</p> <p>May 2001 Chairman of Disciplinary Enforcement Committee, Japan Federation of Bar Associations (resigned in April 2002)</p> <p>April 2004 Professor (Special Assignment), Graduate School of Law, Chuo University (resigned in March 2009)</p> <p>June 2007 Audit & Supervisory Board Member of the Company (resigned in June 2008)</p> <p>June 2008 Director of the Company (present)</p> <p>Mr. Kozo Tanaka attended 13 out of 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2014.</p> <p>Reasons for selection as the candidate for Outside Director Mr. Kozo Tanaka has long experience as a lawyer and abundant legal knowledge. The Company proposes that Mr. Tanaka be elected as an Outside Director in the expectation that he will utilize his knowledge in providing suggestions about the Company's management in general. Although he has never been directly engaged in corporate management, the Company deems that Mr. Tanaka will duly execute his duties as an Outside Director because he is well versed in corporate legal affairs and has extensive insight into corporate governance.</p>	-
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No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
9	Tadashi Hashimoto (January 6, 1949) [June 2011] (Reappointed) (Independent Director)	<p>April 1972 Joined The Dai-ichi Kangyo Bank, Ltd. April 1999 General Manager of Credit Planning Dept., The Dai-ichi Kangyo Bank, Ltd. June 2001 Executive Officer of The Dai-ichi Kangyo Bank, Ltd. (resigned in March 2002) April 2002 Executive Officer, General Manager of Credit Risk Management Dept., Mizuho Holdings, Inc. (resigned in March 2003) March 2003 Senior Managing Director of Nihon Chuo Jisho Co., Ltd. December 2005 Director and President of Nihon Chuo Jisho Co., Ltd. (resigned in March 2006) June 2006 President and Representative Director of Mizuho Factors, Ltd. (resigned in March 2011) June 2011 Director of the Company (present)</p> <p>Mr. Tadashi Hashimoto attended 13 out of 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2014.</p> <p>Reasons for selection as the candidate for Outside Director Mr. Tadashi Hashimoto worked at financial institutions for many years and has sophisticated accounting knowledge. The Company proposes that Mr. Hashimoto be elected as an Outside Director in the expectation that he will utilize his knowledge in providing suggestions about the Company's management in general. Although he used to work at a financial institution that has transactions with the Company, the Company deems that his independence as an Outside Director is not questionable because 1) he is not a current or a recent operating officer of the said financial institution and a considerable number of years has passed since he left the said financial institution (11 years will have passed since he left the said financial institution as of the day of this Ordinary General Meeting of Shareholders); 2) the ratio of debts to the Company's total assets is low (approximately 30%) and the debt from the said financial institution accounts for less than 10% of the Company's total debts, and thus, the Company considers that the said financial institution has no special impact on the Company's decision-making by the Board of Directors etc.; and 3) the Company considers that there is no risk that conflict of interest with other general shareholders will arise.</p>	-

- Notes: 1. No material conflict of interest exists between the Company and any of the above candidates.
2. Mr. Kozo Tanaka and Mr. Tadashi Hashimoto are current Outside Directors of the Company. Mr. Tanaka and Mr. Hashimoto will have served as Outside Directors for six years and three years, respectively, at the conclusion of this Ordinary General Meeting of Shareholders.

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

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

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

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

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

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

Business Report

(From April 1, 2013 to March 31, 2014)

1. Overview of the Group

(1) Business Progress and Results

During the fiscal year ended March 31, 2014 (fiscal 2013), the Japanese economy saw an overall increase in domestic demand owing to robust personal consumption and public investment, coupled with rush demand in the second half of the year before the consumption tax increase. On the other hand, exports were sluggish partly due to slowing of China's economic growth and deceleration of emerging economies. Overall, the Japanese economy achieved a moderate recovery.

The chemical industry, despite increases in prices of raw materials, such as naphtha, experienced a recovery of corporate earnings because of increased domestic demand and improved profitability of products for export.

In these circumstances, the DENKA Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas, revising product prices and cutting costs. Consolidated net sales for fiscal 2013 increased ¥35,163 million or 10.3% year on year to ¥376,809 million as a result of the impact of depreciation of the yen, revision of product prices corresponding to the increases in raw material prices, and an increase in sales volumes of principal products. With respect to profit, despite a delay in reflecting increased costs in prices of certain downstream products and increased electricity prices, operating income rose ¥2,412 million or 12.8% to ¥21,230 million and the ratio of operating income to net sales increased 0.1 percentage points to 5.6%. Ordinary income rose ¥2,779 million or 15.6% to ¥20,604 million, and net income increased ¥2,318 million or 20.6% to ¥13,573 million.

Results of operations by division are described below.

Elastomers & Performance Plastics Division (Sales: ¥166,503 million)

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

Sales of chloroprene rubber increased thanks to increased sales volume and the impact of depreciation of the yen on the revenues in yen. Sales of styrene monomer, ABS resin, and functional resin CLEAREN increased as a result of the revision of product prices corresponding to the increase in raw material prices. Sales of polystyrene resin by Denka Singapore Pte., Ltd., a subsidiary in Singapore, were also generally robust.

As a result, division sales increased ¥23,683 million or 16.6% year on year to ¥166,503 million.

Infrastructure & Inorganic Materials Division (Sales: ¥49,642 million)

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

Cement sales increased due to higher sales volume. Sales of special cement additives, fertilizers, fire resistant materials, and ferrous raw materials were also higher than the previous year.

As a result, division sales increased ¥1,707 million or 3.6% year on year to ¥49,642 million.

Electronics & Innovative Products Division (Sales: ¥42,116 million)

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

Functional films for transportation and packing of electronic components and semiconductors saw an increase in sales because of higher sales volume of THERMO FILM ALS. Sales of electronic circuit substrates increased due to a recovery of demand for electric railway applications and sales of ALONBRIGHT SiAlON phosphors for LED also increased because of higher sales volume. On the other hand, sales of spherical fused silica fillers for semiconductor sealing decreased because of lower sales volume due to weak demand.

As a result, division sales increased ¥2,906 million or 7.4% year on year to ¥42,116 million.

Life Science & Environmental Products Division (Sales: ¥77,968 million)

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

Sales of plastic rain gutters and corrugated drainpipes for agriculture and civil engineering increased because of higher sales volume. Sales of vinyl tapes for industrial applications and TOYOKALON synthetic fiber for wigs and hairpieces increased because of higher sales volumes and an increase in revenues in yen due to depreciation of the yen. DX FILM, which is fluorine-alloy film with weatherability, saw a recovery in the demand for solar battery applications. Sales volumes of films for food packaging and products processed by subsidiary DENKA Polymer Co., Ltd. were virtually unchanged from the previous year but there was a delay in revising prices of certain products.

Regarding pharmaceutical products, whereas shipments of joint function improvers (high-molecular sodium hyaluronate preparations) were virtually unchanged from the previous year, subsidiary DENKA SEIKEN Co., Ltd. saw a decrease in sales of diagnostic reagents.

As a result, division sales increased ¥641 million or 0.8% year on year to ¥77,968 million.

Others Division (Sales: ¥40,579 million)

Principal business: Plant engineering etc.

Akros Trading Co., Ltd. and other trading companies experienced increased transaction volumes due to higher demand. The value of orders received by Denka Consultant & Engineering Co., Ltd. was virtually unchanged from the previous year.

As a result, division sales increased ¥6,223 million or 18.1% year on year to ¥40,579 million.

(Reference)

Topics

Decision to Construct a New Hydroelectric Power Plant

Maximum output of 8,000kW and annual output of 26,000,000kWh

DENKA has decided to establish a new hydroelectric power plant, with the aim of securing a stronger operating base for the future growth of its lime and carbide-related businesses. Along with mining rights to limestone mines whose potential output is abundant, our in-house power generation systems, consisting mainly of hydroelectric power generation facilities, are a driving force of our competitiveness in these businesses. We have 15 natural inflow type hydroelectric power plants (five of which are owned by a joint venture) in the vicinity of the Omi Plant in Itoigawa City, Niigata Prefecture. The new plant will be situated upstream of the existing Omigawa Power Plant. The plan calls for launching operations in April 2018 and selling all of its output to electric power utilities for the first 20 years. We will continue with initiatives to expand use of clean energy and contribute to society through the pursuit of environmentally friendly operations.

Expanding Collaboration with Yamagata University

DENKA and the Graduate School of Science and Engineering at Yamagata University signed a comprehensive collaborative research agreement. Yamagata University is conducting basic research centered on polymer materials and polymer processing products while promoting practical research with an eye on commercialization. Until now, Yamagata University and DENKA worked separately on R&D themes in these fields. The signing of the agreement allows us to collaborate with Yamagata University in a range of products and fields. Through collaboration, we intend to speed up and enhance efficiency of R&D and promote development of new products that contribute to development of society.

Gaining Approval to Sell QuickNavi™-Flu Influenza Virus Detection Kit in China

An influenza virus detection kit (QuickNavi™-Flu) manufactured and sold by DENKA SEIKEN Co., Ltd., the Group's core company in the Life Science & Environmental Products Division, was approved by China Food and Drug Administration for sales. This kit is expected to contribute to prevention of spread of influenza and effective utilization of antivirus drugs in China. The DENKA Group continues to address social needs in the healthcare field, one of the growth drivers.

New VINI-TAPE® Plant in Vietnam

DENKA will construct a local subsidiary and a plant in Vietnam to manufacture the adhesive tape made of polyvinyl chloride, VINI-TAPE®, one of the main products of its Life Science & Environment Products Division. The principal customers for VINI-TAPE® are in the automotive industry and its applications include use in the assembly of wire harnesses installed in electronic components, where it is used to bundle wiring and cords and to ensure their electrical insulation. DENKA's VINI-TAPE® production facilities at the Chiba Plant (Ichihara City, Chiba Prefecture) are now operating at full capacity to accommodate robust domestic demand as well as that from steadily expanding markets in Southeast Asia and the Middle East. Capitalizing on its geographical advantage and distribution and cost advantages, we will supply more competitive products.

DENKA BIG SWAN STADIUM Debuts

At DENKA, we are committed to being a good corporate citizen in all the communities we serve.

As part of this initiative, in 2013 we acquired the naming right for the Niigata Stadium in Niigata Prefecture where a DENKA factory and some subsidiaries are based. The stadium, rebranded as the DENKA BIG SWAN STADIUM, debuted in January 2014.

The DENKA BIG SWAN STADIUM is the home of the Albirex Niigata J League soccer team. Albirex Niigata played its first home game on March 8. To celebrate the renaming of the stadium, it was held as the DENKA Thanks Day. At the kick-off ceremony, Albirex supporters yelled "DENKA!" The DENKA BIG SWAN STADIUM is strikingly beautiful with its white roof, reminiscent of a swan as the name suggests, and verdant grass pitch.

We look forward to seeing our shareholders there, too.

(2) Capital Investment

In accordance with the DENKA100 management plan, the Group is proactively implementing three new growth strategies: “Create the most optimal production system,” “Scrutinize every cost element,” and “Focus management resources on new growth drivers and develop next-generation products.” In accordance with these new growth strategies, the Group conducted capital investment totaling ¥25,735 million.

Capital investment in the Elastomers & Performance Plastics Division amounted to ¥5,098 million, which mostly concerned the Company and Denka Singapore Pte., Ltd.

In the Infrastructure & Inorganic Materials Division, capital investment amounted to ¥9,943 million. Principal items were production facilities for ALCEN alumina short fiber at the Company’s Omi Plant and capital investment for the Omuta Plant.

In the Electronics & Innovative Products Division, capital investment amounted to ¥4,018 million, which mostly concerned the Company’s Omuta Plant and Isesaki Plant.

Capital investment in the Life Science & Environmental Products Division amounted to ¥5,539 million mainly for production facilities for TOYOKALON synthetic fiber for wigs and hairpieces at Denka Advantech Pte., Ltd. as well as for the Company’s Chiba Plant and for DENKA SEIKEN Co., Ltd.

Capital investment in the Others Division amounted to ¥1,290 million, which was mainly for installation of solar power generation facilities at the Company’s Shibukawa and Isesaki plants and for refurbishment of sales facilities.

Main capital investment projects completed during fiscal 2013 included construction of TOYOKALON synthetic fiber production facilities at Denka Advantech Pte., Ltd. Construction of the main building of DENKA Innovation Center in Machida City, Tokyo, was completed in April 2014, which plays a pivotal role in promoting open innovation indispensable for bolstering development of next-generation products, and serves as the base for innovative research for new value creation and as a venue for social contribution.

Projects underway in Japan included construction of a new hydroelectric power plant at the Company’s Omi Plant and construction of production facilities for ultrahigh-purity acetylene black at the Company’s Chiba Plant and those overseas included construction of a manufacturing plant for special cement additives in Tianjin, China, construction of new production facilities for sheets for food packaging in Suzhou, China, and construction of VINI-TAPE, adhesive tape made of polyvinyl chloride in Vietnam.

(3) Financing

The Company issued straight bonds in the amount of ¥15 billion in June 2013 in order to use the funds raised for redemption of the existing bonds and for capital investment.

(4) Issues to be Addressed

Having revised the DENKA100 management plan launched in 2007, the Company started a new phase of DENKA100 in April 2013 with new growth strategies formulated in view of change in the demand structure and needs. In fiscal 2013, in accordance with the new growth strategies, we proactively implemented many concrete measures, including acceleration of overseas business development and local production, thorough review of all cost elements without being constrained by past customs, collaboration with several external research institutions, withdrawal from unprofitable businesses, and investment in growth fields.

Fiscal 2014 is the second year since the launch of a new phase of DENKA100. We will endeavor to ensure that the measures we have implemented so far lead to actual results and will implement further measures in accordance with the new growth strategies with a challenging spirit.

In April 2014, construction of the main building of the DENKA Innovation Center in Machida City, Tokyo, was completed, which promotes open innovation indispensable for initiatives to “Focus management resources on new growth drivers and develop next-generation products,” a key component of the new growth strategies of DENKA100. As well as being the base for research activities centering on innovative research for creating new value for the future, it also serves as a venue for social contribution with its doors open to the community. Moreover, taking the opportunity of the completion of the main building of the DENKA Innovation Center, we reorganized the research organizations in the Innovation Center and established the Life Innovation Research Institute where the Group’s resources in the healthcare field will be concentrated. The DENKA Innovation Center now consists of three institutes, Life Innovation Research Institute, Advanced Technologies Research Institute, and Infrastructure & Solutions Development Research Institute, and will accelerate development of

next-generation products by concentrating management resources in four fields, namely the environment, energy, infrastructure, and healthcare, which the Company positions as growth drivers.

A heat-blast accident occurred in June 2013 at the calcium carbide production facility of the Omi Plant (Itoigawa City, Niigata Prefecture) and a fire broke out at the Chiba Plant (Ichihara City, Chiba Prefecture) in July 2013 during the demolition of a plant that had been nonoperational. We earnestly responded to these accidents as lessons for safety measures and implemented exhaustive measures not only to prevent recurrence but also to ensure safety. Reinforcing our awareness that the utmost priority must be placed on safety and disaster prevention in all corporate activities throughout the DENKA Group, we will step up our efforts to enhance a safety-oriented corporate culture.

Outline of the revised strategies of DENKA100

Three new growth strategies	<ol style="list-style-type: none"> 1. Create the most optimal production system 2. Scrutinize every cost element 3. Focus management resources on new growth drivers and develop next-generation products 						
Numerical targets	<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Fiscal 2017</td> <td>Consolidated operating income of ¥60 billion</td> </tr> <tr> <td></td> <td>Operating income ratio of 10%</td> </tr> <tr> <td></td> <td>Ratio of overseas sales to net sales of 50%</td> </tr> </table>	Fiscal 2017	Consolidated operating income of ¥60 billion		Operating income ratio of 10%		Ratio of overseas sales to net sales of 50%
Fiscal 2017	Consolidated operating income of ¥60 billion						
	Operating income ratio of 10%						
	Ratio of overseas sales to net sales of 50%						

(Reference)

Topics

Feature: New Growth Strategies

DENKA Innovation Center Creates Future Creating New Value to Make a Leap in the Next 100 Years

Renewal of DENKA Group's R&D Organizations

One of the new growth strategies outlined in the DENKA100 management plan is to focus management resources on new growth drivers and develop next-generation products.

In order to be abreast of the changing market and develop products attuned to the needs of the era, in addition to proprietary R&D in house, it is essential for DENKA to collaborate with external parties, such as universities, research institutes, and strategic partners.

Construction of the main building of the DENKA Innovation Center (Machida City, Tokyo) was completed in April 2014. The Center serves as a base for accelerating such open innovation and is a symbol of our ambitions in this regard.

Groupwide R&D Effort

Taking the opportunity of the completion of the main building of the DENKA Innovation Center, we reorganized the research organization of the Group.

The new organization covers the four growth fields and consists of three institutes: the Advanced Technologies Research Institute focusing on R&D of technologies and products in the environment and energy fields, the Life Innovation Research Institute focusing on the healthcare field, and the Infrastructure & Solutions Development Research Institute addressing the infrastructure field.

The Life Innovation Research Institute was established by combining DENKA's pharmaceuticals research departments with DENKA SEIKEN's diagnostic reagent and vaccine development departments and will tackle development of new products in the healthcare field by integrating the two companies' biotechnologies and DENKA's technologies in polymeric chemistry.

Open to the Community to Serve as a Venue for Social Contribution

The DENKA Innovation Center has an open laboratory and presentation rooms for collaborative development with external research institutes and a range of experimental facilities as the DENKA Group's research base. The Center also features exhibition spaces for showcasing DENKA's products so that people in the community can deepen their understanding of chemistry. We intend to make use of the DENKA Innovation Center as a venue wide open to the community.

(5) Financial Position and Results of Operations

(Millions of yen, unless otherwise stated)

Item	152nd term (from April 1, 2010 to March 31, 2011)	153rd term (from April 1, 2011 to March 31, 2012)	154th term (from April 1, 2012 to March 31, 2013)	155th term (from April 1, 2013 to March 31, 2014)
Net sales	357,893	364,712	341,645	376,809
Operating income	24,618	20,713	18,817	21,230
Ordinary income	23,052	18,996	17,824	20,604
Net income	14,355	11,330	11,255	13,573
Net income per share (yen)	29.24	23.22	23.63	29.03
Total assets	402,046	402,552	415,356	431,347
Total net assets	168,182	172,737	180,709	189,516
Net assets per share (yen)	337.35	353.64	376.99	402.77
Total shareholders' equity ratio (%)	41.2	42.3	43.1	43.5
Return on equity (ROE) (%)	8.9	6.7	6.4	7.4
Total dividends paid	4,910	4,863	4,748	4,659
Dividends per share	10.00	10.00	10.00	10.00

- Notes: 1. Net income per share is calculated using the average number of shares issued and outstanding excluding treasury stock. Net assets per share are calculated using the number of shares issued and outstanding at the end of the fiscal year excluding treasury stock.
2. For total dividends paid and dividends per share for the 155th term, the sum of the interim dividend paid in December 2013 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.

(6) Significant Subsidiaries (as of March 31, 2014)

1) Significant subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
Denka Singapore Pte., Ltd.	SGD 69,410 thousand	100.0 (100.0)	Manufacturing and sales of acetylene black and polystyrene resin
Denka Chemicals Holdings Asia Pacific Pte., Ltd.	USD 68,700 thousand	100.0	Regional headquarters for Southeast and South Asia
Hinode Kagaku Kogyo	JPY 300 million	100.0	Manufacturing and sales of chemical fertilizers
Nishi-nihon Koatsu Gas Co., Ltd.	JPY 80 million	93.2	Manufacturing and sales of high-pressure gas
DENKA RENOTEC Co., Ltd.	JPY 50 million	100.0	Repair and reinforcement work for concrete structures and buildings and sales of materials
DENKA Azumin Co., Ltd.	JPY 300 million	100.0	Manufacturing and sales of fertilizers and agricultural materials
Denka Advantech Pte., Ltd.	SGD 17,000 thousand	100.0 (100.0)	Manufacturing and sales of fused silica and synthetic fiber for wigs and hairpieces
Denal Silane Co., Ltd.	JPY 500 million	51.0	Manufacturing and sales of monosilane gas, etc.
Denka Advanced Materials (Suzhou) Co., Ltd.	CNY 43,020 thousand	100.0	Manufacturing, processing, and sales of electronic packaging materials, etc.
DENKA Polymer Co., Ltd.	JPY 2,080 million	100.0	Manufacturing and sales of various packaging materials and plastic containers
Nakagawa Techno Industrial Co., Ltd.	JPY 50 million	80.0	Manufacturing, processing, and sales of metal rain gutters
DENKA SEIKEN Co., Ltd.	JPY 1,000 million	100.0	Manufacturing and sales of vaccines and clinical diagnostic reagents
YK Inoas Co., Ltd.	JPY 100 million	100.0	Sales of raw materials for industrial applications, civil engineering and construction materials, and interior materials
Denka Consultant & Engineering Co., Ltd.	JPY 50 million	100.0	Design and engineering of various industrial facilities, transportation facilities, etc.
Akros Trading Co., Ltd.	JPY 1,200 million	68.5	Sales of inorganic industrial products, organic industrial products, industrial resins, etc.
Akros Trading China Co., Ltd.	USD 300 thousand	100.0 (100.0)	Sales of electronic packaging materials, etc.
Akros Trading Taiwan Co., Ltd.	TWD 29,000 thousand	100.0 (100.0)	Sales of resins and semiconductor-related materials, etc.

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

2) Significant affiliates

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

(7) Principal Offices and Factories (as of March 31, 2014)

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

Note: As of April 1, 2014, the Central Research Institute was reorganized into the DENKA Innovation Center (Advanced Technologies Research Institute, Life Innovation Research Institute, and Infrastructure & Solutions Development Research Institute).

(8) Employees (as of March 31, 2014)

1) The Group

Business segment	Number of employees
Elastomers & Performance Plastics Division	836 [231]
Infrastructure & Inorganic Materials Division	833 [220]
Electronics & Innovative Products Division	968 [214]
Life Science & Environmental Products Division	1,555 [464]
Others Division	780 [205]
Corporate (common)	277 [81]
Total	5,249 [1,415]

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

2) The Company

Number of employees	Increase (Decrease) from the previous fiscal year-end	Average age	Average service years
2,873 [841]	+41 [+40]	39.8	18.0

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

(9) Principal Lenders (as of March 31, 2014)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	27,000
Mizuho Bank, Ltd.	16,719
Sumitomo Mitsui Banking Corporation	9,490
The Norinchukin Bank	6,827
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,026

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

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

Not applicable

2. Status of Shares (as of March 31, 2014)

(1) Total Number of Authorized Shares	1,584,070,000 shares
(2) Shares of Common Stock Issued	481,883,837 shares (including 15,939,265 shares of treasury stock)
(3) Number of Shareholders	36,763

(4) Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,912	6.63
Japan Trustee Service Bank, Ltd. (Trust Account)	26,579	5.70
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	16,079	3.45
National Mutual Insurance Federation of Agricultural Cooperatives	15,965	3.43
MITSUI LIFE INSURANCE, CO., LIMITED	11,908	2.56
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	11,745	2.52
STATE STREET BANK AND TRUST COMPANY	10,407	2.23
JUNIPER	8,278	1.78
Japan Trustee Service Bank, Ltd. (Trust Account 1)	6,944	1.49
Mitsui Sumitomo Insurance Company, Limited	6,916	1.48

Notes: 1. The Company holds 15,939,265 shares of treasury stock but is excluded from the above major shareholders.
2. Treasury stock is excluded for calculation of the percentage of shares held.

(5) Other Significant Matters concerning Shares

Not applicable

3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2014)

Not applicable

4. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2014)

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

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

(Reference)**Executive Officers** (as of April 1, 2014)

Name	Position	Responsibilities
Shinsuke Yoshitaka	President and Chief Executive Officer	
Hitoshi Watanabe	Senior Managing Executive Officer	Chief Technology Officer Purchasing Dept., Logistics Dept.
Mitsukuni Ayabe	Senior Managing Executive Officer	Supervisor Corporate Planning, Development Investor Relations Dept., Internal Auditing Dept., Accounting & Finance Dept., Information System Dept.
Shinji Sugiyama	Managing Executive Officer	General Manager, Elastomers & Performance Plastics Denka Chemicals GmbH
Hideyuki Udagawa	Managing Executive Officer	General Manager, Infrastructure & Inorganic Materials General Manager, Disaster Reconstruction Support Div.
Manabu Yamamoto	Managing Executive Officer	General Manager, Electronics & Innovative Products Denka Corporation
Shohei Tamaki	Managing Executive Officer	General Manager, Omi Plant
Norihiro Shimizu	Managing Executive Officer	Research and Development, Innovation Center New Business Planning Dept., Intellectual Property Dept. General Manager, Research and Development Dept.
Toshiharu Kano	Managing Executive Officer	General Manager, Omuta Plant
Sanshiro Matsushita	Managing Executive Officer	General Manager, Life Science & Environment Products Deputy General Manager, Disaster Reconstruction Support Div.
Kenji Nakano	Managing Executive Officer	Representative in China Secretary Dept., Administrative Dept., Legal Dept., HR Dept., DENKA100 Promoting Dept.
Akihiko Okuda	Executive Officer	Technology Div. Project Manager, New Omigawa Power Plant Construction Project
Masaharu Suzuki	Executive Officer	Director Chairman, Denka Chemicals Holdings Asia Pacific Pte., Ltd.
Ken Koizumi	Executive Officer	General Manager, Chiba Plant
Tetsuya Shinmura	Executive Officer	Deputy General Manager, Omi Plant
Junichi Kimura	Executive Officer	General Manager, Corporate Planning Dept. CSR & Corporate Communications Dept.
Toshio Imai	Executive Officer	Assistant to MEO, Elastomers & Performance Plastics Styrenics

(2) Directors and/or Audit & Supervisory Board Members Who Retired during the Fiscal Year

Name	Date of retirement	Reason for retirement	Positions and responsibilities at the Company, and significant concurrent positions at the time of retirement
Nobuyoshi Sakuma	June 21, 2013	Expiration of term of office	Director Representative Director and Chairman of DENKA Polymer Co., Ltd
Kenichi Ono	June 21, 2013	Expiration of term of office	Director Representative Director and President of YK Inoas Co., Ltd.
Daiichiro Uematsu	June 21, 2013	Expiration of term of office	Director Representative Director and President of TOYO STYRENE Co., Ltd.

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

Category	Number of persons	Amount paid (Millions of yen)
Directors (of which Outside Directors)	12 (2)	347 (24)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	4 (2)	84 (24)
Total (of which outside officers)	16 (4)	431 (48)

- Notes: 1. The amount paid to Directors does not include portions of their salaries as employees.
2. The maximum amount of remuneration for Directors is ¥540 million per year (of which the maximum amount of remuneration for Outside Directors is ¥30 million, excluding the portions of their salaries as employees) as resolved at the 152nd Ordinary General Meeting of Shareholders held on June 22, 2011.
3. The maximum amount of remuneration for Audit & Supervisory Board Members is ¥13 million per month as resolved at the 147th Ordinary General Meeting of Shareholders held on June 29, 2006.
4. As of March 31, 2014, the Company had nine Directors (of whom two are Outside Directors). The difference in the number of Directors from that indicated in the above (1) is because three Directors retired at the conclusion of the 154th Ordinary General Meeting of Shareholders held on June 21, 2013 as stated in the above (2) are included.
5. In addition, remuneration and other payments totaling ¥10 million were paid to an Outside Officer by a subsidiary of the Company.

(4) Outside Officers

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

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

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

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

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

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

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

3) Relationship with specified related parties such as major customers

Not applicable

4) Principal activities in the fiscal year ended March 31, 2014

i. Outside Directors

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2014. Mr. Kozo Tanaka and Mr. Tadashi Hashimoto attended all the 13 meetings of the Board of Directors (attendance rate: 100%) and stated opinions and gave advice, as necessary, about legal and tax risks concerning overseas business expansion and collaborative research and feasibility of investment based on their rich experience and expert knowledge. They also visited the Company's business sites and subsidiaries and

received briefings on the business and asked questions and stated opinions to Directors etc., as necessary, from external viewpoints.

ii. Outside Audit & Supervisory Board Members

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2014. Mr. Toshiaki Tada and Mr. Tsunehiro Sasanami attended all the 13 meetings of the Board of Directors (attendance rate: 100%) and stated opinions and gave advice, as necessary, about appropriateness and legal risks concerning overseas business expansion, collaborative research, and capital investment as well as about safety at plants and measures to prevent recurrence of accidents based on their rich experience and expert knowledge. They asked questions and stated opinions to Directors etc., as necessary, through audits of the Company's divisions, business sites and subsidiaries.

[Audit & Supervisory Board meetings]

The Audit & Supervisory Board met 15 times in the fiscal year ended March 31, 2014. Mr. Toshiaki Tada and Mr. Tsunehiro Sasanami attended all the 15 meetings of the Audit & Supervisory Board (attendance rate: 100%). They also attended the Board of Directors meetings and other important meetings. In addition, they reviewed important minutes, authorization documents, etc., investigated the Company's divisions and departments, business sites and subsidiaries, and received briefings on the status of business execution at periodic divisional report meetings. They reported the results of these activities to the Audit & Supervisory Board and had necessary discussions with other Audit & Supervisory Board Members.

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

5) Outline of the limited liability contracts

Not applicable

(Reference)

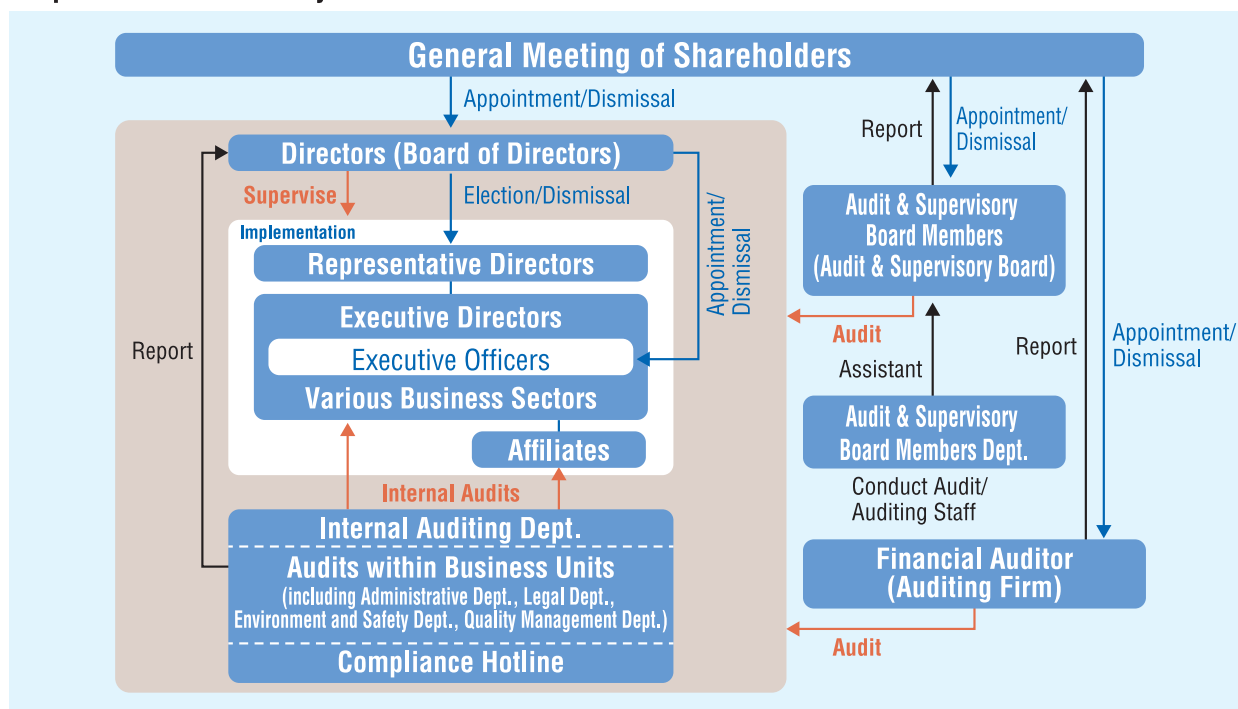
Initiatives to Strengthen Corporate Governance and the System for Outside Directors and Outside Audit & Supervisory Board Members

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

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

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

Corporate Governance System



(Reference)

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

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

A. Based on the belief that some dreams with a 10-year horizon can in fact be made a reality within a year, I am doing my utmost to support DENKA from the vantage point of an Outside Director by seeking to identify such opportunities.

Kozo Tanaka, Outside Director

A. My creed is to make a wholehearted commitment. By offering reviews from a perspective different from those of people inside the Company, I would like to help DENKA enhance its corporate value.

Tadashi Hashimoto, Outside Director

A. I am endeavoring to contribute to a more diverse discussion by expressing opinions illuminated by a social or third-party perspectives and reflecting the experience I have gained through contacts with various companies and handling cases as a lawyer.

Toshiaki Tada, Outside Audit & Supervisory Board Member

A. By applying my knowledge and the experience I have already acquired by serving as an outside auditor, I will devote myself to auditing from the viewpoint of shareholders and other stakeholders.

Tsunehiro Sasanami, Outside Audit & Supervisory Board Member

5. Accounting Auditor

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

Ernst & Young ShinNihon LLC

(2) **Accounting Auditor's Remuneration, etc. for the Fiscal Year Ended March 31, 2014**

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2014	66,000
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	101,980

Note: Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Companies Act and that for audits based on the Financial Instruments and Exchange Act are not strictly distinguished and they cannot be substantially distinguished. Consequently, the sum of the amounts of these remunerations is stated as the amount of remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2014.

(3) **Non-audit Services**

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

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

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

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

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

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

Not applicable

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

Not applicable

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

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

6. Company's Systems and Policies

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

(1) Systems to Ensure the Appropriateness of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Apart from the Board of Directors as the decision-making body, the Company establishes the Management Committee consisting of Directors. Depending on the agenda, relevant executive officers also participate in the meeting of the Management Committee to streamline and accelerate deliberation on important managerial matters.

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

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

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

Regarding management of affiliated companies, in principle, the Company's supervisory organizations take responsibility for supervising. In addition, they provide guidance, administration, and oversight in accordance with the situation of each affiliated company.

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

6) Systems concerning employees who provide assistance to Audit & Supervisory Board Members and matters concerning independence of such staff from Directors

The Company sets up the Audit & Supervisory Board Members Department as an organization that provides assistance to the Audit & Supervisory Board and to the Audit & Supervisory Board Members.

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

The Audit & Supervisory Board Members are consulted in advance about any personnel change of the staff of the Audit & Supervisory Board Members Department.

7) Systems concerning reporting to the Audit & Supervisory Board or to Audit & Supervisory Board Members and other systems to ensure that Audit & Supervisory Board Members effectively perform auditing

Directors, Executive Officers, and employees report on their duties, by organization, periodically or as necessary, in accordance with the instructions and/or requests by the Audit & Supervisory Board or Audit & Supervisory Board Members.

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

The Company ensures that a sufficient number of staff is assigned to budget formulation and to the Audit & Supervisory Board Members Department so that execution of duties by the Audit & Supervisory Board and by Audit & Supervisory Board Members is not adversely affected.

(2) Basic Policies regarding the Control of the Company

I. Details of the Basic Policy

The Company was established in 1915 for the production of calcium carbide and chemical fertilizers by utilizing abundant limestone resources and its in-house electric power plants. Since then, we have grown to become a unique chemicals manufacturer involved in the production and distribution of a wide range of chemical products ranging from inorganic and organic materials to electronic materials and processed resin products. These materials are based on our proprietary technologies of electric furnace controls, high-temperature reaction controls, organic synthesis and others nurtured in the course of many years of experience in the field of calcium carbide chemicals business.

In view of this history, characteristics of the Company's businesses are that many of its products involve very lengthy processes from raw materials to final products or utilize proprietary technologies in various fields in a complex manner. These businesses are based on the accumulated efforts over the years, including meticulous R&D and safety activities, capital investment and human resources development from a long-term perspective, and building of relationships of trust with suppliers, customers, and the local community. In other words, diverse technologies and people who have knowledge and experience capable of utilizing such technologies in a complex manner are the sources of the Company's corporate value, and management resources and the relationships of trust that have been cultivated underpin the Company's corporate value. This is our basic recognition of the Company's current situation.

In recent years, in Japan, too, acquisitions have become increasingly used as a means of pursuing growth strategies. The Company's Board of Directors also recognizes that utilization of dynamism based on market principles is important for growth of a company. As a listed company, we recognize the diversity of our shareholders and consider that our shareholders should make a final decision about the transfer of the control of the Company, including purchasing of a large amount of the Company's shares. However, certain large-scale purchases may be detrimental to corporate value of the company subject to such purchase attempt or the common interests of the shareholders or sufficient information and time may not be provided for the company to consider whether it should accept or reject such a purchase

attempt. Unconditionally accepting all large-scale purchase attempts is contrary to fulfilling the responsibility of management entrusted by shareholders.

The Company's Board of Directors considers that a person that controls the Company's financial and business policies should fully understand the source of the Company's corporate value and be capable of continuously and sustainably securing and enhancing the Company's corporate value and the common interests of its shareholders and, in principle, raises objection to any attempts to purchase a large amount of the Company's shares or similar attempts that come under the items listed below. If a person attempting a large-scale purchase of the Company's shares does not provide sufficient information and time for the Company or its shareholders to consider whether such attempt comes under the items listed below, the Company's Board of Directors also raise an objection to such attempt, in principle.

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

- 1) Purchases that may cause obvious harm to the Company's corporate value and the common interests of its shareholders through actions such as those described below or any similar action:
 - (i) A buyout of share certificates, etc. and demanding the Company or its related parties purchase such shares at inflated prices
 - (ii) An attempt to further the interest of the purchaser at the expense of the Company, such as by temporarily obtaining control of the management of the Company to acquire the Company's material assets, etc. at low cost
 - (iii) Making the Company's assets subject to use as collateral or for repayment of the debts of the purchaser, etc., its group companies, or other related parties
 - (iv) Temporarily obtaining control of the management of the Company to dispose of high-value assets that have currently little relevance to the Company's businesses and declare temporarily high dividends based on the proceeds from the disposal of such assets, or to sell the shares at a high price once the share price rises sharply by virtue of high dividends
- 2) Purchases that may have the effect of compelling shareholders to sell shares, such as coercive two-tier tender offers (a takeover bid in which the purchaser etc. does not propose to purchase all the shares in the first stage, but sets second-stage purchase terms disadvantageous or unclear to the shareholders)
- 3) Purchases that do not allow the Company's Board of Directors to have reasonably necessary time to submit an alternative proposal
- 4) Purchases that do not provide the Company's shareholders with necessary information and information reasonably necessary for evaluating the details of the purchase
- 5) Purchases whose terms (including amount and type of consideration for the purchase, the timing of the purchase, the legality of the purchase method, the probability of the purchase, management policies or business plans following the purchase) are inadequate or inappropriate in light of the Company's intrinsic value.
- 6) Purchases that may significantly harm the Company's corporate value and, in turn, the common interests of its shareholders, such as by damaging relationships with the Company's employees, suppliers, etc. and the Company's brand power, which are indispensable for creating the Company's corporate value.
- 7) It is inappropriate from the viewpoint of public order that the purchase, etc. obtains the control of the Company, such as that management or major shareholders of the purchaser etc. includes person(s) who have relationships with antisocial forces.

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

- 1) Special measures contributing to realization of the basic policy

As a new challenge in the run-up to its centenary in 2015, the Company is implementing an initiative called DENKA100 with the aim of becoming an enterprise creating "valuable things that benefit society" from "resources" using advanced technologies accumulated over the years.

Taking the recent economic trends into account, we revised our strategies in fiscal 2013 based on the policy, “achieve growth of electronic materials, functional processed products, and other highly profitable products in growth fields and in growth regions while securing profits from carbide chains and styrene chains as the foundation,” and started a new phase of DENKA100, with a set of targets to be achieved in fiscal 2017.

The new strategies are threefold: 1) Create the most optimal production system by accelerating a shift to local production to ensure timely product supply to growing overseas markets while dedicating domestic plants to produce specialty and high-performance products; 2) Scrutinize every cost element by cutting costs throughout operations including production processes, raw material procurement, and maintenance, to prevail in international competition; 3) Focus management resources in such growth fields as the environment, energy, infrastructure and healthcare, which are less susceptible to economic fluctuations and where the Company’s technologies and strengths can be brought into full play, and create new growth businesses that meet next-generation needs. Through these strategies, we are working to achieve the targets and realize sustainable enhancement of corporate value.

With regard to reform of corporate governance structures, the Company reduced the number of Directors on the Board in 2007. In 2008, the Company stepped up efforts to strengthen corporate governance by introducing Outside Directors (2 Outside Directors on the Board), separating oversight and execution by eliminating ranks within the board, and shortening the term of office of Directors to one year. Moreover, the Company established the Internal Auditing Department in 2007 to facilitate collaboration between Audit & Supervisory Board Members and the Accounting Auditor in an effort to enhance management transparency.

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

As measures to prevent decisions on the Company’s financial and business policies from being controlled by persons viewed as inappropriate under the basic policy, the Company introduced countermeasures for large-scale purchase of the Company’s shares (so-called poison pill, hereinafter referred to as the “Plan”) by the resolution at the 149th Ordinary General Meeting of Shareholders held on June 27, 2008. The valid period of the Plan was until the conclusion of the Ordinary General Meeting of Shareholders to be held in June 2011. At the meeting of the Company’s Board of Directors held on April 11, 2011, a resolution was passed not to continue the Plan upon expiration.

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

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

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2014)

(Millions of yen)

Account item	(Reference) 154th term	155th term	Account item	(Reference) 154th term	155th term
(Assets)	415,356	431,347	(Liabilities)	234,647	241,831
Current assets	158,595	164,747	Current liabilities	170,752	163,645
Cash and deposits	10,800	8,427	Notes and accounts payable-trade	55,226	54,328
Notes and accounts receivable-trade	77,111	83,701	Short-term loans payable	40,551	45,501
Merchandise and finished goods	41,565	41,989	Commercial paper	14,000	10,000
Work in process	3,296	2,554	Current portion of long-term loans payable	6,534	4,504
Raw materials and supplies	15,850	18,272	Current portion of bonds	10,000	5,000
Deferred tax assets	2,118	1,906	Accounts payable-other	17,015	16,231
Other	8,355	8,201	Income taxes payable	4,264	3,927
Allowance for doubtful accounts	(503)	(305)	Accrued consumption taxes	421	445
			Accrued expenses	9,309	7,584
Noncurrent assets	256,761	266,599	Provision for bonuses	2,406	2,428
Property, plant and equipment	206,214	211,783	Other	11,023	13,783
Buildings	34,022	36,055			
Structures	17,418	17,780	Noncurrent liabilities	63,894	78,185
Machinery and equipment	79,011	80,385	Bonds payable	15,000	25,000
Vehicles	448	429	Long-term loans payable	28,156	30,663
Tools, furniture and fixtures	2,605	2,612	Deferred tax liabilities	3,068	3,478
Land	63,512	62,796	Deferred tax liabilities for land revaluation	9,609	9,609
Lease assets	258	338	Provision for retirement benefits	7,191	-
Construction in progress	8,936	11,384	Net defined benefit liability	-	8,531
			Other	869	903
Intangible assets	1,243	1,299			
Software	495	542	Net assets	180,709	189,516
Right of using patent	748	757			
Investments and other assets	49,303	53,517	Shareholders' equity	165,043	170,894
Investment securities	42,665	46,562	Capital stock	36,998	36,998
			Capital surplus	49,284	49,284

Long-term loans receivable	728	821	Retained earnings	80,693	89,562
Long-term prepaid expenses	2,128	2,402	Treasury stock	(1,933)	(4,951)
Deferred tax assets	1,072	1,039	Accumulated other comprehensive income	13,957	16,762
Other	2,856	2,752	Valuation difference on available-for-sale securities	7,516	8,640
Allowance for doubtful accounts	(148)	(61)	Revaluation reserve for land	9,064	9,065
			Foreign currency translation adjustment	(2,623)	497
			Remeasurements of defined benefit plans	-	(1,422)
			Minority interests	1,707	1,858
Total	415,356	431,347	Total	415,356	431,347

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

Consolidated Statement of Income

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

Account item	(Reference) 154th term		155th term	
Net sales		341,645		376,809
Cost of sales		269,326		299,671
Gross profit		72,319		77,138
Selling, general, and administrative expenses		53,501		55,908
Operating income		18,817		21,230
Non-operating income				
Interest and dividend income	928		1,036	
Equity in earnings of affiliates	530		550	
Other	1,955	3,414	2,008	3,595
Non-operating expenses				
Interest expenses	1,183		1,010	
Other	3,223	4,407	3,211	4,221
Ordinary income		17,824		20,604
Extraordinary loss				
Loss on liquidation of business	389		-	
Loss on valuation of investment securities	201		-	
Loss on sales of non-current assets	-	590	281	281
Income before income taxes		17,233		20,322
Income taxes-current	5,959		5,776	
Income taxes-deferred	(132)	5,826	858	6,634
Income before minority interests		11,406		13,688
Minority interests in income		151		114
Net income		11,255		13,573

Consolidated Statement of Changes in Net Assets

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	36,998	49,284	80,693	(1,933)	165,043
Changes of items during the fiscal year					
Dividends from surplus			(4,704)		(4,704)
Net income			13,573		13,573
Purchase of treasury stock				(3,018)	(3,018)
Disposal of treasury stock		0		0	1
Reversal of revaluation reserve for land			(1)		(1)
Net changes of items other than shareholders' equity					-
Total changes of items during the fiscal year	-	0	8,868	(3,018)	5,850
Balance at March 31, 2014	36,998	49,284	89,562	(4,951)	170,894

(Millions of yen)

	Other accumulated comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at April 1, 2013	7,516	9,064	(2,623)	-	13,957	1,707	180,709
Changes of items during the fiscal year					-		
Dividends from surplus					-		(4,704)
Net income					-		13,573
Purchase of treasury stock					-		(3,018)
Disposal of treasury stock					-		1
Reversal of revaluation reserve for land					-		(1)
Net changes of items other than shareholders' equity	1,123	1	3,103	(1,422)	2,805	150	2,956
Total changes of items during the fiscal year	1,123	1	3,103	(1,422)	2,805	150	8,806
Balance at March 31, 2014	8,640	9,065	479	(1,422)	16,762	1,858	189,516

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of March 31, 2014)

(Millions of yen)

Account item	(Reference) 154th term	155th term	Account item	(Reference) 154th term	155th term
(Assets)	347,645	349,646	(Liabilities)	203,388	201,826
Current assets	112,887	111,947	Current liabilities	142,886	128,144
Cash and deposits	3,710	1,758	Accounts payable-trade	41,817	35,070
Notes receivable-trade	2,626	2,871	Short-term loans payable	27,675	27,675
Accounts receivable-trade	51,373	55,185	Commercial paper	14,000	10,000
Merchandise and finished goods	29,927	30,779	Current portion of long-term loans payable	6,025	4,000
Raw materials and supplies	11,100	12,083	Current portion of bonds	10,000	5,000
Prepaid expenses	798	772	Accounts payable-other	15,531	15,604
Deferred tax assets	1,159	849	Income taxes payable	1,615	1,433
Short-term loans receivable	3,314	2,906	Accrued consumption taxes	-	298
Other	9,152	4,850	Accrued expenses	7,339	5,916
Allowance for doubtful accounts	(276)	(109)	Deposits received	17,240	21,537
Noncurrent assets	234,757	237,698	Provision for bonuses	1,317	1,337
Property, plant and equipment	175,115	176,738	Other	323	269
Buildings	27,065	27,380	Noncurrent liabilities	60,502	73,681
Structures	15,252	15,202	Bonds payable	15,000	25,000
Machinery and equipment	64,290	61,363	Long-term loans payable	27,000	30,000
Vehicles	377	373	Deferred tax liabilities	3,066	4,137
Tools, furniture and fixtures	1,700	1,593	Deferred tax liabilities for land revaluation	9,609	9,609
Land	60,872	60,026	Provision for retirement benefits	5,692	4,799
Construction in progress	5,555	10,798	Long-term accounts payable-other	13	13
Intangible assets	882	869	Asset retirement obligations	121	122
Software	408	447	(Net assets)	144,256	147,820
Right of using patent	474	421	Shareholders' equity	128,345	130,893
			Capital stock	36,998	36,998
			Capital surplus	49,284	49,284

Investments and other assets	58,759	60,091	Legal capital surplus	49,284	49,284
Investment securities	24,351	26,348	Other capital surplus	0	0
Stocks of subsidiaries and affiliates	30,274	28,911	Retained earnings	43,986	49,552
Long-term loans receivable	664	760	Other retained earnings	43,986	49,552
Long-term prepaid expenses	1,749	2,349	Reserve for advanced depreciation of noncurrent assets	3,669	3,651
Other investments	1,730	1,732	Retained earnings brought forward	40,317	45,900
Allowance for doubtful accounts	(11)	(11)	Treasury stock	(1,924)	(4,942)
			Valuation and translation adjustments	15,911	16,926
			Valuation difference on available-for-sale securities	6,846	7,861
			Revaluation reserve for land	9,064	9,065
Total	347,645	349,646	Total	347,645	349,646

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

Non-consolidated Statement of Income

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

Account item	(Reference) 154th term		155th term	
Net sales		224,359		241,150
Cost of sales		178,379		190,024
Gross profit		45,979		51,126
Selling, general, and administrative expenses		37,228		38,768
Operating income		8,751		12,357
Non-operating income				
Interest and dividend income	2,689		3,018	
Other	2,026	4,715	2,278	5,297
Non-operating expenses				
Interest expenses	1,043		843	
Other	2,768	3,811	2,768	3,611
Ordinary income		9,654		14,042
Extraordinary loss				
Loss on liquidation of business	389		-	
Loss on valuation of investment securities	70		-	
Loss on sales of non-current assets	-	460	281	281
Income before income taxes		9,194		13,761
Income taxes-current	2,304		2,638	
Income taxes-deferred	54	2,358	852	3,490
Net income		6,836		10,270

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

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward		
Balance at April 1, 2013	36,998	49,284	0	49,284	3,669	40,317	43,986
Changes of items during the fiscal year							
Reversal of reserve for advanced depreciation of noncurrent assets				–	(17)	17	–
Dividends from surplus				–		(4,704)	(4,704)
Net income				–		10,270	10,270
Purchase of treasury stock				–			–
Disposal of treasury stock			0	0			–
Reversal of revaluation reserve for land				–		(1)	(1)
Net changes of items other than shareholders' equity				–			–
Total changes of items during the fiscal year	–	–	0	0	(17)	5,583	5,565
Balance at March 31, 2014	36,998	49,284	0	49,284	3,651	45,900	49,552

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2013	(1,924)	128,345	6,846	9,064	15,911	144,256
Changes of items during the fiscal year						
Reversal of reserve for advanced depreciation of noncurrent assets		–			–	–
Dividends from surplus		(4,704)			–	(4,704)
Net income		10,270			–	10,270
Purchase of treasury stock	(3,018)	(3,018)			–	(3,018)
Disposal of treasury stock	0	1			–	1
Reversal of revaluation reserve for land		(1)			–	(1)
Net changes of items other than shareholders' equity		–	1,014	1	1,015	1,015
Total changes of items during the fiscal year	(3,018)	2,548	2,532	1	1,015	3,564
Balance at March 31, 2014	(4,942)	130,893	1,615	9,065	16,926	147,820

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

Independent Auditors' Report
(English Translation)

May 12, 2014

To the Board of Directors
DENKI KAGAKU KOGYO KABUSHIKI KAISHA

Ernst & Young ShinNihon LLC

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

Pursuant to Article 444, Section 4 of the Companies Act of Japan, we have audited the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to consolidated financial statements of DENKI KAGAKU KOGYO KABUSHIKI KAISHA (hereinafter referred to as the "Company") for the fiscal year from April 1, 2013 to March 31, 2014.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the DENKA Group consisting of DENKI KAGAKU KOGYO KABUSHIKI KAISHA and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2014 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

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

Independent Auditors' Report
(English Translation)

May 2, 2014

To the Board of Directors
DENKI KAGAKU KOGYO KABUSHIKI KAISHA

Ernst & Young ShinNihon LLC

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

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act of Japan, we have audited the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net assets, the notes to financial statements, and the accompanying supplementary schedules thereof of DENKI KAGAKU KOGYO KABUSHIKI KAISHA (hereinafter referred to as the "Company") for the 155th term from April 1, 2013 to March 31, 2014.

Management's Responsibility for Non-consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplementary schedules thereof referred to above present fairly, in all material respects, the financial position and the results of operations of the Company applicable to the fiscal year ended March 31, 2014 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

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

Audit Report

(English Translation)

With respect to the Directors' performance of their duties during the 155th term from April 1, 2013 to March 31, 2014, the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

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

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

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

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

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

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

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

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

Based on the above method, the Audit & Supervisory Board Members reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and the accompanying supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the fiscal year in question.

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 8, 2014

Audit & Supervisory Board, DENKI KAGAKU KOGYO KABUSHIKI KAISHA

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

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

(Reference)

Notice of Decision to Purchase and Retire Treasury Stock

At the meeting of the Company's Board of Directors held on May 9, 2014, we resolved to purchase up to 8,000,000 shares of the Company (1.72% of the total number of shares of common stock issued excluding treasury stock) and retire 15,929,716 shares of treasury stock (3.31% of the total number of shares of common stock issued before retirement) as of May 14.