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Denka Company Limited

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Securities Code: 4061

<http://www.denka.co.jp>

The corporate governance of Denka Company Limited (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views Updated

To respond to the expectations and trust of many persons concerned with the Company, including shareholders, customers, local communities, and employees, the Company strives to increase its corporate value by strengthening its business base through expansion of its earnings power and business operations, while ensuring that it holds a stance to continue being a company that is able to gain the trust and sympathy of society.

As it considers corporate governance to be the foundation for this, the Company works to invigorate its Board of Directors, strengthen its audit system, optimize its management system, and enhance its compliance system.

Specifically, it has introduced an Executive Officer System to speed up its decision-making, and by delegating powers and roles in the execution of business to the Executive Officers, clearly separates the execution of business by Executive Officers and the overseeing and supervision of such execution by the Directors. In addition, it has strengthened its corporate governance system by in principle abolishing executive roles for Directors (such as senior managing director and managing director). In this way, it has established a system in which each Director oversees and supervises business execution from an equal position. Also, to promote flexibility of monitoring, it appoints Directors for one year terms.

With regard to its outside officers system, the Company appoints Outside Directors as well as Outside Audit & Supervisory Board Members prescribed by the Companies Act. Personnel appointed as outside officers are sufficiently independent and have extensive knowledge in their respective areas. In addition to carrying out supervision of management from an external perspective, they have established places for regular exchanges of opinions with top management. This enables them to provide sufficient advice through exchanges outside the Board of Directors meetings and enables the Company to monitor its management from an external perspective.

In order to build a more robust management structure better suited to pursuing the goals set forth in the

Denka100 management plan and to strengthen the corporate governance system, thereby enhancing management transparency and soundness, the Company received approval for a new structure including an increase in the number of Outside Directors (from two to three) and a reduction in the number of Directors on the Board (reduction by two), at the 156th Ordinary General Meeting of Shareholders held in June 2015. This new structure is in light of increasing globalization of the management environment and emergence of the information era. These changes will enable the Company to bolster its management structure possessing both proactiveness and prevention.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Strategic Shareholdings]

- Examination on strategic shareholdings at the Board of Directors

The Company currently does not conduct examination on major strategic shareholdings at the Board of Directors, however, it plans to begin doing so from the fiscal year ending March 31, 2016, followed by explanation in the securities report in the fiscal year ending March 31, 2017.

[Principle 3.1 Full Disclosure]

- (v) Explanations with respect to the individual appointments and nominations of the senior management, Directors and Audit & Supervisory Board Members

With respect to the appointment and nomination of individual Director and Audit & Supervisory Board Member candidates, the reasons for the appointment of outside officers and career record of internal officers are included in the Reference Documents for General Meetings of Shareholders. As to reasons for the appointment of Executive Officers, the Company will consider to disclose the respective career records on the Company's website at the time the appointment is resolved by the Board of Directors, starting from the fiscal year ending March 31, 2017.

[Supplementary Principle 4.2.1 Remuneration system for Management]

Although the Company currently has adopted a cash remuneration system linked to performance, it has a share-based remuneration program etc. under consideration, with an aim of introduction of incentive remuneration that promotes the management's demonstration of sound entrepreneurship.

[Supplementary Principle 4.11.3 Analyzation and Evaluation of the Effectiveness of the Board of Directors]

The Company holds the Board of Directors meetings once a month in principle, and deliberates and determines basic policies regarding corporate management and other important matters related to business execution and others in a timely manner. With regard to agenda items to be resolved at the Board of Directors, related materials are delivered in advance to all Directors and Audit & Supervisory Board Members including outside officers, to allow sufficient time for examination so that rigorous debate can take place on the day of the meeting. In addition, opinions and requests from Outside Directors and Outside Audit & Supervisory Board Members are promptly incorporated into the Board of Directors.

Based on the above, the Company believes that the effectiveness at the Board of Directors as a whole is sufficiently ensured. However, going forward, the Company will prepare for an early implementation of the analyzation and evaluation of the effectiveness of the Board of Directors taking into consideration the self-evaluations of each Director, as well as disclosure of a summary of the results.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Strategic Shareholdings]

○ Policy concerning strategic shareholdings

The Company holds shares in cases where it judges that doing so is in accordance with the creation of stable business relationships and will maintain and strengthen business alliances in line with growth strategies and contribute to increased corporate value over the medium- to long-term.

○ Standards for exercise of voting rights as to strategic shareholdings

Regarding the exercising of voting rights in relation to shares held as strategic shareholdings, in principle, the Company respects the business policies and strategies of the issuing company. After consideration of the issuing company's management situation by the department in charge of the management of those shares, the Company carefully examines proposals individually from the perspective of whether they will ultimately contribute to increased shareholder value before making its decision for or against the proposals.

[Principle 1.7 Related Party Transactions]

The Company requires, in the Board of Directors Regulations, that the prior consent of the Board of Directors must be obtained for any competing transactions and self-dealing matters by Directors and the results must be reported afterwards. In the case of continuing transactions, the results of competing transactions and self-dealing in the previous fiscal year are reported to the Board of Directors once a year, and prior approval for the current fiscal year is sought.

Also, related party transactions are determined in the same way as general transaction terms, and are disclosed in the notes to financial statements and securities reports in accordance with laws and regulations.

[Principle 3.1 Full Disclosure]

(i) Company objectives (e.g. business principles), business strategies and management plans
(Corporate Philosophy)

With the Company's corporate philosophy "Creating valuable things that benefit society from resources with advanced technologies," the Company engages in social dialogue to accurately grasp what society needs while developing our technological strengths to meet their expectations. At the same time, it will effectively utilize limited resources to create valuable things. Its origin is in the manufacturing of carbide and chemical fertilizer based on limestone and in-house electric power facilities. Since its establishment in 1915, applying technologies developed through such carbide chemistry, the Company has grown to become a unique chemicals manufacturer whose business lines include diverse chemical products ranging from inorganic and

organic materials to electronic materials, processed resin products and pharmaceutical products.

Having entered 2015, the centennial year of our founding, the Company has established the new corporate slogan “Possibility of Chemistry.” over the next 100 years. This slogan represents the Company’s attitude to contributing to social development through addressing issues, which involves the pursuit of the possibilities chemistry offers, which will, in turn, lead to the creation of new solutions and new value. In addition, it has established the Denka Principles to determine its fundamental stance for, and basic precepts that should always be referred to by the Denka Group employees, as well as the way the employees relate to society, and strives to share and further penetrate the value, a core component of its business activities.

Denka Principles

We:

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

(Management Plan)

In April 2013, the Company established three new growth strategies under the Denka100 management plan, with the target year set at the fiscal year ending March 31, 2018. It takes an aggressive business approach involving specific initiatives to further enhance corporate and shareholder value in medium- to long-term.

Denka100 management plan

Three new growth strategies

1. Create the most optimal production system

- Accelerate a shift to overseas production while reorganizing our business structure by seeking out alliances and collaborating with other companies

2. Scrutinize every cost element

- Thoroughly review all cost elements, including those associated with production processes, yield rates, raw materials and facility maintenance

3. Focus management resources on new growth drivers and develop next-generation products

- Focus our management resources on such growth fields as the environment, energy, infrastructure and healthcare

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

Please refer to 1.1 “Basic Views” in this report.

(iii) Board policies and procedures in determining the remuneration of the senior management and Directors

The remuneration for Directors of the Company is linked to each Director's roles and responsibilities, and will be resolved by the Board of Directors within the total amount approved at General Meeting of Shareholders, with a draft prepared by the President who is the Representative Director, and the Executive Officers in charge.

The remuneration for Executive Officers of the Company is also linked to each Executive Officer's roles and responsibilities, and will be resolved by the Board of Directors, with a draft prepared by the President who is the Representative Director, and the Executive Officers in charge.

The remuneration for Directors and Executive Officers is comprised of fixed monthly remuneration and performance-linked remuneration. Regarding the performance-linked remuneration, the amount paid is determined based on consolidated operating income for each fiscal year.

In addition, in the event that such consolidated operating income does not meet a certain amount, or a serious violation of compliance occurs, the performance-linked remuneration may not be paid or may be reduced.

(iv) Board policies and procedures in the appointment of the senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

The Company, in nominating candidates for Directors and Audit & Supervisory Board Members, selects personnel who have abundant experience and great insight in their respective fields and also are expected to contribute to enhancing the Company's corporate value. Those candidates are proposed by the President who is the Representative Director, and deliberated and decided by the Board of Directors.

In appointing Executive Officers, candidates are proposed by the President who is the Representative Director and the Board of Directors then deliberates on the candidates and decides in accordance with the appointment criteria set out in the Executive Officers Regulations (1. Abundant business experience and familiarity with the business of the Company; 2. Excellent management sense; 3. Superior guidance, leadership, vitality and planning abilities; 4. Personality and insight suited to an Executive Officer; and 5. Good physical and mental health).

[Supplementary Principle 4.1.1 Scope of Delegation to Management]

After review of the role of the Board of Directors, the Company clearly positioned the role of Board of Directors as a body with decision-making function and supervisory function for management. The execution of business has been delegated to the respective Executive Officers, except for important business executions. Matters to be resolved by the Board of Directors, including basic policies regarding corporate management and other important matters relating to business execution, are clearly set forth in the Board of Directors Regulations. In accordance with the Regulations, the Board of Directors oversees and supervises the execution of business. In addition, the Board of Directors resolves on the assignment of duties and authority of the Executive Officers responsible for business execution. As well as delegating business execution to Executive Officers within that scope, the Board of Directors receives reports on the status of their execution of business. Furthermore, the Company has established a Management Committee comprised of Directors, Audit & Supervisory Board Members and selected Executive Officers for the purpose of deliberating and

discussing the most important managerial issues to streamline discussion on important managerial matters and accelerate decision-making.

[Principle 4.8 Effective Use of Independent Outside Directors]

The Company believes that there should be at least two independent Outside Directors appointed, and at least one third of the total number of Directors should be independent Outside Directors, in light of increasing globalization in the business environment and emergence of the information era. Based on this policy, in order to build a management structure possessing both proactive and preventive functions through strengthening the corporate governance system and enhancing management transparency and soundness, a proposal for appointment of Directors that increases the number of Outside Directors by one (from two to three) and decreases the number of internal Directors by two (from seven to five) was proposed at the 156th Ordinary General Meeting of Shareholders held in June 2015, and was approved. As a result, currently, three out of eight Directors of the Company are Outside Directors (37.5%).

All three Outside Directors have been designated as independent directors pursuant to the rules of the Tokyo Stock Exchange and registered with the Exchange.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

For both independent Outside Directors and independent Outside Audit & Supervisory Board Members, the Board of Directors of the Company selects candidates for appointment as independent officers based on judgment focused on substantiality, such as whether they can be expected to contribute to increasing the Company's corporate value. Details are specified as follows and are based on the externality requirements prescribed in the Companies Act and the independence standards set by the Tokyo Stock Exchange.

○ Independence standards for Outside Officers

The independence standards for the Company's Outside Directors and Outside Audit & Supervisory Board Members are that they must be persons who do not fall under any of items (1) to (5) below.

(1) An operating officer(*1) of a main customer(*2), main supplier(*3) or main lender(*4) that is a main business partner of the Company.

(2) A consultant, accountant, lawyer or the like who has received money or other property from the Company exceeding a yearly amount of 10 million yen, other than officer's remuneration, in the most recent fiscal year.

(3) In the event that the party receiving the property referred to in item (2) above is an organization, a person belonging to an organization in which the amount paid by the Company to that organization in the most recent fiscal year comprised 2% or more of that organization's net sales or gross revenue.

(4) A person who fell under items (1) to (3) above within the period of the past year.

(5) A person who is the spouse or a relative within the second degree of kinship of a person listed below (excluding immaterial persons):

1. A person falling under items (1) to (4) above;
2. A person who is currently, or was within the period of the past year, an operating officer at the Company or a subsidiary of the Company; or
3. A person who is currently, or was within the period of the past year, a non-executive director of the Company or a subsidiary of the Company (limited to cases of Outside Audit & Supervisory Board Members).

*1 Operating officer: an Executive Director, Operating Executive, Executive Officer, or other employee or the like.

*2 Main customer: a customer that paid to the Company an amount that comprised 2% or more of the Company's net sales in the most recent fiscal year.

*3 Main supplier: a supplier to which the Company paid an amount that comprised 2% or more of that supplier's net sales in the most recent fiscal year.

*4 Main lender: a lender that, at the end of the most recent fiscal year, was essential to the Company's financing and is relied upon by the Company to the extent that there is no substitute.

[Supplementary Principle 4.11.1 View on Diversity and Size of the Board of Directors]

The Board of Directors of the Company is currently comprised of five internal Directors and three Outside Directors, in total eight Directors. Considering the transparency and soundness of management, the Company believes that it is appropriate to have no more than ten Directors. Furthermore, regarding the Board of Directors as a whole, the Company believes that it is important to have a good balance of personnel with diverse knowledge, experience and skills by appointing internal Directors from persons who have sufficient expert knowledge and business experience in the Company's business and administrative divisions and appointing Outside Directors from persons with a high level of expertise and broad insight.

Going forward, in selecting Director candidates, the Company will give full consideration to the balance between knowledge, experience and skills, as well as diversity, and the selection will also be based on whether or not each candidate is expected to contribute to enhancing corporate value, before submitting the related proposal to an Ordinary General Meeting of Shareholders every year.

[Supplementary Principle 4.11.2 Status of Concurrent Position of Officers held at Other Listed Companies by Directors and Audit & Supervisory Board Members]

The status of concurrent positions of officers held at other listed companies by the Company's Directors and

Audit & Supervisory Board Members are stated in the Reference Documents and Business Reports for General Meeting of Shareholders every year.

[Supplementary Principle 4.14.2 Training policy for Directors and Audit & Supervisory Board Members]

The Company conducts tours of its offices and plants and training sessions about the Company's business, particularly for newly-appointed Outside Directors and Outside Audit & Supervisory Board Members, to enable them to gain information about the Company. Also, all newly appointed Directors and Audit & Supervisory Board Members, including outside officers, are encouraged to participate in external seminars to learn necessary legal and other knowledge for the purpose of increasing their understanding of the roles and responsibilities required of them. In addition to providing and arranging these opportunities and assisting with the costs, the Company has a policy to provide training in the same way to incumbent officers as necessary in order to continually update their knowledge.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

In order to promote constructive dialogue with shareholders and investors, the Company has formulated management plans aimed at sustainable growth and increased corporate value over the medium- to long-term and works to gain the understanding of shareholders and investors by setting up various opportunities and endeavoring to provide explanations.

(i) The Investor Relations Department and the Administrative Department are the points of contact for responding to shareholders and investors, and actions are taken under the supervision of the Executive Officer in charge.

(ii) Related departments actively cooperate in information sharing and other measures in order to provide timely and appropriate disclosure of information.

(iii) Results briefings for share analysts and institutional investors, as well as business briefings and tours of the Company's plants are held as appropriate to promote fuller understanding of its business structures, management plans and results by shareholders and investors. Also, yearly corporate briefings are held for individual investors.

(iv) Opinions and matters of concern communicated during dialogue with shareholders and investors are reported as appropriate to the Executive Officers in charge and, if necessary, to the Board of Directors.

(v) The Company has established Regulations on Insider Information Management and Prevention of Insider Trading as measures for the management of insider information, and conducts appropriate information management based on these regulations.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,597,000	6.14
Japan Trustee Services Bank, Ltd. (Trust Account)	22,866,000	4.91
Trust & Custody Services Bank, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	16,079,000	3.45
National Mutual Insurance Federation of Agricultural Cooperatives	15,965,000	3.43
MITSUI LIFE INSURANCE COMPANY LIMITED	11,908,000	2.56
STATE STREET BANK AND TRUST COMPANY 505223	10,185,631	2.19
JUNIPER	9,570,000	2.05
STATE STREET BANK AND TRUST COMPANY 505001	9,523,364	2.04
Mitsui Sumitomo Insurance Company, Limited	6,916,000	1.48
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	6,425,194	1.38

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

Although a Report on Changes regarding Large-Scale Holdings which include two joint holder companies was filed with the Director-General of the Kanto Finance Bureau on February 18, 2015 (the date on which reporting obligations accrue: February 13, 2015) by AllianceBernstein Japan Ltd., as the actual holding status as of the end of the current fiscal year has not been confirmed, such holdings are not included in the above Status of Major Shareholders. Total number of shares held by those two companies is 19,000,052 (4.08%).

Although a Report on Changes regarding Large-Scale Holdings which include four joint holder companies was filed with the Director-General of the Kanto Finance Bureau on April 6, 2015 (the date on which reporting obligations accrue: March 31, 2015) by Sumitomo Mitsui Trust Bank, Limited, as the actual holding status as of the end of the current fiscal year has not been confirmed, such holdings are not included in the above Status of Major Shareholders. Total number of shares held by those four companies is 44,356,000 (9.52%).

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tadashi Hashimoto	From another company					△						
Yasuo Sato	From another company											
Akio Yamamoto	From another company					△						

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Operating officer of the Company or its subsidiaries
- b. Non-executive director or operating officer of a parent company of the Company
- c. Operating officer of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an operating officer thereof
- e. Major client or supplier of the listed company or an operating officer thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
- g. Major shareholder of the Company (or an operating officer of the said major shareholder if the shareholder is a legal entity)
- h. Operating officer of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Operating officer of a company, between which and the Company outside officers are mutually appointed (the Director himself/herself only)
- j. Operating officer of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tadashi Hashimoto	○	Mr. Tadashi Hashimoto served as an operating officer (Executive Officer) for Mizuho Holdings Inc. (present Mizuho Financial Group, Inc.), the parent company of Mizuho Corporate Bank, Ltd. (present Mizuho Bank, Ltd.), until March 2003, which is one of our main business partners. Although the Company has debts from the said	Mr. Tadashi Hashimoto worked at financial institutions for many years and has sophisticated accounting knowledge. The Company has elected him as an Outside Director and appointed him as an independent officer in the expectation that he would utilize his knowledge in providing suggestions about the Company's management in general. Although the category "e" above applies to him, the Company deems that his independence as an independent officer is not questionable because 1) he is not a current or a recent operating officer of

		<p>bank, the ratio of debts to the Company's total assets is approximately 30%, and the debt from the said bank accounts for 10% or less of the Company's total debts.</p>	<p>the said financial institution and a considerable number of years has passed since he left the said financial institution (12 years have passed since he left the said financial institution as of the date this report was submitted); 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 10% or less of the Company's total debts, and thus, the Company considers that currently no material interest exists between the said financial institution and Mr. Tadashi Hashimoto, and 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 will arise with other general shareholders.</p>
Yasuo Sato	○	Not applicable	<p>Mr. Yasuo Sato has gained abundant experience and great insight as a manager through his involvement in corporate management for many years. His career includes serving as the Representative Director of Air Liquide Japan Ltd. He also has abundant international experience, including serving as a vice president at global enterprises. The Company has elected him as an Outside Director and appointed him as an independent officer in the expectation that he would utilize his knowledge in providing suggestions about the Company's overseas business expansion strategy and management in general.</p> <p>The Company deems that his independence as an independent officer is not questionable because 1) none of the categories above (a through k) applies to him; 2) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.</p>
Akio Yamamoto	○	<p>Mr. Akio Yamamoto served as an operating officer (President and Chief Executive Officer) at Mitsui & Co. Plastics Ltd. until June, 2014, which is one of our main business partners.</p> <p>The Company engages in product sales transactions with the</p>	<p>Mr. Akio Yamamoto has abundant experience and great insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career includes serving as a Managing Officer at MITSUI & CO., LTD., and the President and Chief Executive Officer at Mitsui & Co. Plastic Ltd. He also has abundant international experience, including serving as a vice president at</p>

		<p>said company, and the transaction amount accounts for 5.7 % of the Company's total net sales.</p>	<p>global enterprises. The Company has elected him as an Outside Director and appointed him as an independent officer in the expectation that he would utilize his knowledge in providing suggestions about the Company's overseas business expansion strategy and management in general.</p> <p>Although the category "e" above applies to him, the Company deems that his independence as an independent officer is not questionable because 1) he is not a current or a recent operating officer of the said company; 2) although the Company's net sales to the said company account for 5.7% of the Company's total net sales, substantial transactions between the Company and the said company are payments of commission by the Company to the said company for services offered by its trading company function and the amount of commission paid is modest (less than 2% of the said company's net sales); 3) currently no material interest exists between the said company and Mr. Akio Yamamoto, and thus, the Company considers that the said company has no special impact on the Company's decision-making by the Board of Directors etc.; and 4) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.</p>
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<p>Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee</p>	<p>Not Established</p>
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[Audit & Supervisory Board Members]

<p>Establishment of Audit & Supervisory Board</p>	<p>Established</p>
<p>Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation</p>	<p>5</p>
<p>Number of Audit & Supervisory Board Members</p>	<p>4</p>

<p>Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Auditing Organizations</p>
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Between the Audit & Supervisory Board Members and the Accounting Auditor, results of accounting audits are reported and explained regularly from the Accounting Auditor to the Audit & Supervisory Board Members, while they exchange opinions and information with each other as necessary, to improve the effectiveness and efficiency of audit function.

Between the Audit & Supervisory Board Members and the Internal Auditing Department, audits of business execution by the Internal Auditing Department are performed by the Audit & Supervisory Board Members, while they exchange opinions and information with each other as necessary, to improve the effectiveness and efficiency of audit function.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Auditors	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tsunehiro Sasanami	Lawyer													
Toshio Kinoshita	CPA													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Operating officer of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or operating officer of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Operating officer of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an operating officer thereof
- g. Major client or supplier of the Company or an operating officer thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an operating officer of the said major shareholder if the shareholder is a legal entity)
- j. Operating officer of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Operating officer of a company, between which and the Company outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Operating officer of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Tsunehiro Sasanami	○	Not applicable	<p>Mr. Tsunehiro Sasanami has long experience as a lawyer and abundant legal knowledge. The Company has elected him as an Outside Audit & Supervisory Board Member and appointed him as an independent officer in the expectation that he would utilize his knowledge for the benefit of the Company's auditing system.</p> <p>The Company deems that his independence as an independent officer is not questionable because 1) none of the categories above (a through m) applies to him; 2) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.</p>
Toshio Kinoshita	○	Not applicable	<p>Mr. Toshio Kinoshita has experience and abundant accounting knowledge gained as a certified public accountant who practiced in Japan and the U.S. for many years and is well versed in international accounting. The Company has elected him as an Outside Audit & Supervisory Board Member and appointed him as an independent officer in the expectation that he would utilize his knowledge for the benefit of the Company's auditing system in preparation for the Company's overseas business expansion.</p> <p>The Company deems that his independence as an independent officer is not questionable because 1) none of the categories above (a through m)</p>

			applies to him; 2) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.
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[Independent Officers]

Number of Independent Directors/Auditors	5
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Matters relating to Independent Directors/Auditors

The Company has appointed all outside officers who are eligible for independent directors/auditors (three Outside Directors and two Outside Audit & Supervisory Board Members) as independent directors/auditors.

[Incentives]

Incentive Policies for Directors	Other
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Supplementary Explanation

The Company has adopted a directors' bonus program to provide incentives to Directors.

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

Remuneration for Directors of the Company is disclosed in the Business Report and Securities Report [Remuneration for and Other Payments to Directors and Audit & Supervisory Board Members (for the fiscal year ended March 31, 2015)]
369 million yen for nine Directors (including 24 million yen for two Outside Directors)
84 million yen for four Audit & Supervisory Board Members (including 24 million yen for two Outside Audit & Supervisory Board Members)
Total 453 million yen for 13 officers (including 48 million yen for four outside officers)
(Notes)
1. The amount paid to Directors does not include portions of their salaries as employees in case they concurrently serve as employees.
2. The maximum amount of remuneration for Directors is 540 million yen per year (of which the maximum

amount of remuneration for Outside Directors is 30 million yen, 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 yen per month as resolved at the 147th Ordinary General Meeting of Shareholders held on June 29, 2006.

4. In addition, remuneration and other payments totaling 10 million yen were paid to one outside officer by a subsidiary of the Company.

Policy on Determining Remuneration Amounts and Calculation Methods
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Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The amount of remuneration and other payments to Directors and Audit & Supervisory Board Members is determined within the amount approved at the General Meeting of Shareholders (the maximum amount payable to Directors is 540 million yen per year, and 13 million yen per month to Audit & Supervisory Board Members). In order to further clearly separate business execution from supervisory function, remuneration for Directors is divided into portions, which are remuneration paid for supervisory function for business execution and remuneration paid for business execution. The former applies to all Directors, and the latter applies to Directors who concurrently serve as Executive Officers.

[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]

The Audit & Supervisory Board Members Department with one dedicated staff member has been established as an assisting body of the Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company's current system of governance structure that involves the execution of business and methods of auditing and supervision is formed in a system where the Board of Directors, the Audit & Supervisory Board and organizations conducting internal auditing and internal control, such as the Internal Auditing Department and the Legal Department, collaborate, upon election of multiple independent Outside Directors. The roles of each function in supervision, business execution and auditing in the system are as follows.

1. Supervising function (Directors, Outside Directors, and the Board of Directors)

As of the date this report was submitted, eight Directors (including three Outside Directors) are appointed.

To strengthen corporate governance, executive roles for Directors (such as senior managing directors or managing directors) have been abolished in principle, focusing on carrying out the overseeing and supervising of the execution of business from an equal position.

All three Outside Directors are appointed as independent directors, and elected with expectation of further enhancing the supervising function at the Board of Directors through their opinions regarding overall management that is based on their expertise and external viewpoint.

In addition, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into liability limitation agreements with the Outside Directors that limit liability of damages in the event that he/she failed to perform his/her duties to the higher of the amount that is set forth in advance over 5 million yen or the amount specified by laws and regulations.

The Board of Directors meetings are held once a month, making important decisions related to business execution, and supervising the business execution of Directors and Executive Officers, in accordance with laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations.

2. Business execution function (Executive Officer System, committees, deliberative councils, and others)

To strengthen corporate governance, the powers and roles in the execution of business which were formerly held by Directors were transferred to Executive Officers. With a purpose of a distinct separation of business execution from the overseeing and supervising function of such execution, the Company has adopted the Executive Officer System.

As of the date this report was submitted, 18 Executive Officers (including four Executive Officers concurrently serving as Directors) were elected, reporting the status of the business execution at the Board of Directors meetings and being overseen and supervised by Directors.

The Company established the Management Committee comprised of Directors, Audit & Supervisory Board Members, and selected Executive Officers, to streamline and accelerate deliberation on important managerial matters. Concerning individual important matters, such as budget formulation and capital investment, the Company set up deliberative councils or special committees by function, where professional and efficient discussion is held.

3. Auditing function (Audit & Supervisory Board Members, Outside Audit & Supervisory Board Members, Audit & Supervisory Board, Internal Auditing Department, and Accounting Audits)

As of the date this report was submitted, four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) are appointed.

Audit & Supervisory Board Members, in accordance with the audit policy set forth by the Audit & Supervisory Board, audit the execution of business by Directors and Executive Officers, through attending the Board of the Directors and other important meetings, hearing reports from Directors and Executive Officers, and reviewing important documents.

Both of the two Outside Audit & Supervisory Board Members are appointed as independent officers, and elected with the expectation that their professional and external viewpoint will be utilized in the Company's audit system.

In addition, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into liability limitation agreements with the Outside Audit & Supervisory Board Members, that limit liability of damages

in the event that he/she failed to perform his/her duties to the higher of the amount that is set forth in advance over 5 million yen or the amount specified by laws and regulations.

The Audit & Supervisory Board meetings are held once a month, where each member reports on the results of audits performed, and discussions are held. Furthermore, divisional report meetings are held whenever necessary, in order to hear the status of business execution.

The Audit & Supervisory Board Members Department with one dedicated staff member has been established as an assisting body of the Audit & Supervisory Board and Audit & Supervisory Board Members.

With regard to internal audits, the Company has established the Internal Auditing Department with six staff members as a dedicated department that conducts comprehensive internal auditing.

As to accounting audits, the Company has appointed Ernst & Young ShinNihon LLC as its Accounting Auditor (appointed on June 28, 2007), and has received audits by the accounting corporation. The certified public accountants who engage in the accounting audits for the Company and the respective number of continuous years they conducted audit are as follows. In addition, there are around ten assistants, including certified public accountants, engaging in the accounting audits for the Company.

Designated Limited Liability Partner: Certified Public Accountant Shunji Momoi (number of continuous years he conducted audit: 2 years)

Designated Limited Liability Partner: Certified Public Accountant Masahiko Minai (number of continuous years he conducted audit: 6 years)

Designated Limited Liability Partner: Certified Public Accountant Naoya Yabe (number of continuous years he conducted audit: 7 years)

3. Reasons for Adoption of Current Corporate Governance System

The Company's current system of governance structure that involves the methods of execution of business and auditing and supervision is described in 2. above.

In this system, the roles of each function in supervision, business execution, and auditing are defined in each item of 2. above. The Company believes that such system is optimal for said roles to be fulfilled, and suitable to secure the confidence of shareholders, investors, etc.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company sends out the notice by around three weeks before the date of the Ordinary General Meeting of Shareholders.
Scheduling General Meetings of Shareholders Avoiding the Peak Day	The Company pays attention to hold Ordinary General Meetings of Shareholders early and therefore the date of the meeting falls on the date other than the peak day.
Allowing Electronic Exercise of Voting Rights	Starting with the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2007, the Company has adopted a method of exercising voting rights via the internet, etc. using computers and mobile phones.
Participation in Electronic Voting Platform	Starting with the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2007, the Company has adopted the Electronic Voting Platform for institutional investors (TSE Platform) operated by ICJ, Inc.
Providing Convocation Notice in English	Starting with the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2014, the Company has prepared and provided the notice of convocation in English (full text, including website disclosure items).
Other	Starting with the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2015, the notice is disclosed before being sent out in mail, on Japan Exchange Group's website (under the Listed Companies page), on Arrow Force, a website operated by ICJ, Inc. for institutional investors to browse notices of convocation, and on the Company's website.

2. IR Activities

	Supplementary Explanations	Explanation by the Company's Representative
Regular Investor Briefings for Analysts and Institutional Investors	Regular briefings are held semi-annually. The briefing results are distributed later on the Company's website.	Yes
Posting of IR Materials on Website	IR materials posted on the website are as follows. Notices of convocation, reports (former shareholder newsletters), securities reports, summaries of consolidated financial statements ("kessan tanshin"), summaries of consolidated financial results, quarterly reports, and reference materials for results briefings.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations Department.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Denka Group Ethics Policy provides the policy to pay due respect to the stakeholders.

<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>In order to engage more actively in CSR activities, the Company has established the CSR & Corporate Communications Department and issues a CSR Report once a year, which is posted on the Company's website.</p> <p>With regard to the Great East Japan Earthquake which occurred in March 2011, the Company established a program to support volunteers for the disaster affected area in July 2011, and has continuously been implementing the volunteer activities of its employees at the disaster affected area until present.</p>
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

<p>1. Systems to ensure that Directors' and employees' execution of duties complies with laws and regulations and the Articles of Incorporation</p> <p>The Board of Directors of the Company performs important decision-making concerning business execution in accordance with laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations and oversees Directors' and Executive Officers' execution of duties.</p> <p>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 in charge.</p> <p>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.</p> <p>The Company establishes the Denka Group Ethics Policy as a set of action guidelines for all the officers and employees of the Company and its subsidiaries concerning compliance, and corporate rules and regulations are established to ensure compliance with specific laws and regulations and the Articles of Incorporation.</p> <p>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.</p> <p>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 officers in charge, as necessary.</p> <p>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 officer in charge.</p> <p>The Company establishes the Compliance Hotline System to supplement internal audits by the departments described above to swiftly identify and address any violations.</p>
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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 subsidiaries, the Company specifies organizations responsible for each subsidiary. These supervisory organizations take responsibility for supervising. In addition, they provide guidance, administration, and oversight in accordance with the situation of each subsidiary.

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

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

The Company dispatches directors, etc. to subsidiaries from the organization that is responsible for the

subsidiaries and information about important matters for the subsidiaries is exchanged and discussed at meetings of the Company's Board of Directors, etc.

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

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

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

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

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

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

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

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

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

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

The Company establishes the Compliance Hotline System for early detection and correction of non-compliant conduct at subsidiaries.

6. Systems concerning employees who provide assistance to Audit & Supervisory Board Members, matters concerning securing effectiveness of instructions to such employees and matters concerning independence of such employees 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 and assigns at least one exclusively assigned employee to the Audit & Supervisory Board Members Department based on consultation with the Audit & Supervisory Board Members in advance.

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 performance evaluation of employees who belong to the Audit & Supervisory Board Members Department and determination of any other personnel matters.

7. Systems concerning reporting to Audit & Supervisory Board Members by the Company's Directors and employees and by those of subsidiaries, other systems concerning reporting to Audit & Supervisory Board Members, and systems to ensure that they do not receive unfavorable treatment because of their reporting to Audit & Supervisory Board Members

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

The Internal Auditing Department reports the results of internal audits of the Company and subsidiaries periodically to Audit & Supervisory Board Members.

The Company establishes the Compliance Hotline System as a system available for all the officers and employees of the Company and subsidiaries for reporting non-compliant conduct, designating the Audit & Supervisory Board Members Department as one of the contacts of the Compliance Hotline. If the Audit & Supervisory Board Members Department, etc. receives a report, the content of the report is reported to Audit & Supervisory Board Members.

It is specified in the Denka Group Ethics Policy that no person who reports on non-compliant conduct using the Compliance Hotline System receives unfavorable treatment because of his/her reporting.

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

Directors secure the necessary budget in order not to impede execution of duties by the Audit & Supervisory Board and Audit & Supervisory Board Members. At the same time, when an Audit & Supervisory Board Member makes a claim in accordance with Article 388 of the Companies Act, the expenses and liabilities relevant to the claim will be paid without delay, unless it is deemed that they are unnecessary for execution of duties of the said Audit & Supervisory Board Member.

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

2. Basic Views on Eliminating Anti-Social Forces

The Denka Group Ethics Policy, established in December 2002, states that all officers and employees of the Company and its Group companies comply with laws and regulations in Japan and overseas, as well as internal regulations, and that they do not act against social rules and ethics. With regard to antisocial forces, it also stipulates that they take a resolute attitude against such forces and do not provide any payoff. This is the Company's basic approach to eliminate antisocial forces.

Based on this basic approach, the Company has developed an internal structure aiming at elimination of antisocial forces by appointing the Administrative Department as a responsible department for dealing with such forces. The Company also conducts information exchange and consultations with external experts including the police and lawyers concerning information related to antisocial forces as well as holds internal seminars for all officers and employees.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation **Updated**

Since its establishment in 1915, applying technologies developed through the years, the Company has grown to become a unique chemicals manufacturer whose business lines include diverse chemical products ranging from inorganic and organic materials to electronic materials, processed resin products and pharmaceutical products.

Reflecting this history, many of the Company's products involve extremely long 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 capital investment and R&D from medium- to long-term perspective, and the cultivation of relationships of trust with business partners and local communities in the long-term.

As the onward march of globalization rapidly transforms the business environment and the information era gains traction, we recognize the effectiveness of M&A and business alliances as means of pursuing corporate growth strategies.

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 based on the Company's history and be capable of securing and enhancing the Company's corporate value and the common interests of its shareholders from a medium- to long-term perspective.

In order to realize the Basic Policies regarding the Control of the Company outlined above, the Company is

promoting specific initiatives as described below.

1. Promotion of Denka100 management plan to achieve sustainable growth and enhancement of corporate value

- Promote the “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.”

- Formulate the Policy on Shareholder Returns. Concurrently, with the aim of achieving further corporate growth, set aside a budget for strategic investment, such as M&A, for proactive management.

2. Bolster our management structure for both preventive and proactive purposes

- In order to build a more robust management structure for achieving the Denka100 management plan and to strengthen corporate governance and enhance management transparency and soundness, the Company increases the number of Outside Directors (from two to three) and reduces the number of Directors on the Board (reduction by two).

Coinciding with the Company’s centenary in 2015, to express our determination to achieve the Denka100 management plan through a concerted effort of all employees, we renewed our corporate logo, formulated a Corporate Slogan and Denka Principles for employees, and changed the Company’s trade name on October 1, 2015.

2. Other Matters Concerning Corporate Governance System

The Company’s internal corporate structure of Corporate Governance System including Outline of Internal Control System is shown in Attachment 1.

[Outline of Timely Disclosure System]

In order to maintain timely and appropriate disclosure of corporate information to investors, the Company has established a system as follows based on the Financial Instruments and Exchange Act and Regulations on Insider Information Management and Prevention of Insider Trading, which are the Company’s internal regulations.

1. Decisions by the Company and Financial Results Information

Gathering information on decisions by the Company and management of internal information are handled by the respective General Managers of Administrative Department, Accounting & Finance Department, Investor Relations Department, and CSR & Corporate Communications Department. Determination on the materiality and on whether or not the information is required to be timely disclosed is made among Corporate Planning

Department, Legal Department, Investor Relations Department, CSR & Corporate Communications Department, and the division in charge of the matter, centered on Administrative Department and the Accounting & Finance Department. The results are reported to the Director and President, and the person responsible for information handling discloses the decisions without delay after approval of the Board of Directors.

With regard to financial results information, they are reported to the Director and President from the Accounting & Finance Department, and the person responsible for information handling discloses the relevant information without delay after approval of the Board of Directors.

2. Facts which occurred for the Company

Concerning facts which occurred for the Company, related information is gathered promptly after the occurrence from the division in charge where the facts occurred, to Departments centered on Administrative Department, Accounting & Finance Department, Investor Relations Department, and CSR & Corporate Communications Department. If necessary, same as the aforementioned decisions by the Company, the information is discussed among Corporate Planning Department, Legal Department, Investor Relations Department, CSR & Corporate Communications Department, and the division in charge. The results are reported to the Director and President, and the person responsible for information handling discloses the facts without delay.

The Company's internal corporate structure of Timely Disclosure System is shown in Attachment 2.