

These documents have been translated from Japanese originals for reference purposes only.
In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

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

**NOTICE OF CONVOCATION OF
THE 161ST ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Friday, June 19, 2020 at 10:00 a.m.

Place: Nihonbashi Mitsui Hall, COREDO Muromachi 1 (reception desk on the 4th floor)
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Seven (7) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

Proposal No. 3: Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

Please exercise your voting rights in writing or via the Internet by
5:00 p.m. on Thursday, June 18, 2020.

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

Message from the Management To Our Shareholders

Amid extremely uncertain circumstances, we will continue promoting specialization with an eye toward the megatrends of the future, while also making steady progress on our “Denka Value-Up” management plan, taking post-coronavirus changes in the structure of the economy into consideration, based on the growth vision and growth strategies laid out in “Denka Value-Up.”

Enclosed please find the Notice of Convocation of the 161st Ordinary General Meeting of Shareholders.

We would like to take this opportunity to express our gratitude to you for your continued support of Denka and make some observations concerning the Company’s results and current initiatives.

During the fiscal year ended March 31, 2020 (fiscal 2019), the Japanese economy faced difficult conditions, including sluggish growth in personal consumption and a decline in exports, in addition to significant downward pressure on the economy from the impact of the COVID-19 coronavirus infections from the beginning of the year. The global economy continued to recover moderately, but in addition to prolonged trade friction between the United States and China and issues surrounding the UK’s exit from the EU, the global spread of the virus going into 2020 meant economic activity stalled, primarily in China, the United States, and Europe, resulting in a rapid slowdown. In the chemicals industry, corporate earnings also declined owing to weak demand in Japan and overseas in the second half of the period, despite a decline in the prices of naphtha and other raw materials.

Against this economic backdrop, in order to realize “The Denka Value,” our corporate philosophy, the Group channeled resources into expanding businesses and consolidating earnings, based on the growth visions and the growth strategies in the “Denka Value-Up” management plan.

As a result, during the year under review, sales decreased year on year, partly owing to revisions to selling prices for certain products in step with declines in raw material prices and declines in volumes sold caused by falling demand on the back of trade friction between the United States and China and the impact of the coronavirus in the second half of the period, despite increases in volumes sold of products for use in electric vehicles (EVs) and healthcare products. Turning to profits, in addition to declines in volumes sold, the increased cost burden from upfront investments for healthcare and other future growth businesses meant that operating income, ordinary income, and profit attributable to owners of the parent all decreased year on year and unfortunately, we were unable to achieve our target of record high profits for three consecutive years.

In the current fiscal year, we will be midway through our five-year “Denka Value-Up” management plan, but there is extreme uncertainty surrounding future economic conditions, including trends surrounding the COVID-19 coronavirus, and we must accept that it will be a more difficult year than the previous fiscal year. On the other hand, all the measures laid out in “Denka Value-Up” have been steadily put in place, and looking ahead, we intend to continue promoting specialization with an eye toward the megatrends of the future, including automotive evolution, the communication systems revolution from 5G, and advancement in the healthcare field, while also making steady progress on “Denka Value-Up,” taking expected post-coronavirus changes in the structure of the economy into consideration.

In addition, as explained previously, the Group underwent two significant reorganizations on April 1. First, DENKA SEIKEN Co., Ltd. and Denka merged with the aim of strengthening the healthcare business, and secondly, Akros Trading Co., Ltd. was newly established through the merger of Akros Trading Co., Ltd. and YK Inoas Co., Ltd., with the aim of optimizing the Group’s trading house activities. Through these reorganizations, companies with different strengths and cultures will actively combine their diverse values, thereby causing a reaction and maximizing synergies from integration.

At present, the global economy is truly in an unprecedented state of crisis owing to the impact of the COVID-19 coronavirus. Under these circumstances the Company quickly began work on the development of simple and rapid testing kits for coronavirus infections, and, in response to a request from the Japanese government in April 2020, decided to supply diethyl malonate, a raw material in the production of the anti-flu medicine Avigan® (generic name: Favipiravir), whose use as a treatment for infection by the new coronavirus is anticipated around the world. Our first priority is to ensure we carry out these initiatives without fail, and thereby fulfill our social responsibility.

ESG lies at the core of our management, and as the Company strives to achieve the goals in our “Denka Value-Up” management plan, we will take the SDGs, set forth by the United Nations, as our guide. We hope we can count on the continued understanding and support of our shareholders in this endeavor.

* “Avigan” is a registered trademark of FUJIFILM Toyama Chemical Co., Ltd.

May 2020

Manabu Yamamoto
Representative Director, President

To Our Shareholders:

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

**NOTICE OF CONVOCATION OF
THE 161ST ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 161st Ordinary General Meeting of Shareholders of Denka Co., Ltd. (the “Company”) will be held as described below.

Recently, the national government and prefectural governors have been strongly requesting that people refrain from leaving their homes, in order to prevent the spread of the COVID-19 coronavirus. After careful consideration in light of these circumstances, the Company has decided to hold the General Meeting of Shareholders while taking appropriate measures to counter the spread of the virus (for details thereof, please refer to the enclosed “Measures to Prevent the Spread of the COVID-19 Coronavirus at the 161st Ordinary General Meeting of Shareholders”).

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

The Company strongly recommends that shareholders exercise voting rights in advance. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights in writing by mail (Voting Rights Exercise Form) or via the Internet, etc., as described in the “Guide for Exercise of Voting Rights” (Page 5), by no later than 5:00 p.m. on Thursday, June 18, 2020.

- 1. Date and Time:** Friday, June 19, 2020 at 10:00 a.m.
- 2. Place:** **Nihonbashi Mitsui Hall, COREDO Muromachi 1
(reception desk on the 4th floor)**
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company’s 161st Term (from April 1, 2019 to March 31, 2020) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 161st Term (from April 1, 2019 to March 31, 2020)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Seven (7) Directors (Excluding Directors who are Audit & Supervisory Committee Members)
- Proposal No. 3:** Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

- © The following are posted on the Company’s website at <https://www.denka.co.jp/> in accordance with law and Article 16 of the Company’s Articles of Incorporation and thus are not included in the documents attached to this notice of convocation.
- Company’s Systems and Policies (Systems to Ensure the Appropriateness of Operations, Operational Status of Systems to Ensure the Appropriateness of Operations, and Basic Policies regarding the Control of the Company) in the Business Report

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

The Business Report, consolidated financial statements and the non-consolidated financial statements audited by the Audit & Supervisory Committee and the Accounting Auditor include the above documents posted on the Company's website.

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

<Guide for Exercise of Voting Rights>

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

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

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send the completed form to us so that it is received by 5:00 p.m. on Thursday, June 18, 2020.

Exercise of Voting Rights via the Internet etc.

Please access the website for exercising voting rights designated by the Company (<https://www.web54.net>), use the "Voting Rights Exercise Code" and the "Password" indicated on the enclosed Voting Rights Exercise Form, and follow the on-screen guidance. Please vote for or against the proposals by 5:00 p.m. on Thursday, June 18, 2020.

(Inquiry about Exercise of Voting Rights via the Internet etc.)
Sumitomo Mitsui Trust Bank Stock Transfer Web Support Dial
Tel: 0120-652-031
(office hours: 9:00 a.m. - 9:00 p.m.)

● Exercise of Voting Rights by Attending the Meeting

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

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

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

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

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

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

Matters concerning year-end dividends

In the management plan “Denka Value-Up,” formulated in November 2017, the Company sets out its basic concepts of safety as No. 1 priority, environmental awareness, fostering and tapping human capital and contributing to the community, all of which are indispensable for continued growth of the Company. We aim to realize sustainable and sound growth as a “Specialty-Fusion Company,” through new strategies to achieve dramatic growth globally.

While the Company has formulated an investment plan as we look to achieve these goals, in regard to shareholder returns, we will remain committed to the “Policy on Shareholder Returns,” with a 50% target total payout ratio, reflecting our determination to return the profits yielded by the initiatives of the previous management plan “Denka100” formulated in November 2014, even under the “Denka Value-Up” management plan.

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

Remain committed to a “50% standard for the target total payout ratio*”

Regarding shareholder returns, the dividend is prioritized, with flexible purchase of treasury shares, depending on stock price movements and other factors.

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

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

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

With respect to the year-end dividend for the 161st term, in view of the above, the Company proposes the following.

- (1) Type of dividend property
Cash
- (2) Allocation of dividend property and total amount thereof
¥65 per share of common stock of the Company
Total amount of dividends: ¥5,608,354,245
- (3) Effective date of dividends from surplus
June 22, 2020

Proposal No. 2: Election of Seven (7) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

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

The candidates for Directors are as follows.

No.	Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Reappointed Shinsuke Yoshitaka	Chairman, Board of Directors	13/13 (100%)
2	Reappointed Manabu Yamamoto	Representative Director, President and Chief Executive Officer	12/13 (92%)
3	Reappointed Norihiro Shimizu	Director and Senior Managing Executive Officer Chief Scientific Officer (CSO) Chief R&D Officer In charge of New Business Planning & Development Dept., R&D Promoting Dept., Intellectual Property Dept.	12/13 (92%)
4	Reappointed Masaharu Suzuki	Director and Senior Managing Executive Officer Chief Technical Officer (CTO) In charge of Purchasing Dept., Logistics Dept., Electric Power Dept., Production & Process Technology Dept., Engineering Dept., Digital Innovation Dept.	13/13 (100%)
5	Reappointed Toshio Imai	Director and Senior Managing Executive Officer Chief Compliance Officer (CCO) In charge of Corporate Planning Dept., Corporate Communications Dept., Automotive Materials & Solutions Dept., Denka Corporation, Denka Chemicals GmbH In charge of Denka Value-Up Promotion	13/13 (100%)
6	Reappointed Outside Independent Director Akio Yamamoto	Director	13/13 (100%)
7	Reappointed Outside Independent Director Tatsutsugu Fujihara	Director	13/13 (100%)

Reappointed: Candidate for reappointment as Director

Outside: Candidate for Outside Director

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
1	(Reappointed) Shinsuke Yoshitaka (February 1, 1951) Age: 69 [June 2008] [12 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1974 Joined the Company January 2001 General Manager of Corporate Planning Dept. of the Company June 2006 Director, General Manager of Corporate Planning Dept. and Investor Relations & Corporate Communications Dept. of the Company June 2007 Senior Executive Officer of the Company June 2008 Director and Senior Executive Officer of the Company April 2010 Representative Director and Managing Executive Officer of the Company April 2011 Representative Director, President and Chief Executive Officer of the Company June 2011 Outside Director of Koatsu Gas Kogyo Co., Ltd. (present) April 2017 Representative Director, Chairman, Board of Directors of the Company April 2019 Chairman, Board of Directors of the Company (present)	27,000
	Attendance at Board of Directors meetings 13/13 (100%)	[Reasons for selection as the candidate for Director] Subsequent to responsibility for management strategy, medical business, accounting and finance, and investor relations and corporate communications, Mr. Shinsuke Yoshitaka promoted the “Denka100” management plan as Representative Director, President. In addition to a wealth of experience and achievements as a manager, he serves as the Chairman of the Board of Directors, as the Chairman based on his deep knowledge and understanding of the Group. The Company has judged that he can appropriately fulfill the role of supervising the business execution of Directors and Executive Officers, and requests his election as Director. [Message to shareholders] As a chemicals manufacturer, the Company’s corporate philosophy is to create new value and contribute to social development. As Chairman of the Board of Directors, I will consistently take the perspective of all our stakeholders as I endeavor to ensure that we contribute to society through sound and fair management.	

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
2	(Reappointed) Manabu Yamamoto (March 31, 1956) Age: 64 [June 2013] [7 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1981 Joined the Company June 2004 General Manager of Functional Ceramics Div. of Electronics Materials Business Group of the Company April 2009 Executive Officer, General Manager of Electronics Materials Div. of Electronics Materials Business Group of the Company April 2011 Senior Executive Officer of the Company April 2013 Managing Executive Officer, Head of Electronics & Innovative Products of the Company June 2013 Director and Managing Executive Officer of the Company April 2015 General Manager of Corporate Planning Dept. of the Company April 2016 Director and Senior Managing Executive Officer of the Company June 2016 Outside Audit & Supervisory Board Member of Koatsu Gas Kogyo Co., Ltd. April 2017 Representative Director, President and Chief Executive Officer of the Company (present)	8,700
	Attendance at Board of Directors meetings 12/13 (92%)	[Reasons for selection as the candidate for Director] Through work experience at overseas subsidiaries and many years of responsibility for the electronics materials business division, Mr. Manabu Yamamoto possesses international viewpoints and adequate operational experience. After he supervised new business strategies and accounting and finance strategies across the entire Denka Group as the executive responsible for management strategy, accounting and finance, and investor relations and corporate communications divisions, Mr. Yamamoto currently serves as Representative Director, President. Based on his rich experience and impressive track record in Company administration, it is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director. [Message to shareholders] I will endeavor to promote our management plan, "Denka Value-Up," while enhancing specialization of our business structure and productivity in order for the Company to become a sound company that grows continuously even amidst rapidly changing markets and fulfills our social responsibility based on the SDGs as our guide.	

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
3	(Reappointed) Norihiro Shimizu (October 2, 1955) Age: 64 [June 2017] [3 years * at the conclusion of this Ordinary General Meeting of Shareholders]	<p>April 1980 Joined the Company</p> <p>October 2008 General Manager of Electronic Materials Research Institute of the Company</p> <p>April 2009 Executive Officer of the Company</p> <p>April 2011 Senior Executive Officer, General Manager of Central Research Institute of the Company</p> <p>April 2013 Managing Executive Officer, General Manager of Research and Development Dept. of the Company</p> <p>June 2017 Director and Managing Executive Officer of the Company</p> <p>April 2018 Director and Senior Managing Executive Officer of the Company (present)</p>	5,000
	Attendance at Board of Directors meetings 12/13 (92%)	<p>[Reasons for selection as the candidate for Director] Mr. Norihiro Shimizu has ample operational experience, including oversight of research and development activities for many years in the fields of polymers and electronic materials. Currently, as Chief Scientific Officer and Chief R&D Officer, he is responsible for all research and development operations, and for business strategy including development of next-generation products and of new businesses. In light of his rich expertise and experience in research and development operations, it is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p>	
		<p>[Message to shareholders] Through continuous innovation leveraging the comprehensive capabilities of the Group, I am committed to ensuring sustainable growth and improving corporate value by implementing business strategy from a medium- to long-term perspective.</p>	

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
4	(Reappointed) Masaharu Suzuki (December 11, 1955) Age: 64 [June 2019] [1 year * at the conclusion of this Ordinary General Meeting of Shareholders]	<p>April 1981 Joined the Company</p> <p>June 2005 Deputy General Manager, Shibukawa Plant of the Company</p> <p>June 2007 Deputy General Manager, Omuta Plant of the Company</p> <p>April 2011 Executive Officer of the Company, Director Chairman of Denka Chemicals Holdings Asia Pacific Pte., Ltd.</p> <p>April 2015 Managing Executive Officer of the Company</p> <p>April 2017 General Manager, Corporate Planning Dept. of the Company</p> <p>May 2017 General Manager, Business Process Reform Promotion Dept. of the Company</p> <p>January 2018 General Manager, Denka Value-Up Promotion Dept. of the Company</p> <p>June 2019 Director and Managing Executive Officer of the Company</p> <p>April 2020 Director and Senior Managing Executive Officer of the Company (present)</p>	4,000
	Attendance at Board of Directors meetings 13/13 (100%)	<p>[Reasons for selection as the candidate for Director] Mr. Masaharu Suzuki possesses adequate operational experience, including work experience in research and development and plant manufacturing, responsibility for the management of an overseas subsidiary, business strategy, and administrative divisions such as investor relations and corporate communications. Currently, Mr. Suzuki directs the technical division overall as Chief Technical Officer, while also taking responsibility for the Digital Innovation Dept., a department created to strategically build and operate general information systems for the Group. It is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>[Message to shareholders] I will endeavor to continuously boost the corporate value of the Company by promoting ESG-oriented management from a global perspective.</p>	

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
5	(Reappointed) Toshio Imai (January 25 1959) Age: 61 [June 2019] [1 year * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1982 Joined the Company October 2006 General Manager, Styrene Div. of the Company June 2011 General Manager, Corporate Planning Dept. of the Company April 2013 Executive Officer, Assistant to General Manager, Elastomers & Performance Plastics of the Company April 2015 General Manager, Elastomers & Performance Plastics of the Company April 2017 Managing Executive Officer of the Company April 2019 General Manager, Denka Value-Up Promotion Dept. of the Company June 2019 Director and Managing Executive Officer of the Company April 2020 Director and Senior Managing Executive Officer of the Company (present)	6,900
	Attendance at Board of Directors meetings 13/13 (100%)	[Reasons for selection as the candidate for Director] Mr. Toshio Imai possesses adequate operational experience, including work experience at overseas subsidiaries, and taking responsibility for the styrene and elastomer businesses over many years. Currently, Mr. Imai is in charge of business strategy for the Denka Group as a whole, including overseas businesses, as the executive responsible for management strategy and investor relations and corporate communications divisions, and he is promoting the management plan, "Denka Value-Up." It is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director. [Message to shareholders] As the business environment changes rapidly, I will consider the actions we should take to achieve "sustained growth" and "sound growth" in order to meet the expectations of our stakeholders towards the future.	

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
	(Reappointed) (Candidate for Outside Director) (Independent Director) Akio Yamamoto (December 2, 1951) Age: 68 [June 2015] [5 years] * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1974 Joined Mitsui & Co., Ltd. April 1999 President of Mitsui & Co., Benelux S.A./N.V. April 2004 Vice President of Synthetic Resin & Inorganic Chemical Products Business Unit of Mitsui & Co., Ltd. April 2007 Executive Officer of Mitsui & Co., Ltd. (until March 2010), President of Mitsui & Co. (Thailand) Ltd. April 2009 Representative Director and President of Mitsui Bussan Plastic Trade Co., Ltd. (present Mitsui & Co. Plastics Ltd.) (until June 2014) June 2014 Counselor of Mitsui & Co. Plastics Ltd. (until June 2015) June 2015 Outside Director of the Company (present)	-
6	Attendance at Board of Directors meetings 13/13 (100%)	<p>[Reasons for selection as the candidate for Outside Director] Mr. Akio Yamamoto has rich experience and broad insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career includes serving as an Executive Officer of Mitsui & Co., Ltd. and the Representative Director and President of Mitsui & Co. Plastics Ltd. He also has rich international experience, including serving as a vice president at global enterprises. The Company proposes that Mr. Yamamoto be elected as an Outside Director in the expectation that he will utilize his knowledge in providing suggestions about the Company's overseas business expansion strategy and management in general. Although he used to work at a company that has transactions with the Company, the Company considers that there is no risk that conflict of interest with other general shareholders will arise because 1) he is not a current or a recent operating officer of the said company; 2) although the Company's sales to the said company account for 6.1% of the Company's total sales, transactions between the Company and the said company are substantially payments of commission by the Company to the said company for services offered by its trading company function and the amount of commission paid is modest (under 2% of the said company's sales); and 3) he satisfies the Company's "Standards of Independence for Outside Directors" and thus, the Company considers that the said company has no special impact on the Company's decision-making by the Board of Directors, etc.</p> <p>[Message to shareholders] As the business environment surrounding companies undergoes major changes, an age is approaching when all companies must reexamine their own raison d'être and mission. While earnestly taking on the Company's future vision and a variety of issues, I have a renewed desire to contribute to the sound development of the Company and boost the corporate value of the Company.</p>	

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

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
7	(Reappointed) (Candidate for Outside Director) (Independent Director) Tatsutsugu Fujihara (November 23, 1952) Age: 67 [June 2016] [4 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1976 Joined The Dai-Ichi Kangyo Bank, Ltd. May 2000 General Manager, Osaka Sales Department of The Dai-Ichi Kangyo Bank, Ltd. April 2002 General Manager, Osaka Sales Department III of Mizuho Corporate Bank, Limited March 2003 Executive Officer of Mizuho Corporate Bank, Limited (until April 2003), General Manager, Corporate Department II (until April 2003) June 2003 Managing Executive Officer of Orient Corporation (until March 2005) April 2005 Managing Executive Officer of Mizuho Corporate Bank, Limited (until March 2007) June 2007 Director and President of Mizuho Marketing Experts Co., Ltd. (until March 2013) June 2013 Representative Director and President of KSO Corporation June 2014 Representative Director and Chairman of KSO Corporation April 2016 Director of KSO Corporation June 2016 Chairman and Executive Officer of KSO Corporation (until June 2018) June 2016 Outside Director of the Company (present)	-
	Attendance at Board of Directors meetings 13/13 (100%)	<p>[Reasons for selection as the candidate for Outside Director] Having worked in corporate management at financial institutions for many years, Mr. Tatsutsugu Fujihara has rich experience and broad insight as a manager and possesses advanced insights regarding corporate finance, and to utilize these insights and receive recommendations toward the Company's overall management, his election as Outside Director is requested. Additionally, although he used to work at a financial institution that has transactions with the Company, the Company considers that there is no risk that conflict of interest with other general shareholders will arise because 1) he is not a current or a recent operating officer of the said financial institution; 2) a significant number of years have passed since he retired from the said financial institution (13 years have passed since his retirement as of the day of this Ordinary General Meeting of Shareholders); 3) the composition of borrowings relative to net assets of the Company is low at approximately 30%, and the Company's dependency on the said financial institution is low as it accounts for less than 10% of overall borrowings; and 4) he satisfies the Company's "Standards of Independence for Outside Directors" and thus, the Company considers that the said financial institution has no special impact on the Company's decision-making by the Board of Directors, etc.</p> <p>[Message to shareholders] I intend to contribute to the creation of an organization that approaches matters with a fair stance, not affected by opinions of others easily, and has a diversity that enables such organization to purge itself of negative influences.</p>	

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

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

Proposal No. 3: Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

In order to ensure that the number of incumbent Directors who are Audit & Supervisory Committee 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 Director who is an Audit & Supervisory Committee Member is proposed.

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

The candidate for substitute Director who is an Audit & Supervisory Committee Member is as follows:

Name (Date of birth) [Director since] [Director's term of office]	Career summary, positions, responsibilities and significant concurrent positions, etc.	Number of shares of the Company held
<p>(Candidate for Substitute Outside Director who is an Audit & Supervisory Committee Member)</p> <p>Akio Yamamoto (December 2, 1951) Age: 68 [June 2015] [5 years * at the conclusion of this Ordinary General Meeting of Shareholders]</p>	<p>April 1974 Joined Mitsui & Co., Ltd. April 1999 President of Mitsui & Co., Benelux S.A./N.V. April 2004 Vice President of Synthetic Resin & Inorganic Chemical Products Business Unit of Mitsui & Co., Ltd. April 2007 Executive Officer of Mitsui & Co., Ltd. (until March 2010), President of Mitsui & Co. (Thailand) Ltd. April 2009 Representative Director and President of Mitsui Bussan Plastic Trade Co., Ltd. (present Mitsui & Co. Plastics Ltd.) (until June 2014) June 2014 Counselor of Mitsui & Co. Plastics Ltd. (until June 2015) June 2015 Outside Director of the Company (present)</p>	<p>-</p>
	<p>[Reasons for selection as the candidate for substitute Outside Director who is an Audit & Supervisory Committee Member]</p> <p>Mr. Akio Yamamoto has rich experience and broad insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career includes serving as an Executive Officer of Mitsui & Co., Ltd. and the Representative Director and President of Mitsui & Co. Plastics Ltd. He also has rich international experience, including serving as a vice president at global enterprises. Accordingly, he has utilized these insights to provide advice from his standpoint as Outside Director in regard to the Company's overseas business expansion strategy and other aspects of management in general.</p> <p>The Company proposes that Mr. Yamamoto be elected as a substitute Outside Director who is an Audit & Supervisory Committee Member, in the expectation that he will utilize his rich and great insight, knowledge, and experience in supervision and audits of the Company's management.</p> <p>Although he used to work at a company that has transactions with the Company, the Company considers that there is no risk that conflict of interest with other general shareholders will arise because 1) he is not a current or a recent operating officer of the said company; 2) although the Company's sales to the said company account for 6.1% of the Company's total sales, transactions between the Company and the said company are substantially payments of commission by the Company to the said company for services offered by its trading company function and the amount of commission paid is modest (under 2% of the said company's sales); and 3) he satisfies the Company's "Standards of Independence for Outside Directors" and thus, the Company considers that the said company has no special impact on the Company's decision-making by the Board of Directors, etc.</p>	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. If Proposal No. 2 "Election of Seven (7) Directors (Excluding Directors who are Audit & Supervisory Committee Members)" is approved as originally proposed, the Company intends for the candidate to be appointed as a Director who is not an Audit & Supervisory Committee Member, but if the number of Directors who are Audit & Supervisory Committee Members falls short of that required by laws and regulations, the candidate is expected to resign from his position as Director who is not an Audit & Supervisory Committee Member and be appointed as a Director who is an Audit & Supervisory Committee Member.

3. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits his liability for damages provided for in Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the candidate assumes the position of Outside Director who is an Audit & Supervisory Committee Member, the Company plans to continue the same contract.
4. As the candidate satisfies the conditions for independent officers as defined by Tokyo Stock Exchange, Inc., the Company has notified the Exchange of his designation as an independent officer, and if he assumes the position of Director who is an Audit & Supervisory Committee Member, the Company plans to continue to designate him as an independent officer.

(Reference)

The Company's views regarding the election of Directors

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

In electing Directors, internal Directors are chosen from persons who possess a wealth of experience and achievements in various divisions within the Company, while also possessing insights and adequate specialized knowledge as Director, and Outside Directors are chosen from persons who possess specialization required for continuous growth and improvement in corporate value of the Company and wide insights based on a wealth of business experience. The Company believes that it is important for the Board of Directors as a whole to elect a good balance of personnel with a variety of knowledge, experience, and abilities, and ensure that the composition of the Board of Directors is diverse in terms of gender, international background, and other factors.

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

Standards of Independence for Denka Outside Directors

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

Standards of Independence for Outside Directors

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

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

(*1) Main customer: A customer from whom the amount paid has made up 2% or more of the Company's revenues in the most recent fiscal year

(*2) Main supplier: A supplier to whom the amount paid from the Company has made up 2% or more of the supplier's revenues in the most recent fiscal year

(*3) Main lender: A lender that was essential for the Company's funding, and that the Company relied on to the extent the lender was irreplaceable, as of the end of the most recent fiscal year

(*4) Executor of business: An executive director, executive, executive officer, or other employee, etc.

(Reference)

Denka's Corporate Governance Initiatives

Basic Approach to Corporate Governance

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

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

The Denka Value (Corporate Philosophy)

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

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

“The Denka Value” (Corporate Philosophy)

The Denka Mission

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

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

The Denka Principles

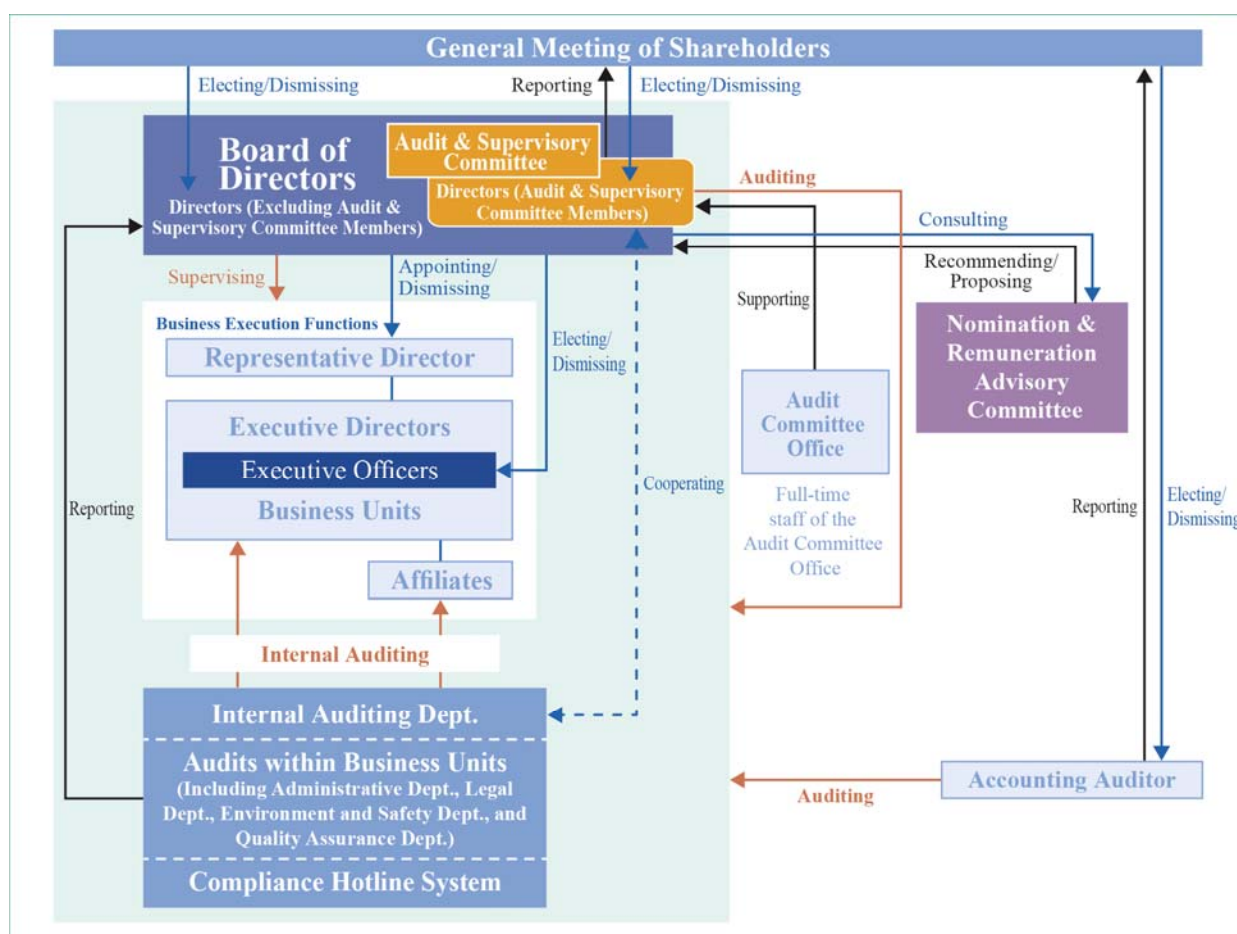
We:

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

*Japanese-style craftsmanship



Current Corporate Governance System



Board of Directors and optional committees

■ Board of Directors (Met 13 times in fiscal 2019)

To realize the Company's corporate philosophy, "The Denka Value," the Board of Directors monitors and supervises major operational decision-making and execution of business duties by executive officers, based on strategic and management planning. The Board of Directors as a whole appoints candidates to be Directors in line with the standards for the appointment of both internal and Outside Directors, based on the belief that it is important to appoint a good balance of people with a variety of expertise, experiences, and skills. For further details of our approach in appointing members of the Board of Directors, please see page 17.

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

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

■ Nomination & Remuneration Advisory Committee (Met once in fiscal 2019)

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

In the previous fiscal year, this Committee received reports and advice from the Board of Directors regarding remuneration and redeployments at the Director and Executive Officer level.

■ **D&A Round Table (Met 11 times in fiscal 2019)**

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

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

At Denka, the effectiveness of the Board of Directors is analyzed and evaluated annually. As a result of measures taken in the previous fiscal year, we reaffirmed that discussion was reinvigorated at the Board of Directors, by ensuring an appropriate Board size and composition (in terms of achieving the right balance of expertise, experience, ability and diversity) and an appropriate meeting frequency and duration, as well as through various initiatives including prior explanation of agenda items, to deepen the understanding of outside officers of the Company, enabling them to make proactive contributions at the Board of Directors meetings.

Furthermore, in the previous year's appraisal, in order to foster deeper discussion of business strategy for the whole Denka Group and business strategy for individual units, there was a view that it is important to adjust the allocation of time at meetings of the Board of Directors, and to ensure details of medium-to-long- and short-term business strategy are shared by internal and outside officers.

In light of the above, we enhanced the "D&A Round Table," which serves as a forum for free, open-minded, constructive discussions, etc. in order to facilitate in-depth discussions regarding management matters that are of particular importance, and the "Business and Research Policy Briefings," which are held to have outside officers understand the Company's medium- to long-term and short-term business and research policies.

As a result of these measures, we reaffirmed that deliberations on agenda items, based on sufficient understanding of business strategy, were reinvigorated.

At the same time, there were views that ways to further optimize the operation of the Board of Directors should be considered, including the revision of standards for agenda items and matters reported.

Looking ahead, in light of these constructive opinions, we will take steps to further improve the effectiveness of the Board of Directors, aiming to improve medium-to-long-term corporate value.

Audit & Supervisory Committee (Met 11 times in fiscal 2019)

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

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

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

Message from Directors who are Audit & Supervisory Committee Members

Mitsukuni Ayabe, Director, Full-time Audit & Supervisory Committee Member

I am committed to further improving the corporate value of the Company so that it becomes more trusted by stakeholders, through audits and other operations conducted fairly and without bias.

Junichi Kimura, Director, Full-time Audit & Supervisory Committee Member

As our society is beset by frequent unexpected circumstances, I intend to prioritize the appropriateness of the Company's risk management function with regard to various types of risk in my audits.

Yasuo Sato, Director, Audit & Supervisory Committee Member (Outside)

In a spirit of rationality and fairness, I am determined to contribute to the medium- to long-term growth of the Company and boosting its corporate value, as I focus on further strengthening corporate governance and enhancing awareness of compliance as an Audit & Supervisory Committee Member.

Toshio Kinoshita, Director, Audit & Supervisory Committee Member (Outside)

I will identify potential risks and contribute to enhancing corporate governance at the Company, in order to ensure Denka's sustainable growth and enhance corporate value over the medium- to long-term.

Hiroko Yamamoto, Director, Audit & Supervisory Committee Member (Outside)

I intend to contribute to enhancing corporate value, while focusing on the fullest compliance and the effectiveness of corporate governance in a spirit of diversity.

Outside Directors

Regarding Outside Directors, the Company selects candidates based mainly on practical considerations, such as whether we can expect the candidate to contribute to an increase in the corporate value of the Company as an independent officer, and has also defined its own standards of independence (Please see page 17.), in accordance with the requirements for independence stipulated in the Companies Act, in addition to the standards for independence defined by the Tokyo Stock Exchange and other factors.

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

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

■ Business and research policy briefings (Met twice in fiscal 2019)

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

■ Outside Officer Liaison Committee (Met 4 times in fiscal 2019)

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

Initiatives to Corporate Governance Thus Far

	Purpose	Measures
2007	To speed up decision-making	Cut the number of directors by half and introduce an executive officer system
2008	Ensure that Directors monitor and supervise the execution of business on an equal footing	Abolition of executive titles (such as Senior Managing Director, Managing Director)
	Clear separation of monitoring and supervisory functions from the execution of business	Reassigning the authority of business execution and executive titles from directors to executive officers
	Flexibly perform checks on directors	Shortening the length of directors' appointments to one year
	Step up checks on management from an external perspective	By appointing two Outside Directors, the number of appointments of outside officers rises to four, including two Outside Audit & Supervisory Board Members (per statutory requirements)
	Create system enabling appropriate advice-giving even outside of meetings of the Board of Directors, by arranging ample exchange of opinions	Implement regular opportunities for outside officers to exchange opinions with top management
	Speed up decision-making by deepening discussions of important management matters	Establishment of a Management Committee comprising Directors, Audit & Supervisory Board Members (internal), and some executive officers
2015	Improve the governance framework and raise standards of transparency and soundness of management	Increasing the number of Outside Directors (from two to three) and reducing the number of members of the Board of Directors (by two)
	Create venues for free, vigorous and constructive deliberations, exchange of opinions and information and alliance-strengthening for internal and Outside Directors and Audit & Supervisory Board Members	To step up round-table meetings of Outside Directors and Audit & Supervisory Board Members formerly held twice per year, hold a round-table conference of Directors and Audit & Supervisory Board Members once a month, in principle
	Achieve optimum standards of corporate governance to ensure sustainable growth and improve medium to long-term corporate value	Compilation of the Denka Corporate Governance Guidelines
	Deepen understanding of the Company's business, and stimulate debate at meetings of the Board of Directors	Enhance the provision of advance explanation for outside officers regarding specific agenda items that require adequate explanation
	Enable exchange of information and formation of consensus among outside officers	Holding "Outside Officer Liaison Committee" four times per year
2016	Promote understanding of the Company's medium- to long-term and short-term business and research objectives	Holding business and research objective briefings for outside officers twice a year
	Ensure adequate auditing and supervision of business execution by executive officers	Clarification of the details of agenda and report materials at the Board of Directors meetings
	Step up the effectiveness of the Board of Directors	Arrangement for all Directors and all Audit & Supervisory Board Members to annually analyze and evaluate the effectiveness of the Board of Directors, and disclose the results in the Corporate Governance Report
2017	Foster greater transparency and objectivity in business decision-making, with the Board of Directors accepting diverse opinions and advice from the outside officers with regard to major business topics including appointments, remuneration and other governance matters	Establishment of the Management Advisory Committee comprising all Outside Directors, all Outside Audit and Supervisory Board Members, the Chairman and the President
		Renaming the "round-table conference of Directors and Audit & Supervisory Board Members" the "D&A Round Table"
2019	Further strengthen corporate governance and improve corporate value by further strengthening the supervisory role of the Board of Directors, by enabling more rapid decision-making and vesting directors who are members of the Audit & Supervisory Committee with voting rights at the Board of Directors meeting	Shift from the "Company with Audit & Supervisory Board" model to that of a "Company with Audit & Supervisory Committee"
		Change the name of the "Management Advisory Committee" to the "Nomination & Remuneration Advisory Committee"

Business Report

(From April 1, 2019 to March 31, 2020)

1. Overview of the Group

(1) Business Progress and Results

During the fiscal year under review, the Japanese economy faced difficult conditions including sluggish growth in personal consumption and a decline in exports. From the beginning of 2020, the impact of the COVID-19 coronavirus infections put significant downward pressure on the economy. The global economy continued to recover moderately, but in addition to trade friction between the United States and China and the prolonging of issues surrounding the UK's exit from the EU, the pandemic of COVID-19 coronavirus infections going into 2020 meant economic activity stalled, primarily in China, the United States, and Europe, resulting in a rapid slowdown.

In the chemical industry, corporate earnings also declined due to weak demand in Japan and overseas in the second half of the period, despite a decline in the prices of naphtha and other raw materials.

Against this economic backdrop, in order to realize "The Denka Value" corporate philosophy, the Group channeled resources into expanding businesses and consolidated earnings, based on the growth visions and the growth strategies in the "Denka Value-Up" management plan. As a result, during the year under review, sales decreased ¥32,324 million or 7.8% year on year to ¥380,803 million, partly due to revisions to selling prices for certain products in step with declines in raw material prices and declines in sales volumes caused by falling demand as a result of trade friction between the United States and China and the pandemic of COVID-19 coronavirus infections in the second half of the fiscal year, despite increases in sales volumes of products for use in electric vehicles (EVs) and healthcare products. Turning to earnings, in addition to declines in sales volumes, the increased cost burden from upfront investments for future growth businesses including healthcare meant that operating income decreased by ¥2,641 million or 7.7% year on year to ¥31,587 million, and the ratio of operating income to net sales was 8.3%. Furthermore, ordinary income decreased ¥2,776 million or 8.5% to ¥30,034 million, and profit attributable to owners of the parent decreased ¥2,342 million or 9.4% to ¥22,703 million.

Results of operations by division are described below.

Elastomers & Performance Plastics Division (Sales: ¥149,325 million)

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

Demand for chloroprene rubber fell back, overall, causing sales volume to decline and sales to decrease. In addition, sales of styrene monomer, ABS resin, polystyrene resin and MS resin at Denka Singapore Pte., Ltd., our Singapore subsidiary were generally robust in volume terms, but sales revenues fell owing to revisions to selling prices in step with the decline in prices of raw materials.

As a result, division sales decreased ¥29,912 million or 16.7% year on year to ¥149,325 million.

Infrastructure & Social Solutions Division (Sales: ¥54,802 million)

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

Sales revenues from special cement additives increased as a result of higher shipments and revised selling prices, while sales of corrugated drainpipes for agriculture and civil engineering were also generally robust, but sales of cement, fertilizers, fire resistant materials, and steel materials were down year on year.

As a result, division sales decreased ¥44 million or 0.1% year on year to ¥54,802 million.

Electronics & Innovative Products Division (Sales: ¥68,028 million)

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

Sales volumes and revenues increased for spherical alumina, high-purity conductive carbon black, and other products for use in EVs, while sales of electronic circuit substrates and ALSINK, highly reliable heat-dissipating plate, ALONBRIGHT SiAlON phosphors for LED performed well. However, sales of functional films including THERMO FILM ALS for transportation and packing of electronic components and semiconductors and spherical fused silica fillers were down year on year.

As a result, division sales increased ¥914 million or 1.4% year on year to ¥68,028 million.

Life Science & Environmental Products Division (Sales: ¥36,973 million)

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

Sales of plastic rain gutters and industrial tapes were robust, while sales of film for food packaging material and processed products from DENKA Polymer Co., Ltd. were also generally on par with the previous year, but sales volume of “TOYOKALON” synthetic fiber for wigs was down year on year.

As a result, division sales decreased ¥2,060 million or 5.3% year on year to ¥36,973 million.

Life Innovation Division (Sales: ¥35,510 million)

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

Domestic and export sales volumes and revenues increased for DENKA SEIKEN Co., Ltd.'s reagents, and shipments of influenza vaccines were up year on year.

As a result, division sales increased ¥1,405 million or 4.1% year on year to ¥35,510 million.

Others Division (Sales: ¥36,163 million)

Principal business: Plant engineering etc.

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

As a result, division sales decreased ¥2,627 million or 6.8% year on year to ¥36,163 million.

(2) Capital Investment

In the “Denka Value-Up” management plan, investments totaling 200 billion over five years will be made in two growth strategies, our refocusing of the business portfolio and introduction of innovative processes, to meet numerical targets. In the fiscal year ended March 31, 2020, the Group carried out capital investments totaling ¥34,205 million.

Capital investment in the Elastomers & Performance Plastics Division amounted to ¥7,257 million. Principal items were construction for increased MS resin capacity at Denka Singapore Pte. Ltd., in addition to investments at the Company’s Omi Plant, Chiba Plant, etc.

In the Infrastructure & Social Solutions Division, capital investment amounted to ¥8,444 million, which mostly concerned the Company’s Omi Plant.

In the Electronics & Innovative Products Division, capital investment amounted to ¥8,697 million. The investments were mostly works to expand spherical alumina production capacity and works to expand high purity carbon black capacity at the Company’s Omuta Plant and our Singapore subsidiary

Capital investment in the Life Science & Environmental Products Division amounted to ¥2,045 million mainly for the Company and DENKA Polymer Co., Ltd.

In the Life Innovation Division, capital investments of ¥7,561 million were made, in regard to construction of new influenza vaccine manufacturing facilities at DENKA SEIKEN Co., Ltd. (currently the Gosen Site of the Company) and other items.

Main capital investment projects completed during fiscal 2019 included works to increase production capacity for electronics and highly advanced product lines at the Omuta and Shibukawa Plants. In addition, capital investment projects currently under construction include a new hydroelectric power facility at the Omi Plant.

In addition to the above, in the healthcare domain, one of three priority areas, the Company acquired 33.4% of the shares of PlexBio Co., Ltd., a strategic partner in Taiwan, via a third-party allotment conducted by PlexBio Co., Ltd., with the aim of strengthening our alliance with PlexBio Co., Ltd.

(3) Financing

In fund procurement, the Company issued ¥15 billion in corporate bonds in December 2019, to meet costs of redemption of previously issued corporate bonds.

(4) Issues to be Addressed

Since fiscal 2018, the Company has been focusing significant efforts on promoting the “Denka Value-Up” five-year management plan, in order to realize the “The Denka Value” concept.

As specific measures in fiscal 2019, the second year of the plan, first, in the healthcare domain, the Company acquired 33.4% of the shares of PlexBio Co., Ltd., a strategic partner in Taiwan, via a third-party allotment conducted by PlexBio Co., Ltd., with the aim of strengthening our alliance with PlexBio Co., Ltd. With this investment, the Company will take full advantage of the features of the IntelliPlex™ system, including its multiplex-assay capability, while drawing on technological resources possessed by the Company to achieve breakthroughs in the field of disease diagnosis.

Likewise, in the electronics and innovation field, mainstay products of the Company are contributing to society and global environmental conservation as essential high-performance products for megatrends expected to develop rapidly in future, namely acetylene black, silicon nitride, AN PLATE, SN PLATE, spherical silica and alumina, and phosphors for 5G and other trends in the electric and electronics industries, and the automotive industry, as represented by xEV and its aim to achieve a zero-carbon society. In future, the Company will continue rolling out products, not just in Japan, but around the world.

Furthermore, in the performance plastics field, the Company decided to halt production of polystyrene at its subsidiary in Singapore and invest approximately ¥2.7 billion to overhaul production facilities and increase MS resin capacity. The current supply capacity of MS resin is insufficient as it is used in an expanding range of optical applications, such as light guiding substrates for backlights, for which demand is rapidly increasing, and non-optical applications, such as containers for cosmetics, for which there is significant growth in the Asia Pacific region. To address the increasing demand for MS resin as a leading producer of MS resin, the Company will overhaul existing facilities for the production of polystyrene, which is in a state of excess supply, thereby doubling our MS resin production capacity and promoting further specialization in this area.

With regard to recent economic trends, we are truly in a situation that may be described as a national crisis as we are now facing the pandemic of COVID-19 coronavirus infections, prior to which there was the stagnation of the global economy as a result of geopolitical factors such as trade friction between the

United States and China, frequent natural disasters, and unrest in the Middle East since the start of the year. Amid these circumstances, the Company has steadily implemented strategic investments aimed at further specialization, with an eye to the megatrends of the future, and innovations to processes through the introduction of advanced digital technologies. In addition, we have also focused on the promotion of workstyle reform, including promoting a healthy work-life balance and diversity. In future, we will once again ensure that the goal of “Denka Value-Up” permeates the entire Denka Group, i.e. our vision to recreate ourselves with an advanced corporate structure capable of sustainable, ongoing growth even amidst various changes in the market environment.

Now, as described above, the world is threatened by COVID-19 coronavirus infections. DENKA SEIKEN Co., Ltd., with which Denka entered into a business integration on April 1, 2020, has long served a role in preventing epidemics in Japan through vaccines and diagnostic reagents, and it has already begun development of simple and rapid testing kits for COVID-19 coronavirus infections. Looking ahead, the Company aims to create a structure capable of mass-producing up to 100,000 testing kits per day within the fiscal year. In addition, in April 2020, the Company also decided, in response to the Japanese government’s request, to supply diethyl malonate, a raw material in the production of the anti-flu medicine Avigan® Tablet (generic name: Favipiravir), which is administered to patients infected with COVID-19 coronavirus.

This crisis represents a significant risk, but the Company will use it as an opportunity to further enhance the efficiency of our operations, and come together as a Group to defeat the national crisis by consistently promoting “Denka Value-Up,” based on the keywords of “reform and coordination.”

Through January 27, 2020, multiple lawsuits were brought against the Company’s subsidiary in the United States, Denka Performance Elastomer LLC (hereinafter, referred to as “DPE”), in the state of Louisiana. In these lawsuits, multiple residents of the area surrounding a DPE factory are seeking damages, alleging that they have suffered physical, proprietary, and mental damage from chloroprene monomer emitted from the DPE factory, which manufactures Neoprene. Accordingly, DPE intends to respond appropriately to the litigation after carefully examining the content of the complaints.

Furthermore, DPE adheres to regulatory emission standards for chloroprene monomer in its operations and has succeeded in drastically curbing emissions. DPE has also asked the United States Environmental Protection Agency (EPA) to reconsider the current toxicity assessments of chloroprene monomer, and the EPA has accepted and will review the new evaluation method that DPE submitted to the EPA. At the present time, DPE’s operations have not been notably affected by this litigation.

* “Avigan” is a registered trademark of FUJIFILM Toyama Chemical Co., Ltd.

(5) Financial Position and Results of Operations

(Millions of yen, unless otherwise stated)

Item	158th term (from April 1, 2016 to March 31, 2017)	159th term (from April 1, 2017 to March 31, 2018)	160th term (from April 1, 2018 to March 31, 2019)	161st term (from April 1, 2019 to March 31, 2020)
Net sales	362,647	395,629	413,128	380,803
Operating income	25,844	33,652	34,228	31,587
Ordinary income	23,158	31,499	32,811	30,034
Profit attributable to owners of parent	18,145	23,035	25,046	22,703
Net income per share (yen)	205.05	261.80	286.18	262.62
Total assets	454,944	473,799	483,827	501,448
Total net assets	227,487	242,780	250,481	254,014
Net assets per share (yen)	2,526.42	2,727.94	2,839.16	2,906.95
Total shareholders' equity ratio (%)	49.1	50.5	51.0	50.0
Return on equity (ROE) (%)	8.3	10.0	10.3	9.1
Total dividends paid	6,194	9,206	10,479	10,785
Dividends per share (yen)	70.00	105.00	120.00	125.00

- Notes: 1. The Company conducted a consolidation of shares at a ratio of five shares to one share with an effective date of October 1, 2017. As a result, net income per share, net assets per share and dividends per share in the above chart are provided assuming that the share consolidation had been conducted at the beginning of the 158th term.
2. Net income per share is calculated using the average number of shares issued and outstanding excluding treasury stock. Net assets per share are calculated using the number of shares issued and outstanding at the end of the fiscal year excluding treasury stock.
3. For total dividends paid and dividends per share for the 161st term, the sum of the interim dividend paid in December 2019 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.
4. The Company applied Partial Amendments to Accounting Standards for Tax Effect Accounting (Accounting Standards Board of Japan (“ASBJ”) No. 28, February 16, 2018) from the beginning of the 160th term, and these standards have been retrospectively applied to the details of assets and profit/loss in the 159th term.

(6) Significant Subsidiaries (as of March 31, 2020)

1) Significant subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
Denka Singapore Pte., Ltd.	SGD 69,410 thousand	100.0 (100.0)	Manufacturing and sales of acetylene black and functional polystyrene resin products
Denka Chemicals Holdings Asia Pacific Pte., Ltd.	USD 68,700 thousand	100.0	Regional headquarters for Southeast and South Asia
Denka Performance Elastomer LLC	USD 62,000 thousand	70.0 (70.0)	Manufacturing and sales of synthetic rubbers
Hinode Kagaku Kogyo	JPY 300 million	100.0	Manufacturing and sales of fertilizers and chemical products
Nishi-nihon Koatsu Gas Co., Ltd.	JPY 80 million	93.3	Manufacturing and sales of high-pressure gas
Denka RENOTEC Co., Ltd.	JPY 50 million	100.0	Repair, design, engineering and management work for concrete structures
Denka Azumin Co., Ltd.	JPY 300 million	100.0	Manufacturing and sales of fertilizers and agricultural materials
Denka Inorganic Materials Tianjin Co., Ltd.	JPY 250 million	100.0	Manufacturing and sales of special cement additives
Denka Infrastructure Technologies Shanghai Co., Ltd.	JPY 210 million	100.0	Business headquarters for special cement additives in China
Denka Infrastructure Malaysia Sdn Bhd.	MYR 7,151 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
Denka Construction Solutions Malaysia Sdn Bhd.	MYR 1,500 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
PT. Hissan Trading Indonesia	USD 300 thousand	100.0 (100.0)	Sales of special cement additives, etc.in Indonesia
Denka Advantech Pte., Ltd.	SGD 17,000 thousand	100.0 (100.0)	Manufacturing and sales of fused silica and synthetic fiber for wigs and hairpieces
Denal Silane Co., Ltd.	JPY 500 million	51.0	Manufacturing and sales of monosilane gas, etc.
Denka Advanced Materials (Suzhou) Co., Ltd.	CNY 55,440 thousand	100.0	Manufacturing, processing, and sales of electronic packaging materials
Denka Electronic Materials Dalian Co., Ltd.	JPY 1,000 million	100.0	Processing and sales of electronic materials
Denka Advanced Materials Vietnam Co., Ltd.	USD 12,000 thousand	100.0 (100.0)	Manufacturing and sales of electronic packaging materials and vinyl tapes
DENKA Polymer Co., Ltd.	JPY 2,080 million	100.0	Manufacturing and sales of various packaging materials and plastic containers
Nakagawa Techno Industrial Co., Ltd.	JPY 50 million	100.0	Manufacturing, processing, and sales of metal rain gutters
DENKA SEIKEN Co., Ltd.	JPY 1,000 million	100.0	Manufacturing and sales of vaccines and clinical diagnostic reagents

Company name	Capital	The Company's percentage of equity participation	Principal business
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 Chemicals GmbH	EUR 256 thousand	100.0	Import, export and sales of chemical and electronics products
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	69.4	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.

- Notes: 1. The Company's percentage of equity participation is calculated by dividing the number of shares held by the Company by the number of shares issued and outstanding. The figure within parentheses indicates the percentage of indirect ownership by subsidiaries.
2. Effective April 1, 2020, the Company conducted an absorption-type merger with DENKA SEIKEN Co., Ltd.
3. Effective April 1, 2020, Akros Trading Co., Ltd. and YK Inoas Co., Ltd. conducted an absorption-type merger, with Akros Trading Co., Ltd. as the surviving company and YK Inoas Co., Ltd. as the absorbed company.

2) Significant affiliates

Company name	Capital	The Company's percentage of equity participation	Principal business
Toyo Styrene Co., Ltd.	JPY 5,000 million	50.0	Manufacturing processing sales of polystyrene resin and styrene-based special resin.
Denak Co., Ltd.	JPY 600 million	50.0	Manufacturing and sales of monochloroacetic acid
Kurobegawa Power Plant	JPY 3,000 million	50.0	Electric power supply

(7) Principal Business Details (as of March 31, 2020)

The Company manufactures and sells the following products.

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

(8) Principal Offices and Factories (as of March 31, 2020)

Company name	Principal offices
Denka Co., Ltd.	Head Office: 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo Branches: Osaka, Nagoya, Fukuoka, Niigata, Hokuriku (Toyama), Sapporo, Tohoku (Sendai) Plants: Omi (Itoigawa, Niigata Prefecture), Omuta, Chiba (Ichihara, Chiba Prefecture), Shibukawa, Ofuna (Kamakura, Kanagawa Prefecture), Isesaki Research Institutes: Denka Innovation Center (Advanced Technologies Research Institute, Life Innovation Research Institute, Infrastructure & Solutions Development Research Institute) (Machida, Tokyo) Polymer & Processing Technology Institute (Ichihara, Chiba Prefecture)
Denka Singapore Pte., Ltd.	Head Office and Plants: Singapore
Denka Chemical Holdings Asia Pacific Pte., Ltd.	Head Office: Singapore
Denka Performance Elastomer LLC	Head Office and Plant: Louisiana, United States
Hinode Kagaku Kogyo	Head Office and Plant: Maizuru, Kyoto Prefecture
Nishi-nihon Koatsu Gas Co., Ltd.	Head Office: Fukuoka, Fukuoka Prefecture
Denka RENOTECH Co., Ltd.	Head Office: Chuo-ku, Tokyo
Denka Azumin Co., Ltd.	Head Office and Plant: Hanamaki, Iwate Prefecture
Denka Inorganic Materials Tianjin Co., Ltd.	Head Office and Plant: Tianjin, China
Denka Infrastructure Technologies Shanghai Co., Ltd.	Head Office: Shanghai, China
Denka Infrastructure Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
Denka Construction Solutions Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
PT. Hissan Trading Indonesia	Head Office: Jakarta, Indonesia
Denka Advantech Pte., Ltd.	Head Office and Plant: Singapore
Denal Silane Co., Ltd.	Head Office: Chuo-ku, Tokyo

Company name	Principal offices
Denka Advanced Materials (Suzhou) Co., Ltd.	Head Office and Plant: Suzhou, Jiangsu, China
Denka Electronic Materials Dalian Co., Ltd.	Head Office and Plant: Dalian, Liaoning, China
Denka Advanced Materials Vietnam Co., Ltd.	Head Office and Plant: Hung Yen, Vietnam
DENKA Polymer Co., Ltd.	Head Office: Koto-ku, Tokyo Plants: Sakura, Katori (Tako-machi, Chiba Prefecture), Goi (Ichihara, Chiba Prefecture)
Nakagawa Techno Industrial Co., Ltd.	Head Office and Plant: Kasai, Hyogo Prefecture
DENKA SEIKEN Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Gosen, Niigata Prefecture
YK Inoas Co., Ltd.	Head Office: Bunkyo-ku, Tokyo
Denka Chemicals GmbH	Head Office: Düsseldorf, Germany
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

- Notes: 1. Effective April 1, 2020, the Company conducted an absorption-type merger with DENKA SEIKEN Co., Ltd.
2. Effective April 1, 2020, Akros Trading Co., Ltd. and YK Inoas Co., Ltd. conducted an absorption-type merger, with Akros Trading Co., Ltd. as the surviving company and YK Inoas Co., Ltd. as the absorbed company.

(9) Employees (as of March 31, 2020)

1) The Group

Business segment	Number of employees	
Elastomers & Performance Plastics Division	1,037	[104]
Infrastructure & Social Solutions Division	1,027	[121]
Electronics & Innovative Products Division	1,196	[125]
Life Science & Environmental Products Division	1,023	[168]
Life Innovation Division	948	[272]
Others Division	714	[175]
Corporate (common)	371	[55]
Total	6,316	[1,020]

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

2) The Company

Number of employees	Increase (Decrease) from the previous fiscal year-end	Average age	Average service years
3,349 [518]	+99 [+3]	40.7	17.1

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

(10) Principal Lenders (as of March 31, 2020)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	20,000
Mizuho Bank, Ltd.	16,197
M&A loans	12,442
The Norinchukin Bank	5,655
Sumitomo Mitsui Banking Corporation	5,478

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

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

Not applicable

2. Status of Shares (as of March 31, 2020)

(1) Total Number of Authorized Shares	290,000,000 shares
(2) Shares of Common Stock Issued	88,555,840 shares (including 2,273,467 shares of treasury stock)
(3) Number of Shareholders	33,024

(4) Major Shareholders

Shareholder name	Number of shares held (hundred shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	101,817	11.80
Japan Trustee Service Bank, Ltd. (Trust Account)	81,008	9.39
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	32,158	3.73
National Mutual Insurance Federation of Agricultural Cooperatives	29,007	3.36
TAIJU LIFE INSURANCE COMPANY LIMITED	23,816	2.76
STATE STREET BANK AND TRUST COMPANY 505001	16,202	1.88
JP MORGAN CHASE BANK 385151	15,886	1.84
Japan Trustee Service Bank, Ltd. (Trust Account 5)	14,602	1.69
Mitsui Sumitomo Insurance Company, Limited	13,832	1.60
The Nomura Trust and Banking Co., Ltd. (Trust Account)	13,336	1.55

Notes: 1. 2,273,467 shares of treasure stock have been excluded from the above list of major shareholders.

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

(5) Other Significant Matters concerning Shares

Not applicable.

3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2020)

Not applicable

4. Company Officers

(1) Directors (as of March 31, 2020)

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

- Notes:
- On June 20, 2019, the Company transitioned to a Company with Audit & Supervisory Committee, pursuant to the resolution passed at the 160th Ordinary General Meeting of Shareholders held on the same day.
 - Directors Mr. Akio Yamamoto, Mr. Tatsutsugu Fujihara, Mr. Yasuo Sato, Mr. Toshio Kinoshita, and Ms. Hiroko Yamamoto are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
 - Director who is an Audit & Supervisory Committee Member, Mr. Toshio Kinoshita is a certified public accountant, and has an adequate level of knowledge regarding finance and accounting.
 - Director who is an Audit & Supervisory Committee Member, Mr. Toshio Kinoshita retired as Outside Director of Mizuho Bank, Ltd. in September 2019.
 - The Company has appointed Directors Mr. Mitsukuni Ayabe and Mr. Junichi Kimura as Full-time Audit & Supervisory Committee Members, in order to enhance the effectiveness of audits through better information gathering and sufficient coordination

with the Internal Auditing Dept., etc., and thereby strengthen audit and supervisory functions.

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

(Reference)

Executive Officers (as of April 1, 2020)

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

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

DSPL: Denka Singapore Pte., Ltd.

DAPL: Denka Advantech Pte., Ltd.

(2) Directors and Audit & Supervisory Board Members that Retired During the Fiscal Year Under Review

Name	Date of retirement	Reason for retirement	Positions, responsibilities, and significant concurrent positions at time of retirement
Mitsukuni Ayabe	June 20, 2019	Term of office expired	Director, Executive Vice President Supervisor of Life Innovation Division President and Representative Director of DENKA SEIKEN Co., Ltd.
Kenji Nakano	June 20, 2019	Term of office expired	Director Executive Advisor of Akros Trading Co., Ltd.
Yasuo Sato	June 20, 2019	Term of office expired	Director (Outside)
Shohei Tamaki	June 20, 2019	Term of office expired	Full-time Audit & Supervisory Board Member
Masanori Sakamoto	June 20, 2019	Term of office expired	Full-time Audit & Supervisory Board Member
Tsunehiro Sasanami	June 20, 2019	Term of office expired	Audit & Supervisory Board Member (Outside)
Toshio Kinoshita	June 20, 2019	Term of office expired	Audit & Supervisory Board Member (Outside)

- Notes: 1. On June 20, 2019, the Company transitioned to a Company with Audit & Supervisory Committee, pursuant to the resolution passed at the 160th Ordinary General Meeting of Shareholders held on the same day. In line with this transition, Audit & Supervisory Board Members Mr. Shohei Tamaki, Mr. Masanori Sakamoto, Mr. Tsunehiro Sasanami, and Mr. Toshio Kinoshita retired from their positions as Audit & Supervisory Board Members due to expiration of their terms of office. Of these persons, Mr. Toshio Kinoshita was appointed as a Director who is an Audit & Supervisory Committee Member on the same day. In addition, Mr. Mitsukuni Ayabe and Mr. Yasuo Sato resigned from their position as Director due to expiration of their term of office, and were appointed as a Director who is an Audit & Supervisory Committee Member on the same day.
2. Effective April 1, 2020, the Company conducted an absorption-type merger with DENKA SEIKEN Co., Ltd.
3. Effective April 1, 2020, Akros Trading Co., Ltd. and YK Inoas Co., Ltd. conducted an absorption-type merger, with Akros Trading Co., Ltd. as the surviving company and YK Inoas Co., Ltd. as the absorbed company.

(3) Summary of Liability Limitation Agreements

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

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

1) Prior to the transition to a Company with Audit & Supervisory Committee (from April 1, 2019 until the conclusion of the 160th Ordinary General Meeting of Shareholders (June 20, 2019))

Category	Number of persons	Amount of remuneration, etc. (Millions of yen)	Breakdown					
			Cash remuneration				Stock remuneration	
			Basic remuneration		Performance-linked remuneration			
			Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors (of which Outside Directors)	8 (3)	74 (9)	8 (3)	68 (9)	- (-)	- (-)	5 (-)	5 (-)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	4 (2)	19 (6)	4 (2)	19 (6)	- (-)	- (-)	- (-)	- (-)
Total (of which outside officers)	12 (5)	93 (15)	12 (5)	88 (15)	- (-)	- (-)	5 (-)	5 (-)

- Notes: 1. The maximum amount of cash compensation remuneration for Directors is ¥500 million per year (of which the maximum amount of remuneration for Outside Directors is ¥50 million, excluding the portions of their salaries as employees) as resolved at the 158th Ordinary General Meeting of Shareholders held on June 22, 2017.
2. The maximum amount of remuneration for Audit & Supervisory Board Members is ¥13 million per month as resolved at the 147th Ordinary General Meeting of Shareholders held on June 29, 2006.
3. The total amount of stock remuneration is the amount of expenses recorded for the fiscal year under review for the stock remuneration plan that allots shares of the Company (a stock remuneration plan wherein a trust established by the Company makes acquisitions using funds contributed by the Company, and shares of the Company and cash equivalent to the disposal conversion amount of the Company's shares are allotted to Directors (excluding Outside Directors) through said trust).

2) After the transition to a Company with Audit & Supervisory Committee (from the conclusion of the 160th Ordinary General Meeting of Shareholders (June 20, 2019) until March 31, 2020)

Category	Number of persons	Amount of remuneration, etc. (Millions of yen)	Breakdown					
			Cash remuneration				Stock remuneration	
			Basic remuneration		Performance-linked remuneration			
			Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors (excluding Directors who are Audit & Supervisory Committee Members) (of which Outside Directors)	7 (2)	253 (18)	7 (2)	198 (18)	5 (-)	38 (-)	5 (-)	16 (-)
Directors (Audit & Supervisory Committee Members) (of which Outside Directors)	5 (3)	68 (27)	5 (3)	68 (27)	- (-)	- (-)	- (-)	- (-)
Total (of which Outside Directors)	12 (5)	321 (45)	12 (5)	266 (45)	5 (-)	38 (-)	5 (-)	16 (-)

- Notes: 1. The maximum amount of cash compensation remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is ¥490 million per year (of which the maximum amount of remuneration for Outside Directors is ¥40 million, excluding the portions of their salaries as employees) as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019.
2. The maximum amount of remuneration for Directors who are Audit & Supervisory Board Members is ¥166 million per year as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019.
3. The total amount of stock remuneration is the amount of expenses recorded for the fiscal year under review for the stock remuneration plan that allots shares of the Company (a stock remuneration plan wherein a trust established by the Company makes acquisitions using funds contributed by the Company, and shares of the Company and cash equivalent to the disposal conversion amount of the Company's shares are allotted to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) through said trust).

(5) Outside Officers

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

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

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

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

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

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

He also served as Outside Director at Mizuho Bank, Ltd. until September 2019.

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

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

3) Relationship with specified related parties such as major customers

Not applicable

4) Principal activities in the fiscal year ended March 31, 2020

i. Outside Directors

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2020. Mr. Akio Yamamoto, Mr. Tatsutsugu Fujihara, Mr. Yasuo Sato, and Mr. Toshio Kinoshita attended all 13 meetings of the Board of Directors (attendance rate: 100%), and Ms. Hiroko Yamamoto attended all 10 meetings of the Board of Directors (attendance rate: 100%) after assuming office as Director on June 20, 2019. Mr. Akio Yamamoto, based on his rich experience and wide views as a corporate executive and rich international experience serving as a business manager at global companies, and Mr. Tatsutsugu Fujihara, based on his rich experience and wide views as a manager, and expert knowledge of corporate finance, actively made inquiries and recommendations on risk management and business strategy at subsidiaries, primarily overseas.

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

[Audit & Supervisory Board meetings]

The Audit & Supervisory Board met 5 times in the fiscal year ended March 31, 2020. Mr. Toshio Kinoshita attended all 5 meetings of the Audit & Supervisory Board (attendance rate: 100%). He also attended the Board of Directors meetings and other important meetings. In addition, he 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. He reported the results of these activities to the Audit & Supervisory Board and had necessary discussions with other Audit & Supervisory Board Members.

[Audit & Supervisory Committee]

The Audit & Supervisory Committee met 11 times in the fiscal year ended March 31, 2020. Mr. Yasuo Sato attended 10 out of the 11 meetings of the Audit & Supervisory Committee (attendance rate: 91%), and Mr. Toshio Kinoshita and Ms. Hiroko Yamamoto attended all 11 meetings of the Audit & Supervisory Committee (attendance rate: 100%). Each member of the Audit & Supervisory

Committee worked closely with the Internal Auditing Dept., etc. to perform efficient and effective audits of the Company's divisions and departments, business sites and subsidiaries and receive briefings on the status of business execution at periodic divisional report meetings. They reported the results of these activities to the Audit & Supervisory Committee and had necessary discussions with other Audit & Supervisory Committee Members.

	Board of Directors meetings		Audit & Supervisory Board meetings		Audit & Supervisory Committee	
	Attendance	Attendance rate	Attendance	Attendance rate	Attendance	Attendance rate
Director Akio Yamamoto	13/13	100%	-	-	-	-
Director Tatsutsugu Fujihara	13/13	100%	-	-	-	-
Director (Audit & Supervisory Committee Member) Yasuo Sato	13/13	100%	-	-	10/11	91%
Director (Audit & Supervisory Committee Member) Toshio Kinoshita	13/13	100%	5/5	100%	11/11	100%
Director (Audit & Supervisory Committee Member) Hiroko Yamamoto	10/10	100%	-	-	11/11	100%

Note: On June 20, 2019, the Company transitioned to a Company with Audit & Supervisory Committee, pursuant to the resolution passed at the 160th Ordinary General Meeting of Shareholders held on the same day. The above table shows attendance at meetings of the Audit & Supervisory Board prior to the transition and meetings of the Audit & Supervisory Committee after the transition.

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, 2020

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2020	82,640
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	128,856

Notes: 1. Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Companies Act and that for audits based on the Financial Instruments and Exchange Act are not strictly distinguished and they cannot be substantially distinguished. Consequently, the sum of the amounts of these remunerations is stated as the amount of remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2020.

2. The Audit & Supervisory Committee of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, has confirmed the time taken to audit each audit item compared to audit plans for previous fiscal years and comparisons with amounts for other companies as disclosed for the fiscal year ended March 31, 2019, and agrees to the fees, etc., of the Accounting Auditor under Article 399, Item 1 of the Companies Act.

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

(3) Non-audit Services

The Company pays fees to Ernst & Young ShinNihon LLC mainly for advice and guidance provided in relation to the introduction of accounting standards for revenue recognition.

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

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

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

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

Not applicable

(6) Outline of the Limited Liability Contracts

Not applicable

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Account item	(Reference) 160th term	161st term	Account item	(Reference) 160th term	161st term
(Assets)	483,827	501,448	(Liabilities)	233,346	247,434
Current assets	190,730	198,452	Current liabilities	154,047	160,807
Cash and deposits	13,902	29,172	Notes and accounts payable-trade	52,924	43,005
Notes and accounts receivable-trade	95,780	85,637	Short-term loans payable	43,101	51,929
Merchandise and finished goods	47,455	52,159	Commercial paper	2,000	9,000
Work in process	4,389	4,037	Current portion of long-term loans payable	5,062	10,010
Raw materials and supplies	19,911	19,582	Current portion of bonds	5,000	-
Other	9,802	8,156	Accounts payable-other	18,504	18,079
Allowance for doubtful accounts	(511)	(293)	Income taxes payable	3,010	3,550
			Accrued consumption taxes	487	1,431
			Accrued expenses	10,881	11,194
			Provision for bonuses	3,122	2,992
			Other	9,953	9,613
Noncurrent assets	293,097	302,995	Noncurrent liabilities	79,298	86,626
Property, plant and equipment	218,677	231,815	Bonds payable	22,000	37,000
Buildings	40,497	40,733	Long-term loans payable	34,969	26,400
Structures	21,895	21,770	Deferred tax liabilities	4,961	3,245
Machinery and equipment	70,359	69,098	Deferred tax liabilities for land revaluation	8,403	8,403
Vehicles	796	691	Net defined benefit liability	7,269	7,874
Tools, furniture and fixtures	3,820	4,146	Provision for stock benefits	44	58
Land	63,366	63,370	Other	1,650	3,644
Lease assets	307	2,260	(Net assets)	250,481	254,014
Construction in progress	17,634	29,745	Shareholders' equity	225,498	235,628
Intangible assets	12,415	11,808	Capital stock	36,998	36,998
Software	978	1,002	Capital surplus	49,353	49,365
Goodwill	8,312	7,544	Retained earnings	144,638	156,857
Right of using patent	3,124	3,261	Treasury stock	(5,492)	(7,593)
Investments and other assets	62,004	59,371	Accumulated other comprehensive income	21,362	15,092

Investment securities	55,028	51,200	Valuation difference on available-for-sale securities	15,182	10,691
Long-term loans receivable	236	178	Deferred gains or losses on hedges	(345)	(551)
Long-term prepaid expenses	1,699	2,423	Revaluation reserve for land	10,260	10,259
Deferred tax assets	2,736	3,160	Foreign currency translation adjustment	(120)	(876)
Other	2,422	2,526	Remeasurements of defined benefit plans	(3,614)	(4,429)
Allowance for doubtful accounts	(118)	(117)	Non-controlling interests	3,620	3,294
Total	483,827	501,448	Total	483,827	501,448

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

Consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	(Reference) 160th term		161st term	
Net sales		413,128		380,803
Cost of sales		310,839		281,465
Gross profit		102,289		99,338
Selling, general, and administrative expenses		68,060		67,750
Operating income		34,228		31,587
Non-operating income				
Interest and dividend income	2,313		1,552	
Equity in earnings of affiliates	1,384		1,170	
Other	495	4,193	822	3,545
Non-operating expenses				
Interest expenses	762		866	
Other	4,849	5,611	4,231	5,098
Ordinary income		32,811		30,034
Extraordinary income				
Loss on sales of investment securities	689	689	280	280
Extraordinary loss				
Loss on liquidation of business	389		940	
Loss on disaster	718		249	
Other	-	1,108	113	1,303
Income before income taxes		32,392		29,011
Income taxes-current	6,480		6,344	
Income taxes-deferred	978	7,459	131	6,475
Profit		24,933		22,535
Profit (loss) attributable to non-controlling interests		(112)		(167)
Profit attributable to owners of parent		25,046		22,703

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Account item	(Reference) 160th term	161st term	Account item	(Reference) 160th term	161st term
(Assets)	371,751	391,666	(Liabilities)	195,453	216,290
Current assets	120,635	133,727	Current liabilities	124,321	141,764
Cash and deposits	4,609	17,556	Accounts payable-trade	31,005	24,057
Notes receivable-trade	3,971	3,637	Short-term loans payable	27,675	38,675
Accounts receivable-trade	59,912	57,262	Commercial paper	2,000	9,000
Merchandise and finished goods	31,822	36,515	Current portion of long-term loans payable	5,053	10,000
Raw materials and supplies	12,223	11,962	Current portion of bonds	5,000	-
Prepaid expenses	1,319	1,420	Accounts payable-other	16,265	16,269
Short-term loans receivable	1,855	756	Income taxes payable	783	1,201
Other	4,921	4,616	Accrued consumption taxes	106	844
Allowance for doubtful accounts	(1)	(1)	Accrued expenses	6,909	6,983
			Deposits received	27,452	32,526
			Provision for bonuses	1,747	1,807
			Other	321	398
Noncurrent assets	251,116	257,939	Noncurrent liabilities	71,132	74,526
Property, plant and equipment	167,866	173,160	Bonds payable	22,000	37,000
Buildings	28,100	28,586	Long-term loans payable	34,442	24,442
Structures	19,370	19,293	Deferred tax liabilities	5,346	3,889
Machinery and equipment	46,622	46,619	Deferred tax liabilities for land revaluation	8,403	8,403
Vehicles	672	559	Provision for retirement benefits	68	-
Tools, furniture and fixtures	2,670	2,793	Provision for stock benefits	44	58
Land	60,451	60,375	Asset retirement obligations	128	129

Construction in progress	9,978	14,932	Other	700	603
Intangible assets	830	1,216	(Net assets)	176,297	175,376
Software	529	618	Shareholders' equity	152,402	155,726
Right of using patent	301	597	Capital stock	36,998	36,998
Investments and other assets	82,419	83,562	Capital surplus	49,284	49,284
Investment securities	32,783	26,586	Legal capital surplus	49,284	49,284
Stocks of subsidiaries and affiliates	45,094	48,280	Other capital surplus	0	0
Long-term loans receivable	1,879	4,654	Retained earnings	71,610	77,036
Long-term prepaid expenses	1,178	1,930	Other retained earnings	71,610	77,036
Prepaid pension cost	-	614	Reserve for advanced depreciation of noncurrent assets	3,804	3,786
Other investments	1,483	1,496	Retained earnings brought forward	67,806	73,250
Allowance for doubtful accounts	(1)	(1)	Treasury stock	(5,492)	(7,593)
			Valuation and translation adjustments	23,895	19,649
			Valuation difference on available-for-sale securities	13,635	9,389
			Revaluation reserve for land	10,260	10,259
Total	371,751	391,666	Total	371,751	391,666

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

Non-consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	(Reference) 160th term		161st term	
Net sales		243,735		228,249
Cost of sales		178,540		165,432
Gross profit		65,194		62,817
Selling, general, and administrative expenses		45,949		46,796
Operating income		19,245		16,020
Non-operating income				
Interest and dividend income	7,834		6,571	
Other	1,056	8,890	1,060	7,631
Non-operating expenses				
Interest expenses	524		660	
Other	3,706	4,231	3,237	3,897
Ordinary income		23,904		19,753
Extraordinary income				
Gain on sales of investment securities	689	689	280	280
Extraordinary loss				
Loss on liquidation of business	389		730	
Loss on disaster	481	870	249	980
Income before income taxes		23,723		19,053
Income taxes-current	3,850		2,991	
Income taxes-deferred	603	4,453	241	3,232
Profit		19,269		15,821

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

Independent Auditors' Report
(English Translation)

May 12, 2020

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office

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

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Denka Co., Ltd. (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

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

Basis for the Opinion

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

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Interest

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

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

Independent Auditors' Report
(English Translation)

May 12, 2020

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office

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

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Denka Co., Ltd. (the "Company") for the 161st fiscal year from April 1, 2019 through March 31, 2020.

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

Basis for the Opinion

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

Emphasis of Matter

As discussed in the Notes to Significant Subsequent Events, on April 1, 2020, the Company conducted an absorption-type merger with consolidated subsidiary DENKA SEIKEN Co., Ltd.

This matter does not affect the Auditor's opinion.

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

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

Audit Report

(English Translation)

The Audit & Supervisory Committee has audited the Directors' performance of their duties during the 161st term from April 1, 2019 to March 31, 2020, and hereby reports the method and results thereof as follows:

1. Auditing Method and Details Thereof

The Audit & Supervisory Committee received regular reports from Directors, employees, etc. on the details of resolutions of the Board of Directors related to matters listed in Article 399-13, Paragraph 1, item (i), (b) and (c) of the Companies Act and the creation and operational status of systems developed pursuant to such resolutions (internal control systems), requested explanations as necessary, and expressed its views, in addition to conducting audits via the methods below.

- 1) Audit & Supervisory Committee Members conformed with the Audit & Supervisory Committee Audit Standards set forth by the Audit & Supervisory Committee and, in accordance with audit policies, the assignment of duties, etc., worked with the Internal Auditing Department and other internal control departments to attend meetings of important committees, receive reports on matters related to the execution of duties from Directors, employees, etc., requested explanations as necessary, reviewed important approval documents, etc., and investigated the status of operations and assets at head office and important business sites. In addition, with regard to subsidiaries, Audit & Supervisory Committee Members took steps to communicate and exchange information with the Directors, Audit & Supervisory Board Members, etc. of subsidiaries, and received business reports from subsidiaries as necessary.
- 2) With respect to the basic policy set forth in Article 118, Item 3 (i) of the Ordinance for Enforcement of the Companies Act and the measures set forth in Item 3 (ii) of the said article, which are described in the Business Report, the Audit & Supervisory Committee examined the content based on the status of deliberations at meetings of the Board of Directors and other meetings.
- 3) The Audit & Supervisory Committee monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, received reports from the Accounting Auditor regarding the status of the performance of its duties, and requested explanations as necessary. In addition, the Audit & Supervisory Committee received notice from the Accounting Auditor that the "system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the "Quality Control Standards Relating to Auditing" (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

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

2. Results of Audit

- (1) Results of Audit of Business Report, etc., and Other Relevant Documents
 - 1) In our opinion, the Business Report and the accompanying supplementary schedules present fairly the conditions of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
 - 2) We have found no instances of misconduct or material violation of the applicable laws and regulations or the Articles of Incorporation with respect to performance of duties by the Directors.
 - 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal control systems are fair and reasonable. In addition, we have found no matters requiring special

mention regarding the description in the Business Report and the performance of duties by the Directors related to such internal control systems.

- 4) We have found no matters requiring special mention with respect to the basic policies and initiatives regarding the determination of policies on control of the finances and business of the Company described in the Business Report.
- (2) Results of Audit of Non-consolidated Financial Statements and the Accompanying Supplementary Schedules
In our opinion, the method and the results of the audit performed by Ernst & Young ShinNihon LLC are fair and reasonable.
- (3) Results of Audit of Consolidated Financial Statements
In our opinion, the method and the results of the audit performed by Ernst & Young ShinNihon LLC are fair and reasonable.

May 12, 2020

Audit & Supervisory Committee, Denka Co., Ltd.

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

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