Notice of Convocation of the 165th Ordinary General Meeting of Shareholders
Other Matters Subject to the Electronic Provision
(Matters for Which Document Provision is Omitted)

Company's Systems and Policies

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

(from April 1, 2023 to March 31, 2024)

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

Company's Systems and Policies

(1) Systems to Ensure the Appropriateness of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) **Compliance structure**

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

As stated in the Issues to be addressed, we have identified improprieties related to certain resin products manufactured and sold by the Company and Toyo Styrene Co., Ltd., an equity-method affiliate, and certified by Underwriters Laboratories Limited Liability Company, an independent safety science organization based in the United States, etc. We seriously take the findings in the investigation report received from an external investigation committee and are doing our utmost to implement drastic measures to ensure that the management stance of placing the highest priority on compliance permeates throughout the Group.

2) **Business execution of Directors**

The Board of Directors of the Company is composed of nine members, including four Outside Directors, and meetings of the Board of Directors were held 14 times during the fiscal year under review. Based on laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations, decision-making was conducted regarding important business execution, reports were received from Directors and Executive Officers regarding required business execution conditions, and appropriate supervision was provided.

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

3) Business execution of the Audit Committee

The Audit Committee of the Company is composed of four members, including three Outside Directors, and meetings of the Audit Committee were held 14 times during the fiscal year under review. Additionally, the Audit Committee worked closely with the Internal Control Department and other departments to perform efficient and effective audits of the Company's divisions and departments, business sites, and subsidiaries, in addition to receiving briefings on the status of business execution, etc. at periodic divisional report meetings. They held necessary discussions concerning these and other activities at meetings of the Audit Committee.

Furthermore, to assist the duties of the Audit Committee, the Audit Committee Office was established and exclusive employees were assigned.

4) Risk management structure

To respond appropriately to events that may greatly affect the corporate activities of the Company, the Risk Management Guidelines were defined, containing categories of specific types of risk that may occur, and a controlling division and emergency contact structure are maintained. During the fiscal year under review, the Company focused on establishing an integrated risk management framework to enhance risk management efforts during regular operations. Denka Group Risk Management Committee and other relevant meetings were held periodically and as required, with reports submitted to the Board of Directors. Additionally, the Company conducted contingency response drills for executive officers, simulating scenarios such as an earthquake directly beneath the Tokyo metropolitan area.

5) Implementation of internal audits

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

(3) Basic Policies regarding the Control of the Company

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

Also, under this basic policy, the management plan "Denka Value up" (five years from fiscal 2018), has been formulated, to strive for the realization of continuous and sound growth.

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	**36,998**	**49,406**	**183,391**	**(7,650)**	**262,145**
Changes of items during the fiscal year					
Dividends from surplus			(7,764)		(7,764)
Profit attributable to owners of parent			11,947		11,947
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Purchase of treasury stock				(150)	(150)
Disposal of treasury stock		(0)		15	15
Net changes of items other than shareholders' equity					–
Total changes of items during the fiscal year	**–**	**(0)**	**4,182**	**(134)**	**4,047**
Balance at end of the fiscal year	**36,998**	**49,405**	**187,574**	**(7,785)**	**266,192**

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	**16,350**	**(246)**	**10,407**	**11,101**	**(3,277)**	**34,334**	**3,871**	**300,351**
Changes of items during the fiscal year								
Dividends from surplus						–		(7,764)
Profit attributable to owners of parent						–		11,947
Change in ownership interest of parent due to transactions with non-controlling interests						–		(0)
Purchase of treasury stock						–		(150)
Disposal of treasury stock						–		15
Net changes of items other than shareholders' equity	(2,092)	211	–	5,578	3,311	7,009	5,506	12,516
Total changes of items during the fiscal year	**(2,092)**	**211**	**–**	**5,578**	**3,311**	**7,009**	**5,506**	**16,563**
Balance at end of the fiscal year	**14,257**	**(34)**	**10,407**	**16,680**	**33**	**41,344**	**9,377**	**316,915**

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries: 41

Names of principal consolidated subsidiaries:

Denka Singapore Pte., Ltd.

Denka Advantech Pte., Ltd.

Denka Performance Elastomer LLC

DENKA Polymer Co., Ltd.

Hinode Kagaku Kogyo

Akros Trading Co., Ltd.

Effective from the fiscal year under review, the newly established Denka SCGC Advanced Materials Co., Ltd. is included in the scope of consolidation as a consolidated subsidiary. In addition, four former consolidated subsidiaries, Denka Techno Advance Co., Ltd., Denka Q-Genomics G.K., POSCO CHEMIE Sdn. Bhd., and ESCEM Sdn. Bhd. were excluded from the scope of consolidation due to the completion of liquidation.

(2) Principal non-consolidated subsidiaries

Names of principal non-consolidated subsidiaries:

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

Reason for exclusion from the scope of consolidation:

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

2. Application of the equity method

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

Number of non-consolidated subsidiaries and affiliates to which the equity method is applied: 11

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

SUZAWA NAMAKON K.K.

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

TOYO STYRENE Co., Ltd.

JUZEN Chemical Corporation

Denak Co., Ltd.,

Kurobegawa Electric Power Company

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

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

Kyushu Plastic Kogyo K.K.

Name of the principal affiliate to which the equity method is not applied:

Shogawa Nama Concrete Kogyo K.K.

Reason for not applying the equity method:

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

3. Accounting periods of consolidated subsidiaries

Among the consolidated subsidiaries, Denka Singapore Pte., Ltd. and 30 other subsidiaries have a year-end balance sheet date of December 31.

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

4. Accounting policies

(1) Standards and methods for valuation of principal assets

Securities

Available-for-sale securities

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

Stated at market value

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

Shares, etc. that do not have a market price

Stated principally at cost using the moving-average method

Derivatives

Stated at market value

Inventories

Stated principally at cost using the weighted-average method

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

(2) Depreciation method for principal depreciable assets

Property, plant and equipment

Principally, the straight-line method is applied.

Intangible assets

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

Lease assets

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

(3) Standards of accounting for principal allowances and provisions

• Allowance for doubtful accounts

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

• Provision for bonuses

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

• Provision for stock benefits

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

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

• Method of amortization of goodwill and amortization period

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

• Method of hedge accounting

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

• Method of accounting for retirement benefits

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

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

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

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

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

• Revenue and expense recognition standards

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

(1) Revenue recognition related to product sales

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

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

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

(3) Revenue recognition related to agent transactions

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

(4) Revenue recognition related to construction contracts

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

(Notes to Accounting Estimates)

Valuation of noncurrent assets

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

Property, plant and equipment	281,880 million yen
Intangible assets	5,001 million yen
Loss on liquidation of business	7,573 million yen

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

1) Calculation method

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

In the fiscal year under review, for goodwill related to Life Innovation business, the Company recorded 7,573 million yen as loss on liquidation of business (of which 6,217 million yen was loss on impairment of goodwill) for impairment loss on goodwill and other assets in the Life Innovation business and fixed assets of businesses from which the Company has decided to withdraw. This impairment loss on goodwill and other assets was due to the discontinuation of norovirus vaccine development in the course of business portfolio transformation, and the fact that the initially anticipated earnings are no longer expected.

2) Principal assumptions

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

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

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

(Notes to the Consolidated Balance Sheet)

1. Assets pledged as collateral

Investment securities: 264 million yen

Liabilities corresponding to pledged assets

Notes and accounts payable-trade and other liabilities: 83 million yen

2. Accumulated depreciation of property, plant and equipment: 520,280 million yen

3. Guarantee obligations, etc.

Guarantee for loans from financial institutions: 11,673 million yen

4. Notes matured at the end of the fiscal year are treated as if they were settled on the maturity date:

As the last day of the current fiscal year fell on a holiday of financial institutions, the following notes maturing on the last day of the fiscal year were treated as if they were settled on the maturity date.

Notes receivable: 1,725 million yen

Notes payable: 1,746 million yen

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

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

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Shares issued				(Shares)
Common stock	88,555,840	–	–	88,555,840
Total	88,555,840	–	–	88,555,840
Treasury stock				
Common stock (Notes 1 and 2)	2,326,495	57,810	4,986	2,379,319
Total	2,326,495	57,810	4,986	2,379,319

Notes: 1. The increase of 57,810 shares of common stock of treasury stock was due to the purchase of 3,010 odd-lot shares and the acquisition of 54,800 shares of the Company’s stock by a stock benefit trust.

2. The decrease of 4,986 shares of common stock of treasury stock was due to the decrease of 186 shares by the sale of odd-lot shares and the delivery of 4,800 shares by a stock benefit trust.

2. Dividends

(1) Payment of dividends

• Dividends for common stock

Resolution	Types of shares	Dividends paid (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2023	Common stock	2,588	30.00	March 31, 2023	June 23, 2023
Meeting of the Board of Directors held on November 8, 2023	Common stock	5,176	60.00	September 30, 2023	December 4, 2023

(2) Dividends whose record date falls during fiscal 2023 but whose effective date is in the next fiscal year

• Dividends for common stock

The following resolutions are expected to be made.

Resolution	Types of shares	Dividends paid (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 20, 2024	Common stock	3,450 million yen	Retained earnings	40.00 yen	March 31, 2024	June 21, 2024

(Financial Instruments)

1. Status of financial instruments

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

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

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

2. Fair values of financial instruments

Carrying amounts and market values of the financial instruments and the differences between carrying amounts and market values as of March 31, 2024 (consolidated balance sheet date of fiscal 2023) are as follows. Shares, etc. that do not have a market price (carrying amount of 26,235 million yen) are not included in available-for-sale securities. In addition, the note for cash is omitted and the note for deposits is omitted because deposits comprise short-term instruments whose carrying amount approximates their fair value.

(Millions of yen)

	Carrying amount	Market value	Difference
(1) Notes and accounts receivable-trade, and contract assets	96,431	96,431	–
(2) Investment securities			
Available-for-sale securities	23,390	23,390	–
Stocks of subsidiaries and affiliates	2,885	2,074	(811)
Total assets	122,707	121,896	(811)
(3) Notes and accounts payable-trade	54,193	54,193	–
(4) Short-term loans payable	46,368	46,368	–
(5) Commercial paper	6,000	6,000	–
(6) Long-term loans payable (*1)	85,000	84,397	(602)
(7) Bonds payable	37,000	36,833	(166)
Total liabilities	228,561	227,792	(769)
(8) Derivatives (*2)	–	–	–

(*1) Long-term loans payable includes loans to be repaid within one year.

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

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

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

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

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

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

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

(Millions of yen)

Section	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	23,390	–	–	23,390

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

(Millions of yen)

Section	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable-trade, and contract assets	–	96,431	–	96,431
Investment securities				
Stocks of subsidiaries and affiliates	2,074	–	–	2,074
Notes and accounts payable-trade	–	54,193	–	54,193
Short-term loans payable	–	46,368	–	46,368
Commercial paper	–	6,000	–	6,000
Long-term loans payable	–	84,397	–	84,397
Bonds payable	–	36,833	–	36,833

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

Investment securities

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

Derivatives

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

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

<u>Notes and accounts payable-trade, short-term loans payable and commercial paper</u>
The fair value of these items is measured using the discounted cash flow method based on future cash flows, period to repayment and an interest rate reflecting credit risk, for each liability categorized by a specified period, and is classified as Level 2.

<u>Long-term loans payable</u>
The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

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

(Real Estate for Rent)

Disclosure is omitted because the Group does not own real estate for the purpose of gaining rental revenues or capital gains and the total amount of real estate for rent is immaterial.

(Notes to Revenue Recognition)

(1) Disaggregation of revenue from contracts with customers

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

(Millions of yen)

	Reportable segment					Other businesses (Note 1)	Total
	Electronics & Innovative Products	Life Innovation	Elastomers & Infrastructure Solutions	Polymer Solutions	Total		
Japan	39,622	36,416	55,924	79,079	211,042	15,040	226,082
China	16,458	2,878	4,333	25,489	49,159	1,283	50,443
Other countries in Asia	13,760	600	20,727	10,931	46,019	1,522	47,542
Other countries	17,997	7,059	30,370	8,739	64,167	903	65,071
Revenue from contracts with customers	87,839	46,954	111,354	124,240	370,389	18,750	389,140
Other revenue	–	123	–	–	123	–	123
Sales to external customers	87,839	47,078	111,354	124,240	370,513	18,750	389,263

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

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

(2) Useful information in understanding revenue

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

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

• Balances of contract assets and contract liabilities

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

(Millions of yen)

	Balance at beginning of the fiscal year	Balance at end of the fiscal year
Trade receivables	97,220	95,328
Contract assets	860	1,103
Contract liabilities	1,260	2,067

• Transaction price allocated to the remaining performance obligations

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

(Millions of yen)

	Fiscal year under review
Within one year	857
Over one year	3,287
Total	4,144

(Notes to Per Share Information)

1. Net assets per share: 3,568.69 yen
2. Profit attributable to owners of parent per share: 138.61 yen

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

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

(Notes to Significant Contingency)

Announcement of New Regulations set by the U.S. Environmental Protection Agency that apply to Chloroprene Rubber Manufacturing Facilities in the U.S.

On April 9, 2024 (local time), the U.S. Environmental Protection Agency (EPA) announced new chemical air emission regulations applicable to chloroprene rubber manufacturing facilities, including Denka Performance Elastomer LLC ("DPE"), a Company's U.S. subsidiary. Under the newly announced chemical air emission regulations ("new regulations"), chloroprene rubber manufacturing facilities in the U.S. are required to take various emission control measures to substantially reduce emissions of chloroprene monomers.

The new regulations respond to the results of the EPA's Risk and Technology Review (RTR), which is based on the EPA's 2010 Integrated Risk Information System (IRIS) carcinogenicity assessment of chloroprene monomers. In contrast, DPE has long demanded that the EPA review the carcinogenicity assessment of chloroprene monomers based on the latest science, claiming that the carcinogenicity of chloroprene monomers is overestimated by IRIS. DPE has consistently operated this business of manufacturing chloroprene rubber in compliance with the emission standards of the state of Louisiana since it took over the business in November, 2015. It also voluntarily invested in the environment and achieved an 85 percent reduction in Chloroprene monomers emissions as of 2019 compared to 2014.

Since the new regulations are not considered to be a legitimate review of the carcinogenicity assessment based on the latest science and may have a significant impact on DPE's continued operations, DPE submitted a request for an extension of the grace period for taking emissions reduction measures, and will take all possible actions, including filing a lawsuit in the U.S. Court of Appeals for review of the regulations.

DPE is currently examining the new regulations closely, as well as the impact of this matter on the operations of DPE's chloroprene rubber manufacturing facilities and the impact on the Group's business performance.

(Other Notes)

1. Other

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

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced deprecia-tion of noncur-rent assets	Retained earnings brought forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of the fiscal year	**36,998**	**49,284**	**0**	**49,284**	**3,602**	**114,220**	**117,823**	**(7,650)**	**196,455**
Changes of items during the fiscal year									
Reversal of reserve for advanced depreciation of noncurrent assets				–	(13)	13	–		–
Dividends from surplus				–		(7,764)	(7,764)		(7,764)
Net income				–		7,370	7,370		7,370
Purchase of treasury stock				–			–	(150)	(150)
Disposal of treasury stock			(0)	(0)			–	15	15
Net changes of items other than shareholders' equity				–			–		–
Total changes of items during the fiscal year	–	–	**(0)**	**(0)**	**(13)**	**(380)**	**(393)**	**(134)**	**(528)**
Balance at end of the fiscal year	**36,998**	**49,284**	**0**	**49,284**	**3,589**	**113,840**	**117,429**	**(7,785)**	**195,926**

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	**14,043**	**10,407**	**24,450**	**220,906**
Changes of items during the fiscal year				
Reversal of reserve for advanced depreciation of noncurrent assets			–	–
Dividends from surplus			–	(7,764)
Net income			–	7,370
Purchase of treasury stock			–	(150)
Disposal of treasury stock			–	15
Net changes of items other than shareholders' equity	(1,980)		(1,980)	(1,980)
Total changes of items during the fiscal year	**(1,980)**	**–**	**(1,980)**	**(2,509)**
Balance at end of the fiscal year	**12,062**	**10,407**	**22,470**	**218,397**

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

Notes to Non-consolidated Financial Statements

(Matters Related to Significant Accounting Policies)

1. Standards and methods for valuation of assets

(1) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Available-for-sale securities

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

Stated at market value

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

Shares, etc. that do not have a market price

Stated at cost using the moving-average method

(2) Inventories

Stated at cost using the weighted-average method

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

2. Depreciation method for noncurrent assets

Property, plant and equipment

The straight-line method is applied.

Intangible assets

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

Lease assets

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

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

3. Standards of accounting for allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

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

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

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

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

(4) Provision for stock benefits

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

4. Revenue and expense recognition standards

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

(1) Revenue recognition related to product sales

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

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

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

(Notes to Accounting Estimates)

Valuation of stocks of subsidiaries and affiliates

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

Stocks of subsidiaries and affiliates	28,487 million yen

Loss on valuation of shares of subsidiaries and affiliates	9,177 million yen

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

1) Calculation method

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

In the fiscal year under review, following the discontinuation of norovirus vaccine development by Icon Genetics GmbH, a subsidiary of the Company, a loss of 9,177 million yen was recorded for the shares of the subsidiary, which were written down to their actual value, since the initially expected excess earning power, etc. could no longer be expected.

2) Principal assumptions

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

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

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

Valuation of noncurrent assets

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

Property, plant and equipment	222,658 million yen
Intangible assets	1,464 million yen
Loss on liquidation of business	788 million yen

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

1) Calculation method

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

In the fiscal year under review, the Company recorded 788 million yen as loss on liquidation of business for impairment loss on fixed assets of businesses from which the Company has decided to withdraw.

2) Principal assumptions

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

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

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

(Notes to the Non-consolidated Balance Sheet)

1. Assets pledged as collateral: None

2. Accumulated depreciation of property, plant and equipment: 436,082 million yen

3. Guarantee obligations

Guarantee for loans from financial institutions:	22,717 million yen

4. Monetary receivables from and monetary obligations to subsidiaries and affiliates

Short-term monetary receivables:	35,756 million yen
Short-term monetary obligations:	27,369 million yen
Long-term monetary receivables:	100 million yen

5. Notes matured at the end of the fiscal year are treated as if they were settled on the maturity date.

As the last day of the current fiscal year fell on a holiday of financial institutions, the following notes maturing on the last day of the fiscal year were treated as if they were settled on the maturity date.

Notes receivable:	393 million yen

(Notes to the Non-consolidated Statement of Income)

Amount of transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates:	84,133 million yen
Purchase from subsidiaries and affiliates:	57,609 million yen
Transactions with subsidiaries and affiliates other than business transactions:	11,607 million yen

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

Type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
				(Shares)
Common stock	2,326,495	57,810	4,986	2,379,319

Notes: 1. The increase of 57,810 shares of common stock of treasury stock was due to the purchase of 3,010 odd-lot shares and the acquisition of 54,800 shares of the Company's stock by a stock benefit trust.

2. The decrease of 4,986 shares of common stock of treasury stock was due to the decrease of 186 shares by the sale of odd-lot shares and the delivery of 4,800 shares by a stock benefit trust.

(Notes to Deferred Tax Accounting)

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

(Millions of yen)

	As of March 31, 2024
Deferred tax assets	
Provision for bonuses	717
Loss on liquidation of business	4,755
Asset retirement obligations	559
Loss on valuation of investment securities	289
Loss on valuation of shares of subsidiaries and affiliates	4,577
Loss on valuation of golf club membership	386
Impairment loss	849
Enterprise tax payable	367
Other	3,264
Subtotal of deferred tax assets	15,763
Valuation allowance	(3,352)
Total deferred tax assets	12,411
Deferred tax liabilities	
Prepaid pension cost	426
Valuation difference on available-for-sale securities	5,324
Reserve for advanced depreciation of non-current assets	1,570
Other	135
Total deferred tax liabilities	7,455
Net deferred tax assets (liabilities)	4,956

(Notes concerning Related Party Transactions)

Subsidiaries

Type	Company name	Location	Capital or equity	Business	Ownership of voting rights	Relationship: Concurrent positions, etc. of directors	Relationship: Business relationship	Transactions	Transaction amount (Millions of yen)	Account	Balance at the end of the year (Millions of yen)
Subsidiary	Akros Trading Co., Ltd.	Minato-ku, Tokyo	1,200 million yen	Sales of pulp, paper, organic/inorganic industrial products, etc.	76.8% directly owned by the Company	1 director with a concurrent position at the Company	The Company sells synthetic rubber products, synthetic resin products, civil engineering and construction materials, etc. to it.	Sales of the Company's products	39,921	Accounts receivable-trade	12,913
Subsidiary	DENKA Performance Elastomers LLC	Louisiana, U.S.A.	121 million US dollars	Manufacturing and sales of synthetic rubber	70% indirectly owned by the Company	1 director with a concurrent position at the Company	The Company purchases finished products	Goods stocking	32,136	Accounts payable - trade	1,382
Subsidiary	Denka Chemicals Holdings Asia Pacific Pte., Ltd.	Singapore	68.70 million US dollars	Regional headquarters for Southeast and South Asia	100% directly owned by the Company	1 director with a concurrent position at the Company	Regional headquarters of the Company	Holding of funds Payment of interest	17,975 938	Deposits received	15,291
Affiliate	TOYO STYRENE Co., Ltd	Minato-ku, Tokyo	5,000 million yen	Manufacturing, processing, and sales of polystyrene resin	50% directly owned by the Company	-	The Company supplies its products as raw materials and purchases certain finished products from it.	Sales of the Company's products	17,062	Accounts receivable-trade	8,499

Notes: 1. Sales of the Company's products are determined on the same terms and conditions as general transactions. Purchase of merchandise is determined by negotiation in consideration of total cost.

2. Terms and conditions for loans to and deposits of funds from subsidiaries are determined in consideration of market interest rates.

3.The transaction amount of deposits is the average balance during the period.

(Notes on Revenue Recognition)

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

(Per share information)

1. Net assets per share: 2,534.30 yen
2. Profit per share, fiscal year under review: 85.52 yen

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

(Other Notes)

1. Other

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