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

**NOTICE OF CONVOCATION OF
THE 157TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Wednesday, June 22, 2016 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 Eight (8) Directors

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

Please exercise your voting rights in writing or via the Internet by
5:00 p.m. on Tuesday, June 21, 2016.

**Message from the Management
To Our Shareholders**

By challenging the unknown possibilities of science, we will contribute to the development of society through creating new value.

Enclosed please find the Notice of Convocation of the 157th Ordinary General Meeting of Shareholders.

I would like to take this opportunity to express my 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, 2016 (fiscal 2015), personal consumption and residential investment waxed and waned. Conditions in exports and production also lacked strength, and the economy did not fully recover. Although the global economy was on an overall recovery trend, the economy in China and emerging markets in Asia decelerated while declining oil and natural resource prices had an effect on resource exporting countries, causing uncertainty to increase. In the chemical industry, corporate earnings were solid overall due to weakening of the yen and lower prices of raw materials, such as naphtha.

In these economic circumstances, the Denka Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas and cutting costs. As a result, consolidated net sales for fiscal 2015 decreased year on year owing to a revision to sale prices for fossil-related products in response to lower prices of raw materials. However, with respect to profit, higher revenue from export products due to a weaker yen, improvement in profitability for resins and processed products owing to lower prices of raw materials, higher profits for influenza vaccines, and the effects of total cost inspections conducted across the Group were all contributors to achieving historic records in operating income, ordinary income, and profit attributable to owners of parent upon Denka's centenary.

Upon Denka's centenary last year, the Company's name was changed to "Denka Co., Ltd." and we embarked on our first step toward "creating new value" as a global company. This is thanks not only to our shareholders, but to the support of various stakeholders, and we once again give our thanks. While responding to many challenges along the way, Denka has continued its business for 100 years, but changes in the current management environment are rapid, and the speed is accelerating. To continue growing under such an environment, we believe that the entire Denka Group must freely and openly exchange ideas without being tied down by previous methods, and create an environment where employees can work with vigor. With a bright and positive "Young Denka" as our motto, we will aim to achieve the Denka100 management plan.

This year will mark the 101st anniversary of Denka. Looking upon the first year of our second century, we have decided to renew "The Denka Value" corporate philosophy that serves as the basis for our corporate activities. For details, please see "Issues to be Addressed" on pages 23 to 25 of this Notice.

Under this new corporate philosophy, the Denka Group will continue to respond to the expectations and trust of society, and in these endeavors, we request your understanding and look forward to your continued support.

Shinsuke Yoshitaka
President

To Our Shareholders:

Shinsuke Yoshitaka
President
Denka Co., Ltd.
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF
THE 157TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 157th Ordinary General Meeting of Shareholders of Denka Co., Ltd. (the "Company") to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing by submitting the Voting Rights Exercise Form by mail or via the Internet etc. as described in the "Guide for Exercise of Voting Rights" (Page 5). Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Tuesday, June 21, 2016.

- 1. Date and Time:** Wednesday, June 22, 2016 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 157th Term (from April 1, 2015 to March 31, 2016) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 157th Term (from April 1, 2015 to March 31, 2016)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Eight (8) Directors
- Proposal No. 3:** Election of One (1) Substitute Audit & Supervisory Board Member

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

- Basic Policies regarding the Control of the Company (full text) in the Business Report
- Notes to Consolidated Financial Statements
- Notes to Non-consolidated Financial Statements

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

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

<Guide for Exercise of Voting Rights>

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

(1) Exercise of Voting Rights by Attending the Meeting

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

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

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

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send the completed form to us so that it is received by 5:00 p.m. on Tuesday, June 21, 2016.

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

Please access the website for exercising voting rights designated by the Company (<http://www.web54.net>), use the "Voting Rights Exercise Code" and the "Password" indicated on the enclosed Voting Rights Exercise Form, and follow the on-screen guidance. Please vote for or against the proposals by 5:00 p.m. on Tuesday, June 21, 2016.

(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.)

*Handling of duplicated exercise of voting rights

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

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

Matters concerning year-end dividends

The Company is implementing many concrete measures for the future in accordance with the new growth strategies of the Denka100 management plan and is resolved to achieve good results at an early stage.

Reflecting our determination to return the profits yielded by these initiatives to shareholders, we formulated the Policy on Shareholder Returns in November 2014. At the same time, with the aim of achieving further growth, we set aside a budget for strategic investment, including M&A.

While maintaining a sound balance sheet, we intend to maximize shareholder returns and strategic investment for the future, targeting an ROE of 10% as early as possible.

1. Policy on shareholder returns

Target total payout ratio*: 50%

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

2. Methods for returning profits to shareholders

(1) Dividends: Maintain steady payment of cash dividends, with minimum payout ratio set at 30%

(2) Purchase of treasury stock: Flexibly purchase treasury stock in view of the stock price trend and the market environment

3. Budget for forward-looking strategic investments

After returning profits to shareholders, the Company will appropriate funds from retained earnings as well as cash inflows to finance such investments. The total amount budgeted for is approximately ¥50.0 billion (for the four years from 2014 to 2017).

4. Term

Four years to the end of fiscal 2017, the target year of the Denka100 management plan

With respect to the year-end dividend for the 157th term, in accordance with the policy stated above, the Company proposes the following, which is an increase from the most recently announced of ¥6.50.

(1) Type of dividend property

Cash

(2) Allocation of dividend property and total amount thereof

¥7 per share of common stock of the Company

Total amount of dividends: ¥3,131,367,631

(3) Effective date of dividends from surplus

June 23, 2016

The amount of dividends for the full year will be ¥13 per share, including the interim dividend of ¥6 per share paid in December 2015.

Proposal No. 2: Election of Eight (8) Directors

The terms of office of all of the eight (8) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of eight (8) Directors is proposed.

The Company's views regarding Directors and the candidates for Directors are as follows.

[The Company's views regarding Directors]

Toward achieving the current Denka100 management plan, 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 a well-balanced election of persons with various knowledge, experience, and abilities is important for the Board of Directors as a whole.

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

No.	Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Reappointed Shinsuke Yoshitaka	Representative Director, President and Chief Executive Officer	13/13 (100%)
2	Reappointed Mitsukuni Ayabe	Representative Director, Executive Vice President and Chief Operating Officer Assistant to CEO, Supervisor Corporate Planning, Development DPE-Project, Purchasing Dept., Logistics Dept.	13/13 (100%)
3	Reappointed Manabu Yamamoto	Director and Senior Managing Executive Officer Investor Relations Dept., CSR & Corporate Communications Dept., Internal Auditing Dept., Accounting & Finance Dept., Information System Dept. General Manager, Corporate Planning Dept.;	13/13 (100%)
4	New candidate Kenji Nakano	Managing Executive Officer Chief Compliance Officer / Representative in China Secretary Dept., Administrative Dept., Legal Dept., HR Dept., Denka100 Promoting Dept.	—/—
5	Reappointed Tetsuro Maeda	Director President and Representative Director of DENKA SEIKEN Co., Ltd.	13/13 (100%)
6	Reappointed Yasuo Sato	Director (Outside Director) (Independent Director)	10/10 (100%) (After assuming office in June 2015)
7	Reappointed Akio Yamamoto	Director (Outside Director) (Independent Director)	10/10 (100%) (After assuming office in June 2015)
8	New candidate Tatsutsugu Fujihara	— (Outside Director) (Independent Director, scheduled)	—/—

No.	Name (Date of birth) [Director since] [Attendance at Board of Directors meetings]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Shinsuke Yoshitaka (February 1, 1951) [June 2008] [100% (13/13)] (Reappointed) (Note 1)	<p>April 1974 Joined the Company</p> <p>January 2001 General Manager of Corporate Planning Dept. of the Company</p> <p>June 2006 Director of the Company, General Manager of Corporate Planning Dept. and Investor Relations & Corporate Communications Dept.</p> <p>June 2007 Senior Executive Officer of the Company</p> <p>June 2008 Director and Senior Executive Officer of the Company</p> <p>April 2010 Representative Director and Managing Executive Officer of the Company</p> <p>April 2011 Representative Director, President and Chief Executive Officer of the Company (present)</p> <p>June 2011 Director of Koatsu Gas Kogyo Co., Ltd. (present)</p> <p>Reasons for selection as the candidate for Director Subsequent to responsibility for management strategy, medical business, accounting and finance, and investor relations and corporate communication, Mr. Shinsuke Yoshitaka has been promoting the “Denka100” management plan as Representative Director, President. In addition to a wealth of experience and results as a manager, he serves as the Chairman of the Board of Directors based on deep knowledge and understanding of the Group. The Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p>	119,000
2	Mitsukuni Ayabe (September 23, 1952) [June 2011] [100% (13/13)] (Reappointed) (Note 1)	<p>April 1977 Joined the Company</p> <p>June 2004 General Manager of Research and Development Dept. of the Company</p> <p>June 2007 Executive Officer of the Company, Managing Director of Denka Singapore Pte., Ltd., Managing Director of Denka Advantech Pte., Ltd.</p> <p>April 2010 Senior Executive Officer of the Company, Director and Chairman of Denka Chemicals Holdings Asia Pacific Pte., Ltd.</p> <p>June 2011 Director and Managing Executive Officer of the Company</p> <p>April 2013 Director and Senior Managing Executive Officer of the Company</p> <p>April 2015 Representative Director and Senior Managing Executive Officer of the Company</p> <p>April 2016 Representative Director, Executive Vice President and Chief Operating Officer of the Company (present)</p> <p>Reasons for selection as the candidate for Director Subsequent to management of research and development and overseas subsidiaries and responsibility for medical business, accounting and finance, and investor relations and corporate communication, Mr. Mitsukuni Ayabe has directed the overall technical divisions as the general executive for planning and development, while also assisting the President as Executive Vice President and Chief Operating Officer. In addition to a wealth of experience and results as a manager, he excels at business promotion from a global viewpoint, and the Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p>	44,000

No.	Name (Date of birth) [Director since] [Attendance at Board of Directors meetings]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	<p>Manabu Yamamoto (March 31, 1956) [June 2013] [100% (13/13)] (Reappointed)</p> <p>(Note 1)</p>	<p>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 of the Company, 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 of the Company, Head of Electronics & Innovative Products June 2013 Director and Managing Executive Officer of the Company April 2015 General Manager of Corporate Planning Dept. of the Company (present) April 2016 Director and Senior Managing Executive Officer of the Company (present)</p> <p>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. Currently, he integrates 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 communication divisions, and the Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p>	21,000
4	<p>Kenji Nakano (November 17, 1955) (New candidate)</p> <p>(Note 1)</p>	<p>April 1980 Joined the Company June 2007 General Manager of Secretary Dept. of the Company April 2011 Executive Officer of the Company, General Manager of HR Dept. of the Company April 2013 Executive Officer of the Company, Representative in China (present) April 2014 Managing Executive Officer of the Company (present)</p> <p>Reasons for selection as the candidate for Director Through work experience at plants and many years of responsibility for management divisions such as general affairs, legal, and HR divisions, Mr. Kenji Nakano possesses adequate operational experience, in addition to integrating business strategy in China as the Representative in China. Furthermore, as he is promoting the strengthening of risk management and compliance systems as the executive responsible for compliance, the Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p>	21,000

No.	Name (Date of birth) [Director since] [Attendance at Board of Directors meetings]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
5	Tetsuro Maeda (July 12, 1951) [June 2004] [100% (13/13)] (Reappointed) (Note 1)	<p>April 1977 Joined the Company</p> <p>June 2000 General Manager of Research and Development Dept. of the Company</p> <p>June 2004 Director of the Company, General Manager of Planning & Promoting Dept. of Electronics Materials Business Group</p> <p>June 2006 Director of the Company, President of Electronics Materials Business Group</p> <p>April 2008 Director and Managing Executive Officer of the Company</p> <p>April 2010 Representative Director and Senior Managing Executive Officer of the Company</p> <p>April 2011 Representative Director, Executive Vice President and Chief Operating Officer of the Company</p> <p>April 2013 Director of the Company (present) President and Representative Director of DENKA SEIKEN Co., Ltd. (present)</p> <p>Reasons for selection as the candidate for Director Through many years of responsibility for research and development and electronics materials business divisions, Mr. Kenji Nakano possesses adequate operational experience, and served as the Representative Director and Vice President of the Company. Currently, as the President and Representative Director of DENKA SEIKAN Co., Ltd., he is tasked with strategy for the “health” sector, which is one of the growth sectors at this major subsidiary, and the Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p>	76,000

Candidates for Outside Director

No.	Name (Date of birth) [Director since] [Attendance at Board of Directors meetings]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
6	<p>Yasuo Sato (September 30, 1942) (Outside Director) (Reappointed) (Independent Director) [June 2015] [100% (10/10)]</p> <p>(Notes 1, 2, 4, 5)</p>	<p>April 1965 Joined TEIKOKU SANSO Co., Ltd. (present Air Liquide Japan Ltd.)</p> <p>March 1987 Director and Vice President of Electronics Div. of Air Liquide Japan Ltd.</p> <p>April 1992 Vice President of Worldwide Electronics Div. of L'Air Liquide S.A. (until March 1996)</p> <p>March 1999 Representative Director and President of Air Liquide Japan Ltd. (until January 2003)</p> <p>January 2003 Director and Chairman of Japan Air Gases Co., Ltd. (until March 2005)</p> <p>March 2005 Director and Advisor (part-time) of Air Liquide Japan Ltd. (until September 2007)</p> <p>June 2005 Outside Director of Denal Silane Co., Ltd. (until February 2008)</p> <p>May 2006 President & CEO of I.B. Associates Co., Ltd. (present)</p> <p>June 2006 Outside Auditor of Santen Pharmaceutical Co., Ltd. (until June 2014)</p> <p>February 2008 Auditor of Denal Silane Co., Ltd. (until June 2014)</p> <p>June 2015 Outside Director of the Company (present)</p>	-
		<p>Reasons for selection as the candidate for Outside Director</p> <p>Mr. Yasuo Sato has gained rich experience and great insight as a manager through his involvement in corporate management for many years. His career included serving as the President of Air Liquide Japan Ltd. He also has rich international experience, including serving as a vice president at global enterprises. The Company proposes that Mr. Sato 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.</p> <p>Message to shareholders</p> <p>With rationality and fairness as principles, I will work to improve medium- to long-term corporate value with decisions made from a global viewpoint.</p>	

No.	Name (Date of birth) [Director since] [Attendance at Board of Directors meetings]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
7	<p>Akio Yamamoto (December 2, 1951) (Outside Director) (Reappointed) (Independent Director) [June 2015] [100% (10/10)] (Notes 1, 3, 4, 5)</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>Reasons for selection as the candidate for Outside Director Mr. Akio Yamamoto has rich experience and great insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career included 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, substantial transactions between the Company and the said company are payments of commission by the Company to the said company for services offered by its trading company function and the amount of commission paid is modest (under 2% of the said company's sales); and 3) he satisfies the Company's "Standards of Independence for Outside Executives" 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 While fulfilling the duties of Outside Director from a medium- to long-term perspective, global viewpoint, and strong stance of fairness, I also wish to contribute to overseas business expansion and personnel development.</p>	-

No.	Name (Date of birth) [Director since] [Attendance at Board of Directors meetings]	Career summary, positions and responsibilities at the Company, and significant concurrent positions		Number of shares of the Company held
8	Tatsutsugu Fujihara (November 23, 1952) (Outside Director) (New candidate) (Independent Director [scheduled]) (Notes 1, 5)	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 (present)	
		<p>Reasons for selection as the candidate for Outside Director Mr. Tatsutsugu Fujihara has worked at financial institutions for many years 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 (nine 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 Executives" 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 By contributing to strengthening governance, I wish to contribute to healthy development and further improvement in corporate value of the Company.</p>		

- Notes: 1. No material conflict of interest exists between the Company and any of the above candidates.
2. Mr. Yasuo Sato was an Outside Director of a subsidiary of the Company and an Auditor of a subsidiary of the Company until February 2008 and until June 2014, respectively.
3. Mr. Akio Yamamoto was the Representative Director and President of a special related enterprise of the Company until June 2014.
4. Mr. Yasuo Sato and Mr. Akio Yamamoto are current Outside Directors of the Company. Both Mr. Yasuo Sato and Mr. Akio Yamamoto will have served as Outside Director for one year at the conclusion of this Ordinary General Meeting of Shareholders.
5. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with Mr. Yasuo Sato and Mr. Akio Yamamoto that limit their liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of over ¥5 million or the amount stipulated by laws and regulations, whichever is higher. If the election of both is approved, the Company plans to continue the same contracts. Additionally, if the election of Mr. Tatsutsugu Fujihara is approved, the Company plans to conclude an identical contract with him.

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

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

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

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

Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held
<p>Gotaro Ichiki (December 4, 1949)</p> <p>Candidate for Substitute Outside Audit & Supervisory Board Member</p>	<p>April 1975 Admitted to the bar in Japan (Yokohama Bar Association) Joined Sagami Godo Law Office</p>	-
	<p>April 1983 Joined Hamada & Matsumoto Law Firm (transferred to Daini Tokyo Bar Association)</p>	
	<p>April 1985 Partner in Hamada & Matsumoto Law Firm</p>	
	<p>April 1996 Vice President of Daini Tokyo Bar Association (until March 1997)</p>	
	<p>April 2000 Deputy Secretary of Japan Federation of Bar Associations (until March 2002)</p>	
	<p>December 2002 Partner in Mori Hamada & Matsumoto Law Firm formed as a result of merger (until December 2014)</p>	
	<p>January 2015 Joined Kowa Law Office</p>	
	<p>March 2015 Outside Director of Nippon Denko Co., Ltd. (present)</p>	
	<p>March 2016 Outside Director (Directors Serving on the Audit & Supervisory Committee) of COCA-COLA WEST COMPANY, LIMITED (present)</p>	
	<p>April 2016 Supervisory Officer of DBJ Private REIT Investment Corporation (present) (to date)</p>	
<p>Reasons for selection as the candidate for substitute Outside Audit & Supervisory Board Member</p> <p>Mr. Gotaro Ichiki has a long experience as a lawyer and abundant legal knowledge. The Company proposes that Mr. Ichiki be elected as a substitute Outside Audit & Supervisory Board Member in the expectation that he will utilize his knowledge for the benefit of the Company's auditing system. Although he has never been directly engaged in corporate management, the Company deems that Mr. Ichiki will duly execute his duties as an Outside Audit & Supervisory Board Member because he is well versed in corporate legal affairs and has extensive insight into corporate governance.</p>		

- Notes: 1. No material conflict of interest exists between the Company and the above candidate.
2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with Outside Audit & Supervisory Board Members that limit their liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of over ¥5 million or the amount stipulated by laws and regulations, whichever is higher. If Mr. Gotaro Ichiki assumes the position of Outside Audit & Supervisory Board Member, the Company plans to conclude an identical contract with him.

Standards of Independence for Denka Outside Officers

The Company selects candidates for Outside Directors and Outside Audit & Supervisory Board Members 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 Officers

The standard of independence for an Outside Director or Outside Audit & Supervisory Board Member 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;
 - iii. A person that is or was a non-executive director at the Company or a subsidiary of the Company now or within the past year (for Outside Audit & Supervisory Board Members only).
- (*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.

Denka's Corporate Governance Initiatives

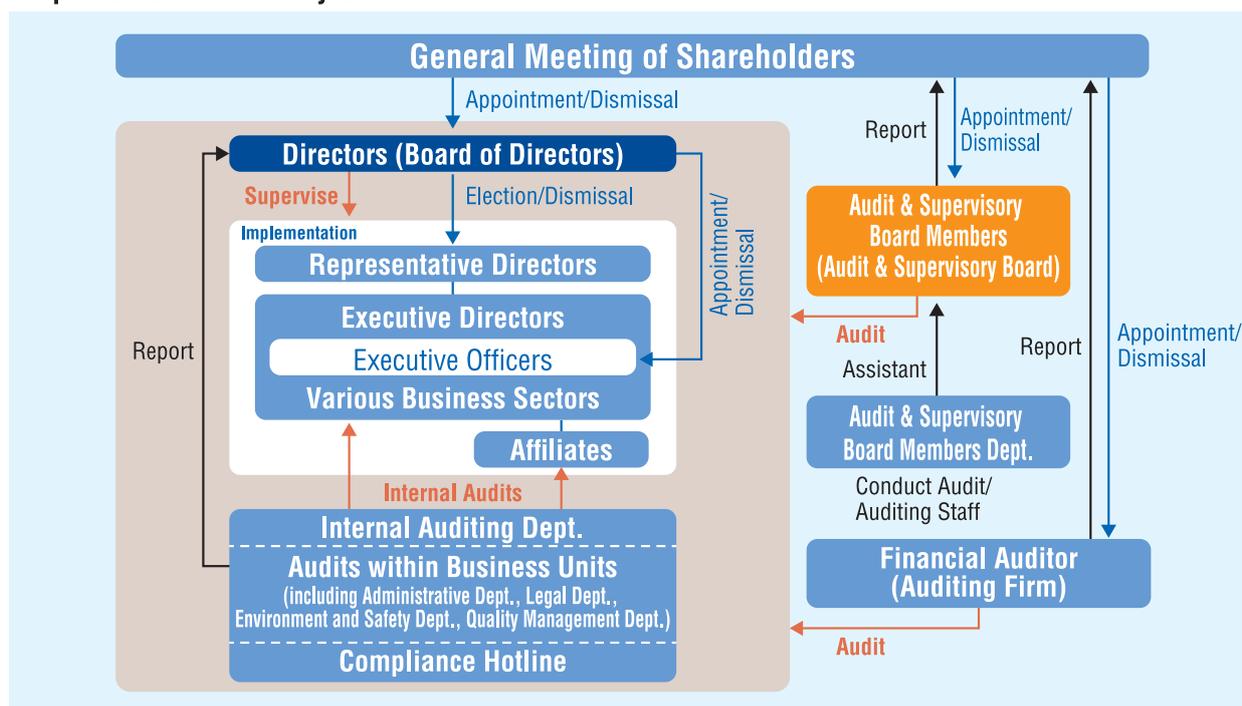
Basic Approach to Corporate Governance and Initiatives Thus Far

In order to fulfill the expectations and trust of its many stakeholders, including shareholders, customers, local society, and employees, the Company strives to strengthen its business foundations by improving its earnings power and expanding the scope of its 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 as described below, in order to fulfill the responsibilities we owe to all our stakeholders, and ensure the transparency and soundness of our management.

2007	The Company cut the number of directors by half in order to speed up decision-making, and introduced a corporate officer system.
2008	<p>The Company discontinued executive titles (such as Senior Managing Director, Managing Director), such that directors would monitor and supervise the execution of business duties from an equal standing.</p> <p>The Company transferred the authority of business execution and executive titles from directors to corporate officers, in order to distinguish clearly between monitoring and supervisory functions.</p> <p>The Company shortened the length of directors' appointments to one year, to facilitate flexible checks on directors.</p> <p>The Company appointed two Outside Directors, such that the total of four outside officers, including two Outside Audit & Supervisory Board Members (per statutory requirements), could carry out checks on management. The Company also created a framework for receiving appropriate advice by facilitating adequate exchanges even outside of meetings of the Board of Directors, such as conducting regular exchanges of opinions with top management.</p> <p>The Company established a Management Committee comprising directors, Audit & Supervisory Board Members (Outside), and some corporate officers, in order to deepen discussion of important management items, and speed up the decision-making process.</p>
2015	<p>The Company increased the number of Outside Directors (from two to three) and decreased the number of members of the Board of Directors (decreased the number of directors by two), in order to strengthen the governance framework, and increase the transparency and soundness of management.</p> <p>The Company resolved to strengthen the round-table conferences between Outside Directors and Corporate Auditors, formerly held twice per year, by holding a "Directors and Corporate Auditors Round-Table Conference" once per month.</p> <p>The Company established the Denka Corporate Governance Guidelines, aimed at creating the optimum corporate governance for sustainable growth and improving medium- to long-term corporate value.</p> <p>The Company facilitated more advance explanations to Outside Officers regarding specific projects that required adequate explanation, in order to deepen understanding of the Company's business, and stimulate debate at meetings of the Board of Directors.</p> <p>The Company resolved to hold an "Outside Officer Liaison Committee" four times per year to facilitate the exchange of information and a shared awareness between Outside Officers.</p>
2016	<p>The Company resolved to conduct business and research objective briefings for Outside Officers twice per year, in order to have Outside Officers understand the Company's medium- to long-term and short-term business and research objectives.</p> <p>The Company clarified the contents of reporting documentation and documentation related to discussions at meetings of the Board of Directors, in order to ensure that monitoring and supervision of the execution of business duties by corporate officers would be adequately conducted.</p>

Corporate Governance System



Board of Directors

The Board of Directors makes decisions relating to the execution of important business duties and monitors and supervises the execution of business duties by corporate officers, in accordance with strategic and management plans aimed at realizing the corporate philosophy of the Company.

First, 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. In addition, the Company has set the length of directors' terms to one year, in order to facilitate flexible checks on directors at the General Meeting of Shareholders.

In addition, 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. (Please see page 7 of the reference documents for details of the Company's approach to the appointment of directors.)

Audit & Supervisory Board

In accordance with their fiduciary responsibilities to shareholders, Corporate Auditors and the Audit & Supervisory Board work with the support of the full-time staff of the Auditor's Office, whose independence from management is ensured, to conduct audits of the execution of directors' duties, internal governance, 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, and remuneration of an external auditing firm.

In addition, in view of the roles and responsibilities of the Audit & Supervisory Board, the Company appoints candidates to be Audit & Supervisory Board Members based on the decision that there should be at least one person with expertise in finance and accounting.

Outside Officers

Regarding Outside Directors and Outside Audit & Supervisory Board Members, 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 (see page 15 of the reference documents), 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 Officers to perform their roles for the sake of the sustainable growth of the Company and the increase of its corporate value.

Specifically, the Company holds tours of offices, plants, and other facilities and briefings to facilitate an understanding of the Company's businesses and research objectives, in addition to a "Directors and Corporate Auditors Round-Table Conference" once a month as a place for internal and outside directors and Audit & Supervisory Board Members to exchange opinions, thus deepening discussion of important management items.

In addition, the Company regularly holds an "Outside Officer Liaison Committee," which comprises only Outside Officers.

Message to Shareholders from Outside Audit & Supervisory Board Members

"Having realized again the importance of the role of Outside Audit & Supervisory Board Member, I conduct audits of whether the execution of business duties by directors complies with the law, and whether they are conducted appropriately, in line with the Corporate Governance Code. In addition, I strive to maintain an understanding of what shareholders and stakeholders expect from the executive bodies of the Company and Outside Audit & Supervisory Board Members, and make every effort to meet those expectations." (Tsunehiro Sasanami, Outside Audit & Supervisory Board Member)

"The mission of Audit & Supervisory Board Members is to contribute to the development of corporations through their duties as a corporate auditor. We do not just identify problems, but also offer solutions. In particular, I think independence and expertise are necessary for Outside Audit & Supervisory Board Members." (Toshio Kinoshita, Outside Audit & Supervisory Board Member)

Passing Experiences on to the Next Generation

Akio Yamamoto, who was newly appointed as an Outside Director last year, held a "Meeting to Talk About Experiences Overseas" during the fiscal year ended March 31, 2016, in an effort to communicate the experiences and ideas he gained from his own experiences overseas to a large number of the Company's employees.

At the "Meeting to Talk," Outside Director Mr. Yamamoto talked about his experiences as a witness to the actual scene of historical turning points such as the Iran-Iraq War and the German reunification, what he thought on those occasions, and his experiences in business. Including Group employees, a total of 360 people attended the meetings, which were held 16 times.

An understanding of the unique histories, religions, cultures, and other aspects of countries overseas are indispensable to Denka employees, which aim for global business development. Director Yamamoto's talks were of great interest, and will be very significant in future business initiatives.

Realizing The Denka Value

On the occasion of its centenary in 2015, the Company changed its name and logo, and also established a "Corporate Slogan" and the "Denka Principles," in order to increase its corporate value. Then this year, the 101st year since its founding, the Company has renewed its corporate philosophy, The Denka Value, which will form the basis for the activities of the Denka Group as we look toward the next 100 years, as mentioned in "Issues to be Addressed" in the Business Report (pages 23 to 25).

"The Denka Value" comprises the "Denka Mission," which stands above all else, and the "Denka Principles," which form the standards for the actions of each and every Group employee.

The management plan, "Denka100," is positioned beneath "The Denka Value." The "New Growth Strategy" and "Fulfillment of Social Responsibility" are positioned as the two wheels of the car that is the "Denka100" management plan, as the Denka Group continues to strive for the realization of The Denka Value, based on the present corporate governance structure.

Business Report

(From April 1, 2015 to March 31, 2016)

1. Overview of the Group

(1) Business Progress and Results

During the fiscal year ended March 31, 2016 (fiscal 2015), personal consumption and residential investment waxed and waned. Conditions in exports and production also lacked strength, and the economy did not fully recover. Although the global economy was on an overall recovery trend, the economy in China and emerging markets in Asia decelerated while declining oil and natural resource prices had an effect on resource exporting countries, causing uncertainty to increase.

In the chemical industry, corporate earnings were solid overall due to weakening of the yen and lower prices of raw materials, such as naphtha.

In these economic circumstances, the Denka Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas and cutting costs. However, consolidated net sales for fiscal 2015 decreased ¥14,125 million or 3.7% year on year to ¥369,853 million owing to a revision to sale prices for fossil-related products in response to lower prices of raw materials. With respect to profit, higher revenue from export products due to a weaker yen, improvement in profitability for resins and processed products owing to lower prices of raw materials, higher profits for influenza vaccines, and the effects of total cost inspections conducted across the Group were all contributors, and operating income rose ¥6,587 million or 27.4% to ¥30,634 million, a historic record, and the ratio of operating income to net sales increased 2.0 percentage points to 8.3%. Furthermore, ordinary income rose ¥2,735 million or 11.3% to ¥27,022 million, and profit attributable to owners of parent increased ¥451 million or 2.4% to ¥19,472 million, each recording historic highs.

Additionally, on May 11, 2016, the Company changed the name of the “Infrastructure & Inorganic Materials Division” to the “Infrastructure & Social Solutions Division.” In line with this change, the name of the reporting segment was also changed on the same date, and the following results of operations by division are shown utilizing the changed segment name (old name in parentheses).

Results of operations by division are described below.

Elastomers & Performance Plastics Division (Sales: ¥155,601 million)

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

Sales of chloroprene rubber increased thanks to higher sales volume, the result of the Omi plant and the opening of a second production base on November 11 at US-based subsidiary Denka Performance Elastomer. Sales of styrene polymers, ABS resin, and polystyrene resin by Denka Singapore Pte., Ltd., a subsidiary in Singapore, showed robust sales volume, but sales were down as a result of the revision of sales prices corresponding to the decrease in raw material prices.

As a result, division sales decreased ¥10,710 million or 6.4% year on year to ¥155,601 million.

Infrastructure & Social Solutions Division (Sales: ¥49,098 million)

(Previous name: Infrastructure & Inorganic Materials Division)

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

Whereas sales of special cement additives increased because of higher sales volume and sales of agricultural products such as fertilizers increased as well, sales of cement, fire resistant materials, and ferrous raw materials were lower than the previous year.

As a result, division sales increased ¥1,302 million or 2.7% year on year to ¥49,098 million.

Electronics & Innovative Products Division (Sales: ¥45,692 million)

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

Although sales of ALONBRIGHT SiAlON phosphors for LED increased because of higher sales volumes, sales of functional films, such as THERMO FILM ALS for transportation and packing of electronic components and semiconductors, and sales volumes of electronic circuit substrates and ALSINK highly reliable heat-dissipating plate declined. Sales of spherical fused silica fillers for semiconductor sealing were also lower than the previous year.

As a result, division sales decreased ¥2,640 million or 5.5% year on year to ¥45,692 million.

Life Science & Environmental Products Division (Sales: ¥79,394 million)

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

Regarding pharmaceutical products, subsidiary DENKA SEIKEN Co., Ltd. recorded higher sales because of increased sales of influenza vaccines.

In processed products, sales volume of TOYOKALON synthetic fiber for wigs and hairpieces and DX Film anti-weather fluorine alloy film increased while sales of films for food packaging and sales of products processed by subsidiary DENKA Polymer Co., Ltd. were robust. However, sales of plastic rain gutters, corrugated drainpipes for agriculture and civil engineering, and vinyl tapes were down from the previous year.

As a result, division sales decreased ¥788 million or 1.0% year on year to ¥79,394 million.

Others Division (Sales: ¥40,065 million)

Principal business: Plant engineering etc.

Transaction volumes of Akros Trading Co., Ltd. and other trading companies were down from the previous year. The value of projects completed by Denka Consultant & Engineering Co., Ltd. increased from the previous year.

As a result, division sales decreased ¥1,288 million or 3.1% year on year to ¥40,065 million.

(Reference)

Topics

In the “Health and Life Sciences” industry, which the Denka Group has placed as a growing field, there are three recent topics concerning DENKA SEIKEN Co., Ltd, which is a major group company that takes on a central role in this field.

In the “Health and Life Sciences” industry, which is expected to grow quickly in the future, we will aggressively undertake measures with the aim of solving various societal issues and precisely meeting the market’s needs in the future.

Furthermore, Denka has entered the sales business for cultivation systems that use cutting-edge agricultural technology as a method of further expanding and strengthening our agriculture related business, so we will introduce this along with the three topics about DENKA SEIKEN on page 22.

Completion of Construction on the New Kagamida Plant Manufacturing Building

At DENKA SEIKEN, the new manufacturing building at the Kagamida Plant, which was previously under construction, is finished, and a presentation ceremony for the completion was performed on March 15 of this year.

DENKA SEIKEN has two factories in Niigata Prefecture’s Gosen City, the Niigata Plant and the Kagamida Plant. Completion on this construction of the Kagamida Plant’s new manufacturing building will allow part of the facilities related to test reagents, which were previously manufactured in the Niigata Plant, to be relocated to the Kagamida Plant. This creates a consistent manufacturing system in which vaccines are created in the Niigata Plant and test reagents are created in the Kagamida Plant.

At the presentation ceremony, people connected with the construction and the municipality, including Hirohiko Izumida, the governor of Niigata Prefecture, and Katsumi Ito, mayor of Gosen City, were in attendance. At the ceremony, President & CEO Shinsuke Yoshitaka expressed his will to continue to contribute to regional production and cultural promotion, without stopping at expanding the life sciences business. President Tetsuro Maeda of DENKA SEIKEN expressed his gratitude at the support for construction of the new manufacturing building, and expressed his policy of putting further emphasis on research and development of test drugs for communicable diseases, which are becoming a threat on a global scale, and diagnostic drugs to help prevent adult-onset diseases.

Beginning Development and Clinical Trials of Intracutaneous Administration Flu Vaccines

DENKA SEIKEN has determined to develop intracutaneous administration flu vaccines as a means of strengthening and expanding the vaccine business. Clinical trials (PI) have begun for obtaining permission to manufacture and sale in Japan.

At present, flu vaccines on sale in Japan are injected with a method called “subcutaneous administration,” in which the medicine is administered to subcutaneous tissue via injection. However, by delivering the vaccine antigens directly between the surface and subcutaneous tissue of the skin, where it is known that many immune system cells exist, it becomes possible to induce a more efficient immunity with a needle that is short and thin compared to needles used in subcutaneous administration, so we can anticipate that the pain from the needle at the time of injection will be less for people being inoculated.

DENKA SEIKEN is progressing with research and development of a vaccine that matches the medical needs of flu prevention, so while speeding up research and development with the aim of getting the intracutaneous administration flu vaccine to market as soon as possible, we will make efforts to maintain and improve the health of people and improve Japan’s health and hygiene by making a safe, effective, and convenient vaccine commercially available.

Obtaining Beijing City FDA (Food and Drug Administration) Approval for “sd LDL-C” Measurement Reagent, a Risk Marker of Cardiac Disease

Beijing Strong Biotechnologies, Inc. (hereinafter referred to as Beijing Strong), a strategic partner with DENKA SEIKEN in China, who is undertaking the manufacture and sales of clinical external diagnostic test drugs and biochemical testing equipment, has received approval to manufacture and sell measurement reagents for “small dense LCL cholesterol” (afterward, sd LDL-c) automated analyzers from the Beijing City Food and Drug Administration for the first time.

sd LDL-C is a dense lipoprotein with particles that are smaller than normal LDL, and are widely recognized as risk markers (factors that indicate the possibility of a disease development) for cardiac disease

and coronary arteriopathy. DENKA SEIKEN was the first one in the world to develop this measurement reagent for sd LDL-C automated analyzers, and we are continuing preparation to obtain approval by the FDA in America. Furthermore, in China, with regard to sd LDL-C measurement reagents that are risk markers which should be developed in national projects, DENKA SEIKEN is performing technical support for Beijing Strong, which is an external diagnostic drug manufacturer that is participating in national projects, which led up to recently obtaining approval from the Beijing FDA.

Thanks to this approval, we can expect to contribute to the health maintenance of the Chinese people, the prevention of diseases, and the control of bloated medical fees by spreading sd LDL-C tests widely throughout health diagnoses in China.

DENKA SEIKEN's supplying of major source reagents for sd LDL-C measurement reagents to Beijing Strong will allow for not only the promotion of activities to spread it throughout China, but will also contribute to the health maintenance and disease prevention of people all over the world through further developments in various types of measurement reagents related to adult-onset diseases in the future.

Entering the Sales Business for Cultivation Systems that Use Cutting Edge Agricultural Technology

Denka has decided to enter the sales business for cultivation systems that use cutting edge agricultural technology as a means of further strengthening and expanding the agriculture related business.

100 years have passed since the Company was founded in 1915, and we have continued to be involved with agriculture through the production and sale of fertilizer. At present, we are taking measure to expand the field of agriculture related business while looking forward to the next 100 years. As one means of doing so, we will use our experience built from our fertilizer business which continues to this day and our knowledge from long years of product development to begin a new agricultural business that aims at the effective use of farmland through cultivation systems that use cutting edge agricultural technology (Film Farming® (Imec®), afterward referred to as Cultivation System).

This Cultivation System is a world-first technology that raises crops on top of a hydrogel membrane (a hydrophilic macromolecule film (Imec® (Film)) developed by Mebiol Inc. (See (1) and (2) below for details).

The Company has concluded a business collaboration agreement with Mebiol Inc., and will aim to raise the Cultivation System's value by using our unique technology for liquid fertilizer and plant activators, while providing the material necessary for the introduction and operation of the Cultivation System.

(1) What is Film Farming® (Imec®)?

Film Farming® (Imec®) is a first-world technology that uses a hydrogel membrane (a hydrophilic macromolecule film (Imec® (Film)) developed in order to cope with the serious challenges of food safety, water deficit, and land pollution. The thin film made from this hydrogel slowly brings up nutrient solutions (water containing nutrients) that have been provided beneath the film to the top of it. When this happens, crops begin to produce large amounts of fine roots, looking for trace amounts of the nutrient solutions, and adhere to the film. As a result, the plants synthesize large amounts of sugars and amino acids, leading to high glucose and nutrition.

(2) The mechanism of Film Farming® (Imec®)

Film Farming® places a porous water tubes and bonded material on a waterproof sheet, overlays Imec® film on top, and allows plants to grow, giving it a simple mechanism. It does not use land, so it can be performed anywhere, and it does not allow the nutrient solution out, so the amounts of water and fertilizer used are greatly reduced, making it an agricultural method that is kind to the environment.

* Film Farming® and Imec® are registered trademarks of Mebiol Inc.

(2) Capital Investment

The Group is proactively implementing many concrete measures in accordance with the three new growth strategies of the Denka100 management plan: “Create the most optimal production system,” “Scrutinize every cost element,” and “Focus management resources on new growth drivers and develop next-generation products.” In the fiscal year ended March 31, 2016, the Group conducted capital investment totaling ¥21,196 million.

Capital investment in the Elastomers & Performance Plastics Division amounted to ¥3,988 million. Principal items were capital investment for the Company’s Omi Plant and Chiba Plant.

In the Infrastructure & Social Solutions Division, capital investment amounted to ¥6,244 million, which mostly concerned the Company’s Omi Plant and Omuta Plant.

In the Electronics & Innovative Products Division, capital investment amounted to ¥3,687 million, which mostly concerned the Company’s Omuta Plant and Isesaki Plant.

Capital investment in the Life Science & Environmental Products Division amounted to ¥7,229 million mainly for the Company and DENKA SEIKEN Co., Ltd.

Main capital investment projects completed during fiscal 2015 included construction of production facilities for ultrahigh-purity acetylene black at the Company’s Chiba Plant and the New Kagamida Plant Manufacturing Building of DENKA SEIKEN Co., Ltd., and those overseas included construction of a manufacturing plant for ALSINK, a highly reliable heat-dissipating plate for power modules used in high-speed rolling stock in Dalian, China, and construction of manufacturing plants in Vietnam for VINI-TAPE, adhesive tape made of polyvinyl chloride and DENKA THERMOFILM, a material used for transportation and packing of electronic components.

Projects underway included a new hydroelectric power plant at the Company’s Omi Plant.

In addition, the Company conducted several M&A transactions as strategic investments toward further growth. In the Elastomers & Performance Plastics Division, the business transfer of the chloroprene rubber business from E. I. du Pont de Nemours and Company in the US was completed on October 31, 2015, and operations began on November 1, 2015. In the Infrastructure & Social Solutions Division, the Company increased its capital stake in Malaysia-based construction materials manufacturer POSCO Venture Sdn. Bhd. from 29% to 90% in April 2015, and made it a subsidiary (said company changed its name to Denka Infrastructure Malaysia Sdn. Bhd. on June 9, 2015).

Furthermore, in the health and medical field of the Life Science & Environmental Products Division, the Company acquired 51% of stock in Germany-based biomedical research and development company Icon Genetics GmbH from Nomad Bioscience GmbH on August 20, 2015.

(3) Financing

In line with the new growth strategy, the Company transferred a business of a chloroprene rubber business in the US and acquired stock of a biomedical research and development company in Germany, and to respond to these activities, the Company utilized an overseas M&A financing support system managed by the Japan Bank for International Cooperation and private banks to raise funds of ¥10.5 billion.

(4) Issues to be Addressed

Last year, in line with the celebration of its centenary, the Company changed its name to “Denka Co., Ltd.,” and took the first step toward further growth as a global company and “Creating new value.”

Furthermore, in the previous fiscal year, the Company continued to steadily implement many specific measures along the lines of the three new growth strategies of the Denka100 management plan.

In “Create the most optimal production system,” the Company established new plants in Vietnam for plastic tape and cover tape and in China for ALSINK, and in the special cement additives business, with the intent of accelerating expansion in the Southeast Asia region, the Company made a construction materials manufacturer in Malaysia a subsidiary. Additionally, in the chloroprene rubber business, the Company received a business transfer from US-based DuPont, and created a production structure with two bases in Japan and the US. Utilizing this as a stepping stone, the Company will aim to increase its overall presence in the US.

In “Scrutinize every cost element,” through steady measures in each office, results are being steadily realized. In particular, at the Chiba Plant, through working to optimize the procurement structure for steam and power at the complex, the Company was able to significantly strengthen its competitiveness.

In “Focus management resources on new growth drivers and develop next-generation products,” the Company acquired antibody manufacturing technologies utilized in new production technologies and medicinal testing for vaccines by making Icon, a biomedical research and development company based in Germany, a subsidiary. Furthermore, the Company began efforts to develop mass production methods

toward commercialization of anti-cancer virus production, and is also proceeding with surveys toward establishing an anti-cancer information provision business that makes use of gene mutation analysis. Additionally, at major subsidiary DENKA SEIKEN, clinical trials began toward commercialization of an intradermal influenza vaccine with the intent of strengthening and expanding the vaccine business, while at the Kagamida Plant in Gosen City of Niigata Prefecture, a new manufacturing building completed construction. As a result, a structure was established in which the Niigata Plant produces vaccines, and the Kagamida Plant produces prototype medicines. As shown, the Company will conduct aggressive measures toward the “health” sector, where significant future growth is expected.

In light of the 101th anniversary of the Company’s founding and in view of the next 100 years, the Company has decided to revise “The Denka Value,” its corporate philosophy that serves as the foundation for corporate activities of the Denka Group.

The Denka Group will continue to respond to the expectations and trust of society.

The Denka Value (Corporate Philosophy)

The Denka Value 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 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



Outline of the Denka100 management plan

Three new growth strategies	<ol style="list-style-type: none">1. Create the most optimal production system2. Scrutinize every cost element3. Focus management resources on new growth drivers and develop next-generation products
Numerical targets	Fiscal 2017 Consolidated operating income of ¥60 billion or more Operating income ratio of 10% or more Ratio of overseas sales to net sales of 50% or more

(5) Financial Position and Results of Operations

(Millions of yen, unless otherwise stated)

Item	154th term (from April 1, 2012 to March 31, 2013)	155th term (from April 1, 2013 to March 31, 2014)	156th term (from April 1, 2014 to March 31, 2015)	157th term (from April 1, 2015 to March 31, 2016)
Net sales	341,645	376,809	383,978	369,853
Operating income	18,817	21,230	24,047	30,634
Ordinary income	17,824	20,604	24,287	27,022
Profit attributable to owners of parent	11,255	13,573	19,021	19,472
Net income per share (yen)	23.63	29.03	41.48	42.94
Total assets	415,356	431,347	445,569	443,864
Total net assets	180,709	189,516	210,798	216,071
Net assets per share (yen)	376.99	402.77	455.94	473.35
Total shareholders' equity ratio (%)	43.1	43.5	46.9	47.7
Return on equity (ROE) (%)	6.4	7.4	9.6	9.3
Total dividends paid	4,748	4,659	5,723	5,836
Dividends per share	10.00	10.00	12.50	13.00

- Notes: 1. Net income per share is calculated using the average number of shares issued and outstanding excluding treasury stock. Net assets per share are calculated using the number of shares issued and outstanding at the end of the fiscal year excluding treasury stock.
2. For total dividends paid and dividends per share for the 157th term, the sum of the interim dividend paid in December 2015 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.

(6) Significant Subsidiaries (as of March 31, 2016)

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
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 chemical fertilizers
Nishi-nihon Koatsu Gas Co., Ltd.	JPY 80 million	93.2	Manufacturing and sales of high-pressure gas
DENKA RENOTEC Co., Ltd.	JPY 50 million	100.0	Repair and reinforcement work for concrete structures and buildings and sales of materials
DENKA Azumin Co., Ltd.	JPY 300 million	100.0	Manufacturing and sales of fertilizers and agricultural materials
Denka Infrastructure Malaysia Sdn Bhd.	MYR 7,151 thousand	90.0 (90.0)	Manufacturing and sales of construction chemicals
Estop Sdn. Bhd.	MYR 1,500 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
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 and food packaging materials, etc.
DENKA Polymer Co., Ltd.	JPY 2,080 million	100.0	Manufacturing and sales of various packaging materials and plastic containers
Nakagawa Techno Industrial Co., Ltd.	JPY 50 million	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
Denka Advanced Materials Vietnam Co., Ltd.	USD 12,000 thousand	100.0 (100.0)	Manufacturing and sales of plastic products
YK Inoas Co., Ltd.	JPY 100 million	100.0	Sales of raw materials for industrial applications, civil engineering and construction materials, and interior materials
Denka Consultant & Engineering Co., Ltd.	JPY 50 million	100.0	Design and engineering of various industrial facilities, transportation facilities, etc.
Akros Trading Co., Ltd.	JPY 1,200 million	68.5	Sales of inorganic industrial products, organic industrial products, industrial resins, etc.

Akros Trading China Co., Ltd.	USD 300 thousand	100.0 (100.0)	Sales of electronic packaging materials, etc.
Akros Trading Taiwan Co., Ltd.	TWD 29,000 thousand	100.0 (100.0)	Sales of resins and semiconductor-related materials, etc.

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

2) Significant affiliates

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

(7) Principal Offices and Factories (as of March 31, 2016)

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 RENOTEC Co., Ltd.	Head Office: Chuo-ku, Tokyo
DENKA Azumin Co., Ltd.	Head Office and Plant: Hanamaki, Iwate Prefecture
Denka Infrastructure Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
Estop Sdn. Bhd.	Head Office and Plant: Selangor, Malaysia
Denka Advantech Pte., Ltd.	Head Office and Plant: Singapore
Denal Silane Co., Ltd.	Head Office: Chuo-ku, Tokyo
Denka Advanced Materials (Suzhou) Co., Ltd.	Head Office and Plant: Suzhou, Jiangsu, China

DENKA Polymer Co., Ltd.	Head Office: Koto-ku, Tokyo Plants: Sakura, Katori (Tako-machi, Chiba Prefecture), Goi (Ichihara, Chiba Prefecture)
Nakagawa Techno Industrial Co., Ltd.	Head Office: Kasai, Hyogo Prefecture
DENKA SEIKEN Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Gosen, Niigata Prefecture
Denka Advanced Materials Vietnam Co., Ltd.	Head Office and Plant: Hung Yen, Vietnam
YK Inoas Co., Ltd.	Head Office: Bunkyo-ku, Tokyo
Denka Consultant & Engineering Co., Ltd.	Head Office: Chuo-ku, Tokyo
Akros Trading Co., Ltd.	Head Office: Minato-ku, Tokyo
Akros Trading China Co., Ltd.	Head Office: Shanghai, China
Akros Trading Taiwan Co., Ltd.	Head Office: Hsin-Chu, Taiwan

(8) Employees (as of March 31, 2016)

1) The Group

Business segment	Number of employees
Elastomers & Performance Plastics Division	1,091 [152]
Infrastructure & Social Solutions Division (previous name: Infrastructure & Inorganic Materials Division)	940 [203]
Electronics & Innovative Products Division	923 [186]
Life Science & Environmental Products Division	1,747 [392]
Others Division	752 [201]
Corporate (common)	335 [68]
Total	5,788 [1,202]

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

2) The Company

Number of employees	Increase (Decrease) from the previous fiscal year-end	Average age	Average service years
2,974 [657]	+40 [-125]	39.9	18.0

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

(9) Principal Lenders (as of March 31, 2016)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	32,000
Mizuho Bank, Ltd.	13,478
Loan Facility Enhancing Global Business Development	10,466
Sumitomo Mitsui Banking Corporation	8,125
The Norinchukin Bank	6,871

- Notes: 1. The syndicated loan is managed by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, and the Development Bank of Japan and is co-financed by The Daishi Bank, Ltd. and other financial institutions.

2. The “Loan Facility Enhancing Global Business Development” is an overseas M&A support loan system maintained by the Japan Bank for International Cooperation in cooperation with private banks.

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

Not applicable

2. Status of Shares (as of March 31, 2016)

(1) Total Number of Authorized Shares	1,584,070,000 shares
(2) Shares of Common Stock Issued	465,954,121 shares (including 18,615,888 shares of treasury stock)
(3) Number of Shareholders	32,554

(4) Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
Japan Trustee Service Bank, Ltd. (Trust Account)	28,918	6.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,792	6.43
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	16,079	3.59
National Mutual Insurance Federation of Agricultural Cooperatives	15,965	3.56
MITSUI LIFE INSURANCE, CO., LIMITED	11,908	2.66
STATE STREET BANK AND TRUST COMPANY 505001	10,978	2.45
Mitsui Sumitomo Insurance Company, Limited	6,916	1.54
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	6,914	1.54
MSCO CUSTOMER SECURITIES	6,798	1.51
CBNY – GOVERNMENT OF NORWAY	6,415	1.43

- Notes: 1. The Company holds 18,615,888 shares of treasury stock but is excluded from the above major shareholders.
2. Treasury stock is excluded for calculation of the percentage of shares held.

(5) Other Significant Matters concerning Shares

Not applicable

3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2016)

Not applicable

4. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2016)

Name	Position	Responsibilities and significant concurrent positions
Shinsuke Yoshitaka	President	President and Chief Executive Officer Outside Director of Koatsu Gas Kogyo Co., Ltd.
Mitsukuni Ayabe	Representative Director	Senior Managing Executive Officer Assistant to CEO, Supervisor Corporate Planning, Development DPE-Project, Purchasing Dept., Logistics Dept.
Tetsuro Maeda	Director	President and Representative Director of DENKA SEIKEN Co., Ltd.
Hideyuki Udagawa	Director	Managing Executive Officer General Manager, Infrastructure & Inorganic Materials Disaster Reconstruction Support Div.
Manabu Yamamoto	Director	Managing Executive Officer Investor Relations Dept., CSR & Corporate Communications Dept., Internal Auditing Dept., Accounting & Finance Dept., Information System Dept. General Manager, Corporate Planning Dept.
Tadashi Hashimoto	Director (Outside Director)	
Yasuo Sato	Director (Outside Director)	President & CEO of I.B. Associates Co., Ltd.
Akio Yamamoto	Director (Outside Director)	
Shohei Tamaki	Audit & Supervisory Board Member	
Masanori Sakamoto	Audit & Supervisory Board Member	
Tsunehiro Sasanami	Outside Audit & Supervisory Board Member	Lawyer, Takushou Sogo Law Office
Toshio Kinoshita	Outside Audit & Supervisory Board Member	Representative Director of Global Professional Partners Chief Executive of The Japanese Institute of Certified Public Accountants (JICPA) Outside Audit & Supervisory Board Member of Panasonic Corporation Outside Corporate Auditor of Weathernews Inc. Outside Director of Asatsu-DK Inc. Outside Director of Mizuho Bank, Ltd. Outside Director of TACHI-S CO., LTD.

- Notes: 1. Directors Mr. Tadashi Hashimoto, Mr. Yasuo Sato, and Mr. Akio Yamamoto are outside directors as stipulated in Article 2, Paragraph 15 of the Companies Act.
2. Audit & Supervisory Board Members Mr. Tsunehiro Sasanami and Mr. Toshio Kinoshita are outside auditors as stipulated in Article 2, Paragraph 16 of the Companies Act.
3. Audit & Supervisory Board Member Mr. Toshio Kinoshita is a certified public accountant, and has an adequate level of knowledge regarding finance and accounting.
4. The Company designated Directors Mr. Tadashi Hashimoto, Mr. Yasuo Sato, and Mr. Akio Yamamoto and Audit & Supervisory Board Members Mr. Tsunehiro Sasanami and Mr. Toshio Kinoshita as independent directors/auditors as defined by Tokyo Stock Exchange, Inc. and notified it of the designation.

(Reference)**Executive Officers** (as of April 1, 2016)

Name	Position	Responsibilities
Shinsuke Yoshitaka	President and Chief Executive Officer	
Mitsukuni Ayabe	Executive Vice President and Chief Operating Officer	Assistant to CEO, Supervisor Corporate Planning, Development DPE-Project, Purchasing Dept., Logistics Dept.
Toshiharu Kano	Senior Managing Executive Officer	General Manager, Omi Plant
Hideyuki Udagawa	Senior Managing Executive Officer	General Manager, Infrastructure & Social Solutions Special Cement Additives Overseas Business Promotion General Manager, Disaster Reconstruction Support Div.
Manabu Yamamoto	Senior Managing Executive Officer	Investor Relations Dept., CSR & Corporate Communications Dept., Internal Auditing Dept., Accounting & Finance Dept., Information System Dept. General Manager, Corporate Planning Dept.;
Norihiro Shimizu	Managing Executive Officer	Research and Development, Innovation Center New Business Development Dept., R&D Promoting Dept., Intellectual Property Dept.
Sanshiro Matsushita	Managing Executive Officer	General Manager, Electronics & Innovative Products
Kenji Nakano	Managing Executive Officer	Chief Compliance Officer Representative in China Secretary Dept., Administrative Dept., Legal Dept., HR Dept., Denka100 Promoting Dept.
Masaharu Suzuki	Managing Executive Officer	Director Chairman, Denka Chemicals Holdings Asia Pacific Pte., Ltd.
Ken Koizumi	Executive Officer	General Manager, Chiba Plant
Tetsuya Shinmura	Executive Officer	General Manager, Technology Div. ; Project Manager, New Omigawa Power Plant Construction Project
Junichi Kimura	Executive Officer	General Manager, Life Science & Environment Products Deputy General Manager, Disaster Reconstruction Support Div.
Toshio Imai	Executive Officer	General Manager, Elastomers & Performance Plastics
Hideki Hirano	Executive Officer	General Manager, Omuta Plant
Koichi Taguchi	Executive Officer	General Manager, Isesaki Plant
Hideki Watanabe	Executive Officer	Deputy General Manager, Omi Plant
Toyoki Yokoyama	Executive Officer	Assistant to GM, Infrastructure & Social Solutions; Deputy General Manager, Disaster Reconstruction Support Div.
Koki Tabuchi	Executive Officer	President of Denka Performance Elastomer LLC

(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
Hitoshi Watanabe	June 19, 2015	Term of office expired	Director Technology Advisor
Shinji Sugiyama	June 19, 2015	Term of office expired	Director Executive Vice President of Akros Trading Co., Ltd.
Kozo Tanaka	June 19, 2015	Term of office expired	Director (Outside Director) Lawyer, Tanaka Law Office
Hideo Oishi	June 19, 2015	Term of office expired	Audit & Supervisory Board Member
Jiro Hiroe	June 19, 2015	Term of office expired	Audit & Supervisory Board Member
Toshiaki Tada	June 19, 2015	Term of office expired	Outside Audit & Supervisory Board Member Lawyer, Hibiya Sogo Law Offices Outside Corporate Auditor of ITOCHU Techno-Solutions Corporation

(3) Summary of Liability Limitation Agreements

Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with Directors Mr. Tadashi Hashimoto, Mr. Yasuo Sato, and Mr. Akio Yamamoto and Audit & Supervisory Board Members Mr. Tsunehiro Sasanami and Mr. Toshio Kinoshita that limit their liability for damages of Article 423, Paragraph 1 of said Act. The limit of liability under the contract is set to a predefined amount of over ¥5 million or the amount stipulated by laws and regulations, whichever is higher.

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

Category	Number of persons	Amount paid (Millions of yen)
Directors (of which Outside Directors)	11 (4)	296 (33)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	7 (3)	80 (24)
Total (of which outside officers)	18 (7)	376 (57)

- Notes: 1. The amount paid to Directors does not include portions of their salaries as employees.
2. The maximum amount of remuneration for Directors is ¥540 million per year (of which the maximum amount of remuneration for Outside Directors is ¥50 million, excluding the portions of their salaries as employees) as resolved at the 156th Ordinary General Meeting of Shareholders held on June 19, 2015.

3. The maximum amount of remuneration for Audit & Supervisory Board Members is ¥13 million per month as resolved at the 147th Ordinary General Meeting of Shareholders held on June 29, 2006.
4. The number of Directors as of the end of the fiscal year under review was eight (including three Outside Directors), and the number of Audit & Supervisory Board Members was four (including two Outside Audit & Supervisory Board Members). The difference between these figures and the figures in (1) above are due to the retirement of three Directors (including one Outside Director) and three Audit & Supervisory Board Members (including one Outside Audit & Supervisory Board Members) at the 156th Ordinary General Meeting of Shareholders held on June 19, 2015 as in (2) above.
5. In addition, remuneration and other payments totaling ¥10 million were paid to an Outside Officer by a subsidiary of the Company.

(5) Outside Officers

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

Director Mr. Yasuo Sato is President & CEO of I.B. Associates Co., Ltd. There are no significant transactions between the Company and I.B. Associates Co., Ltd.

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

Audit & Supervisory Board Member Toshio Kinoshita is Representative Director of Global Professional Partners and Chief Executive of The Japanese Institute of Certified Public Accountants (JICPA). There are no significant transactions between the Company and Global Professional Partners and The Japanese Institute of Certified Public Accountants (JICPA).

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

Audit & Supervisory Board Member Mr. Toshio Kinoshita is Outside Audit & Supervisory Board Member of Panasonic Corporation and Outside Corporate Auditor of Weathernews Inc. and Outside Director of Asatsu-DK Inc., Outside Director of Mizuho Bank, Ltd., and Outside Director of TACHI-S CO., LTD.

There are no significant transactions between the Company and Weathernews Inc., Asatsu-DK Inc., and TACHI-S CO., LTD.

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, 2015

i. Outside Directors

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2016. Mr. Tadashi Hashimoto attended all 13 meetings of the Board of Directors (attendance rate: 100%), and Mr. Yasuo Sato and Mr. Akio Yamamoto attended all 10 meetings of the Board of Directors (attendance rate: 100%) after assuming office as Directors on June 19, 2015. Mr. Hashimoto, based on his rich experience and insight as a specialist who worked at a financial institution, and Mr. Sato and Mr. Yamamoto, based on their rich experience and wide views as managers and rich international experience serving as persons responsible for business at global companies, actively made inquiries and made recommendations regarding legal risks (risks associated with purchase agreements, compliance, etc.) for overseas business expansion for the Group including overseas local companies, as well as regarding business plans, management, and fund procurement. They also visited the Company's business sites and subsidiaries and received briefings on the business and asked questions and stated opinions to Directors etc., as necessary, from external viewpoints.

ii. Outside Audit & Supervisory Board Members

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2016. Mr. Tsunehiro Sasanami attended all the 13 meetings of the Board of Directors (attendance rate: 100%), and Mr. Toshio Kinoshita attended 8 out of the 10 meetings of the Board of Directors (attendance rate: 80%) after assuming office as Audit & Supervisory Board Member on June 19, 2015. Mr. Sasanami, based on his rich experience and expert knowledge as a lawyer, and Mr. Kinoshita, based on his experience and rich accounting knowledge as a certified public accountant in Japan and the US, actively made inquiries and made recommendations regarding legal risks (risks associated with basic agreements, intellectual property, etc.) for overseas business expansion of the Group in the US, Europe, and China, etc., funding plans for the overall Denka Group including subsidiaries, and corporate governance at Group companies. They also visited the Company's business sites and subsidiaries and received briefings on the business and asked questions and stated opinions to Directors, etc., as necessary, from external viewpoints.

[Audit & Supervisory Board meetings]

The Audit & Supervisory Board met 15 times in the fiscal year ended March 31, 2016. Mr. Tsunehiro Sasanami attended all the 15 meetings of the Audit & Supervisory Board (attendance rate: 100%), and Mr. Toshio Kinoshita attended 8 out of the 10 meetings of the Audit & Supervisory Board (attendance rate: 80%) after assuming office as Audit & Supervisory Board Member on June 19, 2015. They also attended the Board of Directors meetings and other important meetings. In addition, they reviewed important minutes, authorization documents, etc., investigated the Company's divisions and departments, business sites and subsidiaries, and received briefings on the status of business execution at periodic divisional report meetings. They reported the results of these activities to the Audit & Supervisory Board and had necessary discussions with other Audit & Supervisory Board Members.

	Board of Directors meetings		Audit & Supervisory Board meetings	
	Attendance	Attendance rate	Attendance	Attendance rate
Director Tadashi Hashimoto	13/13	100%	-	-
Director Yasuo Sato	10/10	100%	-	-
Director Akio Yamamoto	10/10	100%		
Audit & Supervisory Board Member Tsunehiro Sasanami	13/13	100%	15/15	100%
Audit & Supervisory Board Member Toshio Kinoshita	8/10	80%	8/10	80%

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, 2016**

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2016	67,000
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	108,990

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, 2016.

2. The Audit and Supervisory Board 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, 2015, and agrees to the fees, etc., of the Accounting Auditor under Article 399, Item 1 of the Companies Act.

(3) **Non-audit Services**

The Company pays fees to Ernst & Young ShinNihon LLC mainly for its review services related to advice and direction operations regarding the implementation of International Financial Reporting Standards (IFRS).

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

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

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

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

The Accounting Auditor of the Company received an order for the suspension of business from the Financial Services Agency on December 22, 2015 regarding the conclusion of new contracts for three months (From January 1, 2016 to March 31, 2016).

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

Not applicable

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

Denka Chemicals Holdings Asia Pacific Pte., Ltd., Denka Singapore Pte., Ltd., Denka Advantech Pte., Ltd., Denka Infrastructure Malaysia Sdn Bhd., and Denka Advanced Materials Vietnam Co., Ltd. receive audits by an accounting corporation other than the Company's Accounting Auditor.

6. 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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regarding management of 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 Auditing 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 Audit & Supervisory Board Members, matters concerning securing effectiveness of instructions to the employees and matters concerning independence of such staff from Directors

The Company sets up the Audit & Supervisory Board Members Department as an organization that provides assistance to the Audit & Supervisory Board and to the Audit & Supervisory Board Members and assigns at least one exclusively assigned employee to the Audit & Supervisory Board Members Department based on consultation with the Audit & Supervisory Board Members in advance.

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

The Audit & Supervisory Board Members are consulted in advance about performance evaluation of employees who belong to the Audit & Supervisory Board Members Department and determination of any other personnel matters.

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

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

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

The Company establishes 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 & Supervisory Board Members Department as one of the contacts of the whistleblower system. If the Audit & Supervisory Board Members Department, etc. receives a report, the content of the report is reported to Audit & Supervisory Board Members.

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

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

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

The Internal Auditing Department and other internal auditing organizations collaborate with Audit & Supervisory Board Members and coordinate with their auditing so that both internal auditing organizations and Audit & Supervisory Board Members 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 that defines the fundamentals of compliance, the Company continued to implement awareness activities, including training, during the fiscal year under review.

Additionally, with the intent of further strengthening the risk management and compliance structure, a Chief Compliance Officer was selected from among Executive Officers.

Furthermore, the five-item Denka Principles were defined as the Company celebrated its centenary to exemplify the basic stance of Denka Group employees, the foundations, and relationships with society, and it was distributed to each employee.

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

2) Business execution of Directors

The Board of Directors of the Company is composed of eight members, including three Outside Directors, and meetings of the Board of Directors were held 13 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, Audit & Supervisory Board Members, and a portion

of Executive Officers, was held once a month in principle, with the intent of increasing efficiency of consideration of important management issues and accelerating decision-making.

3) Business execution of Audit & Supervisory Board Members

The Audit & Supervisory Board is composed of four members, including two Outside Audit & Supervisory Board Members, and meetings of the Audit & Supervisory Board were held 15 times during the fiscal year under review. Additionally, Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, and while auditing the business execution of Directors, they also visited various business sites including those of Group companies, and reported to the Audit & Supervisory Board regarding the contents of audits.

Furthermore, to assist the duties of Audit & Supervisory Board Members, the Audit & Supervisory Board Members Department 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. Meetings of the Risk Management Committee as defined by the above guidelines and various other meetings related to risks are held periodically and as required, and report to the Board of Directors.

5) Implementation of internal audits

Based on the internal auditing plan, the Internal Auditing Department implements internal audits of the Company and Group companies, and while reporting the results to the Board of Directors and the Audit & Supervisory Board, cooperates as required with audits by the Audit & Supervisory Board Members, working together to conduct operations that are mutually efficient.

(3) Basic Policies regarding the Control of the Company

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

Reflecting this history, many of the Company's products involve very lengthy processes from raw materials to final products or utilize proprietary technologies in various fields in a complex manner. These businesses are based on the accumulated efforts over the years, including capital investment and R&D from a long-term perspective, and the cultivation of relationships of trust with business partners and local communities.

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

The Company's Board of Directors considers that a "person that controls the Company's financial and business policies" should fully understand the source of the Company's corporate value based on the Company's history and be capable of securing and enhancing the Company's corporate value and the common interests of its shareholders.

In order to realize the basic policies regarding the control of the Company outlined above, the Company is promoting specific initiatives as described below.

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

- Set numerical targets for the Company's performance and promote "three new growth strategies"—"Create the most optimal production system," "Scrutinize every cost element," and "Focus management resources on new growth drivers and develop next-generation products"
- Formulate the Policy on Shareholder Returns. Concurrently, with the aim of achieving further corporate growth, set aside a budget for strategic investment, such as M&A, for proactive management.

2) Bolster our management structure for both defensive and offensive purposes

- In order to build a more robust management structure for achieving the Denka100 management plan and to strengthen corporate governance and enhance management transparency and soundness,

establish a new structure, including an increase in the number of Outside Directors (from two to three) and a decrease in the number of Directors on the Board (reduction by two) from June 2015.

Coinciding with the Company's centenary in 2015, to express our determination to achieve the Denka100 management plan through a concerted effort of all employees, we renewed our corporate logo and formulated a corporate slogan and action guidelines for employees. The Company will change the Company's trade name, provided that approval is secured at the 156th Ordinary General Meeting of Shareholders.

Note: The policy stated above is a summary of the policy resolved at the meeting of the Company's Board of Directors. The full text is posted on the Company's website at <http://www.denka.co.jp/> in accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation.

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Account item	(Reference) 156th term	157th term	Account item	(Reference) 156th term	157th term
(Assets)	445,569	443,864	(Liabilities)	234,771	227,793
Current assets	170,497	161,876	Current liabilities	160,101	147,537
Cash and deposits	9,219	11,895	Notes and accounts payable-trade	47,401	41,811
Notes and accounts receivable-trade	83,172	76,009	Short-term loans payable	47,456	42,861
Merchandise and finished goods	44,103	43,981	Commercial paper	9,000	5,000
Work in process	2,725	3,279	Current portion of long-term loans payable	12,570	18,225
Raw materials and supplies	17,687	16,839	Accounts payable-other	12,015	11,543
Deferred tax assets	1,994	1,753	Income taxes payable	5,525	2,806
Other	11,851	8,336	Accrued consumption taxes	1,799	1,433
Allowance for doubtful accounts	(256)	(218)	Accrued expenses	8,095	8,972
			Provision for bonuses	2,544	2,741
			Other	13,692	12,142
Noncurrent assets	275,071	281,988	Noncurrent liabilities	74,669	80,255
Property, plant and equipment	211,864	214,329	Bonds payable	30,000	30,000
Buildings	36,957	40,709	Long-term loans payable	23,509	28,510
Structures	18,125	20,350	Deferred tax liabilities	6,114	3,984
Machinery and equipment	74,198	77,730	Deferred tax liabilities for land revaluation	8,879	8,407
Vehicles	438	647	Net defined benefit liability	5,262	8,314
Tools, furniture and fixtures	2,481	3,046	Other	903	1,039
Land	63,303	63,084			
Lease assets	344	371	Net assets	210,798	216,071
Construction in progress	16,014	8,388			
Intangible assets	1,509	11,131	Shareholders' equity	182,722	190,647
Software	574	917	Capital stock	36,998	36,998
Goodwill	—	6,401	Capital surplus	49,284	49,284
Right of using patent	934	3,813	Retained earnings	99,080	112,335
Investments and other assets	61,698	56,527	Treasury stock	(2,641)	(7,971)
Investment securities	55,356	49,843			
Long-term loans receivable	1,430	1,293			
Long-term prepaid expenses	1,463	1,581			

Deferred tax assets	915	1,210	Accumulated other comprehensive income	26,043	21,087
Other	2,573	3,368	Valuation difference on available-for-sale securities	13,231	10,775
Allowance for doubtful accounts	(42)	(770)	Revaluation reserve for land	9,795	10,267
			Foreign currency translation adjustment	3,174	2,739
			Remeasurements of defined benefit plans	(158)	(2,695)
			Non-controlling interests	2,032	4,336
Total	445,569	443,864	Total	445,569	443,864

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

Consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Account item	(Reference) 156th term		157th term	
Net sales		383,978		369,853
Cost of sales		302,381		278,064
Gross profit		81,596		91,788
Selling, general, and administrative expenses		57,549		61,154
Operating income		24,047		30,634
Non-operating income				
Interest and dividend income	1,254		1,210	
Equity in earnings of affiliates	950		1,097	
Other	2,169	4,374	850	3,158
Non-operating expenses				
Interest expenses	962		860	
Other	3,171	4,133	5,909	6,770
Ordinary income		24,287		27,022
Extraordinary income				
Gain on sales of non-current assets	2,947	2,947	-	-
Extraordinary loss				
Provision of allowance for doubtful accounts	-		671	
Acquisition-related expenses	259		632	
Difference on change from simple method to principled method for retirement benefits	-	259	544	1,848
Income before income taxes		26,975		25,174
Income taxes-current	7,535		5,488	
Income taxes-deferred	255	7,790	438	5,926
Profit		19,184		19,247
Profit attributable to non-controlling interests		162		(225)
Profit attributable to owners of parent		19,021		19,472

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(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	49,284	99,080	(2,641)	182,722
Changes of items during the fiscal year					
Dividends from surplus			(6,139)		(6,139)
Profit attributable to owners of parent			19,472		19,472
Change of scope of consolidation			(78)		(78)
Purchase of treasury stock				(5,330)	(5,330)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					-
Total changes of items during the fiscal year	-	0	13,255	(5,330)	7,924
Balance at end of the fiscal year	36,998	49,284	112,335	(7,971)	190,647

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	13,231	9,795	3,174	(158)	26,043	2,032	210,798
Changes of items during the fiscal year							
Dividends from surplus					-		(6,139)
Profit attributable to owners of parent					-		19,472
Change of scope of consolidation					-		(78)
Purchase of treasury stock					-		(5,330)
Disposal of treasury stock					-		0
Net changes of items other than shareholders' equity	(2,455)	472	(434)	(2,537)	(4,955)	2,304	(2,651)
Total changes of items during the fiscal year	(2,455)	472	(434)	(2,537)	(4,955)	2,304	5,273
Balance at end of the fiscal year	10,775	10,267	2,739	(2,695)	21,087	4,336	216,071

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Account item	(Reference) 156th term	157th term	Account item	(Reference) 156th term	157th term
(Assets)	353,026	345,893	(Liabilities)	194,928	190,142
Current assets	110,729	103,015	Current liabilities	123,217	116,531
Cash and deposits	2,280	4,476	Accounts payable-trade	30,289	23,002
Notes receivable-trade	2,364	3,157	Short-term loans payable	27,675	27,675
Accounts receivable-trade	52,999	46,310	Commercial paper	9,000	5,000
Merchandise and finished goods	32,200	29,014	Current portion of long-term loans payable	12,058	18,058
Raw materials and supplies	11,333	9,686	Accounts payable-other	10,869	9,808
Prepaid expenses	960	944	Income taxes payable	2,744	-
Deferred tax assets	893	699	Accrued consumption taxes	1,193	1,012
Short-term loans receivable	950	3,960	Accrued expenses	5,995	5,557
Other	6,783	4,772	Deposits received	21,500	24,389
Allowance for doubtful accounts	(36)	(6)	Provision for bonuses	1,414	1,488
			Other	477	537
Noncurrent assets	242,296	242,878	Noncurrent liabilities	71,710	73,611
Property, plant and equipment	175,078	168,557	Bonds payable	30,000	30,000
Buildings	28,357	28,305	Long-term loans payable	23,229	27,637
Structures	15,069	17,455	Deferred tax liabilities	5,845	4,906
Machinery and equipment	55,685	53,714	Deferred tax liabilities for land revaluation	8,879	8,407
Vehicles	363	464	Provision for retirement benefits	3,619	2,522
Tools, furniture and fixtures	1,655	2,118	Long-term accounts payable-other	13	13
Land	60,154	60,153	Asset retirement obligations	124	125
Construction in progress	13,792	6,344			
Intangible assets	1,058	1,048	(Net assets)	158,098	155,750

Software	423	481	Shareholders' equity	136,543	135,840
Right of using patent	634	566	Capital stock	36,998	36,998
Investments and other assets	66,159	73,272	Capital surplus	49,284	49,284
Investment securities	31,501	27,580	Legal capital surplus	49,284	49,284
Stocks of subsidiaries and affiliates	30,298	40,593	Other capital surplus	—	0
Long-term loans receivable	1,440	2,412	Retained earnings	52,892	57,519
Long-term prepaid expenses	1,201	950	Other retained earnings	52,892	57,519
Other investments	1,729	1,743	Reserve for advanced depreciation of noncurrent assets	3,781	3,854
Allowance for doubtful accounts	(12)	(7)	Retained earnings brought forward	49,111	53,665
			Treasury stock	(2,632)	(7,962)
			Valuation and translation adjustments	21,554	19,910
			Valuation difference on available-for-sale securities	11,758	9,643
			Revaluation reserve for land	9,795	10,267
Total	353,026	345,893	Total	353,026	345,893

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

Non-consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Account item	(Reference) 156th term		157th term	
Net sales		240,359		225,823
Cost of sales		187,377		169,841
Gross profit		52,982		55,981
Selling, general, and administrative expenses		40,117		41,879
Operating income		12,864		14,101
Non-operating income				
Interest and dividend income	2,996		4,562	
Other	2,437	5,434	964	5,527
Non-operating expenses				
Interest expenses	779		702	
Other	3,021	3,801	4,786	5,488
Ordinary income		14,498		14,140
Extraordinary income				
Gain on sales of non-current assets	2,947	2,947	-	-
Extraordinary loss				
Acquisition-related expenses	259	259	632	632
Income before income taxes		17,186		13,508
Income taxes-current	4,162		2,188	
Income taxes-deferred	150	4,312	554	2,742
Net income		12,873		10,766

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

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward			
Balance at beginning of the fiscal year	36,998	49,284	-	49,284	3,781	49,111	52,892	(2,632)	136,543
Changes of items during the fiscal year									
Provision of reserve for advanced depreciation of noncurrent assets				-	99	(99)	-		-
Reversal of reserve for advanced depreciation of noncurrent assets				-	(26)	26	-		-
Dividends from surplus				-		(6,139)	(6,139)		(6,139)
Net income				-		10,766	10,766		10,766
Purchase of treasury stock				-			-	(5,330)	(5,330)
Disposal of treasury stock			0	0			-	0	0
Net changes of items other than shareholders' equity				-			-		-
Total changes of items during the fiscal year	-	-	0	0	72	4,554	4,626	(5,330)	(703)
Balance at end of the fiscal year	36,998	49,284	0	49,284	3,854	53,665	57,519	(7,962)	135,840

(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	11,758	9,795	21,554	158,098
Changes of items during the fiscal year				
Provision of reserve for advanced depreciation of noncurrent assets			–	–
Reversal of reserve for advanced depreciation of noncurrent assets			–	–
Dividends from surplus			–	(6,139)
Net income			–	10,766
Purchase of treasury stock			–	(5,330)
Disposal of treasury stock			–	0
Net changes of items other than shareholders' equity	(2,115)	472	(1,643)	(1,643)
Total changes of items during the fiscal year	(2,115)	472	(1,643)	(2,347)
Balance at end of the fiscal year	9,643	10,267	19,910	155,750

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

Independent Auditors' Report
(English Translation)

May 6, 2016

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC

Shunji Momoi
Certified Public Accountant
Designated and Engagement Partner
Masahiko Minai
Certified Public Accountant
Designated and Engagement Partner
Shigeyuki Honda
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act of Japan, we have audited the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to consolidated financial statements of Denka Co., Ltd. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2015 to March 31, 2016.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Denka Group consisting of Denka Co., Ltd. and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

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

Independent Auditors' Report
(English Translation)

May 6, 2016

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC

Shunji Momoi
Certified Public Accountant
Designated and Engagement Partner
Masahiko Minai
Certified Public Accountant
Designated and Engagement Partner
Shigeyuki Honda
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act of Japan, we have audited the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net assets, the notes to financial statements, and the accompanying supplementary schedules thereof of Denka Co., Ltd. (hereinafter referred to as the "Company") for the 157th term from April 1, 2015 to March 31, 2016.

Management's Responsibility for Non-consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplementary schedules thereof referred to above present fairly, in all material respects, the financial position and the results of operations of the Company applicable to the fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

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

Audit Report

(English Translation)

With respect to the Directors' performance of their duties during the 157th term from April 1, 2015 to March 31, 2016, the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

1. Auditing Method Applied by the Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof
 - (1) The Audit & Supervisory Board established auditing policies, assignment of duties, and other relevant matters, and received a report from each Audit & Supervisory Board Member regarding the status of implementation of audits and results thereof. In addition, the Audit & Supervisory Board received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the status of performance of their duties, and requested explanations as necessary.
 - (2) In conformity with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, and in accordance with the auditing policies, assignment of duties and other relevant matters, each Audit & Supervisory Board Member communicated with Directors, the Internal Auditing Department, other employees, and any other relevant personnel, and endeavored to collect information and maintain and improve the audit environment, conducting audits as follows.
 - 1) Each Audit & Supervisory Board Member also attended meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding the status of performance of their duties, requested explanations as necessary, examined important documents related to important decisions and associated information, and inspected the status of operations and assets at the head office and other principal business offices. Concerning subsidiaries, communication was made with Directors and Audit & Supervisory Board Members, etc., of subsidiaries, and information was collected, and business reports were received from subsidiaries as necessary.
 - 2) The Audit & Supervisory Board Members also expressed opinions on the resolutions of the Board of Directors regarding the establishment of the system to ensure that the Directors' performance of their duties as stated in the Business Report complies with laws and regulations and the Company's Articles of Incorporation and other systems that are set forth in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of operations of a corporate group comprised of a joint stock company (kabushiki kaisha) and its subsidiaries, and the systems (internal control systems) established based on such resolutions. Audit & Supervisory Board Members periodically received reports from Directors, employees and other relevant personnel regarding the status of development and operation of such systems and requested explanations as necessary.
 - 3) With respect to the basic policy set forth in Article 118, Item 3 (i) of the Ordinance for Enforcement of the Companies Act and the measures set forth in Item 3 (ii) of the said article, which are described in the Business Report, the Audit & Supervisory Board Members examined the content based on the status of deliberations at meetings of the Board of Directors and other meetings.
 - 4) Audit & Supervisory Board Members monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, received reports from the Accounting Auditor regarding the status of the performance of its duties, and requested explanations as necessary. In addition, the Audit & Supervisory Board Members received notice from the Accounting Auditor that the "system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the "Quality Control Standards Relating to Auditing" (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

Based on the above method, the Audit & Supervisory Board Members reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and the accompanying supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), 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 regarding the determination of policies on control of the finances and business of the Company described in the Business Report. In our opinion, the measures described in the Business Report, set forth in Article 118, Item 3 (ii) of the Ordinance for Enforcement of the Companies Act, are in line with the basic policy, do not impair the common interests of the Company's shareholders, and are not for the purpose of maintaining the position of the Company's officers.

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 10, 2016

Audit & Supervisory Board, Denka Co., Ltd.

Full-time Audit & Supervisory Board Member
Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member
Audit & Supervisory Board Member

Shohei Tamaki
Masanori Sakamoto
Tsunehiro Sasanami
Toshio Kinoshita

(Note) Audit & Supervisory Board Members Tsunehiro Sasanami and Toshio Kinoshita are outside audit & supervisory board members as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.

(Reference)

Notice of Decision to Purchase Treasury Stock

At the meeting of the Company's Board of Directors held on March 7, 2016, we resolved to purchase up to 9,500,000 shares of the Company with an upper limit of ¥3.8 billion for the purpose of flexibly returning profits to shareholders in accordance with the Policy on Shareholder Returns, and the acquisition of 8,331,000 shares was complete as of April 11, 2016.