Disclosure on the Internet accompanying the Notice of Convocation of the 157th Ordinary General Meeting of Shareholders

Basic Policy regarding the Control of the Company

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

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

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

The content of this document is posted on the website of Denka Co., Ltd. ("the Company") (http://www.denka.co.jp/eng/), pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company.

Basic Policies regarding the Control of the Company

I. Details of the Basic Policies

The Company was established in 1915 for the production of calcium carbide and chemical fertilizers by utilizing limestone resources and its in-house electric power plants. Since then, we have 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. These materials are based on our proprietary technologies of electric furnace controls, high-temperature reaction controls, organic synthesis and others nurtured in the course of many years of experience in the field of calcium carbide chemicals business.

In view of this history, characteristics of the Company's businesses are that many of its products involve very lengthy processes from raw materials to final products or utilize proprietary technologies in various fields in a complex manner.

These businesses are based on the accumulated efforts over the years, including meticulous R&D and safety activities, capital investment and human resources development from a long-term perspective, and building of relationships of trust with suppliers, customers, and the local community. In other words, diverse technologies and people who have knowledge and experience capable of utilizing such technologies in a complex manner are the sources of the Company's corporate value, and management resources and the relationships of trust that have been cultivated underpin the Company's corporate value. This is our basic recognition of the Company's current situation.

As the onward march of globalization rapidly transforms the business environment and the information era gains traction, those who fail to notice changes in market needs or economic structures will jeopardize their business. In Japan, too, merger and acquisitions (M&A) and business tie-ups are increasingly used as means of pursuing growth strategies. The Company's Board of Directors also recognizes that utilization of dynamism based on market principles is important for sustainable growth of a society and companies, including the Company, and for enhancement of corporate value over the medium to long term.

As a listed company, we recognize the diversity of our shareholders and consider that our shareholders should make a final decision about the transfer of the control of the Company, including purchasing of a large amount of the Company's shares. However, certain large-scale purchases may be detrimental to corporate value of the company subject to such purchase attempt or the common interests of the shareholders or sufficient information and time may not be provided for the company to consider whether it should accept or reject such a purchase attempt. Unconditionally accepting all large-scale purchase attempts is contrary to fulfilling the responsibility of management entrusted by shareholders.

The Company's Board of Directors considers that a person that controls the Company's financial and business policies should fully understand the source of the Company's corporate value and be capable of continuously and sustainably securing and enhancing the Company's corporate value and the common interests of its shareholders and, in principle, raises objection to any attempts to purchase a large amount of the Company's shares or similar attempts that come under the items listed below.

If a person attempting a large-scale purchase of the Company's shares does not provide sufficient information and time for the Company or its shareholders to consider whether such attempt comes under the items listed below, the Company's Board of Directors also raise an objection to such attempt, in principle.

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

1) Purchases that may cause obvious harm to the Company's corporate value and the common interests of its shareholders through actions such as those described below or any similar action:
   (i) A buyout of share certificates, etc. and demanding the Company or its related parties purchase such shares at inflated prices

(ii) An attempt to further the interest of the purchaser at the expense of the Company, such as by temporarily obtaining control of the management of the Company to acquire the Company's material assets, etc. at low cost

(iii) Making the Company's assets subject to use as collateral or for repayment of the debts of the purchaser, etc., its group companies, or other related parties

(iv) Temporarily obtaining control of the management of the Company to dispose of high-value assets that have currently little relevance to the Company's businesses and declare temporarily high dividends based on the proceeds from the disposal of such assets, or to sell the shares at a high price once the share price rises sharply by virtue of high dividends

2) Purchases that may have the effect of compelling shareholders to sell shares, such as coercive two-tier tender offers (a takeover bid in which the purchaser, etc. does not propose to purchase all the shares in the first stage, but sets second-stage purchase terms disadvantageous or unclear to the shareholders)
3) Purchases that do not allow the Company's Board of Directors to have reasonably necessary time to submit an alternative proposal
4) Purchases that do not provide the Company's shareholders with necessary information and information reasonably necessary for evaluating the details of the purchase
5) Purchases whose terms (including amount and type of consideration for the purchase, the timing of the purchase, the legality of the purchase method, the probability of the purchase, management policies or business plans following the purchase) are inadequate or inappropriate in light of the Company's intrinsic value.
6) Purchases that may significantly harm the Company's corporate value and, in turn, the common interests of its shareholders, such as by damaging relationships with the Company's employees, suppliers, etc. and the Company's brand power, which are indispensable for creating the Company's corporate value.
7) It is inappropriate from the viewpoint of public order that the purchaser, etc. obtains the control of the Company, such as that management or major shareholders of the purchaser etc. includes person(s) who have relationships with antisocial forces.

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

1) Special measures contributing to realization of the basic policies

The Company is implementing the Denka100 management plan to achieve sustainable growth and enhancement of corporate value. The strategies of Denka100 were revised in April 2013. Specifying goals for 2017, we set three new growth strategies to achieve numerical targets and are proactively implementing many concrete measures.

Three new growth strategies

1. Create the most optimal production system
2. Scrutinize every cost element
3. Focus management resources on new growth drivers and develop next-generation products

Numerical targets 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

In 2014, reflecting our determination to return the profits yielded by these initiatives to our shareholders, we established the Policy on Shareholder Returns. Concurrently, with the aim of achieving further corporate growth, we have secured a budget for strategic investments such as M&A.

Furthermore, in order to build a more robust management structure better suited to pursuing the new growth strategies set forth in the Denka100 management plan and to strengthen corporate governance and enhance management transparency and soundness, from June 2015, the Company adopted 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). This change will enable the Company to bolster its management structure for both defensive and offensive purposes and achieve proactive governance.

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 changed its trade name on October 1.

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

As measures to prevent decisions on the Company’s financial and business policies from being controlled by persons viewed as inappropriate under the basic policy, the Company introduced countermeasures for large-scale purchase of the Company’s shares (so-called poison pill, hereinafter referred to as the “Plan”) in the past but a resolution was passed not to continue the Plan upon its expiration.

The Company will continue to strive to enhance corporate value and to secure the common interests of its shareholders by ensuring compliance with the basic policy.

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

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

Notes to Consolidated Financial Statements

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

(1) Scope of consolidation

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 38

Names of principal consolidated subsidiaries:

Denka Singapore Pte., Ltd.

Denka Advantech Pte., Ltd.

DENKA SEIKEN Co., Ltd.

DENKA Polymer Co., Ltd.

Hinode Kagaku Kogyo

Akros Trading Co., Ltd.

YK Inoas Co., Ltd.

Denka Performance Elastomer LLC and two other companies, which were non-consolidated subsidiaries until the previous fiscal year, are included in the scope of consolidation from the fiscal year under review as their significance has increased.

Additionally, from the fiscal year under review, Icon Genetics GmbH, for which stock was acquired, POSCO Sdn. Bhd. (changed trade name to Denka Infrastructure Malaysia Sdn. Bhd. on June 9, 2015), and five consolidated subsidiaries of the said company are included in the scope of consolidation.

2) Principal non-consolidated subsidiaries

Names of principal non-consolidated subsidiaries:

KAMBARA NAMAKON K.K.

DS POVAL K.K.

Reason for exclusion from the scope of consolidation:

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

(2) Application of the equity method

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

Number of non-consolidated subsidiaries and affiliates to which the equity method is applied: 15

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

KAMBARA NAMAKON K.K.

SANSHIN BUSSAN K.K.

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

TOYO STYRENE Co., Ltd.

JUZEN Chemical Corporation

Denak Co., Ltd.,

Kurobegawa Electric Power Company

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

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

DS POVAL K.K.

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

Shogawa Nama Concrete Kogyo K.K.

Reason for not applying the equity method:

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

(3) Accounting periods of consolidated subsidiaries

Among the consolidated subsidiaries, Denka Singapore Pte., Ltd. and 23 other subsidiaries have a year-end balance sheet date of December 31.

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

(4) Accounting policies

1) Standards and methods for valuation of principal assets

Securities

Available-for-sale securities

Securities with market value

Stated principally at market value based on the average quoted market price for a period of one month before the balance sheet date

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

Securities without market value

Stated principally at cost using the moving-average method

Derivatives

Stated at market value

Inventories

Stated principally at cost using the weighted-average method

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

2) Depreciation method for principal depreciable assets

Property, plant and equipment

Principally, the straight-line method is applied.

Intangible assets

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

Lease assets

For finance leases that do not transfer the ownership of the lease assets to the lessee, the straight-line method with no residual value is applied, regarding the lease term as the useful life. Finance leases commencing on or before March 31, 2008 that do not transfer the ownership of the lease assets to the lessee are accounted for in the same manner as ordinary rental transactions.

3) Standards of accounting for principal allowances and provisions

• Allowance for doubtful accounts

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

• Provision for bonuses

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

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

• Method of amortization of goodwill and amortization period

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

• Method of hedge accounting

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

• Method of accounting for retirement benefits

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

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

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

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

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

• Consumption taxes

Consumption taxes are recorded using the tax-excluded method.

(5) Change in accounting policies

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013; hereinafter the “Business Combinations Accounting Standard”), Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statements Accounting Standard”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Accounting Standard”) and related standards are made applicable to the fiscal year under review onward. Under this new application of these standards, differences caused by changes in the Company’s equity in the subsidiaries and affiliates with controlling interests will be adjusted in capital surplus, and acquisition-related expenses shall be reported as expenses accruing during the consolidated fiscal year in which the acquisition takes place. Additionally, the method has been changed such that for business combinations that occur on or after the beginning of the fiscal year under review, in cases where revisions to the distribution amount of the acquisition cost resulting from provisional accounting treatment are conducted during the fiscal year following the fiscal year during which the business combination takes place, the amount of the effect will be categorized and displayed in the beginning balance of the fiscal year during which the revision took place, and the beginning balance after application of the amount of the effect will be displayed. As a result, changes have been made to the display method of net income, etc., and minority interests have been changed to non-controlling interests.

The implementation of Business Combinations Accounting Standard and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, and has been and will be underway since the beginning of the current fiscal year and going forward.

The impact of this change on the Consolidated Financial Statements is immaterial.

2. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral

Land:	89 million yen
Investment securities:	262 million yen
Total:	351 million yen
Liabilities corresponding to pledged assets	
Notes and accounts payable-trade and other liabilities:	271 million yen

(2) Accumulated depreciation of property, plant and equipment: 390,233 million yen

(3) Guarantee obligations, etc.

Guarantee for loans from financial institutions: 592 million yen

3. Notes to the Consolidated Statement of Changes in Net Assets

(1) Type and total number of shares issued and type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Shares issued				
Common stock	465,954,121	—	—	465,954,121
Total	465,954,121	—	—	465,954,121
Treasury stock				
Common stock	8,073,092	10,569,051	1,255	18,640,888
Total	8,073,092	10,569,051	1,255	18,640,888

Note: The increase in the number of shares of common stock of treasury stock was due to the purchase of 10,537,000 shares of treasury stock and the purchase of shares constituting less than one unit in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act and of the Articles of Incorporation. The decrease in the number of shares of common stock of treasury stock was due to the sale of shares constituting less than one unit.

(2) Dividends

1) Payment of dividends

• Dividends for common stock

Resolution	Types of shares	Dividends paid (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2015	Common stock	3,434	7.50	March 31, 2015	June 22, 2015
Meeting of the Board of Directors held on November 9, 2015	Common stock	2,705	6.00	September 30, 2015	December 3, 2015

2) Dividends whose record date falls during fiscal 2015 but whose effective date is in the next fiscal year

• Dividends for common stock

The following resolutions are expected to be made.

Resolution	Types of shares	Dividends paid (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 22, 2016	Common stock	3,131	Retained earnings	7.00	March 31, 2016	June 23, 2016

4. Financial Instruments

(1) Financial instruments

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

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

Loans payable, bonds payable, and commercial paper are used for working capital (mainly short term) and for capital investment. Certain long-term loans payable are exposed to the risk of interest rate fluctuations. For such risk, interest rate swaps are employed to fix the amount of interest expenses. Certain business transactions denominated in foreign currencies are exposed to the risk of foreign exchange fluctuations, and for such risk, forward exchange contracts are employed.

Derivative transactions are entered into only in the scope of practical purposes in accordance with the internal control rules and not for speculative purposes.

(2) Fair values of financial instruments

Carrying amounts and market values of the financial instruments and the differences between carrying amounts and market values as of March 31, 2016 (consolidated balance sheet date of fiscal 2015) are as follows.

(Millions of yen)

	Carrying amount (*)	Market value (*)	Difference
(1) Cash and deposits	11,895	11,895	－
(2) Notes and accounts receivable-trade	76,009	76,009	－
(3) Investment securities Available-for-sale securities	25,908	25,908	－
(4) Notes and accounts payable-trade	(41,811)	(41,811)	－
(5) Short-term loans payable	(42,861)	(42,861)	－
(6) Commercial paper	(5,000)	(5,000)	－
(7) Long-term loans payable	(46,735)	(47,180)	445
(8) Bonds payable	(30,000)	(30,217)	217
(9) Derivatives	－	－	－

(*) Figures in parentheses are recorded as liabilities on the consolidated balance sheets.

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

Note 1: Method for calculating fair values of financial instruments and matters concerning investment securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Because of the short maturities of these instruments, their market values are approximately the same as the book values, therefore, the book values are stated as the market value.

(3) Investment securities

The market value is estimated based on quoted market prices.

(4) Notes and accounts payable-trade, (5) Short-term loans payable and (6) Commercial paper

Because of the short maturities of these instruments, their market values are approximately the same as the book values, therefore, the book values are stated as the market value.

(7) Long-term loans payable

The market value is the present value calculated by discounting the total amount of principal and interest by the interest rate to be applied to new borrowings for the same amount of principal. Long-term loans payable with variable interest rates are qualified for the special method applied for interest rate swaps (Refer to (9) below.), and the market value of such long-term loans payable is calculated by discounting the total amount of principal and interest, which are accounted for together with associated interest rate swaps, by the reasonably estimated rate to be applied to similar borrowings.

(8) Bonds payable

The market value is estimated based on quoted market prices.

(9) Derivatives

The market value is calculated based on the prices provided by the financial institutions. However, interest rate swaps that qualify for the special method are accounted for as part of hedged long-term payables, and therefore, the market value of such interest rate swaps is included in the market value of the corresponding long-term payables (Refer to (7) above.). Forward exchange contracts that qualify for the appropriation method are accounted for as part of hedged accounts receivable and accounts payable, excluding those associated with forecasted transactions, and therefore, the market value of such forward exchange contracts is included in the market value of the corresponding accounts receivable and accounts payable (Refer to (2) and (4) above.)

Note 2: Unlisted stocks (amounting to 23,935 million yen on the consolidated balance sheet) are not included in “(3) Investment securities, Available-for-sale securities” because it is extremely difficult to identify their market values as no quoted market price is available and it is impossible to estimate their future cash flows.

5. Real Estate for Rent

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

6. Notes to Per Share Information

(1) Net assets per share:	473.35 yen
(2) Profit attributable to owners of parent per share:	42.94 yen

7. Other Notes

Not applicable

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

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for valuation of assets

1) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Available-for-sale securities

Securities with market value

Stated at market value based on the average quoted market price for a period of one month before the balance sheet date

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

Securities without market value

Stated at cost using the moving-average method

2) Inventories

Stated at cost using the weighted-average method

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

(2) Depreciation method for noncurrent assets

Property, plant and equipment

The straight-line method is applied.

Intangible assets

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

Lease assets

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

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

Finance leases commencing on or before March 31, 2008 that do not transfer the ownership of the lease assets to the lessee are accounted for in the same manner as ordinary rental transactions.

(3) Standards of accounting for allowances and provisions

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

3) Provision for retirement benefits

The Company provides reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at fair value at the fiscal year-end.

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

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

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

(4) Changes in accounting policies

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, September 13, 2013; hereinafter the "Business Combinations Accounting Standard"), Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter the "Consolidated Financial Statements Accounting Standard"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Business Divestitures Accounting Standard") and related standards are applied from the fiscal year under review, and the calculation method was changed to record expenses during the fiscal year in which acquisition-related expenses are incurred. Additionally, the method has been changed such that for business combinations that occur on or after the beginning of the fiscal year under review, in cases where revisions to the distribution amount of the acquisition cost resulting from provisional accounting treatment are conducted during the fiscal year following the fiscal year during which the business combination takes place, the amount of the effect will be categorized and displayed in the beginning balance of the fiscal year during which the revision took place, and the beginning balance after application of the amount of the effect will be displayed.

The implementation of the Business Combinations Accounting Standard and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, and has been and will be underway since the beginning of the current fiscal year and going forward.

There is no impact of this change on the Non-consolidated Financial Statements.

(5) Consumption taxes

Consumption taxes are recorded using the tax-excluded method.

2. Notes to the Non-consolidated Balance Sheet

(1) Assets pledged as collateral: None

(2) Accumulated depreciation of property, plant and equipment: 332,356 million yen

(3) Guarantee obligations

Guarantee for loans from financial institutions: 3,433 million yen

(4) Monetary receivables from and monetary obligations to subsidiaries and affiliates

Short-term monetary receivables: 29,323 million yen

Short-term monetary obligations: 24,840 million yen

Long-term monetary receivables: 2,410 million yen

3. Notes to the Non-consolidated Statement of Income

Amount of transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates: 77,072 million yen

Purchase from subsidiaries and affiliates: 29,637 million yen

Transactions with subsidiaries and affiliates other than business transactions

6,917 million yen

4. Notes to the Non-consolidated Statement of Changes in Net Assets

Type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Common stock	8,048,092	10,569,051	1,255	18,615,888

Note: The increase in the number of shares of common stock of treasury stock was due to the purchase of 10,537,000 shares of treasury stock and the purchase of shares constituting less than one unit in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act and of the Articles of Incorporation. The decrease in the number of shares of common stock of treasury stock was due to the sale of shares constituting less than one unit.

5. Notes to Deferred Tax Accounting

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

(Millions of yen)

	As of March 31, 2016
Deferred tax assets	
Allowance for doubtful accounts	4
Provision for retirement benefits	777
Provision for bonuses	459
Loss on liquidation of business	45
Loss on valuation of investment securities	372
Loss on valuation of golf club membership	368
Impairment loss	849
Enterprise tax payable	107
Other	534
Subtotal of deferred tax assets	3,515
Valuation allowance	(1,824)
Total deferred tax assets	1,691
Deferred tax liabilities	
Valuation difference on available-for-sale securities	4,202
Reserve for advanced depreciation of non-current assets	1,696
Total deferred tax liabilities	5,898
Net deferred tax assets (liabilities)	(4,207)

6. Notes concerning Related Party Transactions

Subsidiaries

Type	Company name	Location	Capital or equity	Business	Ownership of voting rights	Relationship: Concurrent positions, etc. of directors	Relationship: Business relationship	Transactions	Transaction amount (Millions of yen)	Account	Balance at the end of the year (Millions of yen)
Subsidiary	Akros Trading Co., Ltd.	Minato-ku, Tokyo	1,200 million yen	Sales of inorganic/ organic industrial products, industrial resins, etc.	68.5% directly owned by the Company	2 directors on loan	The Company sells synthetic rubber products etc. to it.	Sales of the Company's products	26,547	Accounts receivable-trade	7,966
Subsidiary	Denka Singapore Pte., Ltd.	Singapore	69.41 million US dollars	Manufacturing and sales of acetylene black and polystyrene resin, etc.	100% indirectly owned by the Company	1 director on loan	Technology licensing by the Company	Loan guarantee	1,231	-	-
Subsidiary	YK Inoas Co., Ltd.	Bunkyo-ku, Tokyo	100 million yen	Sales of raw materials for industrial applications, civil engineering and construction materials, and interior materials	100% directly owned by the Company	4 directors on loan	The Company sells synthetic resin products, civil engineering and construction materials, etc. to it.	Sales of the Company's products	13,374	Accounts receivable-trade	4,348
Subsidiary	DENKA SEIKEN Co., Ltd.	Chuo-ku, Tokyo	1,000 million yen	Manufacturing and sales of vaccines and clinical diagnostic reagents	100% directly owned by the Company	2 directors with a concurrent position at the Company 2 directors on loan	The Company conducts joint research and development	-	-	Deposits received	10,700
Affiliate	TOYO STYRENE Co., Ltd	Minato-ku, Tokyo	5,000 million yen	Manufacturing, processing, and sales of polystyrene resin	50% directly owned by the Company	1 director on loan	The Company supplies its products as raw materials and purchases certain finished products from it.	Sales of the Company's products and purchase of raw materials from the Company	13,156 6,871	Accounts receivable-trade Accounts payable Deposits received	4,266 2,122 4,800

Notes: 1. Transaction amounts do not include consumption taxes, etc. Balance at the end of the year includes consumption taxes, etc.

2. Sales of the Company's products, etc. and purchase of raw materials, etc. are determined in the same manner as for terms of transactions with unrelated parties.

3. The Company provides loan guarantee to Denka Singapore Pte., Ltd. for part of its purchase liabilities.

7. Notes to Per Share Information

(1) Net assets per share: 348.17 yen

(2) Net income per share: 23.74 yen

8. Other Notes

Not applicable

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