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Denka Company Limited

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Securities Code: 4061

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

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

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

### 1. Basic Views

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

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

Specifically, it has introduced an Executive Officer System to speed up its decision-making, and by delegating powers and roles in the execution of business to the Executive Officers, clearly separates the execution of business by Executive Officers and the overseeing and supervision of such execution by the Directors.

Furthermore, it has endeavored to strengthen corporate governance by abolishing special titles for Directors (Senior Managing Director, Managing Director etc.) in principle, thus establishing a system where all Directors can engage in the monitoring and supervision of business execution from an equal standing.

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

In terms of the design of its corporate governance system, the Company has chosen to transition to a Company with Audit & Supervisory Committee. This step is aimed at further strengthening the supervisory function of the Board of Directors, through measures such as placing the Board of Directors’ decision rights with Directors who are Audit & Supervisory Committee Members.

The Company has also established the Nomination & Remuneration Advisory Committee composed of a majority of Outside Directors, as an advisory body to the Board of Directors. This has been done to promote transparent and objective management decisions, as the Board of Directors receives diverse opinions and advice from Outside Directors on important management issues such as those concerning governance, including nominations and remuneration.

These changes will enable the Company to bolster its management structure possessing both proactiveness and prevention.

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

[Principle 3.1 Full Disclosure]

(v) Explanations with respect to the individual appointments, dismissals and nominations of the senior Management and Directors

The reasons for the appointment of internal and outside directors are included in the Reference Documents for General Meetings of Shareholders. As to reasons for the appointment or dismissal of Executive Officers, the Company will consider disclosing the respective career records of new Executive Officers and the reasons for the dismissal of Executive Officers on the Company’s website at the time the appointment or dismissal is resolved by the Board of Directors.

[Principle 1.4 Strategic Shareholdings]

○ Policy concerning strategic shareholdings

The Company holds shares in cases where it judges that doing so is in accordance with the creation of stable business relationships and will maintain and strengthen business alliances in line with growth strategies and contribute to increased corporate value over the medium- to long-term, and it will sell any shares that do not conform to this policy.

○ Examination on strategic shareholdings at the Board of Directors

The Company comprehensively reviews the shares at the Board of Directors meeting in compliance with the above policies from a variety of perspectives, including the financial condition of the issuer of said shares, the value of transactions with the Company and its economic rationality and a comparison with the Company's capital cost. The purpose of holding said shares are stated in the securities report. The Company will continue to review them annually.

As a result of this ongoing review, the Company reduced the number of its strategic shareholding (listed shares) as of March 31, 2021 to approximately two-thirds of that as of March 31, 2016.

○ Standards for exercise of voting rights as to strategic shareholdings

Regarding the exercising of voting rights in relation to shares held as strategic shareholdings, in principle, the Company respects the business policies and strategies of the issuing company. After consideration of the issuing company's management situation by the department in charge of the management of those shares, the Company carefully examines proposals individually from the perspective of whether they will ultimately contribute to increased shareholder value before making its decision for or against the proposals. In the following cases in particular, the Company will enter into dialog with the issuing company as necessary and make a careful decision as to whether or not it will vote for the proposals:

- (1) in the event that a marked deterioration in the business performance continues for a set period of time;
- (2) in the event of a serious scandal;
- (3) in the event of any other proposal that could cause damage to shareholder value.

[Principle 1.7 Related Party Transactions]

The Company requires, in the Board of Directors Regulations, that the prior consent of the Board of Directors must be obtained for any competing transactions and dealing with the company by Directors and the results must be reported afterwards. In the case of continuing transactions, the results of competing transactions and dealing with the company in the previous fiscal year are reported to the Board of Directors once a year, and prior approval for the current fiscal year is sought. Also, related party transactions are determined in the same way as general transaction terms, and are disclosed in the notes to financial statements and securities reports in accordance with laws and regulations.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has adopted a defined benefit corporate pension plan, and management of the reserve for the corporate pension fund is based on the regulations.

Specifically, the Company determines the asset composition ratio in order to achieve the necessary management objectives in accordance with the basic policy for management, and also decides the most appropriate management trustee institution.

The department in charge of managing the corporate pension fund appropriately monitors the management trustee institution with regard to management performance, conflicts of interest and exercise of voting rights.

[Principle 3.1 Full Disclosure]

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

Upon the Company's centenary in 2015, we strove to further promote its corporate culture that encourages taking up challenges within the Group. We also worked to show, internally and externally, our will to rebuild a new Denka by changing the Company's name, updating the corporate logo, as well as establishing a new slogan "Possibility of Chemistry." and the Denka Principles.

In 2016, which marks the Company's 101st anniversary, looking upon the next centennial, we renewed "The Denka Value" corporate philosophy that serves as the basis for the Group's corporate activities.

"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 Value" (Corporate Philosophy)

• The Denka Mission

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

Note: Based on the corporate slogan "Possibility of chemistry"

• 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

(Management Plan)

In November 2017, Denka formulated the new “Denka Value-Up” management plan for the five years from fiscal 2018 to fiscal 2022.

The “Denka Value-Up” management plan is rooted in the basic concepts of safety as No. 1 priority, environmental awareness, fostering and tapping human capital and contributing to the community, all of which are indispensable for continued growth of the Company. We will aim to realize sustainable and sound growth as a “Specialty-Fusion Company,” through new strategies to achieve dramatic growth globally. Following the previous management plan, we will exercise a balance between returns to shareholders that continue commitment to 50% standard for total payout ratio and an investment plan that includes strategic investment, without any excessive accumulation of internal reserves.

Overview of the “Denka Value-Up” management Plan

1. Growth vision

- (1) Become a “Specialty-Fusion Company,” with a strong profile on global markets
- (2) Maintain sustained growth by significantly enhancing productivity through innovative processes
- (3) Secure sound growth through work-style reforms

2. Numerical targets

Fiscal 2017(Results)

Operating income: ¥33.7billion Ratio of operating income:8.5%

Ratio of specialty business\* 49%

Fiscal 2020(Results)

Operating income: ¥34.7billion Ratio of operating income:9.8%

Ratio of specialty business\* 97%

Fiscal 2022 \*Definition

Operating income :¥50.0billion Ratio of operating income:13%

Ratio of specialty business\* 83%

\* “Specialty” refers to a business that combines a distinctive nature with high added value, is not easily influenced by external conditions, and has a leading share of its market, as well as businesses with great near-term potential (businesses that have become specialized by fusing new specialty grades and solutions in the healthcare, environment/energy, high value-added infrastructure and basic businesses).

3. Growth strategies

(1) Business portfolio shift

1) Accelerate the expansion of our specialty businesses

Concentrate management resources on three priority areas (Healthcare, The environment and energy, High-value-added infrastructure), and meet numerical targets through aggressive strategic investment (including M&A and business alliances, stepped up R&D and focused human resource policy).

2) Specialize our key businesses

3) Redefine the positioning of the commodity businesses

(2) Introduction of Innovative processes

Rather than adhering to precedent, proactively work to introduce cutting-edge ICT technologies, drill down to truly essential processes and promote standardization of processes, to achieve dramatic improvements in productivity, create new businesses, execute work-style reforms and promote diversity

1) Production process reforms

2) R&D process reforms

3) Operational process reforms

4. Investment Plan

Total for five years: ¥200.0 billion

Of this strategic investment: ¥ 75.0 billion (¥15.0 billion/year)

Of this Regular investment: ¥125.0 billion (¥25.0 billion/year)

5. Shareholder returns

Continued commitment to 50% standard for total payout ratio

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

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

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code  
Please refer to 1.1 “Basic Views” in this report.

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

Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee) shall be in accordance with each Director’s roles and responsibilities, and shall be determined by the Board of Directors after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee, and set forth in internal regulations, in order to enhance objectivity and transparency.

The structure of Directors’ remuneration (excluding Directors who are Audit & Supervisory Committee) shall, in addition to a fixed monthly amount of basic remuneration, consist of performance-linked cash remuneration, designed to increase motivation to improve the financial results for each fiscal year, and stock remuneration, designed to increase motivation to contribute to improving medium- and long-term performance and enhancing corporate value. These function as sound incentives to maintain growth.

However, in view of the duties performed by Outside Directors and non-executive Directors, remuneration for these Directors shall consist solely of basic remuneration.

The total amount of performance-linked remuneration shall be determined with reference to consolidated operating income, a key indicator under the Company’s management plan. However, if consolidated operating income is below a certain level, or a massive extraordinary loss is recorded, or if a serious compliance breach has occurred, then no payment shall be made, or the payment amount shall be reduced.

Remuneration for Directors who are Audit & Supervisory Committee Members consists only of a fixed monthly amount, determined within the total amount resolved by the General Meeting of Shareholders.

## 2. Executive Officers

Remuneration for Executive Officers shall be in accordance with each Executive Officer’s roles and responsibilities, and shall be determined by the Board of Directors after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee, and set forth in internal regulations, in order to enhance objectivity and transparency.

The structure of Executive Officers’ remuneration shall, in addition to a fixed monthly amount of basic remuneration, consist of performance-linked cash remuneration, designed to increase motivation to improve the financial results for each fiscal year. These function as sound incentives to maintain growth.

The total amount of performance-linked remuneration shall be determined with reference to consolidated operating income, a key indicator under the Company’s management plan. However, if consolidated operating income is below a certain level, or a massive extraordinary loss is recorded, or if a serious compliance breach has occurred, then no payment shall be made, or the payment amount shall be reduced.

(iv) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of candidates for Directors

The Company, in nominating candidates for Directors, selects personnel who have abundant experience and great insight in their respective fields and also are expected to contribute to enhancing the Company’s corporate value. Those candidates are proposed by the President who is the Representative Director, and deliberated and decided by the Board of Directors after having received reports and suggestions from the Nomination & Remuneration Advisory Committee.

In appointing Executive Officers, candidates are proposed by the President who is the Representative Director and the Board of Directors then deliberates on the candidates and decides in accordance with the appointment criteria set out in the Executive Officers Regulations (1. Abundant business experience and familiarity with the business of the Company; 2. Excellent management sense; 3. Superior guidance, leadership, vitality and planning abilities; 4. Personality and insight suited to an Executive Officer; and 5. Good physical and mental health) and dismissal of Executive Officers will be deliberated and determined by the Board of Directors, with a draft prepared by the Representative Director in accordance with each of the dismissal criteria set out in the Executive Officers Regulations (1. when there is an act that damages the Company’s credibility and honor; 2. when the Company’s trade secrets or technical secrets have been leaked; 3. when the Company has been damaged as the result of willful intent or gross negligence; 4. when the President’s instructions are not followed for no logical reason; 5. when there is a sharp slump in business results; and 6. when there is any other adverse act equivalent to the preceding 1. to 5.), after having received reports and suggestions from the Nomination & Remuneration Advisory Committee.

[Supplementary Principle 4.1.1 Scope of Delegation to Management]

After review of the role of the Board of Directors, the Company clearly positioned the role of Board of Directors as a body with decision-making function and supervisory function for management. The execution of business has been delegated to the respective Executive Officers, except for important business

executions. Matters to be resolved by the Board of Directors, including basic policies regarding corporate management and other important matters relating to business execution, are clearly set forth in the Board of Directors Regulations. In accordance with the Regulations, the Board of Directors oversees and supervises the execution of business. In addition, the Board of Directors resolves on the assignment of duties and authority of the Executive Officers responsible for business execution. As well as delegating business execution to Executive Officers within that scope, the Board of Directors receives reports on the status of their execution of business.

The Company has also established the Management Committee composed of Directors (including Directors who are Audit & Supervisory Committee Members) and some Executive Officers, with the aim of engaging in deliberation and discussion on important management issues. With the Executive Officer responsible for each item participating in discussions on that item, the Company is pursuing more efficient discussions and swifter decision-making on important management matters.

[Principle 4.8 Effective Use of Independent Outside Directors]

The Company considers that it is necessary to appoint Independent Outside Directors to comprise at least one-third of the Board of Directors, in light of the factors such as the progressive globalization and computerization of the management environment. Based on this policy, currently four (44.4%) of the Company's 9 Directors are Outside Directors (including Outside Directors who are Audit & Supervisory Committee Members).

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

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

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

○Independence standards for Outside Directors

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

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

(2) A consultant, accountant, lawyer or the like who has received money or other property from the Company

exceeding a yearly amount of 10 million yen, other than officer's remuneration, in the most recent fiscal year.

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

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

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

(excluding immaterial persons):

1. A person falling under items (1) to (4) above;

2. A person who is currently, or was within the period of the past year, an operating officer at the Company or a subsidiary of the Company;

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

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

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

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

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

The Company's Board of Directors is currently composed of 9 Directors, including five Directors from within the Company (of whom one is Audit & Supervisory Committee Member) and four Outside Directors (of whom three are Audit & Supervisory Committee Members). However, in terms of the transparency and soundness of management, the Company considers it appropriate to increase the number of Directors to 15

(including six Directors who are Audit & Supervisory Committee Members). The Company believes it is important for the Board of Directors as a whole to have an appropriate size and to be diverse in terms of gender and international background and other factors. This will be achieved by appointing Directors who possess sufficient specialized knowledge and practical experience in each of the Company's business and support divisions from within the Company, as well as Outside Directors who possess a high level of specialization and broad knowledge.

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

[Supplementary Principle 4.11.2 Status of Concurrent Position of Officers held at Other Listed Companies by Directors]

The status of concurrent positions of officers held at other listed companies by the Company's Directors are stated in the Reference Documents and Business Reports for General Meeting of Shareholders every year.

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

(1) Method of Evaluation

Following last year, the Company analyzed and evaluated the effectiveness of the Board of Directors by having individual Directors and Audit & Supervisory Board Members to complete the "Self Evaluation Questionnaire," which covers items related to the effectiveness of the Board of Directors, such as scale, composition, operation, and 20 other items, and discussing the questionnaire results at Board of Directors meetings.

(2) Summary of Evaluation Results and Future Efforts

The Company confirmed the appropriateness of the frequency and duration of the Board of Directors meetings, and a holding method of the meetings amid the COVID-19 crisis, and that optimization has been seen in the composition of the Board of Directors (in terms of achieving the right balance of expertise, experience, ability and diversity). It also confirmed that the Board of Directors, composed of a 42% proportion of Independent Outside Directors, engage in appropriate monitoring and supervision of management.

In addition, the Company reviewed resolution criteria at the Board of Directors meetings, which was raised as an issue last year. As a result of this review, the Company shared the understanding that more time had been secured for the discussion of matters of greater importance. In addition, regarding the operation of a Company with Audit & Supervisory Committee, it was confirmed that the operation achieved stability in its second year since the transition.

At the same time, however, some expressed the opinion that the Board of Directors should divert the time saved by adopting stricter resolution criteria to monitoring whether the executive team is steadily implementing the long-term business strategy and individual business strategy, as well as take measures such as having discussions on amendments as needed.

Furthermore, the Board of Directors shared the understanding that it is necessary to establish a Board operation system in which the Board of Directors can focus more on monitoring, supervising and giving advice on the status of the execution of business under a new, streamlined corporate structure. It was also recognized that the Nomination & Remuneration Advisory Committee shall be further utilized in order for the Board to more proactively engage in the establishment and implementation of a succession plan.

Looking ahead, in light of these constructive opinions, we will take steps to further improve the effectiveness of the Board of Directors, aiming to improve medium-to-long-term corporate value, and respond to the expectations and trust of our shareholders and numerous other stakeholders.

[Supplementary Principle 4.14.2 Training policy for Directors]

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

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

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

endeavoring to provide explanations.

- (i) The Corporate Communications Department and the Administrative Department are the points of contact for responding to shareholders and investors, and actions are taken under the supervision of the Executive Officer in charge.
- (ii) Related departments actively cooperate in information sharing and other measures in order to provide timely and appropriate disclosure of information.
- (iii) Results briefings for share analysts and institutional investors, as well as business briefings and tours of the Company's plants are held as appropriate to promote fuller understanding of its business structures, management plans and results by shareholders and investors. Also, yearly corporate briefings are held for individual investors.
- (iv) Opinions and matters of concern communicated during dialogue with shareholders and investors are reported as appropriate to the Executive Officers in charge and, if necessary, to the Board of Directors.
- (v) The Company has established Regulations on Insider Information Management and Prevention of Insider Trading as measures for the management of insider information, and conducts appropriate information management based on these regulations.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	114,701	13.29
Custody Bank of Japan, Ltd. (Trust Account)	73,101	8.47
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Mizuho Bank Account (Account re-entrusted by Custody Bank of Japan, Ltd.)	32,158	3.73
National Mutual Insurance Federation of Agricultural Cooperatives	29,007	3.36
TAIJU LIFE INSURANCE COMPANY LIMITED	23,816	2.76
SSBTC CLIENT OMNIBUS ACCOUNT	14,197	1.65
Mitsui Sumitomo Insurance Company, Limited	13,832	1.60
Japan Post Insurance Co., Ltd.	13,800	1.60
THE BANK OF NEW YORK MELLON 140044	13,473	1.56
STATE STREET BANK AND TRUST COMPANY 505001	12,990	1.51

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

### Supplementary Explanation

1. 2,276,151 shares of treasure stock have been excluded from the above list of major shareholders.
2. Although a Report on Changes regarding Large-Scale Holdings which include two joint holder companies was filed with the Director-General of the Kanto Finance Bureau on November 20, 2020 (the date on which reporting obligations accrue: November 13, 2020) by Mizuho Bank, Ltd, as the actual holding status as of the end of the current fiscal year has not been confirmed, such holdings are not included in the above Status of Major Shareholders.
3. Although a Report on Changes regarding Large-Scale Holdings which include two joint holder companies was filed with the Director-General of the Kanto Finance Bureau on January 6, 2021 (the date on which reporting obligations accrue: December 28, 2020) by Nomura Securities Co.,Ltd. as the actual holding status as of the end of the current fiscal year has not been confirmed, such holdings are not included in the above Status of Major Shareholders.

### 3. Corporate Attributes

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

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

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

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

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (except when concurrently serving President)
Number of Directors Updated	9
Number of Outside Directors Updated	4
Number of Independent Directors Updated	4

#### Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Fukuda Yoshiyuki	From another company								△			
Toshio Kinoshita	CPA											
Akio Yamamoto	From another company					△						
Miyuki Matoba	Lawyer											



- \* Categories for “Relationship with the Company”
- \* ”○” when the director presently falls or has recently fallen under the category;  
“△” when the director fell under the category in the past
- \* “●” when a close relative of the director presently falls or has recently fallen under the category;  
“▲” when a close relative of the director fell under the category in the past

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

Outside Directors’ Relationship with the Company (2) **Updated**

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshiyuki Fukuda		○	Mr. Yoshiyuki Fukuda served as an operating officer (Managing Executive Officer) at Mizuho Corporate Bank (present Mizuho Bank, Ltd.), until March, 2013, which is one of our business partners. Although the Company has debts from the said bank, the ratio of debts to the Company’s total assets is approximately 30%, and the debt from the said bank accounts for 10% or less of the Company’s total debts.	Having worked in corporate management at financial institutions for many years, Mr. Yoshiyuki Fukuda has rich experience and broad insight as a manager and possesses advanced insights regarding corporate finance, and to utilize these insights and receive recommendations toward the Company’s overall management, the Company has elected him as an Outside Director and appointed him as an independent officer in the expectation that he would utilize his knowledge in providing suggestions about the management in general. Although the category “h” above applies to him, the Company deems that his independence as an independent officer is not questionable because 1) he is not a current or a recent operating officer of the said financial institution; 2) a significant number of years have passed since he retired from the said financial institution (eight years have passed since his retirement as of the date this report was submitted; 3) the composition of borrowings relative to net assets of the Company is low at approximately 30%, and the Company’s dependency on the said financial institution is low as it

				accounts for less than 10% of overall borrowings; and 4) he satisfies the Company's "Standards of Independence for Outside Directors" and thus, the Company considers that the said financial institution has no special impact on the Company's decision-making by the Board of Directors, etc.
Toshio Kinoshita	○	○	Not applicable	<p>Mr. Toshio Kinoshita has experience and rich accounting knowledge gained as a certified public accountant who practiced in Japan and the U.S. for many years and is well versed in international accounting. The Company has appointed Mr. Kinoshita as an Outside Director who is an Audit &amp; Supervisory Committee Member, and designated him an independent officer, in the expectation that he will utilize his knowledge in supervision and audit of the Company's management.</p> <p>The Company deems that his independence as an independent officer is not questionable because 1) none of the categories above (a through k) applies to him; 2) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.</p>
Akio Yamamoto	○	○	<p>Mr. Akio Yamamoto served as an operating officer (President and Chief Executive Officer) at Mitsui &amp; Co. Plastics Ltd. until June, 2014, which is one of our main business partners. The Company engages in product sales transactions with the said company, and the transaction amount accounts for 4.6% of the Company's total sales.</p>	<p>Mr. Akio Yamamoto has abundant experience and great insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career includes serving as a Managing Officer at MITSUI &amp; CO., LTD., and the President and Chief Executive Officer at Mitsui &amp; Co. Plastic Ltd. He also has abundant international experience, including serving as a vice president at global enterprises. The Company has elected him as an Outside Director who is an Audit &amp; Supervisory Committee Member, and designated him an independent officer, in the expectation that he will utilize his knowledge in supervision and audit of the Company's management.</p> <p>Although the category "e" above applies to him, the Company deems that his independence as an independent officer is not questionable because 1) he is not a current or a recent operating officer of the said company; 2) although the Company's sales to the said company account for 4.6% 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</p>

				services offered by its trading company function and the amount of commission paid is modest (less than 2% of the said company's net sales); 3) he satisfies the Company's "Standards of Independence for Outside Directors" 4)currently no material interest exists between the said company and Mr. Akio Yamamoto, and thus, the Company considers that the said company has no special impact on the Company's decision-making by the Board of Directors etc.; and 5) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.
Miyuki Matoba	○	○	Not applicable	Ms. Miyuki Matoba has abundant legal knowledge acquired over many years as a lawyer. The Company has appointed Ms. Matoba be elected as an Outside Director who is an Audit & Supervisory Committee Member, and designated her an independent officer, in the expectation that she will utilize her knowledge in supervision and audit of the company's management. The Company deems that his independence as an independent officer is not questionable because 1) none of the categories above (a through k) applies to him; 2) the Company considers that there is no risk that conflict of interest will arise with other general shareholders.

#### [Audit & Supervisory Committee]

##### Committee's Composition and Attributes of Chairperson **Updated**

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed
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##### Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company establishes the Audit & Supervisory Committee Department as an agency to assist the Audit & Supervisory Committee in performing its duties, and assigns at least one employee to the Office full-time, after prior consultation with the Audit & Supervisory Committee.

The Audit & Supervisory Committee Department functions as secretariat for the Audit & Supervisory Committee, and receives orders directly from the Audit & Supervisory Committee.

Evaluations of employees assigned to the Audit & Supervisory Committee Department, and decisions on other related personnel matters, are carried out after prior consultation with the Audit & Supervisory Committee.

##### Cooperation among Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Committee strives to enhance the effectiveness and efficiency of the audit function by receiving regular briefings and reports from the Accounting Auditor on the details of the accounting audit, as well as exchanging information and opinions with the Accounting Auditor as necessary. It also strives to enhance the effectiveness and efficiency of the audit function by auditing the operational execution of the Internal Control Department, as well as exchanging information and opinions with the Internal Control Department as necessary.

**[Voluntary Establishment of Nomination/Remuneration Committee]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson **Updated**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination & Remuneration Advisory Committee	Nomination & Remuneration Advisory Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

The Company has also established the Nomination & Remuneration Advisory Committee composed of a majority of Outside Directors, as an advisory body to the Board of Directors. This has been done to promote transparent and objective management decisions, as the Board of Directors receives diverse opinions and advice from Outside Directors on important management issues such as those concerning governance, including nominations and remuneration

**[Independent Directors] Updated**

Number of Independent Directors	4
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Matters relating to Independent Directors

The Company has appointed all outside officers who are eligible for independent directors (four Outside Directors) as independent directors.

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

The Company has adopted a directors’ bonus program to provide incentives to Directors(Excluding Directors who are Audit & Supervisory Committee Members).

Recipients of Stock Options	
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration

No Individual Disclosure

Remuneration for Directors of the Company is disclosed in the Business Report.

Category	Number of persons	Amount of remuneration, etc. (Millions of yen)	Breakdown					
			Cash remuneration				Stock remuneration	
			Basic remuneration		Performance-linked remuneration			
			Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors (excluding Directors who are Audit & Supervisory Committee Members) (of which Outside Directors)	7 (2)	349 (24)	7 (2)	285 (24)	5 (-)	42 (-)	5 (-)	21 (-)
Directors (Audit & Supervisory Committee Members) (of which Outside Directors)	5 (3)	91 (36)	5 (3)	91 (36)	- (-)	- (-)	- (-)	- (-)
Total (of which Outside Directors)	12 (5)	441 (60)	12 (5)	376 (60)	5 (-)	42 (-)	5 (-)	21 (-)

Notes: 1. The maximum amount of cash compensation remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is ¥490 million per year (of which the maximum amount of remuneration for Outside Directors is ¥40 million, excluding the portions of their salaries as employees) as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 5 Directors (excluding Directors who are Audit & Supervisory Committee Members), including 1 Outside Director, as of the conclusion of the 162th Ordinary General Meeting of Shareholders.

2. The maximum amount of remuneration for Directors who are Audit & Supervisory Committee Members is ¥166 million per year as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 4 Directors who are Audit & Supervisory Committee Members as of the conclusion of the 162th Ordinary General Meeting of Shareholders.

3. Regarding the amount of stock remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors), the maximum amount of cash to be contributed by the Company is ¥40 million per year, and the maximum number of points to be awarded to Directors is 110,000 points per year, as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 5 Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors) as of the conclusion of the 162th Ordinary General Meeting of Shareholders.

4. The total amount of stock remuneration is the amount of expenses recorded for the fiscal year under review for the stock remuneration plan that allots shares of the Company (a stock remuneration plan wherein a trust established by the Company makes acquisitions using funds contributed by the Company, and shares of the Company and cash equivalent to the disposal conversion amount of the Company's shares are allotted to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) through said trust).
5. The amount of performance-linked remuneration paid is determined with reference to the consolidated operating income for each fiscal year. If consolidated operating income is below a certain level, or if a serious compliance breach has occurred, then no payment is made, or the payment amount is reduced. The reason why consolidated operating income has been selected as an index is because it is a key indicator in the Company's management plan. The trend in operating income for fiscal 2020 and other years is presented in 1. (6) Financial Position and Results of Operations.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Board of Directors (excluding Directors who are Audit & Supervisory Committee) of the Company has decided on the following policy for determining remuneration and other payments to individual Directors (hereinafter referred to as the "Decision Policy"), after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee.

Remuneration for Directors who are Audit & Supervisory Committee Members consists only of a fixed monthly amount, determined within the total amount resolved by the General Meeting of Shareholders.

##### 1. Basic Policy

Remuneration for individual Directors (excluding Directors who are Audit & Supervisory Committee Members; the same applies hereinafter) shall be in accordance with each Director's roles and responsibilities, and shall be determined by the Board of Directors after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee, and set forth in internal regulations, in order to enhance objectivity and transparency.

The structure of Directors' remuneration shall, in addition to a fixed monthly amount of basic remuneration, consist of performance-linked cash remuneration, designed to increase motivation to improve the financial results for each fiscal year, and stock remuneration, designed to increase motivation to contribute to improving medium- and long-term performance and enhancing corporate value. These function as sound incentives to maintain growth. However, in view of the duties performed by Outside Directors and non-executive Directors, remuneration for these Directors shall consist solely of basic remuneration.

##### 2. Policy on the determination of remuneration and other payments to individual Directors

i) Policy on the determination of the amount and calculation method of basic cash remuneration. Basic remuneration shall be determined in accordance with each Director's roles and responsibilities, taking into consideration factors such as the level of employee pay. It shall be paid in a fixed amount every month.

ii) Policy on the determination of the performance indicators, amount and calculation method of performance-linked cash remuneration. The total amount of performance-linked remuneration shall be determined with reference to consolidated operating income, a key indicator under the Company's management plan. It shall then be allotted in accordance with each Director's roles and responsibilities, and paid promptly after the financial results are finalized. However, if consolidated operating income is below a certain level, or a massive extraordinary loss is recorded, or if a serious compliance breach has occurred, then no payment shall be made, or the payment amount shall be reduced.

iii) Policy on the determination of the details, amount and calculation method of stock remuneration. The stock remuneration scheme shall utilize a trust structure. Points shall be granted to Directors each month in accordance with rank, based on stock delivery regulation established by the Company, and shares of the Company's stock shall be delivered to Directors through the trust on retirement, based on the number of points they have accumulated. The

maximum amount of money to be contributed by the Company to the trust for the purpose of delivering the Company's shares to Directors shall be ¥40 million per year.

iv) Policy on the determination of the proportions of the total amount of remuneration paid as basic remuneration, performance-linked remuneration, and stock remuneration No policy is established specifically to determine the proportion of Directors' remuneration to be paid as basic remuneration, performance-linked remuneration, and stock remuneration. However, if the operating income target under the management plan is achieved, then the proportions will be approximately 70%, 20% and 10% respectively.

v) Method used to determine remuneration and other payments to individual Directors The details of remuneration and other payments to individual Directors shall be determined by the Board of Directors, after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee, and set forth in internal regulations.

#### [Supporting System for Outside Directors]

The Company has established the Audit & Supervisory Committee Department as an agency to assist Outside Directors who are Audit & Supervisory Committee members in performing their duties, and assigns at least one employee to the Office full-time, after prior consultation with the Audit & Supervisory Committee.

And then, to allow sufficient time for examination so that vigorous debate can take place on the day of the meeting, materials for Board of Directors meetings are distributed in advance. This includes ensuring that materials relating to agenda items to be resolved are distributed to Directors including Outside Directors. In addition, the Company explains to Outside Officers in advance.

#### [Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.) **Updated**

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Toshio Hiruma	Honorary Advisor	<ul style="list-style-type: none"> <li>Advice in response to requests from the current management team</li> <li>External activities, including maintaining relationships with customers and other business partners and conducting activities at industry associations.</li> </ul>	Part time without compensation	March 31, 2008	Unspecified
Yoshitaka shinsuke	Senior Corporate Advisor	<ul style="list-style-type: none"> <li>Advice in response to requests from the current management team</li> <li>External activities, including maintaining relationships with customers and other business partners and conducting activities at industry associations.</li> </ul>	Part time with compensation	March 31, 2021	specified

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

2

**Updated**

- Advisors and Counselors are not involved in any management decision-making.
- Regulations relating to Advisors and Counselors are decided by the Nomination & Remuneration Advisory Committee comprising mainly Outside Officers.
- The Company decided to abolish the office of Counselor as of April 1, 2021 after advising by the Nomination & Remuneration Advisory Committee held at February 2021.

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

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

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

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

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

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

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

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

The Company has established the Nomination & Remuneration Advisory Committee composed of a majority of Outside Directors, as an advisory body to the Board of Directors. This has been done to promote transparent and objective management decisions, as the Board of Directors receives diverse opinions and advice from Outside Directors on important management issues such as those concerning governance, including nominations and remuneration.

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

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

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

The Company has also established the Management Committee composed of Directors (including Directors who are Audit & Supervisory Committee Members) and some Executive Officers, with the aim of engaging in deliberation and discussion on important management issues. With the Executive Officer responsible for each item participating in discussions on that item, the Company is pursuing more efficient discussions and swifter decision-making on important management matters.

Concerning individual important matters, such as budget formulation and capital investment, the Company set up deliberative councils or special committees by function, where professional and efficient discussion is held.

### 3. Auditing function (Audit & Supervisory Committee, Internal Control Department, and Accounting Audits)

As of the filing day of this report, the Company has appointed four Directors who are Audit & Supervisory Committee Members (of whom three are Outside Directors) to compose the Audit & Supervisory Committee. The Audit & Supervisory Committee audits the execution of duties by Directors from an independent position, including the completeness and implementation of internal control systems, through investigations



into the status of the execution of duties such as attending important Company and other meetings, receiving reports from Directors, and inspecting important documents.

The three Outside Directors who are Audit & Supervisory Committee Members are all designated as independent officers, and have been appointed in the expectation that in their roles they will utilize their professional insight and external perspectives in the Company's audit structure.

The Audit & Supervisory Committee meetings are held once each month to audit the business execution of Directors (excluding Directors who are Audit & Supervisory Committee Members). In addition, divisional report meetings are held as required to audit the status of business execution.

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

The Company establishes the Audit & Supervisory Committee Department as an agency to assist the Audit & Supervisory Committee in performing its duties, and assigns at least one employee to the Office full-time, after prior consultation with the Audit & Supervisory Committee.

As to accounting audits, the Company has appointed Ernst & Young ShinNihon LLC as its Accounting Auditor (appointed on June 28, 2007), and has received audits by the accounting corporation. The certified public accountants who engage in the accounting audits for the Company are as follows. In addition, there are around thirty-five assistants, including certified public accountants, engaging in the accounting audits for the Company.

Designated Limited Liability Partner: Certified Public Accountant	Mineo Kambayashi
Designated Limited Liability Partner: Certified Public Accountant	Honda Shigeyuki
Designated Limited Liability Partner: Certified Public Accountant	Yasuyuki Kitamura

### 3. Reasons for Adoption of Current Corporate Governance System

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

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

## III. Implementation of Measures for Shareholders and Other Stakeholders

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

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

## 2. IR Activities

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

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Denka Group Ethics Policy provides the policy to pay due respect to the stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	In order to engage more actively in CSR activities, the Company has established the Corporate Planning Department and issues a Denka Report (Integrated Report) once a year, which is posted on the Company's website.

## IV. Matters Related to the Internal Control System

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

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

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

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

The Audit & Supervisory Committee audits the execution of duties by Directors from an independent position, including the completeness and implementation of internal control systems, through investigations such as attending important Company and other meetings, receiving reports from Directors, and inspecting 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 Control Department as a dedicated department that conducts comprehensive internal auditing. In addition, regarding specialized or specific fields, business units and various committees provide education on compliance with rules and regulations and audit compliance statuses according to functions and report to the responsible officers, as necessary.

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

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

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

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

## 3. Rules and other systems for management of risk of loss

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

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

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

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

The Company establishes the Management Committee composed of Directors (excluding Directors who are Audit & Supervisory Committee), but distinct from the Board of Directors which is a decision-making body, to enhance the efficiency and speed of debate on important management matters, by including the participation of the Executive Officer responsible for each item in discussions on that item.

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

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

## 5. Systems to ensure the appropriateness of operations of the Group

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

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

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

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

Regarding execution of 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.

### (2) 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.

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

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

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

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

The Company establishes the Denka Group Ethics Policy applicable to the Group, including to subsidiaries, and encourages all the officers and employees of subsidiaries to ensure compliance with laws and regulations.

At the same time, the Company manages subsidiaries in accordance with the Job Descriptions for Management of Affiliated Companies.

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

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

6. Systems related to, items related to securing the effectiveness of instructions given to, and items related to independence of employee from the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) if the Audit & Supervisory Committee should request the assignment of this employee to assist in its duties,

The Company establishes the Audit & Supervisory Committee Department as an agency to assist the Audit & Supervisory Committee in performing its duties, and assigns at least one employee to the Office full-time, after prior consultation with the Audit & Supervisory Committee.

The Audit & Supervisory Committee Department functions as secretariat for the Audit & Supervisory Committee, and receives orders directly from the Audit & Supervisory Committee.

Evaluations of employees assigned to the Audit & Supervisory Committee Department, and decisions on other related personnel matters, are carried out after prior consultation with the Audit & Supervisory Committee.

7. Systems for reporting to the Audit & Supervisory Committee by Directors (excluding Directors who are Audit & Supervisory Committee Members of the company) and employees etc. of the Company and its subsidiaries, other systems for reporting to the Audit & Supervisory Committee, and systems to ensure that those who report to the Audit & Supervisory committee do not receive unfavorable treatment because of their report

Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and employees of the Company and its subsidiaries report on the work for which they are responsible, by division or subsidiary, regularly or whenever necessary in accordance with directions or requests from the Audit & Supervisory Committee. In addition, when a situation arises that causes, or may cause, significant damage to the Company Group, they must report it immediately to Audit & Supervisory Committee, either directly or indirectly through the line of command or whistleblower system.

The Internal Control Department regularly reports to the Audit & Supervisory Committee on the results of internal audits of the Company and its subsidiaries.

The Company establishes a whistleblower system, a system for officers and employees at the Company and its subsidiaries to report non-compliant conduct. The Audit & Supervisory Committee Department is designated as one of the points of contact for reports under the whistleblower system. If non-compliant conduct is reported to the Audit & Supervisory Committee Department or other point of contact, the details are then reported to the Audit & Supervisory Committee.

The Denka Group Ethics Policy stipulates that those who report non-compliant conduct through the whistleblower system or other means shall not receive unfavorable treatment because of their report.

8. Systems for ensuring the effective operation of audits by the Audit & Supervisory Committee, and policies regarding the processing of costs etc. associated with execution of duties by Audit & Supervisory Committee Members

In order to prevent any impediment to the execution of duties by Audit & Supervisory Committee Members, Directors shall not only secure the necessary budget for expenses, but also ensure prompt payment of expenses and debts related to claims made under Article 399-2, Item 4 of the Companies Act, except where it has been recognized that such expenses and debts are not necessary for the execution of duties by the relevant Audit & Supervisory Committee Members.

Company divisions engaged in internal audits, such as the Internal Control Department, shall coordinate with audits by the Audit & Supervisory Committee, and cooperate to enhance their mutual operational efficiency.

## 2. Basic Views on Eliminating Anti-Social Forces

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

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

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

The following matters were decided at a meeting of the Board of Directors of the Company

Under the Company's corporate philosophy, the "The Denka Value", the Company strives to strengthen its business foundation by improving its earning power and expanding the scope of operations, while making every effort to continue being a company that can win the trust and sympathy of society, and in so doing working to improve the Company's corporate value and the common interests of the shareholders from a medium- to long-term perspective. Also, under this basic policy, the management plan "Denka Value-Up" (5 years from fiscal 2018), has been formulated, to strive for the realization of continuous and sound growth. The Company has not established so-called takeover defense countermeasures, but certain large scale purchases that may damage corporate value and large scale purchases where sufficient information or time may not be provided to shareholders in order to consider whether it should accept or reject such a purchase attempt, within the scope permitted by laws and regulations, regulations of financial instruments exchanges etc., appropriate interactions are taken in order to prevent damage to the Company's corporate value and the common interests of its shareholders.

### 2. Other Matters Concerning to Corporate Governance System

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

#### [Outline of Timely Disclosure System]

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

#### 1. Decisions by the Company and Financial Results Information

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

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

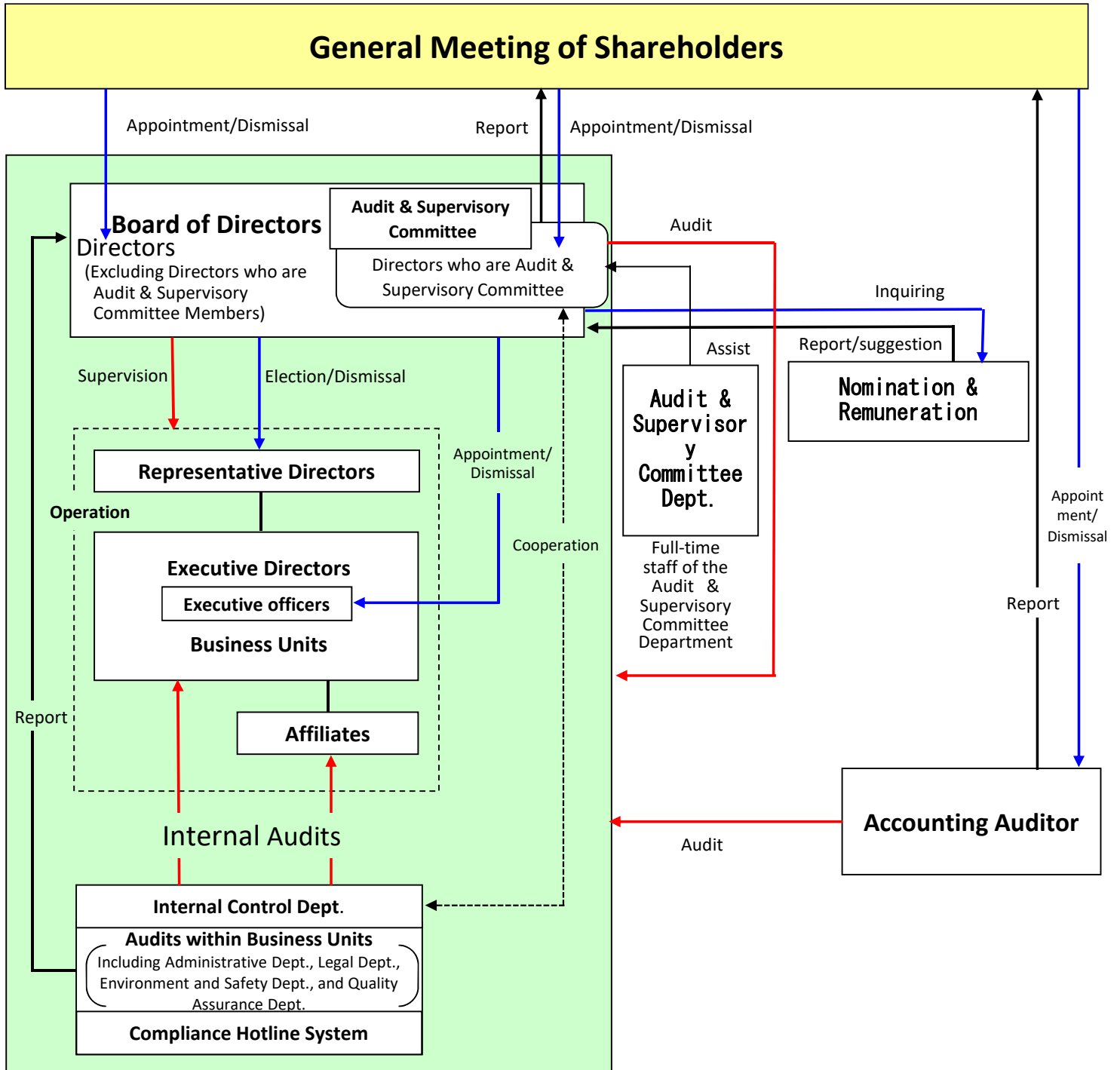
With regard to financial results information, they are reported to the Director and President from the Accounting & Finance Department, and the person responsible for information handling discloses the relevant information without delay after approval of the Board of Directors.

#### 2. Facts which occurred for the Company

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

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

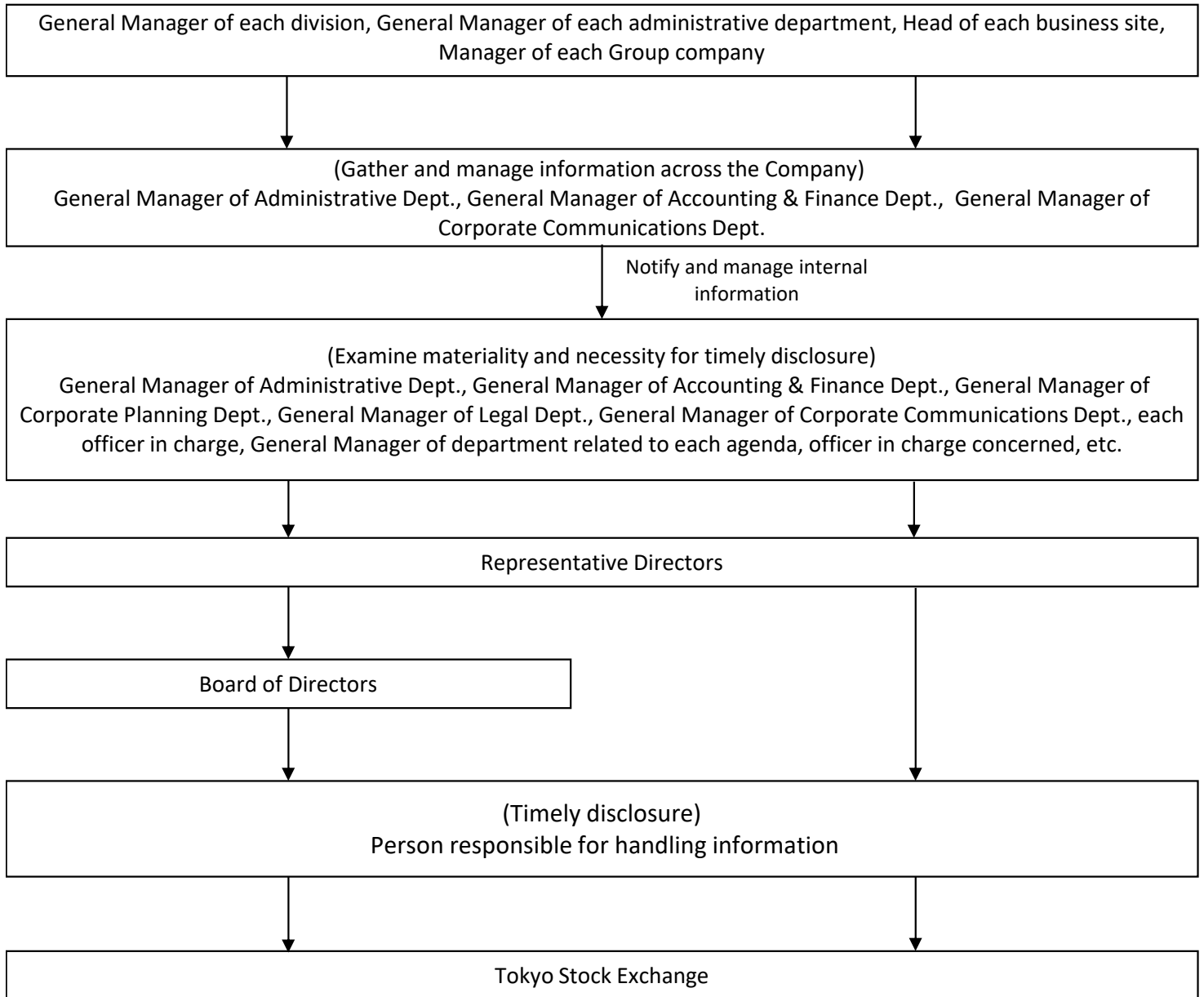
(Attachment 1) Internal corporate structure of Corporate Governance System including Outline of Internal Control System



**(Attachment 2) Internal corporate structure of Timely Disclosure System**

< Decisions by the Company and Financial Results Information >

< Facts which occurred for the Company >



Disclosure of decisions by the Company and financial results information

Disclosure of facts which occurred for the Company