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

**NOTICE OF CONVOCATION OF  
THE 164TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Thursday, June 22, 2023 at 10:00 a.m.

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

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Five (5) Directors (Excluding Directors who are Audit Committee Members)

Proposal No. 3: Election of Four (4) Directors who are Audit Committee Members

Please exercise your voting rights in writing or via the Internet by  
5:00 p.m. on Wednesday, June 21, 2023.

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

## Message from the Management To Our Shareholders

We will execute our new management plan, “Mission 2030,” and with the aim of “making the world a better place as specialists in chemistry,” the Group will work as one to take on the challenge of bringing about further transformation.

Enclosed please find the Notice of Convocation of the 164th Ordinary General Meeting of Shareholders.

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

May 31, 2023

Toshio Imai  
Representative Director, President

During the fiscal year ended March 31, 2023 (fiscal 2022), the Japanese economy showed signs of recovery as consumer spending and capital investment picked up. However, as commodity prices soared even higher and the yen rapidly depreciated, uncertainty about the future grew. The world economy showed increasing signs of a slowdown, as prices rose in many countries, the Ukraine crisis dragged on, and China’s zero-COVID policy curbed economic activity.

Amid this economic environment, the Group pushed ahead with “Business Portfolio Shift” and “Introduction of Innovative Processes,” two strategies set forth in our “Denka Value-Up” five-year management plan launched in fiscal 2018, and focused on expanding businesses and enhancing profitability. Moreover, we designated the past two years up to and including the final year of the plan as an important preparatory period for rapid growth towards the vision of the next management plan. As a first step towards being an indispensable corporate member of society, we engaged in three “Value-Up” initiatives, concerning our business, the environment, and human resources.

As a result, net sales totaled ¥407,559 million, up ¥22,709 million (5.9%) from the previous year. Although demand for some of our core products declined due to the global economic slowdown, we revised our selling prices in response to higher raw material and fuel prices and also benefitted from the weaker yen.

In terms of earnings, although we revised selling prices in response to rising raw material and fuel prices, sales volumes for some mainstay products declined and costs associated with the development of specialty products climbed, resulting in operating income of ¥32,324 million (down ¥7,799 million, or 19.4% year on year) and an operating income ratio of 7.9% (down 2.5 points). Ordinary income was ¥28,025 million (down ¥8,449 million, or 23.2% year on year), and profit attributable to owners of parent was ¥12,768 million (down ¥13,244 million, or 50.9%), reflecting extraordinary losses, including impairment losses on manufacturing facilities due to the decision to withdraw from the cement business as part of the “Business Portfolio Shift,” as well as extraordinary gains from the paring back and sale of strategic stockholdings.

Under our previous management plan, “Denka Value-Up,” which lasted until fiscal 2022, we have been working to execute a “Business Portfolio Shift” by accelerating the growth of our specialty businesses, turning specialty businesses into core businesses, and restructuring our commodity businesses with the aim of becoming a “fusion of highly competitive specialty businesses that are unaffected by the terms of trade.” In addition, we have been focusing on environmental and human resource initiatives to strengthen ESG management. As a result, we have broken our profit records three times in the past five years, and in fiscal 2022 total operating income in the environment and energy field and the healthcare field, our priority fields, was almost double the figure for fiscal 2017, just before we launched “Denka Value-Up.” However, as a result of sluggish profitability in some of our core businesses during the last fiscal year, our earnings unfortunately declined overall, and we still have some way to go to complete the “specialization” of our businesses.

Our new management plan, “Mission 2030,” launched this fiscal year, is based on a newly established vision and the three growth strategies of “business value creation,” “human resources value creation,” and “management value creation,” and with fiscal 2030 as the goal year, is designed to enhance enterprise value through the implementation of initiatives focused on both financial and non-financial areas. In the realm of “business value creation,” the core growth strategy, we have defined businesses that incorporate the three elements of “specialty,” which is backed by our outstanding technologies, “megatrends,” which are the demands of society, and “sustainability,” which is a critical requirement for business operations, as “three-star businesses,” and will be making such businesses the central components of our portfolio. In addition, we aim to become a company where each and every employee can demonstrate empathy and experience self-actualization and growth, and we will be further reinforcing our managerial foundation through the advancement of corporate governance from the perspective of ESG management, thereby enhancing the value of our human resources and management.

With our new vision as the starting point, we will execute our new management plan, “Mission 2030,” and with the aim of “making the world a better place as specialists in chemistry,” the Group will work as one to take on the challenge of bringing about further transformation. We hope we can count on the continued understanding and support of our shareholders in this endeavor.

(Securities Code: 4061)

May 31, 2023

Date of commencement of electronic provision measures

**To Our Shareholders:**

Toshio Imai  
President  
Denka Co., Ltd.  
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF  
THE 164TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 164th Ordinary General Meeting of Shareholders of Denka Co., Ltd. (the “Company”) will be held as described below.

In convening this General Meeting of Shareholders, the Company provides electronically the Reference Documents of the General Meeting of Shareholders and other information (matters subject to the electronic provision measures) as the “Notice of the Convocation of the 164th Ordinary General Meeting of Shareholders” and “Matters Subject to the Electronic Provision Measures (Matters for which Document Delivery is Omitted)” on the Company website. Please access the following website to check the information.

The Company Website

[https://www.denka.co.jp/ir/fact\\_04/](https://www.denka.co.jp/ir/fact_04/) (available in Japanese)

The matters subject to the electronic provision are posted also on the website of the Tokyo Stock Exchange (TSE) as well as the above website. Please access the following TSE website (Listed Company Information Service) and enter the Company’s name Denka or securities code “4061” to search, and select “Basic Information” and “Documents for Public Inspection/PR Information” in order, and check the information.

TSE website (TSE-listed company information)

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting, you may exercise your voting rights in writing by mail (Voting Rights Exercise Form) or via the Internet, etc., as described in the “Guide for Exercise of Voting Rights” (page 5). Please review the Reference Documents for the General Meeting and exercise your voting rights by 5:00 p.m. on Wednesday, June 21, 2023.

- 1. Date and Time:** Thursday, June 22, 2023 at 10:00 a.m.
- 2. Place:** **Nihonbashi Mitsui Hall, COREDO Muromachi 1  
(reception desk on the 4th floor)**  
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

Please also consider viewing the live-streaming of the General Meeting of Shareholders on the day of the meeting. Please refer to the enclosed “Guide for Live-streaming” for details.

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 164th Term (from April 1, 2022 to March 31, 2023) and results of audits by the Accounting Auditor and the Audit Committee of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company’s 164th Term (from April 1, 2022 to March 31, 2023)

**Proposals to be resolved:**

**Proposal No. 1:** Appropriation of Surplus

**Proposal No. 2:** Election of Five (5) Directors (Excluding Directors who are Audit Committee Members)

**Proposal No. 3:** Election of Four (4) Directors who are Audit Committee Members

- Among the matters subject to the electronic provision measures, the following matters are not stated in documents to be delivered to shareholders who make request for the delivery of hard copies, in accordance with the relevant laws and regulations and the provisions of Article 16 of the Article of Incorporation of the Company. Therefore, the documents to be delivered to the shareholders who requested the delivery of the hard copies are a part of the documents audited by the Audit Committee and Accounting Auditor in preparing their Audit Reports.
  - Company's Systems and Policies (Systems to Ensure the Appropriateness of Operations, Operational Status of Systems to Ensure the Appropriateness of Operations, and Basic Policies regarding the Control of the Company) in the Business Report
  - Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements
  - Non-consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements
- In the event of any modification to the matters subject to the electronic provision measures, the Company will post the modification on the Company's website and the TSE's website.

## <Guide for Exercise of Voting Rights>

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

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

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send the completed form to us so that it is received by 5:00 p.m. on Wednesday, June 21, 2023. If no indication of approval or disapproval is made on the Voting Rights Exercise Form, it will be treated as an indication of approval of the Company's proposal.

### **Exercise of Voting Rights via the Internet etc.**

Please access the website for exercising voting rights designated by the Company (<https://www.web54.net>), use the "Voting Rights Exercise Code" and the "Password" indicated on the enclosed Voting Rights Exercise Form, and follow the on-screen guidance. Please vote for or against the proposals by 5:00 p.m. on Wednesday, June 21, 2023.

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

### **● Exercise of Voting Rights by Attending the Meeting**

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

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

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

#### **\*Handling of duplicated exercise of voting rights**

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

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

# Reference Documents for the General Meeting of Shareholders

## Proposal No. 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

### Matters concerning year-end dividends

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

While the Company has formulated an investment plan as we look to achieve these goals, we have also established a “Policy on Shareholder Returns,” with a 50% target total payout ratio.

<Shareholder returns in the management plan “Denka Value-Up”>  
Committed to a 50% standard for the target total payout ratio. \*

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

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

Also, in the new eight-year management plan “Mission 2030” that started in fiscal 2023, we will continue the 50% level of total payout ratio.

With respect to the year-end dividend for the 164th term, in view of the above, the Company proposes the following.

- (1) Type of dividend property  
Cash
- (2) Allocation of dividend property and total amount thereof  
¥30 per share of common stock of the Company  
Total amount of dividends: ¥2,588,272,350
- (3) Effective date of dividends from surplus  
June 23, 2023

(Reference)

Shareholder returns over the five-year period of the “Denka Value-Up” management plan

	FY 2018 160th term	FY 2019 161st term	FY 2020 162nd term	FY 2021 163rd term	FY 2022 164th term	
Net income (Billions of yen)	25.0	22.7	22.8	26.0	12.8	
Annual dividend per share (yen)	120.00	125.00	125.00	145.00	100.00	
Dividends paid (Billions of yen)	10.5	10.8	10.8	12.5	8.6	
Treasury stock purchased (Billions of yen)	2.1	—	—	—	—	
Sum of dividends paid and treasury stock purchased (Billions of yen)	12.6	10.8	10.8	12.5	8.6	<div style="border: 1px solid black; padding: 5px; width: fit-content;">                     5-year cumulative (2018-2022)                       Total payout ratio 50.6%                 </div>
Total payout ratio (%)	50.2%	47.6%	47.3%	48.1%	67.5%	

**Proposal No. 2: Election of Five (5) Directors (Excluding Directors who are Audit Committee Members)**

The terms of office of five (5) Directors (excluding Directors who are Audit Committee Members; hereinafter, the same applies in this proposal) will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of five (5) Directors is proposed.

The candidates for Directors are as follows.

No.	Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Reappointed Manabu Yamamoto	Chairman and Director	15/15 (100%)
2	Reappointed Toshio Imai	Representative Director, President and Chief Executive Officer	15/15 (100%)
3	Reappointed Kazuo Takahashi	Representative Director, Senior Managing Executive Officer Chief Technical Officer (CTO) Chief Compliance Officer (CCO) In charge of Purchasing Dept., Logistics Dept., Production & Process Technology Dept., Engineering Dept., Digital Strategy & Innovation Dept.	15/15 (100%)
4	New appointment Ikuo Ishida	Managing Executive Officer Chief Human Resource Officer (CHRO) Corporate Planning Dept., HR Dept., In charge of Corporate Communications Dept., Denka Corporation, Denka Chemicals GmbH, Chinese Business	-/- (-)
5	Reappointed Outside Independent Director Yoshiyuki Fukuda	Director	15/15 (100%)

Reappointed: Candidate for reappointment as Director

New appointment: Candidate for new appointment as Director

Outside: Candidate for Outside Director

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
1	(Reappointed) Manabu Yamamoto (March 31, 1956) Age: 67 [June 2013] [10 years * at the conclusion of this Ordinary General Meeting of Shareholders]	<p>April 1981      Joined the Company</p> <p>June 2004      General Manager of Functional Ceramics Div. of Electronics Materials Business Group of the Company</p> <p>April 2009      Executive Officer, General Manager of Electronics Materials Div. of Electronics Materials Business Group of the Company</p> <p>April 2011      Senior Executive Officer of the Company</p> <p>April 2013      Managing Executive Officer, Head of Electronics &amp; Innovative Products of the Company</p> <p>June 2013      Director and Managing Executive Officer of the Company</p> <p>April 2015      General Manager of Corporate Planning Dept. of the Company</p> <p>April 2016      Director and Senior Managing Executive Officer of the Company</p> <p>June 2016      Outside Audit &amp; Supervisory Board Member of Koatsu Gas Kogyo Co., Ltd. (until June 2019)</p> <p>April 2017      Representative Director, President and Chief Executive Officer of the Company</p> <p>April 2021      Chairman and Representative Director of the Company</p> <p>April 2023      Chairman and Director of the Company (present)</p>	24,949 (of the shares above, number of shares to be delivered pursuant to stock delivery trust system 12,949)
	Attendance at Board of Directors meetings 15/15 (100%)	<p>[Reasons for selection as a candidate for Director] Through work experience at overseas subsidiaries and many years of responsibility for the electronics materials business division, Mr. Manabu Yamamoto possesses international viewpoints and adequate operational experience. After he supervised new business strategies and accounting and finance strategies across the entire Denka Group as the executive responsible for management strategy, accounting and finance, and investor relations and corporate communications divisions, Mr. Yamamoto promoted “Denka Value-Up” as Representative Director, President. As Chairman and Director, he currently serves in the position of the Chairman of the Board of Directors, based on his deep knowledge and understanding of the Group. The Company has judged that he can appropriately fulfill the role of supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>[Message to shareholders] I will strive for more sophisticated corporate governance that accurately reflects social expectations, by strengthening the effectiveness of management advisory and supervisory function and swifter decision-making through the further revitalization of the Board of Directors, in order to promote “Mission 2030.”</p>	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.



No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
2	(Reappointed)  Toshio Imai (January 25 1959) Age: 64  [June 2019] [4 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1982    Joined the Company October 2006    General Manager, Styrene Div. of the Company June 2011    General Manager, Corporate Planning Dept. of the Company  April 2013    Executive Officer, Assistant to General Manager, Elastomers & Performance Plastics of the Company April 2015    General Manager, Elastomers & Performance Plastics of the Company April 2017    Managing Executive Officer of the Company April 2019    General Manager, Denka Value-Up Promotion Dept. of the Company June 2019    Director and Managing Executive Officer of the Company April 2020    Director and Senior Managing Executive Officer of the Company April 2021    Representative Director, President and Chief Executive Officer of the Company (present)	18,276 (of the shares above, number of shares to be delivered pursuant to stock delivery trust system 6,676)
	Attendance at Board of Directors meetings 15/15 (100%)	[Reasons for selection as a candidate for Director] Mr. Toshio Imai possesses an international perspective and adequate operational experience, including work experience at overseas subsidiaries, and taking responsibility for the styrene and elastomer businesses over many years. After taking charge of business strategy for the Denka Group as a whole, including overseas businesses, as the executive responsible for management strategy and investor relations and corporate communications divisions, he currently serves as Representative Director, President. Based on his rich experience and impressive track record in Company administration, it is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.  [Message to shareholders] In order to realize our “Vision,” I will do my utmost to build a structure that enables all employees to become “specialists in making the world a better place.”	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.		Number of shares of the Company held
3	(Reappointed)  Kazuo Takahashi (March 30, 1960) Age: 63  [June 2021] [2 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1983 October 2013 April 2015 April 2017  April 2019 April 2021 June 2021 April 2023	Joined the Company Deputy General Manager, Chiba Plant of the Company General Manager, Ofuna Plant of the Company Executive Officer, General Manager, Omuta Plant of the Company President of Denka Performance Elastomer LLC Managing Executive Officer of the Company Director and Managing Executive Officer of the Company Representative Director and Senior Managing Executive Officer of the Company (present)	7,863 (of the shares above, number of shares to be delivered pursuant to stock delivery trust system 2,063)
	Attendance at Board of Directors meetings 15/15 (100%)	<p>[Reasons for selection as a candidate for Director] Mr. Kazuo Takahashi possesses adequate operational experience, including work experience in plant manufacturing and overseas subsidiaries. Mr. Takahashi was in charge of business strategy for the Denka Group as a whole, including overseas businesses, as the executive responsible for management strategy, human resources strategy, investor relations, corporate communications and other divisions, and promoted the management plan, "Denka Value-Up." Currently, he oversees technical divisions as Chief Technology Officer, and also assists the President as Representative Director and Senior Managing Executive Officer. It is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>[Message to shareholders] I will do my very best to realize the new management plan "Mission 2030" that started this fiscal year, ensuring consistent respect for stakeholders and rational and appropriate decision-making and actions.</p>		

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.  
2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
4	(New appointment)  Ikuo Ishida (March 7, 1962) Age: 61  [-] [-]	<p>April 1985      Joined the Company</p> <p>April 2009      General Manager, Functional Films Dept., Electronics Materials Div. of Electronics Materials Business Group of the Company</p> <p>October 2011    General Manager, Advanced Fillers Dept., Electronics Materials Business Group of the Company</p> <p>October 2013    General Manager, Advanced Specialty Materials Dept., Electronics &amp; Innovative Products of the Company</p> <p>April 2017      Assistant General Manager, Electronics &amp; Innovative Products of the Company</p> <p>April 2019      Executive Officer and General Manager, Electronics &amp; Innovative Products of the Company</p> <p>April 2023      Managing Executive Officer of the Company (present)</p>	5,100 (of the shares above, number of shares to be delivered pursuant to stock delivery trust system →)
	Attendance at Board of Directors meetings -/- (-)	<p>[Reasons for selection as a candidate for Director] Mr. Ikuo Ishida possesses an international perspective and adequate operational experience, including work experience at overseas subsidiaries and taking responsibility for the electronic materials business division for many years. He currently takes charge of business strategy for the Denka Group as a whole, including overseas businesses, as the executive responsible for management strategy, human resources strategy, investor relations and corporate communications divisions. It is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>[Message to shareholders] I will steadily promote the new management plan "Mission 2030" to achieve sustainable growth even in a drastically changing market environment, and will lead the initiative of specialization of our business and human resources.</p>	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Outside Director since] [Outside Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
5	(Reappointed) (Outside) (Independent Director)  Yoshiyuki Fukuda (September 8, 1956) Age: 66  [June 2021] [2 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1979    Joined The Industrial Bank of Japan, Limited April 2004    General Manager, Business Division No.7 of Mizuho Corporate Bank, Limited March 2006    Executive Officer, General Manager, Corporate Banking Division No.15 of Mizuho Corporate Bank, Limited April 2007    Executive Officer, General Manager, Securities Division of Mizuho Corporate Bank, Limited April 2008    Managing Executive Officer in charge of Corporate Banking of Mizuho Corporate Bank, Limited April 2010    Managing Executive Officer, Chief Compliance Officer and Chief Credit Officer of Mizuho Corporate Bank, Limited April 2011    Managing Executive Officer, Head of Corporate Banking Unit of Mizuho Corporate Bank, Limited April 2012    Managing Executive Officer, Head of Corporate Banking Unit (Large Corporations) and Corporate Banking Unit of Mizuho Corporate Bank, Limited (until March 2013) April 2013    Deputy President and Deputy President-Executive Officer, Head of Investment Banking Division, Head of Public & Financial Institutions Group of Mizuho Securities Co., Ltd. (until March 2014) April 2014    Chairman of Shinko Asset Management Co., Ltd. (until November 2015) November 2015    President & CEO of Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc. (until June 2021) June 2021    Outside Director of the Company (present)	—
	Attendance at Board of Directors meetings 15/15 (100%)	[Reasons, etc. for selection as a candidate for Director, and summary of expected roles] 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, his election as Outside Director is requested. Additionally, although he used to work at a financial institution that has transactions with the Company, the Company considers that there is no risk that conflict of interest with other general shareholders will arise because 1) he is not a current or a recent operating officer of the said financial institution; 2) a significant number of years have passed since he retired from the said financial institution (10 years have passed since his retirement as of the day of this Ordinary General Meeting of Shareholders); 3) the composition of borrowings relative to net assets of the Company is low at approximately 30%, and the Company's dependency on the said financial institution is low as it accounts for less than 10% of overall borrowings; and 4) he satisfies the Company's "Standards of Independence for Outside Directors" and thus, the Company considers that the said financial institution has no special impact on the Company's decision-making by the Board of Directors, etc.  [Message to shareholders] I will calmly assess the turbulent global conditions, and use this insight to enhance the Company's risk management.	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.  
 2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits his liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Mr. Fukuda is approved, the Company plans to continue the same contract.

3. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

### Proposal No. 3: Election of Four (4) Directors who are Audit Committee Members

The terms of office of four (4) Directors who are Audit Committee Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of four (4) Directors is proposed.

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

The candidates for Directors are as follows.

No.	Name	Positions and responsibilities at the Company	Attendance at Audit Committee meetings	Attendance at Board of Directors meetings
1	New Appointment Mizuhiro Uchida	Assigned to the Audit Committee	-/- (-)	-/- (-)
2	Reappointed Outside Independent Director Toshio Kinoshita	Director, Audit Committee Member	14/14 (100%)	15/15 (100%)
3	Reappointed Outside Independent Director Akio Yamamoto	Director, Audit Committee Member	14/14 (100%)	15/15 (100%)
4	Reappointed Outside Independent Director Miyuki Matoba	Director, Audit Committee Member	14/14 (100%)	15/15 (100%)

Reappointed: Candidate for reappointment as Director (Audit Committee Member)

New appointment: Candidate for new appointment as Director (Audit Committee Member)

Outside: Candidate for Outside Director (Audit Committee Member)

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

No.	Name (Date of birth) [Director since] [Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
1	(New appointment)  Mizuhiro Uchida (September 24, 1961) Age: 61 [-] [-]	<p>April 1984      Joined the Company</p> <p>April 2008      General Manager, Business Planning Dept., Resin Process Div., Resin Process Business Group of the Company</p> <p>April 2010      General Manager, Purchasing Dept. of the Company</p> <p>April 2014      Deputy General Manager, Chiba Plant of the Company</p> <p>July 2017        General Manager, Internal Auditing Dept. of the Company</p> <p>April 2021      General Manager, Internal Control Dept. of the Company</p> <p>April 2023      Assigned to the Audit Committee of the Company (present)</p>	5000 (of the shares above, number of shares to be delivered pursuant to stock delivery trust system -)
	Attendance at Audit Committee meetings / (-)	[Reasons for selection as a candidate for Director who is an Audit Committee Member] Mr. Mizuhiro Uchida possesses adequate operational experience, including work experience in accounting and systems departments and plants, and taking responsibility for the department responsible for internal control of the entire Group. The Company judges that the abundant and broad knowledge and insight of Mr. Uchida is necessary for the supervision and audit of the Company's management, and proposes that he be elected as Director who is an Audit Committee Member.	
	Attendance at Board of Directors meetings / (-)	[Message to shareholders] In addition to the broad knowledge and perspective I have cultivated through my career I will contribute to the enhancement of corporate value over the medium- to long-term by taking a sincere attitude toward management supervision and auditing, keeping in mind a broad perspective and sense of ethics.	

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

2. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Outside Director since] [Outside Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
2	<p>(Reappointed) (Outside) (Independent Director)</p> <p>Toshio Kinoshita (April 12, 1949) Age: 74</p> <p>[June 2019] [4 years] * at the conclusion of this Ordinary General Meeting of Shareholders]</p>	<p>July 1983 Registered as Certified Public Accountant</p> <p>July 1989 Partner, U.S. Coopers &amp; Lybrand L.L.P (current PricewaterhouseCoopers) (until June 1998)</p> <p>June 1994 Representative employee of Chuo Audit Corporation (until July 2005)</p> <p>July 1998 Senior Managing Partner for North America, New York Head Office, U.S. PricewaterhouseCoopers L.L.P. (until June 2005)</p> <p>July 2005 Management Board Member for International Business of Tokyo Office of ChuoAoyama PricewaterhouseCoopers (until June 2007)</p> <p>July 2007 Chief Executive of The Japanese Institute of Certified Public Accountants (JICPA) (until July 2013)</p> <p>July 2013 Council Member of JICPA (until July 2016)</p> <p>June 2014 Outside Audit &amp; Supervisory Board Member of Panasonic Corporation (current Panasonic Holdings Corporation) (until June 2022)</p> <p>July 2014 Representative Director of Global Professional Partners (present)</p> <p>August 2014 Outside Corporate Auditor of Weathernews Inc. (until August 2018)</p> <p>March 2015 Outside Director of Asatsu-DK Inc. (until December 2018)</p> <p>June 2015 Outside Audit &amp; Supervisory Board Member of the Company</p> <p>June 2015 Outside Director of TACHI-S CO., LTD. (present)</p> <p>July 2015 Outside Director of Mizuho Bank, Ltd. (until September 2019)</p> <p>January 2018 Outside Director of ThreePro Group Inc. (current GiG Works Inc.) (until January 2022)</p> <p>June 2019 Outside Director (Audit Committee Member) of the Company (present) (to date)</p>	<p>—</p> <p>(of the shares above, number of shares to be delivered pursuant to stock delivery trust system —)</p>
	<p>Attendance at Audit Committee meetings 14/14 (100%)</p> <p>Attendance at Board of Directors meetings 15/15 (100%)</p>	<p>[Reasons for selection as a candidate for Outside Director who is an Audit Committee Member and summary of expected roles] 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 proposes that Mr. Kinoshita be elected as an Outside Director who is an Audit Committee Member in the expectation that he will utilize his knowledge in supervision and audit of the Company's management.</p> <p>[Message to shareholders] The Denka Group must change and make a great leap forward in order to enhance its corporate value. The foundation for this bold change and significant progress is the establishment of corporate governance. As an Outside Director and Audit Committee Member, I will strive to enhance corporate value supervising the management of the Company under the accurate corporate governance.</p>	



- Notes:1. No material relationship of interest exists between the Company and the above candidate.
2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits his liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Mr. Kinoshita is approved, the Company plans to continue the same contract.
  3. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Outside Director since] [Outside Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
	(Reappointed) (Outside) (Independent Director)  Akio Yamamoto (December 2, 1951) Age: 71  [June 2015] [8 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 1974    Joined Mitsui & Co., Ltd. April 1999    President of Mitsui & Co., Benelux S.A./N.V. April 2004    Vice President of Synthetic Resin & Inorganic Chemical Products Business Unit of Mitsui & Co., Ltd. April 2007    Executive Officer of Mitsui & Co., Ltd. (until March 2010), President of Mitsui & Co. (Thailand) Ltd. April 2009    Representative Director and President of Mitsui Bussan Plastic Trade Co., Ltd. (present Mitsui & Co. Plastics Ltd.) (until June 2014) June 2014    Counselor of Mitsui & Co. Plastics Ltd. (until June 2015) June 2015    Outside Director of the Company June 2021    Outside Director (Audit Committee member) of the Company (present)	–  (of the shares above, number of shares to be delivered pursuant to stock delivery trust system –)
3	Attendance at Audit Committee meetings 14/14 (100%)  Attendance at Board of Directors meetings 15/15 (100%)	<p>[Reasons, etc. for selection as a candidate for Outside Director who is an Audit Committee Member and summary of expected roles]</p> <p>Mr. Akio Yamamoto has rich experience and broad insight as a manager in Japan and overseas through his involvement in corporate management for many years. His career includes serving as an Executive Officer of Mitsui &amp; Co., Ltd. and the Representative Director and President of Mitsui &amp; Co. Plastics Ltd. He also has rich international experience, including serving as a vice president at global enterprises and has provided suggestions about the Company's overseas business expansion strategy and management in general based on this knowledge. The Company proposes that Mr. Yamamoto be elected as an Outside Director who is an Audit Committee Member in the expectation that he will utilize his abundant and broad knowledge and insight in the supervision and audit of the Company's management</p> <p>Although he used to work at a company that has transactions with the Company, the Company considers that there is no risk that conflict of interest with other general shareholders will arise because 1) he is not a current or a recent operating officer of the said company; 2) although the Company's sales to the said company account for 5.3% of the Company's total sales, transactions between the Company and the said company are substantially payments of commission by the Company to the said company for services offered by its trading company function and the amount of commission paid is modest (under 2% of the said company's sales); and 3) he satisfies the Company's "Standards of Independence for Outside Directors" and thus, the Company considers that the said company has no special impact on the Company's decision-making by the Board of Directors, etc.</p> <p>[Message to shareholders] I intend to firmly maintain a medium- to long-term perspective and a fair attitude, and contribute to the enhancement of corporate value. In particular, I will strive to build a sound and profitable business portfolio, and to develop and leverage human resources.</p>	

- Notes:
1. No material relationship of interest exists between the Company and the above candidate.
  2. Mr. Yamamoto served as the Representative Director and President of a specified related party of the Company until June 2014.
  3. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits his liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Mr. Yamamoto is approved, the Company plans to continue the same contract.
  4. The above candidate is an incumbent Outside Director who is an Audit Committee Member, and he will have served in the position for two years at the conclusion of this Ordinary General Meeting of Shareholders. However, he served as an Outside Director for six years from June 2015 to June 2021, and including that period, he will have served for eight years.
  5. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then he will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

No.	Name (Date of birth) [Outside Director since] [Outside Director's term of office]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
4	(Reappointed) (Outside) (Independent Director)  Miyuki Matoba (August 15, 1973) Age: 49  [2 years * at the conclusion of this Ordinary General Meeting of Shareholders]	April 2000 Registered as a lawyer (Tokyo Bar Association) April 2013 Executive Governor of the Japan Federation of Bar Associations (until March 2014) October 2015 Senior Leader, Management Support Division of MOS FOOD SERVICES, INC. April 2018 Risk Management & Compliance Group Leader of MOS FOOD SERVICES, INC. (until March 2019) April 2019 General Manager, Risk Management & Compliance Office of MOS FOOD SERVICES, INC. (until September 2020) September 2020 Intellectual Property and Legal Div., General Affairs H.Q. of NITTO KOHKI CO., LTD. April 2021 General Manager, Intellectual Property and Legal Div., General Affairs H.Q., and compliance supervisor of NITTO KOHKI CO., LTD. (present) June 2021 Outside Director (Audit Committee Member) of the Company (to date)	– (of the shares above, number of shares to be delivered pursuant to stock delivery trust system –)
	Attendance at Audit Committee meetings 14/14 (100%)  Attendance at Board of Directors meetings 15/15 (100%)	[Reasons, etc. for selection as a candidate for Outside Director who is an Audit Committee Member and summary of expected roles] Ms. Miyuki Matoba has abundant legal knowledge acquired over many years as a lawyer. The Company proposes that Ms. Matoba be elected as an Outside Director who is an Audit Committee Member in the expectation that she will utilize her knowledge in the supervision and audit of the Company's management, while also providing advice from a perspective based on diversity. Although she has never been directly involved in corporate management, she has extensive knowledge of corporate legal affairs as a lawyer, and sufficient insight regarding corporate governance, including through her experience as corporate counsel. It is hence judged by the Company that she can appropriately fulfill the duties of an Outside Director who is an Audit Committee Member.  [Message to shareholders] In the rapidly changing environment, I will contribute to enhancing the Company's corporate value by working to ensure the proper functioning of our corporate governance from a medium- to long-term perspective and with integrity.	

- Notes: 1. No material relationship of interest exists between the Company and the above candidate.
2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently has a liability limitation contract with the candidate that limits her liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Ms. Matoba is approved, the Company plans to continue the same contract.
3. The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover legal damages, litigation expenses and others in the event that a claim for damages is made against the insured persons, including Directors of the Company. If the appointment of the candidate above is approved, then she will become an insured person under the contract. The Company intends to renew this insurance contract with the same contents at the time of the renewal.

(Reference)

**1. The Company's views regarding the election of Directors**

Under the new vision, in order to achieve the eight-year management plan "Mission 2030" through fiscal 2030, the Company aims to strengthen the management structure with Directors and Executive Officers, while enriching the governance structure and supervisory function.

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

Additionally, the Company believes that Independent Outside Directors should comprise at least one-third of Directors. The present ratio is approximately 44%.

## 2. Skills Matrix of the Company's Board of Directors

\*If Proposals 2 and 3 are approved as submitted.

		Attributes	Skills											
			Corporate Management /Corporate Planning	Human Resources Value Creation	Global Business	Financial Strategy / Accounting	Legal/ Compliance	Sustainability/ESG			Business Value Creation and Marketing	Research/ Intellectual property	Technology / Manufac-turing	DX
								E (Environ-ment)	S (Society)	G (Govern-ance)				
Manabu Yamamoto	Chairman and Director	Age: 67 Years of service: 10 Male	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			
Toshio Imai	Representative Director, President and Chief Executive Officer	Age: 64 Years of service: 4 Male	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>		<input type="radio"/>	<input type="radio"/>			
Kazuo Takahashi	Representative Director and Senior Managing Executive Officer	Age: 63 Years of service: 2 Male	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>					<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ikuo Ishida	Director and Managing Executive Officer	Age: 61 Years of service: 0 Male	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>					<input type="radio"/>				
Yoshiyuki Fukuda	Director	Independent Outside Age: 66 Years of service: 2 Male	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>				<input type="radio"/>				
Mizuhiro Uchida	Director Full-time Audit Committee Member	Age: 61 Years of service: 0 Male				<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>				<input type="radio"/>
Toshio Kinoshita	Director Audit Committee Member	Independent Outside Age: 74 Years of service: 8 Male			<input type="radio"/>	<input type="radio"/>				<input type="radio"/>				
Akio Yamamoto	Director Audit Committee Member	Independent Outside Age: 71 Years of service: 8 Male	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>					<input type="radio"/>				
Miyuki Matoba	Director Audit Committee Member	Independent Outside Age: 49 Years of service: 2 Female					<input type="radio"/>		<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		

\*The matrix above shows the skills that the Board of Directors expects from them among knowledge and experience they possess.

\*Age and years of service are shown as of June 22, 2023.

(Reference)

Skill matrix of the Executive Officers who are not Directors

Nobuyuki Yoshino	Managing Executive Officer	Age: 65 Years of service: – Male						○	○			○	○	
Kazuya Tokumoto	Managing Executive Officer	Age: 64 Years of service: – Male	○		○			○	○			○	○	
Hideki Takahashi	Managing Executive Officer	Age: 63 Years of service: – Male	○	○					○		○			
Rimiru Hayashida	Managing Executive Officer	Age: 61 Years of service: – Male				○				○				

### **3. Necessary skills for the Company’s Directors and the reason they were selected**

The skills considered necessary for the Company’s Board of Directors to make important decisions and supervise management under the new vision to reach the goals of the Company’s eight-year management plan through fiscal 2030, and to promote ESG management through the priority management materiality issues are as follows.

Skills		Reason for the selection of the skills
Corporate Management and Corporate Planning		Directors are needed who have extensive management experience and achievements to establish and review management plans aimed at realizing the Denka’s Vision and supervise the execution of duties to achieve these plans.
Human Resources Value Creation		Directors are needed who have extensive knowledge and experience related to human resources value creation in order to realize human resource investment and system reforms, aiming to become a company where each and every employee can gain experience self-realization and personal growth.
Global Business		Directors are needed who have extensive experience in global business to fulfill our Purpose to “making the world a better place as specialists in chemistry” with an awareness of global megatrends.
Financial Strategy/Accounting		Directors are needed who have extensive knowledge and experience in the financial strategy and the accounting field not only to ensure the accurate disclosure of financial information, but also to drive selection and concentration of businesses, pursue optimal capital structure and improve profitability and efficiency.
Legal/Compliance		Directors are needed who have robust knowledge and experience in the legal and compliance fields to ensure fair and trustworthy corporate activities appropriately responding to increasingly complex legal systems and regulations in Japan and abroad.
Sustainability/ ESG	E (Environment)	Directors with extensive knowledge and experience in E (Environment) are needed to fulfill corporate social responsibility working on the precondition for continuation of business, “Achievement of carbon neutrality,” “Sustainable cities and fulfilling daily lives,” and “Environmental conservation and minimization of environmental footprint.”
	S (Society)	Directors with solid knowledge and experience in S (Society) are needed to fulfill corporate social responsibility through the provision of safe and high-quality products, respect for human rights, and participation in the effort to build a better community.
	G (Governance)	Directors with solid knowledge and experience in G (Governance) are needed to fulfill corporate social responsibility building a more advanced and effective corporate governance system that ensures transparency and fairness based on high ethical standards.
Business Value Creation and Marketing		Directors are needed who have market insight based on a broad perspective, as well as extensive business experience to ensure that all the three focus areas, ICT & Energy, Healthcare, and Sustainable Living, will be fully made up of “three-star businesses” that incorporate the three elements of specialty, megatrends, and sustainability, while promoting the transformation of business portfolio, considering also selling or exiting a business that is difficult to convert to a “three-star business.”



R&D/Intellectual Property	Directors are needed who have a track record of promotion of innovation, as well as deep knowledge in science and technology and a wealth of experience in proprietary technologies and intellectual property, in order to create business value in the three focus areas of ICT & Energy, Healthcare, and Sustainable Living.
Technology/Manufacturing	Directors are needed who are deeply familiar with technology, and who have extensive practical experience and robust insight into manufacturing in order to create management values through process innovation to improve productivity, ensure trustworthiness in manufacturing, and establish a safe work environment.
DX	Directors are needed with a profound knowledge and extensive experience related to digital technologies and data utilization, as well as the ability to understand and analyze the nature of the Group's business, and use this insight to transform it, in order to promote transformation of business model and organization through process innovation.

#### **4. Standards of Independence for Denka Outside Directors**

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

##### **Standards of Independence for Outside Directors**

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

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

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

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

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

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

**(Reference)**

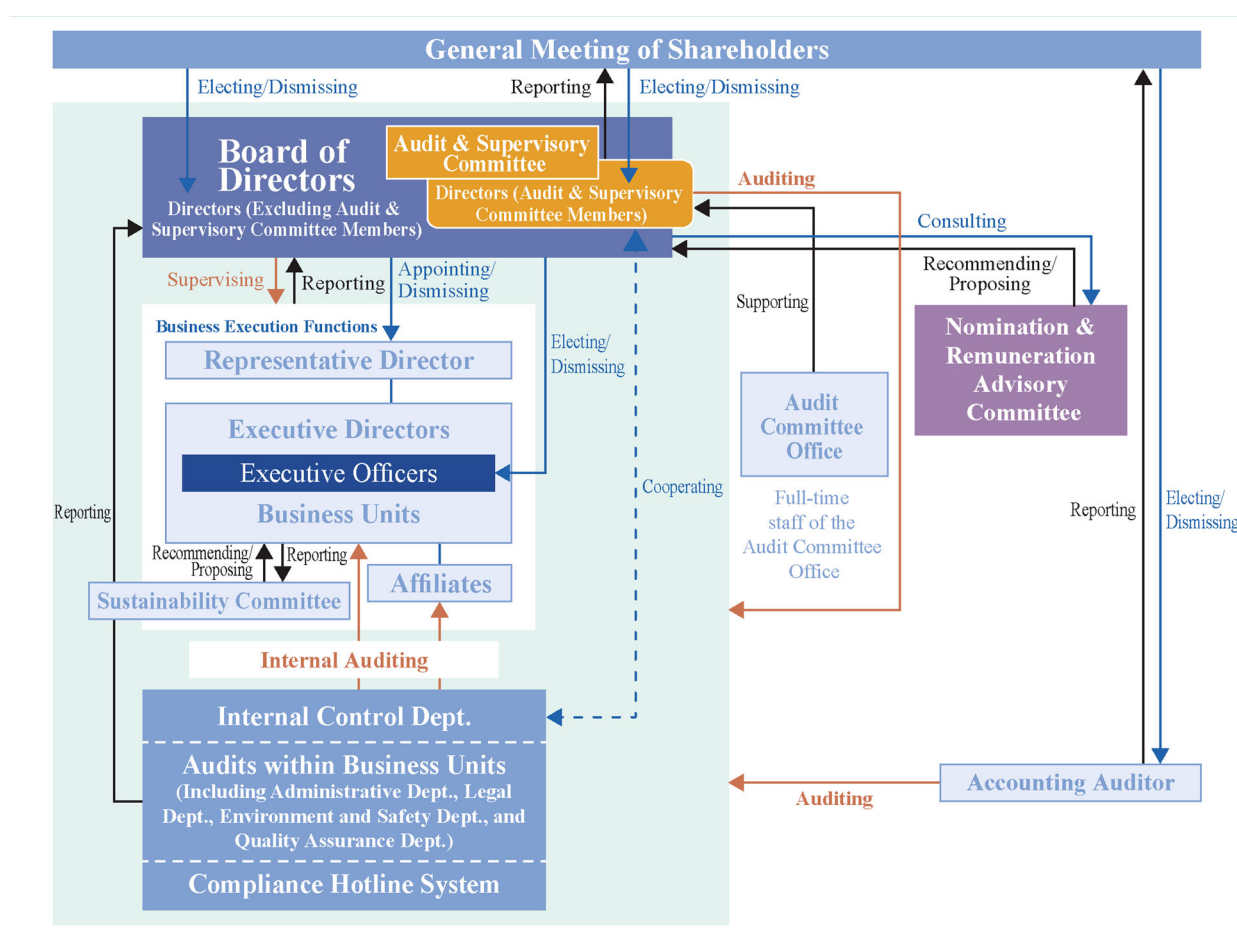
**Denka's Corporate Governance Initiatives**

**Basic Approach to Corporate Governance**

In order to fulfill the expectations and trust of its many stakeholders, including shareholders, customers, local society, and employees, based on the Denka's Vision (a vision of the future) comprising the Core Value that is the Company's DNA to serve as the foundation to support the tiers above, Purpose that serves as the North Star to guide the Company, and the Mission that the Company aspires to accomplish by 2030, 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.

**Current Corporate Governance System**



**Board of Directors and optional committees**

**■Board of Directors (Met 15 times in fiscal 2022)**

To accomplish the Company's Mission in the Vision, the Board of Directors monitors and supervises major operational decision-making and execution of business duties by executive officers, based on strategic and management planning. The Board of Directors as a whole appoints candidates to be Directors in line with the standards for the appointment of both internal and Outside Directors, based on the belief that it is important to appoint a good balance of people with a variety of expertise, experiences, and skills. For further details of our approach in appointing members of the Board of Directors, please see page 21.

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

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

■Nomination & Remuneration Advisory Committee (Met 4 times in fiscal 2022)

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

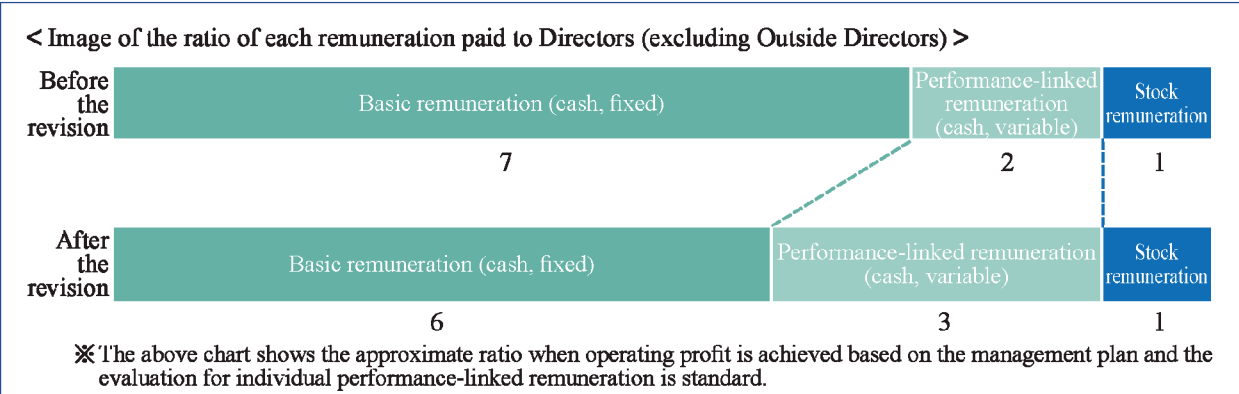
In fiscal 2022 this Committee received inquiries from the Board of Directors regarding the executive and governance structure, the formulation of a skills matrix, succession planning, and revision of remuneration system for officers, and made recommendations and proposals regarding the results of these inquiries after deliberations at the Committee. The committee is chaired by an Outside Director as of fiscal 2023.

[Topics] **Outline of the revision of officer remuneration system**

In response to the report and recommendations of the Nomination & Remuneration Advisory Committee, the Board of Directors resolved at its meeting held on March 13, 2023 to revise the officer remuneration system, with a focus on strengthening incentives, in order to make the system more conducive to the achievement of the “Mission 2030” management plan.

- (1) Revision of Remuneration Composition Ratio / Strengthening of Short-term Incentives  
Increase variable remuneration for each officer to be strongly mindful of achieving profit targets of the management plan.
- (2) Introduction of an individual performance evaluation system  
Introduce an individual target management and evaluation system to encourage each officer to strongly commit to achieving the financial/non-financial targets of the division under his/her control, and reflect the evaluations in the remuneration.

Concept of the percentage of each component of remuneration paid to Directors (excluding Outside Directors)



The above is the approximate ratio when operating income based on the management plan is achieved and the evaluation for individual performance-linked remuneration is standard.

- (3) Introduction of stock-based remuneration for Executive Officers  
Introduce a new stock-based remuneration system to raise awareness of the need to contribute to medium- and long-term performance improvement and increase in corporate value in the same manner as Directors.

#### ■D&A Round Table (Met 7 times in fiscal 2022)

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

#### ■Evaluation of the Effectiveness of the Board of Directors

At Denka, the effectiveness of the Board of Directors is analyzed and evaluated annually. As a result of measures taken in fiscal 2022, we reaffirmed that the frequency and duration of meetings of the Board of Directors, and that the Board size and composition (in terms of achieving the right balance of expertise, experience, ability and diversity) was becoming more appropriate. In addition, we affirmed that the monitoring and supervision of the management were being appropriately implemented by the Board of Directors, 44% of the members of which are Outside Directors.

On the other hand, with regard to the further enhancement of discussions at the Board of Directors meetings, a view was expressed that there have been improvements in the monitoring and follow-up of long-term business strategies and major investment projects, yet the role of the Board of Directors needs to be further strengthened through the use of the D&A Round Table. As for the further utilization of the Nomination & Remuneration Advisory Committee, there was an opinion that while its effectiveness is improving with more concrete discussions than in the past, in the future, we should continue to work to enhance discussions on matters such as succession planning, etc.

It was also suggested that there was room for improvement in the explanation of matters to be discussed and reported at the Board meetings.

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 placed in us by our shareholders and numerous other stakeholders.

#### **Audit Committee (Met 14 times in fiscal 2022)**

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

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

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

#### **Outside Directors**

Regarding Outside Directors, the Company selects candidates based mainly on practical considerations, such as whether we can expect the candidate to contribute to an increase in the corporate value of the Company as an independent officer, and has also defined its own standards of independence (please see page 25, in accordance with the requirements for independence stipulated in the Companies Act, in addition to the standards for independence defined by the Tokyo Stock Exchange and other factors).

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

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

#### ■Objective briefings (Met twice in fiscal 2022)

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

■ Outside Officer Liaison Committee (Met 4 times in fiscal 2022)

Outside officers frankly discuss the nature of agenda and operation of the Board of Directors, as well as the Company's medium- to long-term issues and their solutions, from an independent standpoint and share the results of the discussions with internal Directors, so as to contribute to management.

### Strategic shareholdings

■ Policy on strategic shareholdings

The Company will hold such shareholdings if it judges that they will contribute to building a stable business relationship and maintaining and strengthening business alliances in accordance with its growth strategy, thereby enhancing the Company's corporate value over the medium to long term. The Company will sell shareholdings that are not in line with this policy.

■ Review of strategic shareholdings by the Board of Directors

In accordance with the above policy, the Company's Board of Directors conducts a comprehensive review of such shares from various perspectives, including the financial condition of the issuing company, the volume of transactions with the Company and the economic rationality of such transactions, and a comparison with the Company's cost of capital. The purpose of shareholding of such shares is stated in the Annual Securities Report. The Company conducts this verification on an ongoing basis each year.

As a result of this ongoing verification, the number of issues of strategic shareholdings as of March 31, 2023 decreased by 20 from the end of the previous fiscal year to 70, and the ratio to consolidated net assets decreased by 1.68 percentage points to 9.97% from the end of the previous fiscal year.

#### Trends in strategic shareholdings

		FY 2016 158th term	FY 2017 159th term	FY 2018 160th term	FY 2019 161st term	FY 2020 162nd term	FY 2021 163rd term	FY 2022 164th term
Number of issues		111	106	102	97	93	90	70
Amount on balance sheet (Millions of yen)	A	33,134	36,233	32,665	26,468	33,243	34,034	29,956
Total net assets (Millions of yen)	B	227,487	242,780	250,481	254,014	270,036	292,094	300,351
	A/B	14.57%	14.92%	13.04%	10.42%	12.31%	11.65%	9.97%

■ Criteria for exercising voting rights with regard to strategic shareholdings

When exercising its voting rights with regard to shareholdings held by the Company as strategic shareholdings, in principle, while the Company basically respect the management policies and strategies of the issuing company, each division of the Company in charge of the management of such shares considers the business conditions, etc. of the issuing company. The Company ultimately makes a judgement examining each proposal individually from the perspective of whether or not it will contribute to improving shareholder value.

In particular, in the following cases, the Company will engage in dialogue with the issuing company as necessary and make a careful decision as to whether or not to approve the proposal.

- (1) When a significant deterioration in business performance has continued for a certain period of time
- (2) When serious misconduct has occurred
- (3) In any other cases in which the item of business may damage shareholder value

### Initiatives to Corporate Governance Thus Far

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

	Purpose	Measures
2019	Further strengthen corporate governance and improve corporate value by further strengthening the supervisory role of the Board of Directors, by enabling more rapid decision-making and vesting directors who are members of the Audit Committee with voting rights at the Board of Directors meeting	Shift from the “Company with Audit & Supervisory Board” model to that of a “Company with Audit Committee”
2021	Review of regulations regarding the appointment of retirees from the office of Chairman and President as Counselors and Advisors.	Abolish the office of Counselor
	Clarify the roles of the Board of Directors and the executive structure, further enhance the effectiveness of discussions at Board of Directors meetings, and further expedite its decision-making process	Reduce the number of Directors from 12 to 9, and raise the proportion of Outside Directors on the Board of Directors to over 44%
2023	Effective committee administration through greater independence and objectivity	Appoint an Outside Director as chair of the Nomination & Remuneration Advisory Committee
	Strengthening of incentives	Revise the officer remuneration system <ul style="list-style-type: none"> <li>- Revision of remuneration composition ratio and strengthening of short-term incentives</li> <li>- Introduction of an individual performance evaluation system</li> <li>- Introduction of stock-based compensation for Executive Officers</li> </ul>
	Sustainability-related activities, progress with achievement of non-financial targets and KPIs, and responses to risks and earning opportunities	Established the Sustainability Committee, with Outside Directors and full-time Audit Committee Members as observers

## **Business Report**

(From April 1, 2022 to March 31, 2023)

### **1. Overview of the Group**

#### **(1) Business Progress and Results**

During the fiscal year under review, the Japanese economy showed signs of recovery as consumer spending and capital investment picked up. However, as commodity prices soared even higher and the yen rapidly depreciated, uncertainty about the future grew. The world economy showed increasing signs of a slowdown, as prices rose in many countries, the Ukraine crisis dragged on, and China's zero-COVID policy curbed economic activity.

Against this economic backdrop, in order to realize “The Denka Value” corporate philosophy, the Group pushed ahead with “Business Portfolio Shift” and “Introduction of Innovative Processes,” two strategies set forth in our “Denka Value-Up” five-year management plan launched in fiscal 2018, and focused its efforts on expanding businesses and enhancing profitability, under the three elements of our growth vision, namely, “Specialty-Fusion Company,” “Sustainable Growth,” and “Sound Growth.” The Group designated the two years from fiscal 2021 as an important preparatory period for rapid growth towards the vision of the next management plan.

As a first step towards being an indispensable corporate member of society, we engaged in three “Value-Up” initiatives, concerning our business, the environment, and human resources.

As a result, net sales totaled ¥407,559 million, up ¥22,709 million (5.9%) from the previous year. Although demand for some of our core products declined due to the global economic slowdown, we revised our selling prices in response to higher raw material and fuel prices and also benefitted from the weaker yen.

In terms of earnings, although we revised selling prices in response to rising raw material and fuel prices, sales volumes for some mainstay products declined and costs associated with the development of specialty products climbed, resulting in operating income of ¥32,324 million (down ¥7,799 million, or 19.4% year on year) and an operating income ratio of 7.9% (down 2.5 points). Ordinary income was ¥28,025 million (down ¥8,449 million, or 23.2% year on year). Profit attributable to owners of parent was ¥12,768 million (down ¥13,244 million, or 50.9%), reflecting extraordinary losses, including impairment losses on manufacturing facilities due to the decision to withdraw from the cement business as part of the “Business Portfolio Shift.”

(Reference)

Sales	¥407.6 billion (YoY 5.9%)
Operating income	¥32.3 billion (YoY -19.4%)
Ordinary income	¥28.0 billion (YoY -23.2%)
Profit attributable to owners of parent	¥12.8 billion (YoY -50.9%)

Results of operations by division are described below.

#### **Electronics & Innovative Products Division**

**(Sales: ¥93,541 million; Operating Income: ¥17,975 million)**

Principal products: Electronic packaging materials, fine ceramics, fused silica, acetylene black, electronic circuit substrates, industrial tapes, etc.



Sales of high purity conductive carbon black increased due to the same level of demand as the previous year and the revision of sales price. Sales of silicon nitride also increased due to steady demand for use in xEVs. On the other hand, sales volume of high-performance films and spherical fused silica filler for electronic components and semiconductor-related fields decreased due to decline in demand for consumer products such as PCs and smartphones. Demand for spherical alumina for xEV and 5G-related applications remained strong, but overall sales volume was down year on year due to a decline in demand for consumer applications. In addition, sales of HITTPLATE aluminum substrates for automotive applications and ALONBRIGHT SiAlON phosphors for LED were also down year on year.

As a result, division sales increased ¥3,388 million or 3.8% year on year to ¥93,541 million, while operating income decreased ¥680 million or 3.6% year on year to ¥17,975 million.

### **Life Innovation Division**

**(Sales: ¥47,525 million; Operating Income: ¥14,378 million)**

Principal products: Vaccines, diagnostic reagents, oncolytic virus agents, joint function improvers, etc.

Shipments of influenza vaccines increased year on year due to expanded production capacity. On the other hand, shipments of COVID-19 rapid antigen test kits and dual COVID-19 and influenza test kits increased as demand for testing at hospitals expanded due to the spread of infection, but selling prices fell sharply due to a reduction in insurance points, resulting in lower sales. In addition, sales of other test reagents decreased due to a decline in demand for tests in China following the zero-COVID policy and restriction of activities.

As a result, division sales increased ¥1,427 million or 3.1% year on year to ¥47,525 million, but operating income decreased ¥1,117 million or 7.2% year on year to ¥14,378 million.

### **Elastomers & Infrastructure Solutions Division**

**(Sales: ¥123,827 million; Operating Loss: ¥1,100 million)**

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

The division was significantly affected by the rise in raw material and fuel prices triggered by the crisis in Ukraine. Sales volume of chloroprene rubber decreased year on year, yet sales increased due to the revision of selling prices in response to the rise in raw material and fuel prices. In addition, sales of fertilizers increased year on year, and sales of special cement additives were generally in line with the previous year. On the other hand, cement sales declined due to a delay in passing on the sharp rise in raw material and fuel prices.

As a result, division sales increased ¥16,948 million or 15.9% year on year to ¥123,827 million, and operating loss was ¥1,100 million (operating loss in the previous fiscal year was ¥3,473 million.)

### **Polymer Solutions Division**

**(Sales: ¥127,569 million; Operating Loss: ¥1,228 million)**

Principal products: Styrene monomer, polystyrene resin, ABS resin, CLEAREN, heat-resistant resin, transparent resin, POVAL, synthetic fiber for wigs, food packaging materials, etc.

The division revised selling prices of each product in response to rising raw material and fuel prices. In terms of volume, sales of ABS resins and transparent resins decreased due to the impact of automobile production cutbacks and sluggish consumer demand associated with the slowdown of the Chinese economy, and demand for MS resins for TVs and monitors of Denka Singapore Pte. Ltd. decreased. Also, sales volume of sheets for food wrapping materials and its processed products, and the TOYOKALON® synthetic fiber for wigs also decreased year on year. Also, the cost of styrene monomer increased due to the implementation of periodic repairs once every four years.

As a result, division sales increased ¥991 million or 0.8% year on year to ¥127,569 million, and operating loss was ¥1,228 million (operating income in the previous fiscal year was ¥7,905 million.)

## **Others Division**

**(Sales: ¥15,094 million; Operating Income: ¥2,512 million)**

Principal business: Plant engineering etc.

Transaction volumes of Akros Trading Co. Ltd. and other trading companies remained roughly unchanged year on year.

As a result, division sales decreased ¥46 million or 0.3% year on year to ¥15,094 million, and operating income increased ¥607 million or 31.9% year on year to ¥2,512 million.

## **(2) Capital Investment**

In the “Denka Value-Up” management plan, the Group actively implemented strategic investment under the two growth strategies of “Business Portfolio Shift” and “Introduction of Innovative Processes,” to meet numerical targets. During the five-year term of the management plan, from fiscal 2018 to fiscal 2022, the Group planned cumulative capital investment to reach ¥210 billion, and in the fiscal year under review, the Group carried out capital investments totaling ¥39,369 million.

In the Electronics & Innovative Products Division, capital investments of ¥18,740 million were made for construction projects to increase the production capacity of high-purity conductive carbon black at the Company’s Chiba Plant and silicon nitride at the Company’s Omuta Plant.

In the Life Innovation Division, capital investments of ¥2,540 million were made for the Company’s Gosen Site and others.

In the Elastomers & Infrastructure Solutions Division, capital investments of ¥11,150 million were made in the Company’s Omi Plant and others.

In the Polymer Solutions Division, capital investments of ¥6,954 million were made in the Company’s Chiba Plant and others.

Major construction projects completed during the fiscal year under review include the work to increase production capacity of spherical alumina at Denka Advantech Pte., Ltd., a subsidiary in Singapore, and the installation of a high-efficiency gas turbine generator at the Company’s Chiba Plant.

Construction projects underway in the Life Innovation Division include the work to enhance production capacity of rapid antigen diagnostic kits and test reagents at the Company’s Gosen Site.

Construction projects underway in the Electronics & Advance Products Division include the work to enhance production capacity of the next-generation functional spherical fillers at the Company’s Omuta Plant, the work to install new production facilities for heat-dissipating sheets at the Company’s Shibukawa Plant as well as the work to expand production capacity of spherical silica at Denka Singapore Pte., Ltd.

## **(3) Financing**

In fund procurement, the Company did not obtain any financing through the issue of new shares or corporate bonds during the fiscal year under review.

## **(4) Significant Business Reorganization**

Effective March 31, 2023, the Company transferred the Company’s cement and cement product-related sales business to TD Cement Sales Co., Ltd. (wholly-owned subsidiary of the Company) by conducting an absorption-type company split and transferred all the shares of TD Cement Sales Co., Ltd. to Taiheiyo Cement Corporation. The Company plans to cease cement production and limestone mining by around first half of 2025, and completely withdraw from the cement business.

## **(5) Issues to be Addressed**

Since fiscal 2018, the Company has been striving, under the “Denka Value-Up” five-year management plan, to become a “fusion of highly competitive specialty businesses that are unaffected by the terms of trade.” As a result, we have broken our profit records three times in the past five years, and in fiscal 2022 total operating income in the environment and energy field and the healthcare field, our priority fields, was almost double the figure for fiscal 2017, just before we launched “Denka Value-Up.” Here we would like to describe some of the recent initiatives implemented under the “Denka Value-Up” plan.

First, in the environment and energy area, we determined to make an additional investment in the silicon nitride facilities at the Company’s Omuta Plant, which started operation in March 2023, to increase production by 1.5 times. Our silicon nitride is characterized by the high thermal conductivity, high

strength, high heat resistance, and also light weight thanks to our proprietary high-temperature sintering and nitriding technologies. It has been highly demanded in automotive applications, which have strict requirements for performance. The demand for conventional electronic substrates is rapidly increasing with the progress of electrification of automobiles, while at the same time the demand for the use of ball bearings for motors is shifting from conventional materials. It is an urgent need to secure a stable supply, and as a leading manufacturer of silicon nitride, we will further strengthen our production system.

Second, in the healthcare area, we decided to make a strategic investment of approximately ¥12 billion in the Company's Gosen Site and Niigata Plant in order to strengthen the business foundation and increase supply capacity for G47Δ (Delta) virus agents for cancer treatment. The product is a formulation of live virus itself and requires advanced technology including large-scale virus culture and testing techniques. We have been developing and manufacturing vaccines and test reagents for viral infections for many years, and our technology and know-how are utilized to develop and manufacture G47Δ. In the future, we intend to utilize this investment to establish a presence as a contract manufacturer and developer of pharmaceuticals, focused on viral agents.

Moreover, we transferred our cement sales business to a newly established wholly owned subsidiary and then transferred all shares of the subsidiary to Taiheiyo Cement Corporation as of March 31, 2023. The cement produced at the Company's Omi Plant is sold by the new company under the brand name of Taiheiyo Cement from April 1, 2023. We also decided to terminate cement production by around the first half of 2025 and to withdraw completely from in-house limestone mining and cement manufacturing operations. We entered the cement business in 1954. Accepting by-products generated during the manufacturing of other products in the plant as well as waste from outside the Company, and effectively utilizing them as raw fuel for cement, we established a unique "carbide chain" that enabled us to gain competitiveness of products and pursue zero emissions in the plants. In recent years, we are in a difficult situation where our cement business has been affected by sluggish domestic demand, and upgrading of aging facilities and large investment for carbon neutrality are inevitable. We positioned our cement business as a commodity business in need of restructuring and have been considering structural reforms. As a result, we came to the conclusion that it would be difficult to maintain and grow the business in the future by the Company alone, and decided to carry out portfolio reforms.

We have thus steadily promoted the initiatives under the "Denka Value-Up" management plan and achieved certain results. However, as a result of sluggish profitability in some of our core businesses during the last fiscal year, our earnings unfortunately declined overall, and we still have some way to go to complete the "specialization" of our businesses.

In these circumstances, a new "Vision" and a new management plan, "Mission 2030," were launched this fiscal year. Under the three core values of Initiative, Integrity, and Empathy, we have defined as our Purpose that will guide us: "Make the world a better place as specialists in chemistry." We also defined businesses that incorporated the three elements of specialty, megatrends, and sustainability as "three-star businesses" and determined to make our business portfolio concentrated on these "three-star businesses" by 2030. We have also set specific financial and non-financial targets for 2030 in the three-fold initiatives of "Business Value Creation," "Human Resources Value Creation," and "Management Value Creation." We aim to steadily achieve these goals and accomplish our new management plan, "Mission 2030."

As we launched the new "Vision" and management plan, we also created a corporate message, "Possibility of chemistry" as a way to communicate our thoughts clearly both internally and externally. As a unique and world-class company that we can be proud of, we will aim to make the world a better place as specialists in chemistry.

**(6) Financial Position and Results of Operations**

(Millions of yen, unless otherwise stated)

Item	161st term (from April 1, 2019 to March 31, 2020)	162nd term (from April 1, 2020 to March 31, 2021)	163rd term (from April 1, 2021 to March 31, 2022)	164th term (from April 1, 2022 to March 31, 2023)
Net sales	380,803	354,391	384,849	407,559
Operating income	31,587	34,729	40,123	32,324
Ordinary income	30,034	32,143	36,474	28,025
Profit attributable to owners of parent	22,703	22,785	26,012	12,768
Net income per share (yen)	262.62	264.24	301.67	148.8
Total assets	501,448	526,035	557,646	592,158
Total net assets	254,014	270,036	292,094	300,351
Net assets per share (yen)	2,906.95	3,101.92	3,345.34	3,438.28
Total shareholders' equity ratio (%)	50.0	50.8	51.7	50.1
Return on equity (ROE) (%)	9.1	8.8	9.4	4.4
Total dividends paid	10,785	10,785	12,510	8,627
Dividends per share (yen)	125.00	125.00	145.00	100.00

- Notes: 1. Net income per share is calculated using the average number of shares issued and outstanding excluding treasury stock. Net assets per share are calculated using the number of shares issued and outstanding at the end of the fiscal year excluding treasury stock.
2. For total dividends paid and dividends per share for the 164th term, the sum of the interim dividend paid in December 2022 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.

**(7) Significant Subsidiaries** (as of March 31, 2023)

## 1) Significant subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
Denka Chemicals Holdings Asia Pacific Pte., Ltd.	USD 68,700 thousand	100.0	Regional headquarters for Southeast and South Asia
Denka Singapore Pte., Ltd.	SGD 69,410 thousand	100.0 (100.0)	Manufacturing and sales of acetylene black and functional resin products
Denka Advantech Pte., Ltd.	SGD 17,000 thousand	100.0 (100.0)	Manufacturing and sales of fused silica, spherical alumina, and synthetic fiber for wigs and hairpieces
Denal Silane Co., Ltd.	JPY 500 million	51.0	Manufacturing and sales of monosilane gas, etc.
Denka Advanced Materials (Suzhou) Co., Ltd.	CNY 55,440 thousand	100.0	Manufacturing, processing, and sales of electronic packaging materials
Denka Electronic Materials Dalian Co., Ltd.	JPY 1,000 million	100.0	Processing and sales of electronic materials
Denka Advanced Materials Vietnam Co., Ltd.	USD 12,000 thousand	100.0 (100.0)	Manufacturing and sales of electronic packaging materials and vinyl tapes
Denka Performance Elastomer LLC	USD 121,000 thousand	70.0 (70.0)	Manufacturing and sales of synthetic rubbers
Hinode Kagaku Kogyo	JPY 300 million	100.0	Manufacturing and sales of fertilizers and chemical products
Nishi-nihon Koatsu Gas Co., Ltd.	JPY 80 million	99.6	Manufacturing and sales of high-pressure gas
Denka RENOTEC Co., Ltd.	JPY 50 million	100.0	Repair, design, engineering and management work for concrete structures
Denka Azumin Co., Ltd.	JPY 300 million	100.0	Manufacturing and sales of fertilizers and agricultural materials
Denka Inorganic Materials Tianjin Co., Ltd.	JPY 250 million	100.0	Manufacturing and sales of special cement additives
Denka Infrastructure Malaysia Sdn Bhd.	MYR 8,649 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
Denka Construction Solutions Malaysia Sdn Bhd.	MYR 1,500 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
PT. Hissan Trading Indonesia	IDR 5,372,640 thousand	100.0 (100.0)	Sales of special cement additives, etc.in Indonesia
DENKA Polymer Co., Ltd.	JPY 2,080 million	100.0	Manufacturing and sales of various packaging materials and plastic containers
Denka Astec Co., Ltd.	JPY 50 million	100.0	Manufacturing, processing, and sales of rain gutters
Denka Chemicals Shanghai Co., Ltd.	USD 2,000 thousand	100.0	Sales of various products and headquarters for Group companies in China
Denka Chemicals GmbH	EUR 256 thousand	100.0	Import, export and sales of chemical and electronics products

Company name	Capital	The Company's percentage of equity participation	Principal business
Denka Consultant & Engineering Co., Ltd.	JPY 50 million	100.0	Design and engineering of various industrial facilities, transportation facilities, etc.
Akros Trading Co. Ltd.	JPY 1,200 million	76.8	Sales of inorganic industrial products, organic industrial products, civil engineering and construction materials, interior materials, etc.
Akros Trading China Co., Ltd.	USD 300 thousand	100.0 (100.0)	Sales of electronic packaging materials, etc.
Akros Trading Taiwan Co., Ltd.	TWD 29,000 thousand	100.0 (100.0)	Sales of resins and semiconductor-related materials, etc.

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

## 2) Significant affiliates

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

**(8) Principal Business Details** (as of March 31, 2023)

The Company manufactures and sells the following products.

Business division	Main products
Electronics & Innovative Products Division	Electronic packaging materials, fine ceramics, fused silica, acetylene black, electronic circuit substrates, industrial tapes, etc.
Life Innovation Division	Vaccines, diagnostic reagents, oncolytic virus agents, joint function improvers, etc.
Elastomers & Infrastructure Solutions Division	Chloroprene rubber, cement, special cement additives, fertilizers, calcium carbide, fire resistant materials, environmental materials, etc.
Polymer Solutions Division	Styrene monomer, polystyrene resin, ABS resin, CLEAREN, heat-resistant resin, transparent resin, POVAL, synthetic fiber for wigs, food packaging materials, etc.
Others Division	Plant engineering etc.

**(9) Principal Offices and Factories** (as of March 31, 2023)

Company name	Principal offices
Denka Co., Ltd.	Head Office: 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo Branches: Tokyo, Osaka, Nagoya, Fukuoka, Kanetsu (Saitama) Sapporo Plants: Omi (Itoigawa, Niigata Prefecture), Omuta, Chiba (Ichihara, Chiba Prefecture), Shibukawa, Ofuna (Kamakura, Kanagawa Prefecture), Isesaki, Gosen Research Institutes: Denka Innovation Center (Machida, Tokyo)
Denka Chemical Holdings Asia Pacific Pte., Ltd.	Head Office: Singapore
Denka Singapore Pte., Ltd.	Head Office and Plants: Singapore
Denka Advantech Pte., Ltd.	Head Office and Plant: Singapore
Denal Silane Co., Ltd.	Head Office: Chuo-ku, Tokyo
Denka Advanced Materials (Suzhou) Co., Ltd.	Head Office and Plant: Suzhou, Jiangsu, China
Denka Electronic Materials Dalian Co., Ltd.	Head Office and Plant: Dalian, Liaoning, China
Denka Advanced Materials Vietnam Co., Ltd.	Head Office and Plant: Hung Yen, Vietnam
Denka Performance Elastomer LLC	Head Office and Plant: Louisiana, United States
Hinode Kagaku Kogyo	Head Office and Plant: Maizuru, Kyoto Prefecture
Nishi-nihon Koatsu Gas Co., Ltd.	Head Office: Fukuoka, Fukuoka Prefecture
Denka RENOTEC Co., Ltd.	Head Office: Chuo-ku, Tokyo
Denka Azumin Co., Ltd.	Head Office and Plant: Hanamaki, Iwate Prefecture
Denka Inorganic Materials Tianjin Co., Ltd.	Head Office and Plant: Tianjin, China
Denka Infrastructure Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
Denka Construction Solutions Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
PT. Hissan Trading Indonesia	Head Office: Jakarta, Indonesia

Company name	Principal offices
DENKA Polymer Co., Ltd.	Head Office: Koto-ku, Tokyo Plants: Sakura, Katori (Tako-machi, Chiba Prefecture), Goi (Ichihara, Chiba Prefecture)
Denka Astec Co., Ltd.	Head Office: Minato-ku, Tokyo Plant: Kasai, Hyogo Prefecture
Denka Chemicals Shanghai Co., Ltd.	Head Office: Shanghai, China
Denka Chemicals GmbH	Head Office: Düsseldorf, Germany
Denka Consultant & Engineering Co., Ltd.	Head Office: Ichihara, Chiba Prefecture
Akros Trading Co., Ltd.	Head Office: Minato-ku, Tokyo
Akros Trading China Co., Ltd.	Head Office: Shanghai, China
Akros Trading Taiwan Co., Ltd.	Head Office: Hsin-Chu, Taiwan

**(10) Employees** (as of March 31, 2023)

1) The Group

Business segment	Number of employees	
Electronics & Innovative Products Division	1,628	[180]
Life Innovation Division	979	[280]
Elastomers & Infrastructure Solutions Division	1,541	[242]
Polymer Solutions Division	1,187	[209]
Others Division	688	[158]
Corporate (common)	383	[67]
Total	6,406	[1,136]

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

2) The Company

Number of employees	Increase (Decrease) from the previous fiscal year-end	Average age	Average service years
4,198 [765]	117 [39]	40.7	16.4

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



**(11) Principal Lenders** (as of March 31, 2023)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	74,000
Mizuho Bank, Ltd.	20,119
The Norinchukin Bank	6,065
Sumitomo Mitsui Banking Corporation	5,218
MUFG Bank, Ltd.	3,981

Note: The syndicated loan is managed by Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation and is co-financed.

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

Not applicable.

## 2. Status of Shares (as of March 31, 2023)

(1) Total Number of Authorized Shares	290,000,000 shares
(2) Shares of Common Stock Issued	88,555,840 shares (including 2,280,095 shares of treasury stock)
(3) Number of Shareholders	51,889

### (4) Major Shareholders

Shareholder name	Number of shares held (hundred shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	162,786	18.87
Custody Bank of Japan, Ltd. (Trust Account)	85,404	9.90
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	17,141	1.99
STATE STREET BANK AND TRUST COMPANY 505001	13,992	1.62
Denka Employee Stockholding Association	13,308	1.54
JP MORGAN CHASE BANK 385781	11,532	1.34
Custody Bank of Japan, Ltd. (Trust Account 4)	11,295	1.31

- Notes: 1. 2,280,095 shares of treasure stock have been excluded from the above list of major shareholders.  
2. Treasury stock is excluded for calculation of the percentage of shares held.

### (5) Other Significant Matters concerning Shares

Not applicable.

## 3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2023)

Not applicable.

## 4. Company Officers

### (1) Directors (as of March 31, 2023)

Name	Position	Responsibilities and significant concurrent positions
Manabu Yamamoto	Chairman and Representative Director	
Toshio Imai	Representative Director, President	President and Chief Executive Officer
Tetsuya Shinmura	Director	Senior Managing Executive Officer Chief Technical Officer (CTO) In charge of Purchasing Dept., Logistics Dept., Production & Process Technology Dept., Engineering Dept., Digital Strategy & Innovation Dept.
Kazuo Takahashi	Director	Managing Executive Officer Chief Compliance Officer (CCO) Chief Human Resource Officer (CHRO) In charge of HR Dept., Corporate Planning Dept., Corporate Communications Dept., Denka Corporation, Denka Chemicals GmbH
Yoshiyuki Fukuda	Director (Outside)	
Masaharu Suzuki	Director (Full-time Audit Committee Member)	
Toshio Kinoshita	Director (Outside) (Audit Committee Member)	Representative Director of Global Professional Partners Outside Director of TACHI-S CO., LTD.
Akio Yamamoto	Director (Full-time Audit Committee Member)	
Miyuki Matoba	Director (Outside) (Audit Committee Member)	General Manager, Intellectual Property and Legal Div., General Affairs H.Q., and compliance supervisor of NITTO KOHKI CO., LTD.

- Notes: 1. Directors Mr. Yoshiyuki Fukuda, Mr. Toshio Kinoshita, Mr. Akio Yamamoto, and Ms. Miyuki Matoba are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Director who is an Audit Committee Member, Mr. Toshio Kinoshita is a certified public accountant, and has an adequate level of knowledge regarding finance and accounting.
3. Director who is an Audit Committee Member, Mr. Toshio Kinoshita retired as Outside Audit & Supervisory Board Member of Panasonic Holdings Corporation in June 2022.
4. The Company has appointed Director Mr. Masaharu Suzuki as a Full-time Audit Committee Member, in order to enhance the effectiveness of audits through better information gathering and sufficient coordination with the Internal Control Dept., etc., and thereby strengthen audit and supervisory functions.
5. The Company designated Directors Mr. Yoshiyuki Fukuda, Mr. Toshio Kinoshita, Mr. Akio Yamamoto, and Ms. Miyuki Matoba as independent officers as defined by Tokyo Stock Exchange, Inc. and notified it of the designation

## (Reference) Executive Officers (as of April 1, 2023)

Title	Name	Responsibility
President and Chief Executive Officer	Toshio Imai	
Senior Managing Executive Officer	Kazuo Takahashi	Chief Technical Officer (CTO) Chief Compliance Officer (CCO) In charge of Purchasing Dept., Logistics Dept., Production & Process Technology Dept., Engineering Dept., Digital Strategy & Innovation Dept.
Managing Executive Officers	Nobuyuki Yoshino	Chief Scientific Officer (CSO) General Manager, New Business Development
	Kazuya Tokumoto	President of Denka Performance Elastomer LLC
	Hideki Takahashi	General Manager, Life Innovation
	Rimiru Hayashida	In charge of Accounting & Finance Dept., Finance Dept.
	Ikuo Ishida	Chief Human Resource Officer (CHRO) In charge of HR Dept., Corporate Planning Dept., Corporate Communications Dept., Denka Corporation, Denka Chemicals GmbH, Chinese Business
Executive Officers	Yasuo Nakatomi	General Manager, Gosen Site
	Yukio Sasagawa	General Manager, Omuta Plant
	Hideki Toya	Assistant to New Business Development General Manager, Innovation Center
	Masanobu Kosaka	In charge of Supervisor of Environmental Measures Promotion Environment and Safety Dept., Sustainability Promotion Dept., Quality Assurance Dept.
	Michio Kawamura	Managing Director, DCHA, DSPL, DAPL
	Masahiro Kawai	General Manager, Chiba Plant
	Takeshi Hagiwara	General Manager, Omi Plant
	Masahiro Omata	General Manager, Elastomers & Infrastructure Solutions
	Kei Hara	General Manager, Polymer Solutions
	Ken Watanabe	In charge of Administrative Dept., Legal Dept., Internal Control Dept., Secretary Dept.
	Hiroto Horiuchi	General Manager, Electronics & Innovative Products
	Tetsuo Noguchi	General Manager, Shibukawa Plant

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

DSPL: Denka Singapore Pte., Ltd.

DAPL: Denka Advantech Pte., Ltd.

## **(2) Summary of Liability Limitation Agreements**

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

## **(3) Summary of Directors and Officers Liability Insurance**

The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The Company's Directors (including Directors who are Audit Committee Members), Executive Officers, and Directors, Corporate Auditors and Executive Officers of some of the Company's Group companies are insured parties under the contract. As a rule, the insured parties are not responsible for paying insurance premiums.

The Directors and officers liability insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured persons due to an act committed by an insured person in his/her capacity as such. However, measures have been implemented to ensure that proper execution of duties by officers, etc. is not impaired. These include an exclusion where the Company makes a claim for damages against the insured parties, as well as the establishment of a deductible amount.

## **(4) Remuneration and Other Payments to Directors**

### **1) Policy on the determination of remuneration and other payments to individual Directors**

The Board of Directors 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.

[Basic Policy]

Remuneration for individual Directors (excluding Directors who are Audit 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.

[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.

## 2) Reason why the details of remuneration and other payments to individual Directors are judged by the Board of Directors to be in accordance with the Decision Policy

The Board of Directors establishes the details of remuneration in internal regulation, in accordance with the Decision Policy, after receiving recommendations and proposals from the Nomination & Remuneration Advisory Committee. Remuneration for individual Directors is determined based on these regulations. Therefore, the Board of Directors deems it to be in accordance with the Decision Policy.

The Company's Board of Directors, at its meeting held on March 13, 2023, resolved to make the following changes to the Company's decision-making policy, based on the report and recommendations of the Nomination & Remuneration Advisory Committee, effective as of April 1, 2023. Changes are underlined.

### [Basic Policy]

Remuneration for individual Directors (excluding Directors who are Audit Committee Members; the same applies hereinafter) shall be in accordance with each Director's roles and responsibilities and performance, 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 Company-wide and individual performance 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.

### [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  
Performance-linked remuneration shall consist of Company-wide performance-linked remuneration and individual performance-linked remuneration. However, the Chairman and President shall receive only Company-wide performance-linked remuneration.  
The total amount of Company-wide 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. Individual performance-linked remuneration shall be linked to each Director's individual evaluation of the achievement and others of financial and non-financial targets, and shall be paid promptly after the

financial results are finalized in accordance with internal regulations determined by the Company in advance.

- 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, and the evaluation of individual performance-linked compensation is standard, then the proportions will be approximately 60%, 30% 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.  
The individual performance-linked component of the remuneration for Directors shall be determined by the President, who has been delegated this authority, after individual evaluation in accordance with the internal regulations determined by the Board of Directors. In order to ensure that the President exercises this authority appropriately, the Board of Directors shall establish in advance the amount of remuneration linked to individual evaluations in the internal regulations and shall receive reports on the details of such remuneration.

### 3) Remuneration and other payments to Directors

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 Committee Members) (of which Outside Directors)	5 (1)	279 (12)	5 (1)	231 (12)	4 (-)	25 (-)	4 (-)	21 (-)
Directors (Audit Committee Members) (of which Outside Directors)	4 (3)	74 (36)	4 (3)	74 (36)	- (-)	- (-)	- (-)	- (-)
Total (of which Outside Directors)	9 (4)	353 (48)	9 (4)	306 (48)	4 (-)	25 (-)	4 (-)	21 (-)

- Notes: 1. The maximum amount of cash compensation remuneration for Directors (excluding Directors who are Audit 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 7 Directors (excluding Directors who are Audit Committee Members), including 2 Outside Directors, as of the conclusion of the 160th Ordinary General Meeting of Shareholders.
2. The maximum amount of remuneration for Directors who are Audit Committee Members is ¥166 million per year as resolved at the 160th Ordinary General Meeting of Shareholders held on June 20, 2019. There were 5 Directors who are Audit Committee Members as of the conclusion of the 160th Ordinary General Meeting of Shareholders.
3. Regarding the amount of stock remuneration for Directors (excluding Directors who are Audit 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 Committee Members or Outside Directors) as of the conclusion of the 160th 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 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 massive amount of extraordinary loss is recorded,



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 2022 and other years is presented in 1. (6) Financial Position and Results of Operations.

6. The remuneration for the current fiscal year is the amount determined in accordance with the Decision Policy prior to the time when the Board of Directors approved the change at its meeting held on March 13, 2023.

## **(5) Outside Officers**

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

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

Director who is an Audit Committee Member Ms. Miyuki Matoba is General Manager of the Intellectual Property and Legal Div. of NITTO KOHKI CO., LTD. There are no significant transactions between the Company and NITTO KOHKI CO., LTD.

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

Director who is an Audit Committee Member Mr. Toshio Kinoshita is Outside Director of TACHI-S CO., LTD.

He was also Outside Director of Outside Audit & Supervisory Board Member of Panasonic Holdings Corporation until June 2022.

There are no significant transactions between the Company and TACHI-S CO., LTD. There are business transactions with business companies of Panasonic Holdings Corporation, yet there is no special relationship between these companies and the Company.

### **3) Relationship with specified related parties such as major customers**

Not applicable.

### **4) Principal activities in the fiscal year ended March 31, 2023**

[Board of Directors meetings]

The Board of Directors met 15 times in the fiscal year ended March 31, 2023. Director, Mr. Yoshiyuki Fukuda, attended all 15 meetings of the Board of Directors held (attendance rate: 100%). Directors who are Audit Committee Members, Mr. Toshio Kinoshita and Mr. Akio Yamamoto, and Ms. Miyuki Matoba attended all 15 meetings of the Board of Directors (attendance rate: 100%). Mr. Yoshiyuki Fukuda, based on his rich experience and wide views as a corporate executive and high-level knowledge of corporate finance, actively made necessary inquiries and recommendations.

In addition, as Directors who are Audit Committee Members, Mr. Toshio Kinoshita, based on his experience and rich accounting knowledge as a certified public accountant in Japan and the US, Mr. Akio Yamamoto, based on his rich experience and wide views as a corporate executive and rich international experience serving as a business manager at global companies, and Ms. Miyuki Matoba, based on her rich experience and expert knowledge as a lawyer, actively made necessary inquiries and recommendations.

[Audit Committee]

The Audit Committee met 14 times in the fiscal year ended March 31, 2023. Mr. Toshio Kinoshita, Mr. Akio Yamamoto and Ms. Miyuki Matoba attended all 14 meetings of the Audit Committee (attendance rate: 100%.) Each member of the Audit Committee worked closely with the Internal Control Dept., etc. to perform efficient and effective audits of the Company's divisions and departments, business sites and subsidiaries and receive briefings on the status of business execution at periodic divisional report meetings. They reported the results of these activities to the Audit Committee and had necessary discussions with other Directors who are Audit Committee Members.

	Board of Directors meetings		Audit Committee	
	Attendance	Attendance rate	Attendance	Attendance rate
Director Yoshiyuki Fukuda	15/15	100%	–	–
Director (Audit Committee Member) Toshio Kinoshita	15/15	100%	14/14	100%
Director (Audit Committee Member) Akio Yamamoto	15/15	100%	14/14	100%
Director (Audit Committee Member) Miyuki Matoba	15/15	100%	14/14	100%

**5) Summary of Duties Fulfilled by Outside Directors Related to Their Expected Roles**

	Expected roles	Summary of duties performed related to expected roles
Director Yoshiyuki Fukuda	Recommendations and supervision regarding the Company's management in general, based on his rich experience and wide views as a manager, and expert knowledge of corporate finance	Inquiries and recommendations regarding finance strategy for the entire Group and risk management for new businesses.
Director (Audit Committee Member) Toshio Kinoshita	Supervision and audit of the Company's management, based on his experience and rich accounting knowledge as a certified public accountant in Japan and the US	Inquiries and recommendations regarding the strengthening of governance structures at Group companies and financing.
Director (Audit Committee Member) Akio Yamamoto	Recommendations and supervision regarding the Company's management, based on his rich experience in Japan and overseas and wide views as a corporate executive, and rich international experience serving as a business manager at global companies	Inquiries and recommendations regarding risk management in overseas business and new businesses.
Director (Audit Committee Member) Miyuki Matoba	Supervision and audit of the Company's management, based on her rich experience and expert knowledge as a lawyer	Inquiries and recommendations regarding the strengthening of compliance systems and business risk.

## 5. Accounting Auditor

### (1) Accounting Auditor's Name

Ernst & Young ShinNihon LLC

### (2) Accounting Auditor's Remuneration, etc. for the Fiscal Year Ended March 31, 2023

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2023	97,000
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	131,170

- Notes:
1. Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Companies Act and that for audits based on the Financial Instruments and Exchange Act are not strictly distinguished and they cannot be substantially distinguished. Consequently, the sum of the amounts of these remunerations is stated as the amount of remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2023.
  2. The Audit Committee of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, has confirmed the time taken to audit each audit item compared to audit plans for previous fiscal years and comparisons with amounts for other companies as disclosed for the fiscal year ended March 31, 2022, and agrees to the fees, etc., of the Accounting Auditor under Article 399, Item 1 of the Companies Act.
  3. Financial statements (including corresponding statements) of some of the Company's significant subsidiaries are audited (subject to regulations of the Companies Act and the Financial Instruments and Exchange Act; including corresponding laws and regulations overseas) by Certified Public Accountants or Audit Corporations (including persons with qualifications that correspond to these qualifications overseas) other than the Company's Accounting Auditor.

### (3) Non-audit Services

The Company pays fees to Ernst & Young ShinNihon LLC mainly for confirmation provided in relation to applications for reduction or exemption under the Japanese renewable energy feed-in-tariff (FIT) scheme.

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

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

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

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

Not applicable.

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

Not applicable.

# Consolidated Financial Statements

## Consolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)

Account item	(Reference) 163rd term	164th term	Account item	(Reference) 163rd term	164th term
<b>(Assets)</b>	<b>557,646</b>	<b>592,158</b>	<b>(Liabilities)</b>	<b>265,552</b>	<b>291,807</b>
<b>Current assets</b>	<b>218,164</b>	<b>251,793</b>	<b>Current liabilities</b>	<b>166,679</b>	<b>164,457</b>
Cash and deposits	20,210	20,199	Notes and accounts payable-trade	50,032	47,969
Notes and accounts receivable-trade, and contract assets	101,026	98,081	Short-term loans payable	40,545	44,754
Merchandise and finished goods	55,790	81,461	Commercial paper	8,000	6,000
Work in process	4,516	5,477	Current portion of long-term loans payable	12,470	11,975
Raw materials and supplies	25,352	34,183	Accounts payable-other	23,539	22,018
Other	11,485	12,607	Income taxes payable	5,439	4,228
Allowance for doubtful accounts	(218)	(216)	Accrued consumption taxes	298	231
			Accrued expenses	13,631	13,068
<b>Noncurrent assets</b>	<b>339,482</b>	<b>340,365</b>	Provision for bonuses	2,904	3,022
<b>Property, plant and equipment</b>	<b>263,171</b>	<b>262,711</b>	Other	9,817	11,187
Buildings	51,308	50,642	<b>Noncurrent liabilities</b>	<b>98,872</b>	<b>127,349</b>
Structures	31,279	30,318	Bonds payable	37,000	37,000
Machinery and equipment	89,005	92,592	Long-term loans payable	39,016	70,000
Vehicles	1,001	693	Deferred tax liabilities	5,995	1,369
Tools, furniture and fixtures	4,666	4,360	Deferred tax liabilities for land revaluation	8,401	8,367
Land	63,494	63,180	Net defined benefit liability	5,074	5,366
Lease assets	2,141	2,824	Provision for stock benefits	60	81
Construction in progress	20,276	18,097	Other	3,324	5,165
<b>Intangible assets</b>	<b>10,391</b>	<b>11,001</b>	<b>(Net assets)</b>	<b>292,094</b>	<b>300,351</b>
Software	1,111	1,279	<b>Shareholders' equity</b>	<b>261,879</b>	<b>262,145</b>
Goodwill	5,989	5,992	Capital stock	36,998	36,998
Right of using patent	3,291	3,729	Capital surplus	49,397	49,406
<b>Investments and other assets</b>	<b>65,918</b>	<b>66,652</b>	Retained earnings	183,128	183,391
Investment securities	60,552	58,072	Treasury stock	(7,645)	(7,650)
Long-term loans receivable	140	117	<b>Accumulated other comprehensive income</b>	<b>26,592</b>	<b>34,334</b>
Long-term prepaid expenses	1,447	3,052	Valuation difference on available-for-sale securities	16,883	16,350
Deferred tax assets	1,326	2,995	Deferred gains or losses on hedges	(348)	(246)
Other	2,524	2,486	Revaluation reserve for land	10,377	10,407
Allowance for doubtful accounts	(73)	(72)	Foreign currency translation adjustment	2,410	11,101
			Remeasurements of defined benefit plans	(2,731)	(3,277)
			<b>Non-controlling interests</b>	<b>3,621</b>	<b>3,871</b>
<b>Total</b>	<b>557,646</b>	<b>592,158</b>	<b>Total</b>	<b>557,646</b>	<b>592,158</b>

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

## Consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account item	(Reference) 163rd term		164th term	
<b>Net sales</b>		<b>384,849</b>		<b>407,559</b>
<b>Cost of sales</b>		<b>277,674</b>		<b>305,217</b>
<b>Gross profit</b>		<b>107,175</b>		<b>102,342</b>
Selling, general, and administrative expenses		67,051		70,017
<b>Operating income</b>		<b>40,123</b>		<b>32,324</b>
<b>Non-operating income</b>				
Interest and dividend income	1,661		2,234	
Equity in earnings of affiliates	876		2,328	
Other	606	3,144	704	5,268
<b>Non-operating expenses</b>				
Interest expenses	924		1,157	
Other	5,869	6,793	8,409	9,567
<b>Ordinary income</b>		<b>36,474</b>		<b>28,025</b>
<b>Extraordinary income</b>				
Loss on sales of investment securities	100		4,970	
Gains on shares of sale of subsidiaries and associates	-	100	425	5,396
<b>Extraordinary loss</b>				
Costs related to voluntary product recall	972		-	
Impairment losses	968		-	
Loss on liquidation of business	-	1,940	18,830	18,830
<b>Income before income taxes</b>		<b>34,633</b>		<b>14,590</b>
Income taxes-current	8,428		7,327	
Income taxes-deferred	1,240	9,668	(5,773)	1,553
<b>Profit</b>		<b>24,965</b>		<b>13,037</b>
Profit (loss) attributable to non-controlling interests		(1,047)		268
<b>Profit attributable to owners of parent</b>		<b>26,012</b>		<b>12,768</b>

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

## Non-consolidated Financial Statements

### Non-consolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)

Account item	(Reference) 163rd term	164th term	Account item	(Reference) 163rd term	164rd term
<b>(Assets)</b>	<b>465,179</b>	<b>482,552</b>	<b>(Liabilities)</b>	<b>239,387</b>	<b>261,646</b>
<b>Current assets</b>	<b>169,399</b>	<b>196,219</b>	<b>Current liabilities</b>	<b>148,591</b>	<b>144,092</b>
Cash and deposits	4,272	5,901	Accounts payable-trade	36,330	35,979
Notes receivable-trade	4,535	5,399	Short-term loans payable	27,675	27,675
Accounts receivable-trade	80,840	70,604	Commercial paper	8,000	6,000
Merchandise and finished goods	45,679	69,393	Current portion of long-term loans payable	12,466	11,975
Work in progress	4,176	5,082	Accounts payable-other	21,748	21,281
Raw materials and supplies	20,091	26,328	Income taxes payable	4,273	2,489
Prepaid expenses	1,655	2,154	Accrued expenses	11,510	10,404
Short-term loans receivable	224	230	Deposits received	23,320	22,300
Other	7,937	11,134	Provision for bonuses	2,270	2,399
Allowance for doubtful accounts	(12)	(11)	Other	996	3,589
<b>Noncurrent assets</b>	<b>295,780</b>	<b>286,333</b>	<b>Noncurrent liabilities</b>	<b>90,795</b>	<b>117,553</b>
<b>Property, plant and equipment</b>	<b>221,699</b>	<b>214,192</b>	Bonds payable	37,000	37,000
Buildings	43,808	42,467	Long-term loans payable	38,975	70,000
Structures	28,938	24,166	Deferred tax liabilities	5,657	-
Machinery and equipment	68,868	67,569	Deferred tax liabilities for land revaluation	8,401	8,367
Vehicles	892	598	Provision for stock benefits	60	81
Tools, furniture and fixtures	3,763	3,525	Asset retirement obligations	129	1,823
Land	61,690	61,466	Other	571	281
Leased assets	206	172	<b>(Net assets)</b>	<b>225,792</b>	<b>220,906</b>
Construction in progress	13,530	14,226	<b>Shareholders' equity</b>	<b>200,314</b>	<b>196,455</b>
<b>Intangible assets</b>	<b>1,298</b>	<b>1,348</b>	<b>Capital stock</b>	<b>36,998</b>	<b>36,998</b>
Software	837	972	<b>Capital surplus</b>	<b>49,284</b>	<b>49,284</b>
Right of using patent	461	376	Legal capital surplus	49,284	49,284
<b>Investments and other assets</b>	<b>72,781</b>	<b>70,793</b>			

Account item	(Reference) 163rd term	164th term	Account item	(Reference) 163rd term	164rd term
Investment securities	34,152	30,075	Other capital surplus	0	0
Stocks of subsidiaries and affiliates	34,807	34,241	<b>Retained earnings</b>	<b>121,676</b>	<b>117,823</b>
Long-term loans receivable	130	117	Other retained earnings	121,676	117,823
Long-term prepaid expenses	1,072	2,586	Reserve for advanced depreciation of noncurrent assets	3,749	3,602
Prepaid pension cost	1,071	1,542	Retained earnings brought forward	117,927	114,220
Deferred tax assets	-	690	<b>Treasury stock</b>	<b>(7,645)</b>	<b>(7,650)</b>
Other investments	1,549	1,540	<b>Valuation and translation adjustments</b>	<b>25,477</b>	<b>24,450</b>
Allowance for doubtful accounts	(1)	(1)	<b>Valuation difference on available-for-sale securities</b>	<b>15,099</b>	<b>14,043</b>
			<b>Revaluation reserve for land</b>	<b>10,377</b>	<b>10,407</b>
<b>Total</b>	<b>465,179</b>	<b>482,552</b>	<b>Total</b>	<b>465,179</b>	<b>482,552</b>

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



## Non-consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account item	(Reference) 163rd term		164th term	
<b>Net sales</b>		<b>299,641</b>	<b>327,019</b>	
<b>Cost of sales</b>		<b>215,385</b>	<b>252,966</b>	
<b>Gross profit</b>		<b>84,255</b>	<b>74,053</b>	
Selling, general, and administrative expenses		<b>50,451</b>	<b>51,954</b>	
<b>Operating income</b>		<b>33,803</b>	<b>22,098</b>	
<b>Non-operating income</b>				
Interest and dividend income	1,869		3,984	
Other	987	2,856	1,618	5,602
<b>Non-operating expenses</b>				
Interest expenses	509		1,001	
Other	6,806	7,316	5,730	6,732
<b>Ordinary income</b>		<b>29,343</b>	<b>20,969</b>	
<b>Extraordinary income</b>				
Gain on sales of investment securities	100		4,961	
Gains on shares of sale of subsidiaries and associates	-	100	1,093	6,055
<b>Extraordinary loss</b>				
Loss on valuation of shares of subsidiaries and associates	5,165		-	
Costs related to voluntary product recall	972		-	
Loss on liquidation of business	-	6,137	18,750	18,750
<b>Income before income taxes</b>		<b>23,305</b>	<b>8,274</b>	
Income taxes-current	7,047		5,408	
Income taxes-deferred	304	7,351	(5,786)	(377)
<b>Profit</b>		<b>15,953</b>	<b>8,652</b>	

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

Independent Auditors' Report  
(English Translation)

May 9, 2023

To the Board of Directors  
Denka Co., Ltd.

Ernst & Young ShinNihon LLC  
Tokyo office

Mineo Kambayashi  
Certified Public Accountant  
Designated and Engagement Partner  
Yasuyuki Kitamura  
Certified Public Accountant  
Designated and Engagement Partner  
Yuki Nakano  
Certified Public Accountant  
Designated and Engagement Partner

### Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Denka Co., Ltd. (the "Company") for the fiscal year from April 1, 2022 through March 31, 2023.

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

### Basis for the Opinion

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

### Other Information

Other information refers to the business report and supplementary schedules. Management is responsible for the preparation and disclosure of other information. The Audit Committee are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for other information.

Other information is not included in the scope of our opinion on the consolidated financial statements, and we express no opinion on it.

Our responsibility with respect to the audit of the consolidated financial statements is to read through other information and, in this process, to consider whether any material differences exist between other information and the consolidated financial statements or knowledge we have gained through the auditing process; also, to remain alert for any other indications of material error in other information.

We are required to report any matter that we consider constitutes a material error in other information, based on the work we have undertaken.

We have nothing to report regarding other information.

#### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### Interest

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

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

Independent Auditors' Report  
(English Translation)

May 9, 2023

To the Board of Directors  
Denka Co., Ltd.

Ernst & Young ShinNihon LLC  
Tokyo office

Mineo Kambayashi  
Certified Public Accountant  
Designated and Engagement Partner  
Yasuyuki Kitamura  
Certified Public Accountant  
Designated and Engagement Partner  
Yuki Nakano  
Certified Public Accountant  
Designated and Engagement Partner

### Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Denka Co., Ltd. (the "Company") for the 164th fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

### Basis for the Opinion

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

### Other Information

Other information refers to the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of other information. The Audit Committee are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for other information.

Other information is not included in the scope of our opinion on the financial statements and accompanying supplementary schedules, and we express no opinion on it.

Our responsibility with respect to the audit of the financial statements and accompanying supplementary schedules is to read through other information and, in this process, to consider whether any material differences exist between other information and the financial statements and accompanying supplementary schedules, or knowledge we have gained through the auditing process; also, to remain alert for any other indications of material error in other information.

We are required to report any matter that we consider constitutes a material error in other information, based on the work we have undertaken.

We have nothing to report regarding other information.

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

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

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

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

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

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

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

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

notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based. The auditor reports to the Audit Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the components included in the financial statements and the accompanying supplementary schedules in order to express an opinion on the financial statements and the accompanying supplementary schedules. The auditor is responsible for instructing, supervising, and implementing the audit of the financial information of the components, and is solely responsible for the audit opinion.  
The auditor reports to the Audit Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### Conflicts of Interest

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

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

## **Audit Report**

(English Translation)

The Audit Committee has audited the Directors' performance of their duties during the 164th term from April 1, 2022 to March 31, 2023 and hereby reports the method and results thereof as follows:

### 1. Auditing Method and Details Thereof

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

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

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

### 2. Results of Audit

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



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

May 9, 2023

Audit Committee, Denka Co., Ltd.

Audit Committee Member  
Audit Committee Member  
Audit Committee Member  
Audit Committee Member

Masaharu Suzuki  
Toshio Kinoshita  
Akio Yamamoto  
Miyuki Matoba

(Note) Audit Committee Members Toshio Kinoshita, Akio Yamamoto, and Miyuki Matoba are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Section 6 of the Companies Act.