

**Denka**

Possibility  
of  
chemistry

# *Results Presentation of FY2020 1Q*

Denka Co.,Ltd

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## Table Of Contents

### 1. *FY2020 1Q Outlook*

- |   |             |
|---|-------------|
| ① <i>Summery (year on year)</i>           | <i>P. 2</i> |
| ② <i>Variance Analysis (year on year)</i> | <i>P. 3</i> |
| ③ <i>By Segments (year on year)</i>       | <i>P. 5</i> |
| ④ <i>Economic Precondition</i>            | <i>P. 6</i> |

### 2. *FY2020 Forecast*

- |   |              |
|---|--------------|
| ① <i>Summery (year on year)</i>                 | <i>P. 7</i>  |
| ② <i>1st Half By Segments (year on year)</i>    | <i>P. 8</i>  |
| ③ <i>Full-year By Segments (year on year)</i>   | <i>P. 9</i>  |
| ④ <i>Economic Precondition</i>                  | <i>P. 10</i> |
| ⑤ <i>Assumptions used to formulate forecast</i> | <i>P. 11</i> |
| ⑥ <i>Shareholder Return</i>                     | <i>P. 12</i> |

in billion Yen

	<b>FY 2020 1Q Act</b>	<b>FY 2019 1Q Act</b>	<b>Incr. △/Decr.</b>		
<b>Sales</b>	<b>76.2</b>	<b>90.9</b>	<b>△ 14.7</b>		
				<i>Elastomer &amp; Performance Plastics</i>	<b>△ 2.5</b>
				<i>Infrastructure &amp; Social Solutions</i>	<b>△ 0.1</b>
				<i>Electronics &amp; Innovative Products</i>	<b>+ 0.2</b>
				<i>Living &amp; Environment Products</i>	<b>+ 0.3</b>
				<i>Life Innovation</i>	<b>△ 0.0</b>
				<i>Others</i>	<b>△ 0.2</b>
<b>Operating Income</b>	<b>4.4</b>	<b>6.7</b>	<b>△ 2.3</b>	<b>←</b>	<b>△ 2.3</b>
<b>Operating Margin</b>	<b>(5.8 %)</b>	<b>(7.4 %)</b>	<b>(△ 1.5 %)</b>		
				<i>profit of equity method affiliates+0.5, Foreign exchange gains+0.2 etc.</i>	<b>+ 1.0</b>
<b>Ordinary Income</b>	<b>5.0</b>	<b>6.4</b>	<b>△ 1.4</b>	<b>←</b>	<b>△ 1.4</b>
				<i>Extraordinary gains and losses and corporate tax etc.</i>	
				<b>(△ 1.3 ← △ 0.8)</b>	<b>+ 0.5</b>
<b>Profit attributable to owners of parent</b>	<b>4.2</b>	<b>5.0</b>	<b>△ 0.8</b>	<b>←</b>	<b>△ 0.8</b>

**Sales 76.2** ( $\Delta 14.7$ )

*in billion Yen*

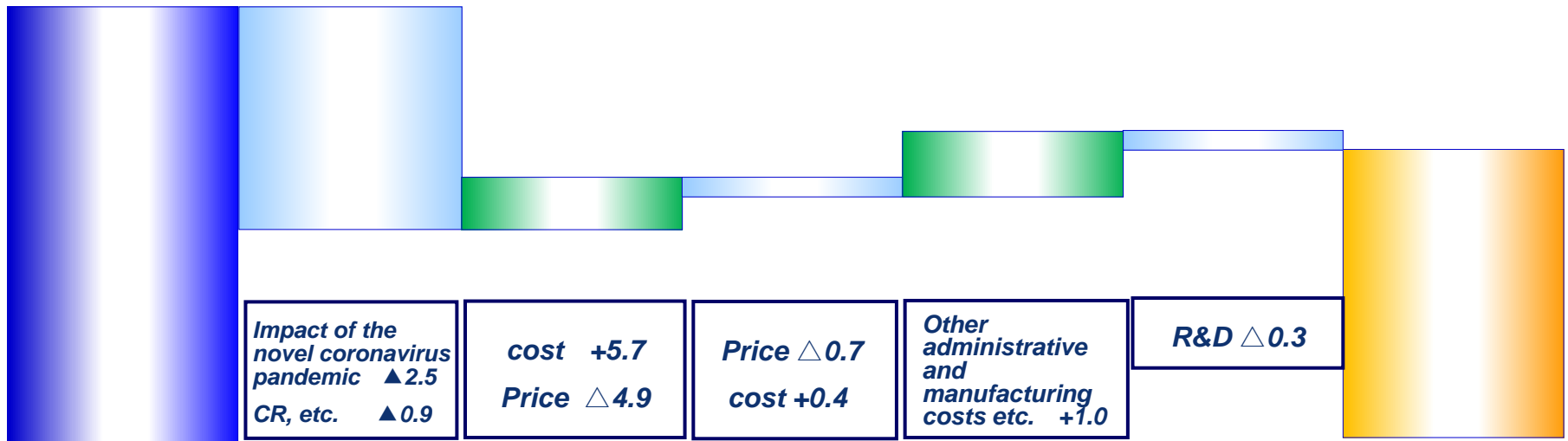
- ① **Decrease in sales volume :** ( $\Delta 9.0$ )  
*Impact of the novel coronavirus pandemic, etc.*
- ② **Differences in sales prices :** ( $\Delta 5.6$ )  
*impact of downward revisions of sales prices of styrene-based products in step with plunges in raw material prices*

**Operating Income 4.4** ( $\Delta 2.3$ )

- ① **Decreased Shipment :** ( $\Delta 3.4$ )  
*Impact of the novel coronavirus pandemic ( $\Delta 2.5$ )  
 Chloroprene rubber, etc. ( $\Delta 0.9$ )*
- ② **Spread except yen depreciation :** ( $+ 0.8$ )  
*decrease in cost  $+5.7$  vs products price revision  $\Delta 4.9$*
- ③ **Yen depreciation :** ( $\Delta 0.3$ )  
*products price merit in yen  $\Delta 0.7$  vs decrease in cost  $+0.4$*
- ④ **Other costs :** ( $+ 1.0$ )  
*Other administrative and manufacturing costs, etc.*
- ⑤ **R&D expenses :** ( $\Delta 0.3$ )

in billion Yen

FY2019 1Q Actual	Decreased shipment	Spread except yen depreciation	Yen depreciation	Other costs	Cost of upfront investment	FY 2020 1Q Actual
6.7	△ 3.4	+ 0.8	△ 0.3	+ 1.0	△ 0.3	4.4



in billion Yen

Sales	FY 2020 1Q Act	FY 2019 1Q Act	Incr. △/Decr.
Elastomers & Performance Plastics	27.1	39.4	△ 12.3
Infrastructure & Social Solutions	11.7	12.9	△ 1.2
Electronic & Innovative Products	15.6	15.5	+ 0.0
Living & Environment Products	7.9	8.8	△ 1.0
Life Innovation	5.3	5.1	+ 0.1
Others	8.7	9.1	△ 0.4
<b>Total</b>	<b>76.2</b>	<b>90.9</b>	<b>△ 14.7</b>

Price	Volume
△ 5.5	△ 6.8
+ 0.1	△ 1.3
△ 0.1	+ 0.2
△ 0.2	△ 0.8
△ 0.0	+ 0.2
-	△ 0.4
△ 5.6	△ 9.0

Operating Income	FY 2020 1Q Act	FY 2019 1Q Act	Incr. △/Decr.
Elastomers & Performance Plastics	1.3	3.8	△ 2.5
Infrastructure & Social Solutions	0.2	0.3	△ 0.1
Electronic & Innovative Products	2.8	2.6	+ 0.2
Living & Environment Products	0.1	△ 0.2	+ 0.3
Life Innovation	0.0	0.1	△ 0.0
Others	0.0	0.2	△ 0.2
<b>Total</b>	<b>4.4</b>	<b>6.7</b>	<b>△ 2.3</b>

Price	Volume	Cost & Others
△ 5.5	△ 3.4	+ 6.3
+ 0.1	△ 0.4	+ 0.2
△ 0.1	+ 0.4	△ 0.0
△ 0.2	△ 0.2	+ 0.7
△ 0.0	+ 0.2	△ 0.2
-	△ 0.0	△ 0.2
△ 5.6	△ 3.4	+ 6.7

<i>Economic Precondition</i>	<i>FY 2020 1Q Act</i>	<i>FY 2019 1Q Act</i>
<i>Forex [USD 1.0 = Yen]</i>	<b>107.7</b>	<b>110.8</b>
<i>Naphtha price [Yen/Kl]</i>	<b>26,000</b>	<b>45,800</b>

in billion Yen

<i>Reference</i>	<i>FY 2020 1Q Act</i>	<i>FY 2019 1Q Act</i>	<i>Incr. ▲Decr.</i>
<i>Investment</i>	<b>7.1</b>	<b>5.3</b>	+ <b>1.8</b>
<i>Depreciation</i>	<b>5.7</b>	<b>5.5</b>	+ <b>0.2</b>
<i>R&amp;D</i>	<b>3.8</b>	<b>3.5</b>	+ <b>0.3</b>
<i>Debt with interest</i>	<b>142.2</b>	<b>115.8</b>	+ <b>26.4</b>

in billion Yen

	FY2020 Forecast			FY2019 Actual		
		1st Half	2nd Half		1st Half	2nd Half
<b>Sales</b>	<b>360.0</b>	<b>160.0</b>	<b>200.0</b>	<b>380.8</b>	<b>192.0</b>	<b>188.8</b>
<b>Operating Income</b>	<b>31.0</b>	<b>12.0</b>	<b>19.0</b>	<b>31.6</b>	<b>15.3</b>	<b>16.2</b>
<b>Operating Margin</b>	<b>(8.6 %)</b>	<b>(7.5 %)</b>	<b>(9.5 %)</b>	<b>(8.3 %)</b>	<b>(8.0 %)</b>	<b>(8.6 %)</b>
<b>Ordinary Income</b>	<b>29.0</b>	<b>12.0</b>	<b>17.0</b>	<b>30.0</b>	<b>14.5</b>	<b>15.5</b>
<b>Profit attributable to owners of parent</b>	<b>21.0</b>	<b>10.0</b>	<b>11.0</b>	<b>22.7</b>	<b>10.9</b>	<b>11.9</b>



in billion Yen

Sales	FY 2020 1H Forecast	FY 2019 1H Act	Incr. △ Decr.
Elastomers & Performance Plastics	55.0	78.7	△ 23.7
Infrastructure & Social Solutions	25.0	26.9	△ 1.9
Electronic & Innovative Products	33.0	33.5	△ 0.5
Living & Environment Products	16.0	18.6	△ 2.6
Life Innovation	15.0	15.0	+ 0.0
Others	16.0	19.2	△ 3.2
<b>Total</b>	<b>160.0</b>	<b>192.0</b>	<b>△ 32.0</b>

Price	Volume
△ 11.5	△ 12.1
+ 0.3	△ 2.3
△ 0.5	△ 0.1
△ 0.5	△ 2.0
△ 0.1	+ 0.1
-	△ 3.2
△ 12.3	△ 19.6

Operating Income	FY 2020 1H Forecast	FY 2019 1H Act	Incr. △ Decr.
Elastomers & Performance Plastics	3.0	6.9	△ 3.9
Infrastructure & Social Solutions	1.0	0.3	+ 0.7
Electronic & Innovative Products	6.5	5.8	+ 0.7
Living & Environment Products	0.5	△ 0.2	+ 0.7
Life Innovation	1.0	2.5	△ 1.5
Others	0.0	0.2	△ 0.2
<b>Total</b>	<b>12.0</b>	<b>15.3</b>	<b>△ 3.3</b>

Price	Volume	Cost & Others
△ 11.5	△ 5.8	+ 13.5
+ 0.3	△ 0.2	+ 0.6
△ 0.5	+ 0.4	+ 0.8
△ 0.5	△ 0.6	+ 1.9
△ 0.1	△ 0.3	△ 1.1
-	△ 0.2	+ 0.0
△ 12.3	△ 6.7	+ 15.7

in billion Yen

Sales	FY 2020 Forecast	FY 2019 Act	Incr. △/Decr.
Elastomers & Performance Plastics	125.0	149.3	△ 24.3
Infrastructure & Social Solutions	55.0	54.8	+ 0.2
Electronic & Innovative Products	73.0	68.0	+ 5.0
Living & Environment Products	33.0	37.0	△ 4.0
Life Innovation	38.0	35.5	+ 2.5
Others	36.0	36.2	△ 0.2
<b>Total</b>	<b>360.0</b>	<b>380.8</b>	<b>△ 20.8</b>

Price	Volume
△ 23.7	△ 0.6
+ 0.9	△ 0.7
△ 0.5	+ 5.4
△ 1.1	△ 2.9
+ 0.1	+ 2.4
-	△ 0.2
△ 24.3	+ 3.5

Operating Income	FY 2020 Forecast	FY 2019 Act	Incr. △/Decr.
Elastomers & Performance Plastics	7.5	10.9	△ 3.4
Infrastructure & Social Solutions	2.0	0.3	+ 1.7
Electronic & Innovative Products	13.5	12.4	+ 1.1
Living & Environment Products	0.5	0.1	+ 0.4
Life Innovation	7.0	7.0	+ 0.0
Others	0.5	0.9	△ 0.4
<b>Total</b>	<b>31.0</b>	<b>31.6</b>	<b>△ 0.6</b>

Price	Volume	Cost & Others
△ 23.7	△ 0.0	+ 20.3
+ 0.9	+ 0.2	+ 0.7
△ 0.5	+ 3.1	△ 1.5
△ 1.1	△ 0.9	+ 2.3
+ 0.1	+ 2.2	△ 2.2
-	△ 0.6	+ 0.2
△ 24.3	+ 3.9	+ 19.8

<b>Economic Precondition</b>	<b>FY2020 Forecast</b>			<b>FY2019 Actual</b>		
		<i>1st Half</i>	<i>2nd Half</i>		<i>1st Half</i>	<i>2nd Half</i>
<i>Forex [USD 1.0 = Yen]</i>	<b>108.0</b>	<b>107.8</b>	<b>108.0</b>	<b>109.1</b>	<b>109.2</b>	<b>109.1</b>
<i>Naphtha price [Yen/Kl]</i>	<b>36,000</b>	<b>28,100</b>	<b>44,000</b>	<b>42,650</b>	<b>42,800</b>	<b>42,500</b>

*in billion Yen*

<b>Reference</b>	<b>FY2020 Forecast</b>			<b>FY2019 Actual</b>		
		<i>1st Half</i>	<i>2nd Half</i>		<i>1st Half</i>	<i>2nd Half</i>
<i>Investment</i>	<b>47.0</b>	<b>23.0</b>	<b>24.0</b>	<b>36.9</b>	<b>18.9</b>	<b>18.0</b>
<i>Depreciation</i>	<b>24.0</b>	<b>12.0</b>	<b>12.0</b>	<b>22.5</b>	<b>11.0</b>	<b>11.5</b>
<i>R&amp;D</i>	<b>16.0</b>	<b>8.0</b>	<b>8.0</b>	<b>15.0</b>	<b>7.3</b>	<b>7.7</b>
<i>Debt with interest</i>	<b>152.0</b>	<b>142.0</b>	<b>152.0</b>	<b>134.3</b>	<b>123.3</b>	<b>134.3</b>

(Initial forecast)

*The effect of the novel coronavirus pandemic will gradually taper off from the second quarter onward and economic activity will be largely normalized in the 2nd half.*

Compared to  
the Initial forecast

**Worse**

- In the 1st half, the pandemic's impact on the performance of some key offerings, such as CR, will get worse than initial forecasts, and this may have an impact on the 2nd half.

**Better**

- Semiconductor-related products : growth in 5G-related and data centers-related demand
- Reviews of administrative expenses and fixed plant operation costs
- Contribution of COVID-19 Rapid Antigen Test has not yet been incorporated

**Same**

- xEV-related products : the electric vehicle megatrend continues therefore contributing to growth in their performance on the 2nd half
- Influenza vaccine are expected to be shipped at the same level as last year

**Strongly promote the growth strategy of Denka Value-Up  
to achieve the initial forecast**

in billion Yen

		FY2020					
		FY2017	FY2018	FY2019	1st half	2nd half	Full-year
<b>Specialty Business</b>	<b>Operating Income</b>	16.7	18.5	20.0	8.0	13.5	21.5
	<b>Operating Margin</b>	15.1%	15.7%	16.5%	14.1%	19.0%	16.7%
	<b>Specialty ratio</b>	50%	54%	63%	67%	71%	69%
<b>Consolidated Total</b>	<b>Operating Income</b>	33.7	34.2	31.6	12.0	19.0	31.0
	<b>Operating Margin</b>	8.5%	8.3%	8.3%	7.5%	9.5%	8.6%

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 1 <sup>st</sup> Half Forecast	FY2020 Full-year Forecast
<b>Net Income</b> <i>in billion Yen</i>	18.1	23.0	25.0	22.7	10.0	21.0
Dividend per share ※	70.0	105.0	120.0	125.0	60.0	TBD
Total Dividend <i>in billion Yen</i>	6.2	9.2	10.5	10.8	5.2	
Payout Ratio	34 %	40 %	42%	48%	52%	
Share buyback <i>in billion Yen</i>	2.9	2.3	2.1	-	-	
<b>Total Shareholder Return</b> <i>in billion Yen</i>	9.1	11.5	12.6	10.8	5.2	
<b>Total Return Ratio</b>	50 %	50 %	50 %	48%	52%	
<b>Depreciation</b> <i>in billion Yen</i>	24.4	24.6	22.9	22.5	12.0	24.0
<b>Capital expenditure</b> <i>in billion Yen</i>	26.9	27.0	32.8	36.9	23.0	47.0
<b>ROE</b>	8. <sup>3</sup> %	10. <sup>0</sup> %	10. <sup>3</sup> %	9. <sup>1</sup> %		

※ The Company consolidated its shares in the proportion of 5 common shares to one common share, effective as of October 1, 2017. As for the forecast of the year-end dividends for the fiscal year ending March 31, 2018, we quote the amount that takes into account the impact of the said share consolidation.

**We continue to maintain our policy of "a total return ratio of 50% as the standard".**

Possibility of chemistry

**Denka**