

FY2020 4Q Financial Results Presentation Summary (May 12, 2021)

(1) Overview of FY2020 4Q Financial Results (year-on-year changes)

(Billions of yen)

① Net sales:	354.4	(-26.4)	Decrease in sales volume (-4.0) Differences in sales prices (-22.4)
② Operating income:	34.7	(+3.1)	
Changes in sales volume	(+6.5):		Impact of COVID-19 (-14.5) Other (Rapid Antigen Test COVID-19, xEV-related, semiconductor-related, etc.) (+21.0)
Effect of spread	(-6.0):		Decreases in sales prices (-19.3) Decreases in raw material prices, etc. (+13.3)
Effect of foreign exchange	(-0.8):		Sales prices (-3.1) Raw material prices, etc. (+2.3)
Other changes	(+3.1):		Other administrative expenses and manufacturing costs, etc.
Advance Investment	(+0.3):		R&D expenses
(+3.1)			Net increase due to the factors listed above

- ① **Net sales** decreased due to lower sales volume, reflecting the global economic recession and the resulting decline in demand, in addition to a decrease in styrene-based product prices in step with plunges in raw material prices.
- ② **Operating income** achieved a record-high, despite the impact of the novel coronavirus pandemic on core operations, thanks to contribution of specialty businesses.

(2) Forecasts for Full-Year Operating Results for FY2021 (year-on-year changes)

(Billions of yen)

① Net sales:	365.0	(+10.6):	Decrease in sales volume (+14.2) Differences in sales prices (+22.9) Change in accounting standards for recognition of revenue (Group trading company portion) (-26.5)
② Operating income:	42.0	(+7.3)	
Changes in sales volume	(+13.5):		Recovery of demand from COVID-19 impact (+11.0) Other (xEV-related and semiconductor-related demand growth, etc.) (+2.5)
Effect of spread	(+1.7):		Increases in sales prices (+22.2) Increases in raw material prices, etc. (-20.5)
Effect of foreign exchange	(+0.6):		Sales prices (+0.8) Raw material prices, etc. (-0.1)
Other changes	(-7.1):		Other administrative and manufacturing costs, etc.
Advance Investment	(-1.4):		R&D expenses
(+7.3)			Net increase due to the factors listed above

- ① **Net sales** are expected to increase, despite the negative effect of changes in accounting standards, thanks to recovery in demand for products offered via Denka's key operations, which had been severely affected by the pandemic in the prior year, and growth in demand for xEV-related and semiconductor-related products.
- ② **Operating income** is likely to grow thanks to the higher sales volume for key offerings, despite the expected increase in fixed costs in connection with structural upgrading aimed at raising the Group's manufacturing capacity for specialty products.

(3) Shareholder Returns

Dividends per share for fiscal 2020: ¥125 per share (interim: ¥60; year-end: ¥65); dividend payout ratio: 47%

Forecasts for dividends per share for fiscal 2021: ¥135 per share (interim: ¥65; year-end: ¥70); dividend payout ratio: 40%

Our policy of working to achieve a total shareholder return ratio of 50%, while flexibly undertaking share repurchases in light of trends of share prices, remains constant.

(4) Definition of Specialty Business

Denka's definition: A business that meets or has the potential to meet the following conditions in the near future:

- 1) being consistent with the Company's commitment to addressing ESG issues;
- 2) boasting distinctive strengths and product value;
- 3) possessing resilience to changes in external factors; and
- 4) commanding an industry-leading market share

With the United Nations Sustainable Development Goals (SDGs) in position as a compass, Denka will place strong management emphasis on addressing ESG issues and thereby aim to become a corporate group capable of growing sustainably while fulfilling its social responsibilities. To this end, Denka will continue to focus on the fields of the environment and energy as well as healthcare. Through its specialty businesses, the Company will thus help resolve issues society is confronting to achieve sustainable growth.

Spherical Alumina and Rapid Antigen Test COVID-19, which both have significantly contributed to the Group's fiscal 2020 operating results, are representative of products created employing strengths Denka has long nurtured. These also exemplify specialty business offerings designed to help resolve issues society is confronting.

(5) Management Plan "Denka Value-Up" ---Interim Review and FY2022 Numerical Targets

We conducted an interim review of Denka Value-Up, a five-year management plan that we launched in April 2018.

Based on the results of this review, we have determined our priority initiatives for the next two years as well as numerical targets for fiscal 2022.

Numerical targets:

FY2021: Operating income of ¥42.0 billion

FY2022: Operating income of ¥50.0 billion

Aiming to achieve a record-high operating income, we will strive to secure greater profit from Electronics & Innovative Products by seizing opportunities arising from megatrends in such fields as xEVs and 5G communication infrastructure. At the same time, we will steadily expand profit from our healthcare-related operations while endeavoring to accelerate the specialization of our core operations. We will also work to restore the performance of our Chloroprene Rubber business.

Initiatives for the next two years:

With SDGs positioned as a compass, we will take on the resolution of various social issues in a way that Denka alone is capable of. By doing so, we will become a company that is indispensable for the world and ensures that employees and stakeholders are proud of it. As the first step, we will focus on the three "Value-Up" initiatives outlined below.

- a) Business Value-Up: Transform our portfolio by focusing on types of operations Denka is better at doing than any other company
- b) Environmental Value-Up: Aim to reduce the volume of greenhouse gas emissions by 50% by the end of 2030 and achieve carbon neutrality in 2050
- c) Human Resources Value-Up: Strive to create a company in which employees can find their jobs rewarding and feel that they are attaining personal growth in a tangible manner

(6) Summary of Q&A Session

① Trend in demand for Electronics & Innovative Products

- Demand for Spherical Alumina and Acetylene Black is growing, with annual shipment volumes in FY2021 expected to increase year on year. Although low-priced xEVs are rapidly gaining popularity in China, the number of Denka offerings used in these vehicles seems to be small. We consider this a major factor underlying the difference between growth in the number of xEVs worldwide and growth in Denka's xEV-related product sales.
- Demand for semiconductor-related products is expected to remain strong, despite fluctuations in demand related to some applications.
- In addition, the number of electronic parts used per device is increasing due to, for example, the introduction of 5G smartphones. Reflecting this, demand related to semiconductors and electronic parts is expected to become even stronger.

② Sales outlook for Life Innovation

- Denka's FY2021 initiatives related to novel coronavirus antigen rapid diagnostic testing kits include the planned release of a new product that enables the simultaneous detection of both influenza virus and novel coronavirus antigens with the use of a single device. In January 2021 Denka filed an application for this new kit to acquire ministerial approval of its domestic manufacture and sale. Moreover, as announced in April, Denka intends to release a diagnostic testing kit in the U.S. market.

References: Press release dated January 29, 2021 "Denka Files Application for Ministerial Approval of Domestic Manufacture and Sale of a Diagnostic Testing Kit That Enables Simultaneous Detection of Both Influenza Virus and Coronavirus" (Japanese only)

https://www.denka.co.jp/storage/news/pdf/814/20210129_denka_flu_covid19.pdf

Press release dated April 28, 2021 "Denka Supplies COVID-19 Antigen Test Kits to Xtrava Health"

https://www.denka.co.jp/eng/storage/news/pdf/339/20210428_denka_covid19_xtrava_en.pdf

- Currently, the purchasers of these rapid diagnostic testing kits are legally limited to healthcare institutions. However, we would like to contribute to curbing the spread of infection while gaining understanding of the usefulness of our products in screening asymptomatic people.
- Our plan for boosting influenza vaccine production from FY2022 onward remains unchanged.

③ Status of the Chloroprene Rubber (CR) business

- CR shipments are on a recovery trajectory from pandemic-induced stagnation. FY2021 demand is expected to recover to around the level seen in FY2019.
- With regard to the severe cold wave that struck the United States in February 2021, its financial impact was insignificant as robust countermeasures were already in place. The post-disaster normalization of facility operations was smooth, with all manufacturing lines currently in full capacity.

④ Management Plan "Denka Value-Up" —Interim Review and FY2022 Numerical Targets

- The business portfolio shift is a matter of particular importance for the remaining two years of the Denka Value-Up management plan. Currently, specific studies are underway.
- The operating profit target of 50 billion yen for FY2022 incorporates not only the growth driver Electronics & Innovative Products, including increased production of Spherical Alumina in Singapore, but also Polymer Solutions, which will increase production of MS Resin in Singapore, and the recovery of demand for Chloroprene Rubber in Elastomer & Infrastructure Solutions.