

Denka

Possibility
of
chemistry

Results Presentation of FY2020

(Fiscal year ended March 2021)

Securities code : 4061

Denka Co., Ltd

May 12, 2021

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FY2020 Financial Summary

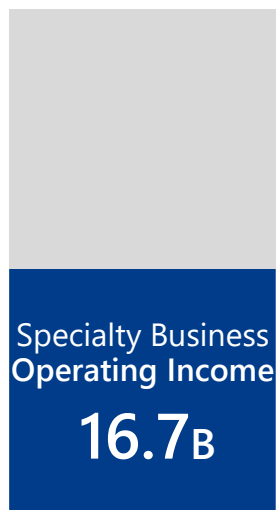
(Fiscal year ended March 2021)

FY2017 Actual

Operating Income	33.7 B
Operating Margin	8.5 %

Specialty Ratio*
49%

* to Operating Income



FY2017 (Actual)

FY2018 Actual

Operating Income	34.2 B
Operating Margin	8.3 %

Specialty Ratio
64%

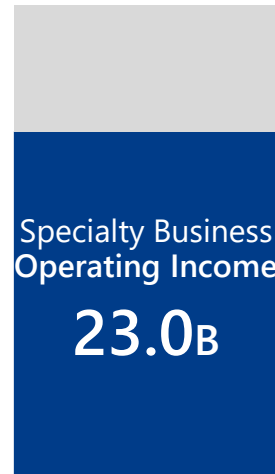


FY2018 (Actual)

FY2019 Actual

Operating Income	31.6 B
Operating Margin	8.3 %

Specialty Ratio
73%

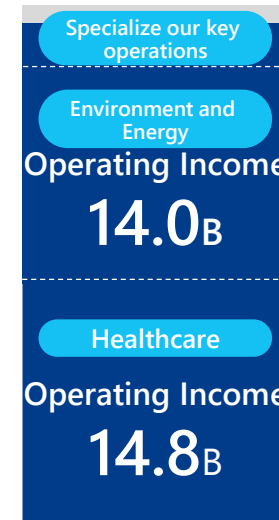


FY2019 (Actual)

FY2020 Actual

Operating Income	34.7 B
Operating Margin	9.8 %

Specialty Ratio
97%



Specialty Operating Income Total
33.5B

FY2020 (Actual)

Shift to specialty businesses in our key operations is advancing alongside healthcare and the environment and energy

Definition of a Specialty Business :

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



Specific Examples

Environment and Energy	<ul style="list-style-type: none"> • Spherical Alumina (for xEV and 5G communications) • Acetylene Black (for xEV and offshore wind power generation) • Fused Silica (for semiconductors) • Carrier Tape (for semiconductors) 				
Healthcare	<ul style="list-style-type: none"> • Influenza Vaccine • Test Reagents (POCT [COVID-19/influenza/etc.], Immunochemistry, Clinical Chemistry, Bacteriological/Virological) 				

Aim for sustainable growth by focusing on healthcare and the environment and energy, and contributing to solving social issues through specialty businesses

(¥ billions)	FY2019 Actual	FY2020 Actual	Incr. Decr.	Main factors of Incr.Decr
Sales	380.8	354.4	- 26.4	
Operating Income	31.6	34.7	+ 3.1	Elastomer & Performance Plastics - 6.5 Infrastructure & Social Solutions - 0.8 Electronics & Innovative Products + 1.6 Living & Environment Products + 1.1 Life Innovation + 7.9 Others - 0.1 ← + 3.1
Operating Margin	8.3%	9.8%	+ 1.5%	
Ordinary Income	30.0	32.1	+ 2.1	Interest rates, Non-operating income, etc. - 1.0 ← + 2.1
Net income attributable to Owners of parent	22.7	22.8	+ 0.1	Extraordinary gains and losses and Corporate tax etc. - 2.0 ← + 0.1

Specialty businesses made significant contributions,
marking record high operating income

YoY (¥ billions)

Sales**354.4 billion****- 26.4**

1. Volume	: Difference due to the impact of COVID-19	-37.5	
	Others (Rapid Antigen Test COVID-19, xEV-related, semiconductor-related, etc.)	+33.5	- 4.0
2. Pricing	: Difference due to styrene-based product price revisions in connection with the raw materials market decline		- 22.4

Operating Income**34.7 billion**

YoY (¥ billions)

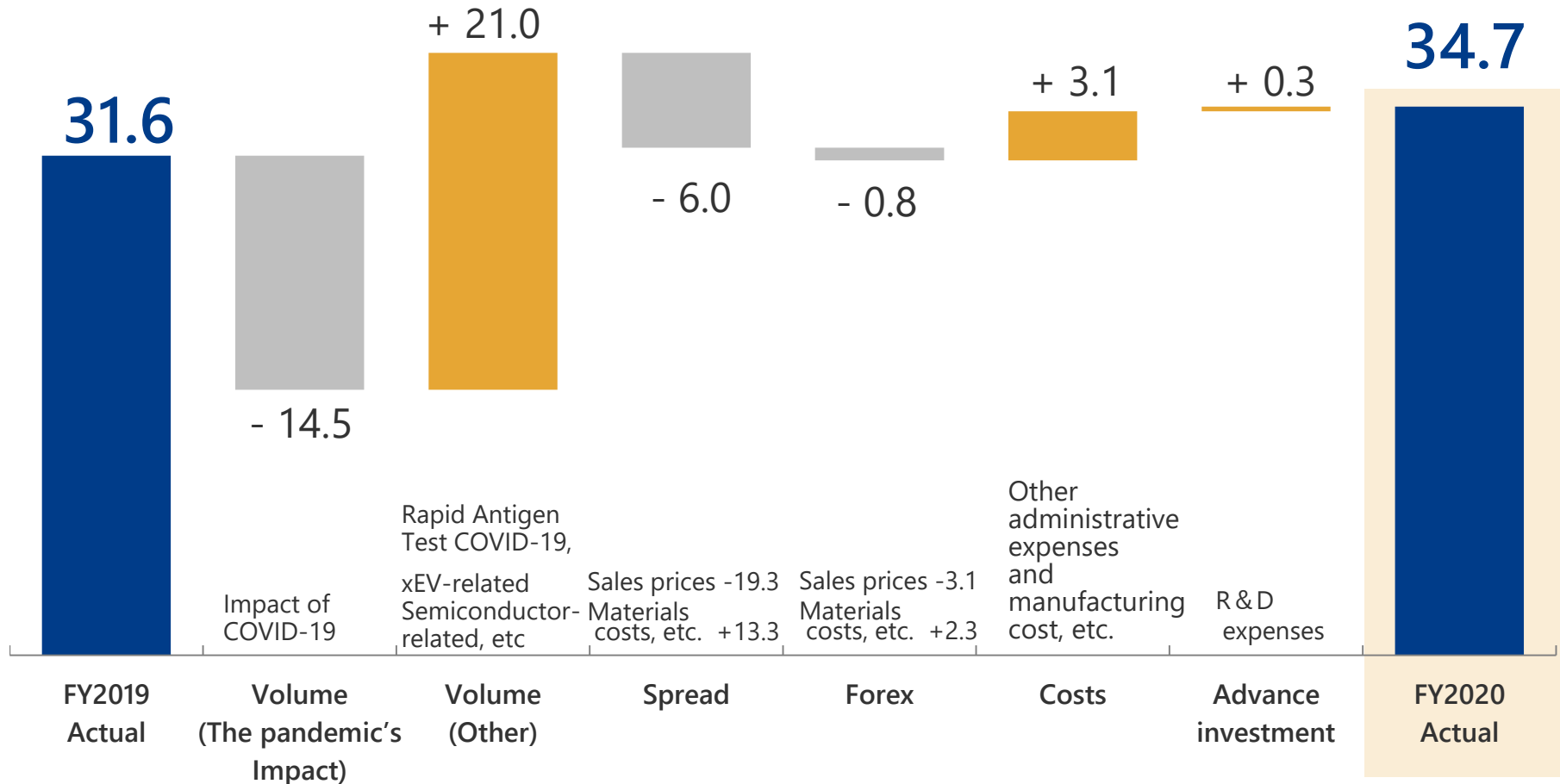
+ 3.1

1. Volume	: Impact of COVID-19	-14.5	
	Other (Rapid Antigen Test COVID-19, xEV-related, semiconductor-related, etc.)	+21.0	+ 6.5
2. Spread	: Sales prices -19.3 > Materials costs, etc. +13.3		- 6.0
3. Forex	: Sales prices -3.1 > Materials costs, etc. + 2.3		- 0.8
4. Costs	: Other administrative expenses and manufacturing costs, etc.		+ 3.1
5. Advance Investment	: R & D expenses		+ 0.3

Rapid Antigen Test COVID-19, xEV and semiconductor-related products contributed from demand growth

e) Operating Income Change Factors (Year-on-Year Comparison)

(¥ billions)



Rapid Antigen Test COVID-19, xEV and semiconductor-related products contributed from demand growth

Sales (¥ billions)	FY2019	FY2020	Incr. Decr.	Pricing	Volume	
Elastomer & Performance Plastics	149.3	124.3	- 25.0	- 19.0	- 6.0	
Infrastructure & Social Solutions	54.8	50.5	- 4.3	+ 0.4	- 4.6	
Electronics & Innovative Products	68.0	71.2	+ 3.2	- 2.1	+ 5.3	
Living & Environment Products	37.0	33.4	- 3.5	- 1.5	- 2.0	
Life Innovation	35.5	42.9	+ 7.4	- 0.1	+ 7.5	
Others	36.2	32.0	- 4.2	-	- 4.2	
Total	380.8	354.4	- 26.4	- 22.4	- 4.0	

Operating Income (¥ billions)	FY2019	FY2020	Incr. Decr.	Pricing	Volume	Cost & Others
Elastomer & Performance Plastics	10.9	4.4	- 6.5	- 19.0	- 3.2	+15.8
Infrastructure & Social Solutions	0.3	- 0.5	- 0.8	+ 0.4	- 1.3	+ 0.2
Electronics & Innovative Products	12.4	14.0	+ 1.6	- 2.1	+ 3.5	+ 0.2
Living & Environment Products	0.1	1.2	+ 1.1	- 1.5	- 0.9	+ 3.5
Life Innovation	7.0	14.8	+ 7.9	- 0.1	+ 8.6	△ 0.6
Others	0.9	0.8	- 0.1	-	- 0.1	+ 0.0
Total	31.6	34.7	+ 3.1	△ 22.4	+ 6.5	+19.0

Tailwinds from megatrends like xEV, 5G communications,
and infectious disease control drove growth

Sales (¥ billions)	FY2020 Forecast	FY2020 Actual	Incr. Decr.	Pricing	Volume	
Elastomer & Performance Plastics	115.0	124.3	+ 9.3	+ 4.2	+ 5.1	
Infrastructure & Social Solutions	52.0	50.5	- 1.5	- 0.0	- 1.4	
Electronics & Innovative Products	70.0	71.2	+ 1.2	- 0.2	+ 1.4	
Living & Environment Products	33.0	33.4	+ 0.4	- 0.0	+ 0.5	
Life Innovation	46.0	42.9	- 3.1	- 0.1	- 3.0	
Others	34.0	32.0	- 2.0	-	- 2.0	
Total	350.0	354.4	+ 4.4	+ 3.9	+ 0.5	

Operating Income (¥ billions)	FY2020 Forecast	FY2020 Actual	Incr. Decr.	Pricing	Volume	Cost& Others
Elastomer & Performance Plastics	3.0	4.4	+ 1.4	+ 4.2	+ 1.8	- 4.5
Infrastructure & Social Solutions	0.5	- 0.5	- 1.0	- 0.0	- 0.6	- 0.4
Electronics & Innovative Products	13.0	14.0	+ 1.0	- 0.2	+ 1.1	+ 0.1
Living & Environment Products	1.0	1.2	+ 0.2	- 0.0	+ 0.2	- 0.1
Life Innovation	15.0	14.8	- 0.2	- 0.1	- 1.3	+ 1.3
Others	0.5	0.8	+ 0.3	-	+ 0.4	- 0.0
Total	33.0	34.7	+ 1.7	+ 3.9	+ 1.6	- 3.8

Demand recovery for chloroprene and strong shipments of xEV and semiconductor-related products made contributions

FY2021 Earnings Forecast

(Fiscal year ending March 2022)

(¥ billion)	FY2020 Actual	FY2021 Forecast	Incr. Decr	FY2021 (Apr.-Sep.)	FY2021 (Oct.-Mar.)
Sales	354.4	365.0	+ 10.6	175.0	190.0
Operating Income	34.7	42.0	+ 7.3	19.0	23.0
Operating Margin	9.8%	11.5%	+ 1.7%	1.09%	12.1%
Ordinary Income	32.1	39.0	+ 6.9	17.0	22.0
Net income attributable to Owners of parent	22.8	29.0	+ 6.2	13.0	16.0

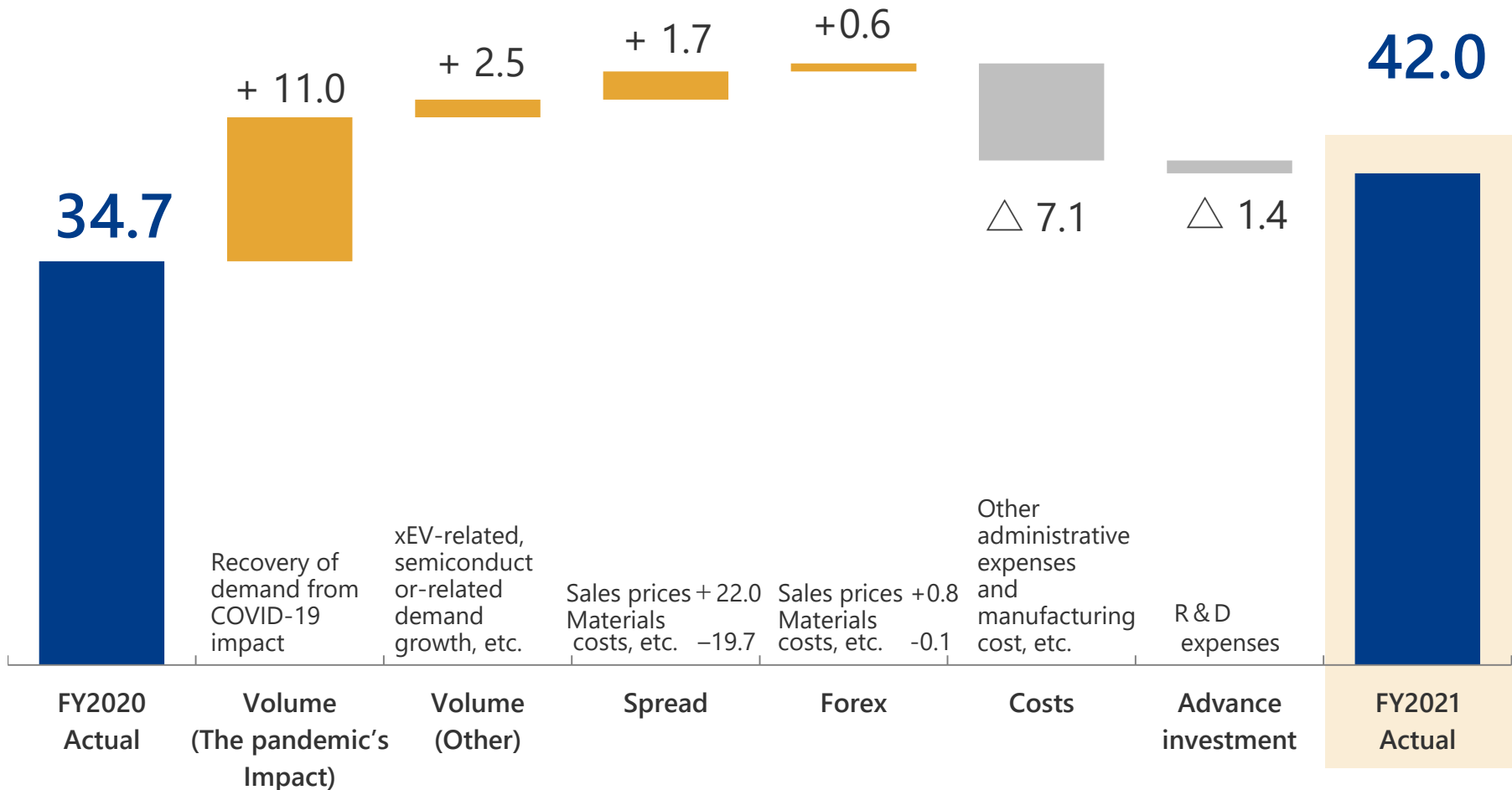
Operating income, ordinary income, and net income all expected to mark record highs

		YoY (¥ billions)
Sales	365.0 billion	+ 10.6
1. Volume	: Recovery of demand from COVID-19 impact Other (xEV-related, semiconductor-related demand growth, etc.)	+ 14.2
2. Pricing	: Difference due to styrene-based product price revisions in connection with the raw materials market decline	+ 22.9
3. Other	: Change in accounting standards for recognition of revenue (Group trading company portion)	- 26.5
Operating Income	42.0 billion	+ 7.3
1. Volume	: Recovery of demand from COVID-19 Impact Other (xEV-related, semiconductor-related demand growth, etc.)	+11.0 +2.5
2. Spread	: Sales prices +22.2 > Materials costs, etc. -20.5	+ 1.7
3. Forex	: Sales prices +0.8 > Materials costs, etc. -0.1	+ 0.6
4. Costs	: Other administrative expenses and manufacturing costs, etc.	- 7.1
5. Advanced Investments	: R&D expense	- 1.4

In addition to recovery from impact of COVID-19, demand will grow in xEV and semiconductor-related products

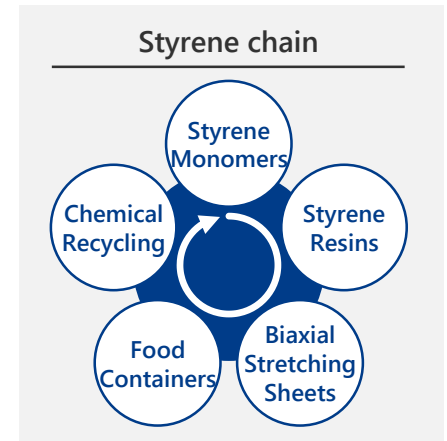
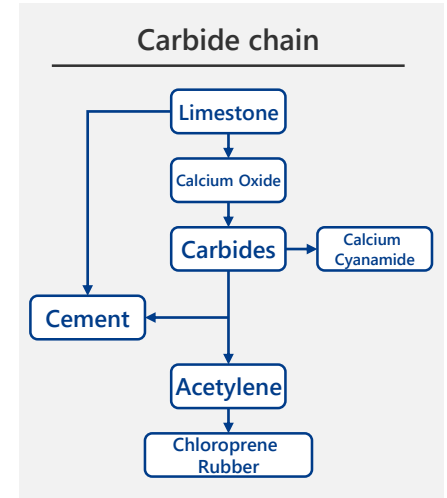
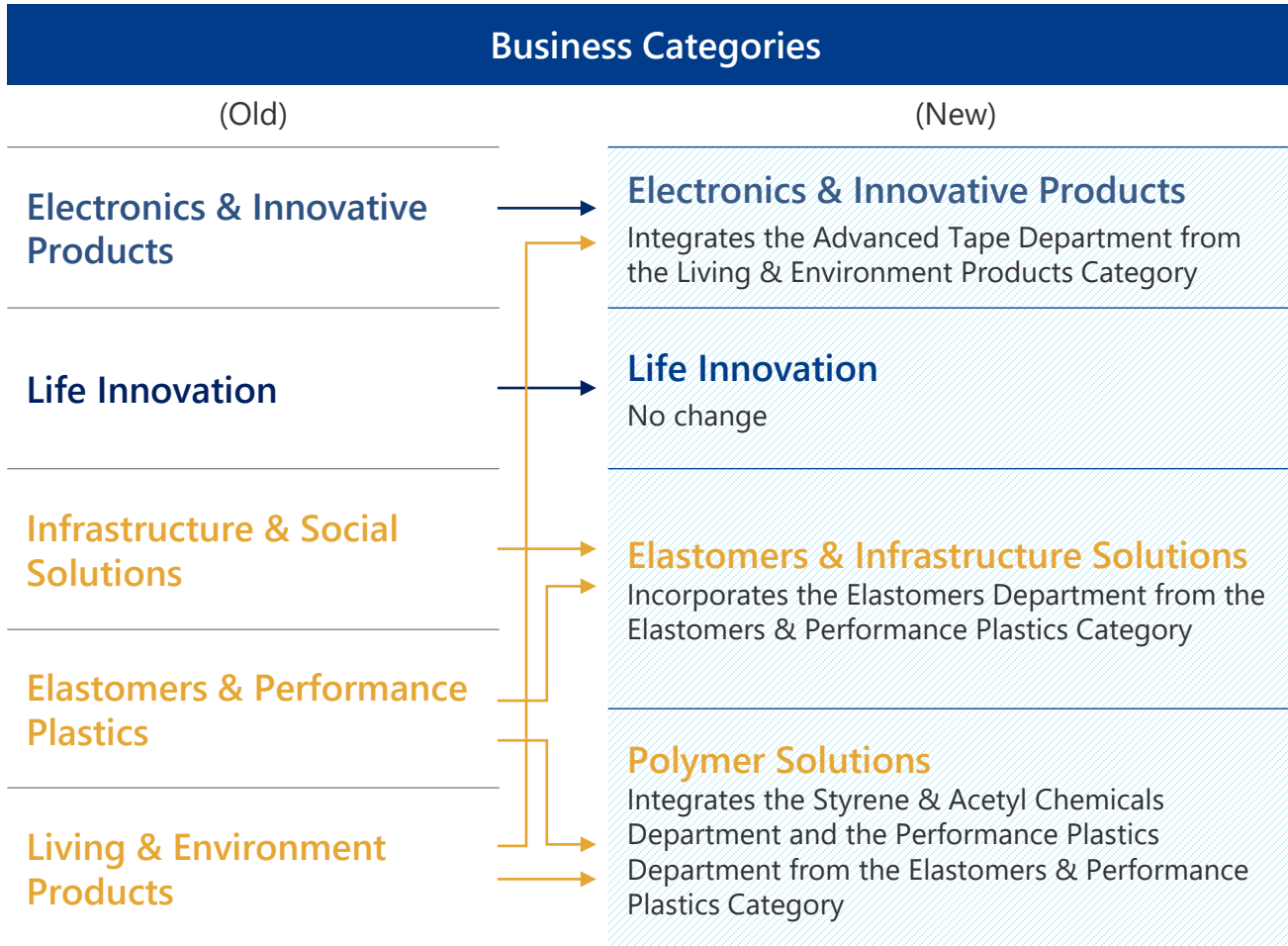
c) Operating Income Change Factors (Year-on-Year Comparison)

(¥ billions)



In addition to recovery from impact of COVID-19, demand will grow in xEV and semiconductor-related products

Consolidation into four business division structure results in changes in reported segments



Organizational restructuring will accelerate business portfolio reform

Sales (¥ billions)	FY2020 Actual	FY2021 Forecast	Incr. Decr.	Pricing	Volume	Other*
Electronics & Innovative Products	77.7	85.0	+ 7.3	+ 2.5	+ 4.8	-
Life Innovation	42.9	40.0	- 2.9	- 3.4	+ 0.4	-
Elastomer & Infrastructure Solutions	91.9	105.0	+ 13.1	+ 1.5	+ 11.6	-
Polymer Solutions	109.9	125.0	+ 15.1	+ 22.3	- 7.2	-
Others	32.0	10.0	- 22.0	-	+ 4.5	△ 26.5
Total	354.4	365.0	+ 10.6	+ 22.9	+ 14.2	△ 26.5

*Change in accounting standards for recognition of revenue
(Group trading company portion)

Operating Income (¥ billions)	FY2020 Actual	FY2020 Forecast	Incr. Decr.	Pricing	Volume	Cost& Others
Electronics & Innovative Products	14.2	17.0	+ 2.8	+ 2.5	+ 5.3	- 5.0
Life Innovation	14.8	10.5	- 4.3	- 3.4	+ 1.5	- 2.5
Elastomer & Infrastructure Solutions	-3.6	4.0	+ 7.6	+ 1.5	+ 6.1	- 0.1
Polymer Solutions	8.4	9.5	+ 1.1	+ 22.3	+ 0.4	- 21.6
Others	0.8	1.0	+ 0.2	-	+ 0.1	+ 0.0
Total	34.7	42.0	+ 7.3	+ 22.9	+ 13.5	- 29.1

Further expansion of Electronics & Innovative Products and recovery in demand for Elastomer & Infrastructure Solutions will make significant contribution to increased profits

Segments	Elements of Earnings Forecast: Year-on-Year Change
Electronics & Innovative Products	<ul style="list-style-type: none"> Accelerated growth of demand for xEV-related products (spherical alumina, acetylene black) Increased demand for semiconductor and 5G communications-related products (fused silica, high-performance film) Growth in demand for renewable energy-related products (acetylene black)
Life Innovation	<ul style="list-style-type: none"> Incorporating combo kits* (mid-approval application in Japan) and supply to US-based Xtrava (for future application) *kit that enables simultaneous diagnosis of influenza virus and new coronaviruses with a single device As with the previous year, influenza vaccines are expected to be recommended by the authorities and will be shipped at similar volumes as the previous year Demand for various non-COVID-19 test reagents is expected to recover
Elastomers & Infrastructure Solutions	<ul style="list-style-type: none"> Recovery in demand for chloroprene rubber, which suffered significant impact in the previous year Recovery in demand for special cement additives and inorganic products
Polymer Solutions	<ul style="list-style-type: none"> Strong shipments of MS resin and effect of increased production capacity in Singapore Demand expected to recover for TOYOKALON, a fiber used for wigs

Megatrends like xEV, 5G communications, and infectious disease control to continue to drive growth

	FY2020 Actual	Apr-Sep Actual	Oct-Mar Actual	FY2021 Planned	Apr-Sep Planned	Oct-Mar Planned
	(¥ billions)					
Investment	42.3	17.1	25.3	43.0	22.0	21.0
Depreciation	22.9	11.5	11.4	23.5	11.5	12.0
R&D	14.7	7.4	7.3	16.0	8.0	8.0
Interest-Bearing Debt	138.2	140.5	138.2	137.0	138.0	137.0
	FY2020 Actual	Apr-Sep Actual	Oct-Mar Actual	FY2021 Planned	Apr-Sep Planned	Oct-Mar Planned
Forex (¥/\$)	105.8	106.8	104.8	108.0	108.0	108.0
Japan Naphtha (¥/KI)	31,800	28,250	35,500	46,000	46,000	46,000

Continuing strategic investment into specialty businesses

		FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Net Income	(billion)	23.0	25.0	22.7	22.8	29.0
Dividend per share*	(¥)	105.0	120.0	125.0	125.0	135.0
						Mid-term 65.0 End 70.0
Dividend	(billion)	9.2	10.5	10.8	10.8	11.6
Shareholders Return		40%	42%	48%	47%	40%
Stock Purchase	(billion)	2.3	2.1	-	-	
Total Return	(billion)	11.5	12.6	10.8	10.8	
Total Return Ratio		50%	50%	48%	47%	
Depreciation		24.6	22.9	22.5	22.9	23.5
Investment & lending	(billion)	27.0	32.8	36.9	42.3	43.0
ROE		10.0%	10.3%	9.1%	8.8%	(10.5%)

* The figures have been adjusted before 10/1/2017, when stock consolidation to 1 from 5 was executed.

Forecasted dividends per share of 135 yen, up 10 yen year-on-year

Reference Material

Specialty Business Topics	New Segments	Business Activities
The Environment and Energy	Electronics & Innovative Products	<p>【Semiconductor-related】 Carrier Tape (Cover Tape/Bottom Sheet), Dicing Tape, Fused Silica</p> <p>【xEV-related】 Spherical Alumina, Acetylene Black, Ceramic Substrates (Aluminum Nitride, Silicon Nitride)</p> <p>【5G communications-related】 Spherical Alumina, Fused Silica</p> <p>【Renewable energy-related (offshore wind power generation)】 Acetylene Black</p> <p>【Other products】 Phosphor, Heat Dissipation Sheets, Aluminum Substrates, ALSINK (heat sink that a compound material made of aluminum and ceramics) , Silicon Nitride, Boron Nitride</p>
Healthcare	Life Innovation	POCT (Point Of Care Testing)diagnostic reagents (COVID19, Influenza and H.pylori, and so on) , Diagnostic Reagents(Immunochemistry, Clinical Chemistry, Bacteriological/Virological), Influenza Vaccines
High-Value-added Infrastructure	Elastomers & Infrastructure Solutions	NATMIC (quick-setting agent for spraying concrete in tunnels) , PRETASCON (cementitious non-shrink grout mortar) , Pipes for agriculture and civil engineering
Specialize our key operations		ER (a copolymer of ethylene, vinyl acetate, acrylic acid ester) , ALCEN (alumina fiber)
	Polymer Solutions	CLEAREN (styrene-butadiene block copolymer) , MS resin (transparent resin that is a copolymer of styrene and MMA) , IP resin (heat resistance modifier for ABS resin)

Cautionary statement regarding forward-looking information

Target figures in this material are not forecasts of business results.

In addition, any description relating to the future in this material is subject to known or unknown risks and uncertainties, although it is based on management's current assumptions and beliefs in light of the information currently available to it.

Please be cautioned that a number of important factors could cause actual results to differ significantly from the description in the material.

Such risks and uncertainties include adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launch, pricing, and product initiatives of competitors, the inability of the Company to market existing and new products effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.

Possibility of chemistry

Denka

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