

Denka

Possibility
of
chemistry

Results Presentation of FY2021 (Fiscal year ended March 2022)

Securities code: 4061

Denka Co., Ltd

May 11, 2022

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(¥ billions)

FY2018 Actual

FY2019 Actual

FY2020 Actual

FY2021 Actual

FY2022 Forecast

Operating Income **34.2 B**
Operating Margin **8.3 %**

Operating Income **31.6 B**
Operating Margin **8.3 %**

Operating Income **34.7 B**
Operating Margin **9.8 %**

Operating Income **40.1 B**
Operating Margin **10.4 %**

Operating Income **43.0 B**
Operating Margin **9.5 %**

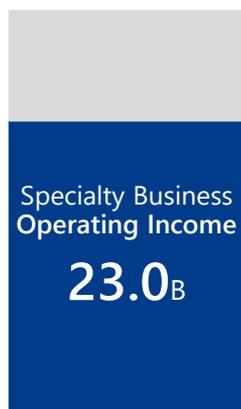
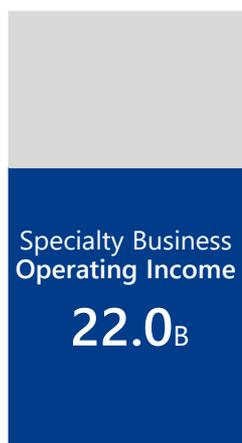
Specialty Ratio
64%

Specialty Ratio
73%

Specialty Ratio
97%

Specialty Ratio
92%

Specialty Ratio
87%



FY2018
(Actual)

FY2019
(Actual)

FY2020
(Actual)

FY2021
(Actual)

FY2022
(Forecast)

Steady Growth of Specialty Businesses under Denka Value-Up Plan

FY2021 Results

(Fiscal year ended March 2022)

| (¥ billions) | FY2020 | FY2021 | Incr. Decr. | FY2021 Forecast as of February | Incr. Decr. |
|---|--------|-------------------------|----------------|--------------------------------------|----------------|
| Sales | 354.4 | 384.8 | + 30.5 | 385.0 | - 0.2 |
| Operating Income | 34.7 | 40.1 | + 5.4 | 40.0 | + 0.1 |
| Operating Margin | 9.8% | 10.4% | + 0.6% | 10.4% | + 0% |
| Ordinary Income | 32.1 | 36.5 | + 4.3 | 36.0 | + 0.5 |
| Net Income Attributable to Owners of Parent | 22.8 | 26.0[*] | + 3.2 | 26.0 | + 0.0 |

* ¥1.0 billion yen in expenses related to voluntary recall of some lots of rapid test kits for COVID-19 antigens and ¥1.0 billion impairment loss of goodwill for DPE, a U.S. subsidiary, were recorded as extraordinary losses

Specialty businesses make significant contributions, marking record highs in all income stages

YoY (¥ billions)

Sales

384.8 billion

+ 30.5

1. Volume: Increased demand for xEVs and semiconductor-related products

Sales increased for test reagents such as rapid test kits for COVID-19 antigens (including supply to the government) and inflammation markers, while sales of influenza vaccines decreased due to weakening productivity.

Demand for mainstay products like chloroprene rubber recovered from the impact of COVID-19

+ 28.6

2. Pricing: Reduced insurance points for COVID-19 antigen test kits

Revised prices for styrene-related products, etc. addressing rising raw materials costs

+ 33.1

3. Other: Change in accounting standards for recognition of revenue (change in group trading company net sales, etc.)

- 31.3

Operating
Income

40.1 billion

+ 5.4

1. Volume: Increased demand for xEVs and semiconductor-related products

Sales increased for test reagents such as rapid test kits for COVID-19 antigens (including supply to the government) and inflammation markers, while sales of influenza vaccines decreased due to weakening productivity.

Demand for mainstay products like chloroprene rubber recovered from the impact of COVID-19

+ 20.5

2. Pricing: Reduced insurance points for COVID-19 antigen test kits

Revised prices for styrene-related products, etc. addressing rising raw materials costs (Includes impact of currency fluctuations +8.4)

+ 33.1

3. Variable Cost Difference:

Raw material price increase , etc. (Includes effect of currency fluctuations -5.5)

- 40.5

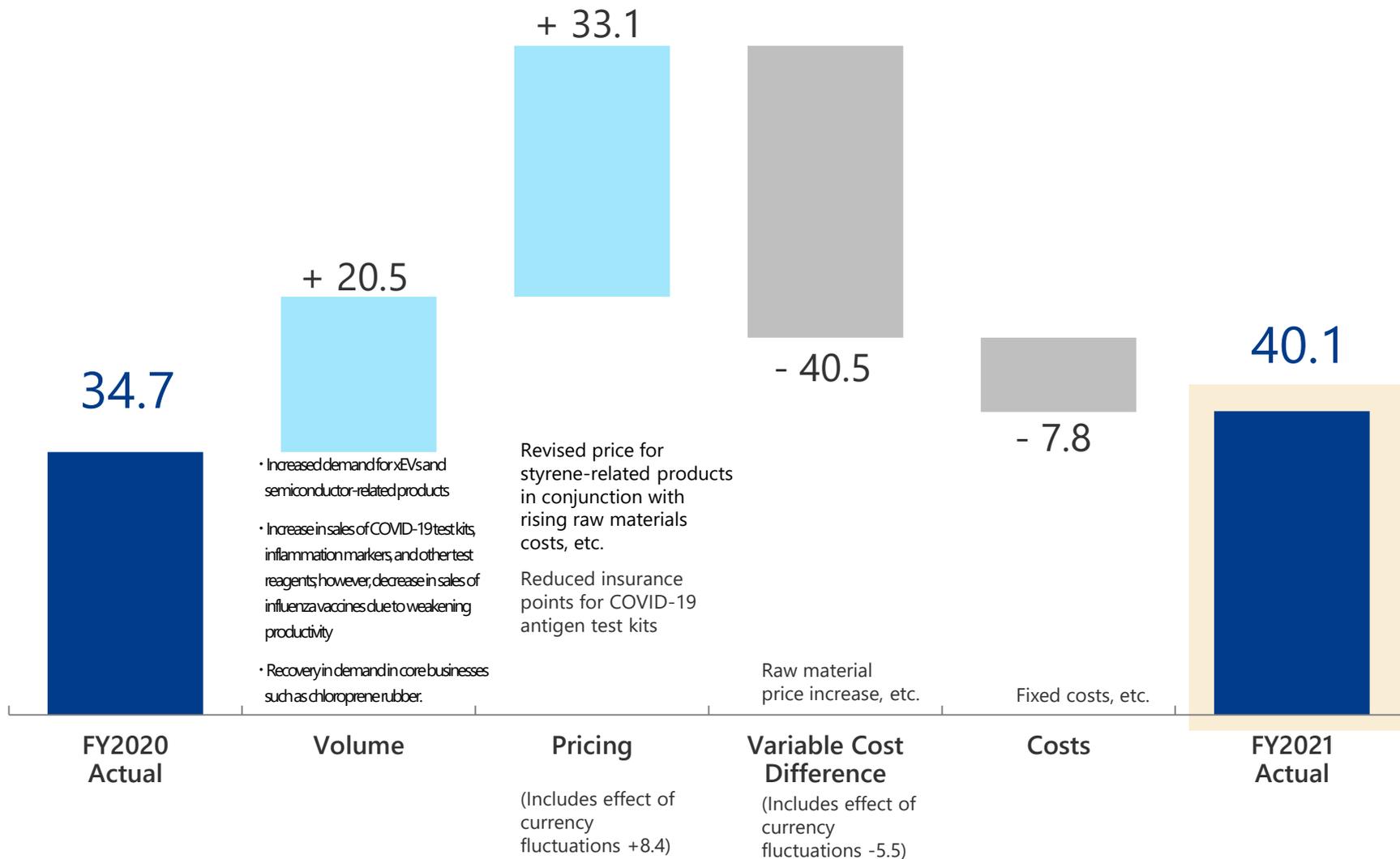
4. Cost: Fixed costs, etc.

- 7.8

xEV and semiconductor-related products, COVID-19 rapid antigen test kits contribute from demand growth

c) Graph of Operating Income Change Factors (Year-on-Year)

(¥ billions)



xEV and semiconductor-related products, COVID-19 rapid antigen test kits contribute from demand growth

| Sales (¥ billions) | FY2020 | FY2021 | Incr. Decr. | Pricing | Volume | Other* |
|---------------------------------------|--------|--------|----------------|---------|--------|--------|
| Electronics & Innovative Products | 77.7 | 90.2 | + 12.4 | + 4.8 | + 10.8 | - 3.2 |
| Life Innovation | 42.9 | 46.1 | + 3.2 | - 7.3 | + 10.5 | - 0.1 |
| Elastomers & Infrastructure Solutions | 91.9 | 106.9 | + 15.0 | + 4.9 | + 12.3 | - 2.2 |
| Polymer Solutions | 109.9 | 126.6 | + 16.7 | + 30.8 | - 13.5 | - 0.6 |
| Others | 32.0 | 15.1 | - 16.8 | - | + 8.4 | - 25.3 |
| Total | 354.4 | 384.8 | + 30.5 | + 33.1 | - 28.6 | - 31.3 |

*Change in accounting standards for recognition of revenue

| Operating Income (¥ billions) | FY2020 | FY2021 | Incr. Decr. | Pricing | Volume | Cost& Others |
|---------------------------------------|--------|--------|----------------|---------|--------|-----------------|
| Electronics & Innovative Products | 14.2 | 18.7 | + 4.4 | + 4.8 | + 6.1 | - 6.4 |
| Life Innovation | 14.8 | 15.5 | + 0.7 | - 7.3 | + 9.3 | - 1.3 |
| Elastomers & Infrastructure Solutions | - 3.6 | - 3.5 | + 0.1 | + 4.9 | + 4.9 | - 9.7 |
| Polymer Solutions | 8.4 | 7.9 | - 0.5 | + 30.8 | - 0.5 | - 30.8 |
| Others | 0.8 | 1.5 | + 0.7 | - | + 0.7 | - 0.0 |
| Total | 34.7 | 40.1 | + 5.4 | + 33.1 | + 20.5 | - 48.3 |

Electronics & Innovative Products sees much higher profits, Life Innovation continues to maintain high profit levels from the previous year

| (¥ billions) | FY2020 | FY2021 | Incr. Decr. | Pricing | Volume | Others |
|------------------|--------|--------|----------------|---------|--------|--------|
| Sales | 77.7 | 90.2 | + 12.4 | + 4.8 | + 10.8 | - 3.2* |
| Operating Income | 14.2 | 18.7 | + 4.4 | + 4.8 | + 6.1 | - 6.4 |

*Change in accounting standards for recognition of revenue

Sales Trends and Costs by Product

- Spherical alumina
 - Growth of xEV-related applications and 5G communications-related demand
 - Results of partial operation of new facilities in Singapore
- Fused silica
High-performance film
 - Shipments exceeded the previous year, supported by strong demand for semiconductor-related products
- Acetylene black
 - Steady shift to high value-added grades
 - Shipment of xEV-related products exceeded the previous year's level, although temporarily affected by automobile production cutback due to semiconductor shortage
 - Strong demand for high-voltage cables for offshore wind power generation
- Ceramic substrates
(silicon nitride,
aluminum nitride)
 - Delay in demand recovery for electric railways due to the negative impact of COVID-19
 - Shipment of xEV-related products exceeded the previous year's level, although temporarily affected by automobile production cutback due to semiconductor shortage
- Cost
 - Increase in raw materials costs (→rise in prices for fused silica from November, etc.)
 - Costs for further development of specialties (e.g., increase in costs for systems to production increase and sales strength, etc.)

Increase in profits from megatrends in xEV, 5G, and semiconductors

| (¥ billions) | FY2020 | FY2021 | Incr. Decr. | Pricing | Volume | Others |
|------------------|--------|--------|----------------|---------|--------|---------|
| Sales | 42.9 | 46.1 | + 3.2 | - 7.3 | +10.5 | - 0.1 * |
| Operating Income | 14.8 | 15.5 | + 0.7 | - 7.3 | + 9.3 | - 1.3 |

*Change in accounting standards for recognition of revenue

Sales Trends and Costs by Product

- Influenza vaccine
 - Production and shipment volumes were lower than last year due to a deterioration in yield rate caused by differences in the strains manufactured and a shortage in vaccine production materials
- COVID-19 rapid antigen test kit
 - Sales prices declined year on year (insurance points reduced beginning December 31).
 - Between July and September, supplied for distribution by the Ministry of Health, Labor and Welfare (for use in elderly care facilities, workplaces, schools, etc.); from January, demand skyrocketed for testing with test kits due to the sixth wave of COVID-19, leading to sales exceeding the previous year
 - Began shipping overseas to the U.S. In November
- Other test reagents (Inflammation markets, etc.)
 - Demand recovered and grew for products to China, Europe, and the U.S., with shipments exceeding the previous year's

While influenza vaccine shipment volumes fell below the previous year's, volumes were higher year on year for COVID-19 test kits and other test reagents, leading to maintained high profit levels from the previous year

| (¥ billions) | FY2020 | FY2021 | Incr. Decr. | Pricing | Volume | Others |
|------------------|--------|--------|----------------|---------|--------|---------|
| Sales | 91.9 | 106.9 | + 15.0 | + 4.9 | + 12.3 | - 2.2 * |
| Operating Income | -3.6 | -3.5 | + 0.1 | + 4.9 | + 4.9 | - 9.7 |

*Change in accounting standards for recognition of revenue

Sales Trends and Costs by Product

- Chloroprene rubber
 - Recovery in demand in industrial, adhesive, and automotive applications
 - Made an additional price increase in February and after a price increase in August addressing rising raw materials prices (butadiene, chlorine, coke)
 - Lost opportunities in U.S. DPE due to February frost damage and August hurricanes
- Special cement Additives
 - A drop in shipment volume due to a slowdown in private construction
- Cement
 - As well as sluggish private sector demand, public sector demand for disaster recovery, etc. also dropped from the previous year
 - Delayed revised prices addressing rising materials costs, such as coal

Operating losses continued due to the impact of frost damage and hurricane on U.S. DPE and soaring raw materials prices

| (¥ billions) | FY2020 | FY2021 | Incr. Decr. | Pricing | Volume | Others |
|------------------|--------|--------|----------------|---------|--------|---------|
| Sales | 109.9 | 126.6 | + 16.7 | + 30.8 | - 13.5 | - 0.6 * |
| Operating Income | 8.4 | 7.9 | - 0.5 | + 30.8 | - 0.5 | - 30.8 |

*Change in accounting standards for recognition of revenue

Sales Trends and Costs by Product

- MS resin
 - Sales increased year on year in light guide plate applications such as TVs and monitors, and other applications such as cosmetics containers
(Shipped volumes of PS resin dropped from last year due to conversion to MS resin manufacturing facilities and remodeling)
- AS, ABS, transparent resins, etc.
 - Recovery from the negative impact of COVID-19 resulting in increased shipped volumes over previous year
- Food wrapping sheets and containers
 - Largely unchanged from last year
- Toyokalon
 - Recovery from the negative impact of COVID-19 resulting in increased shipped volumes over previous year
- Spread
 - Spread maintained due to price pass-through in response to rising raw materials prices (ethylene, benzene, etc.)

Maintained spread despite rising raw material prices

| Sales (¥ billions) | FY2021 Forecast as of February | FY2021 Actual | Incr. Decr. | Pricing | | Volume | |
|---------------------------------------|--------------------------------------|------------------|----------------|--------------|--------------|--------|--|
| | | | | | | | |
| Electronics & Innovative Products | 90.0 | 90.2 | + 0.2 | + 0.3 | - 0.1 | | |
| Life Innovation | 45.0 | 46.1 | + 1.1 | - 0.4 | + 1.5 | | |
| Elastomers & Infrastructure Solutions | 110.0 | 106.9 | - 3.1 | + 0.2 | - 3.3 | | |
| Polymer Solutions | 125.0 | 126.6 | + 1.6 | + 1.1 | + 0.5 | | |
| Others | 15.0 | 15.1 | + 0.1 | - | + 0.1 | | |
| Total | 385.0 | 384.8 | - 0.2 | + 1.2 | - 1.4 | | |

| Operating Income (¥ billions) | FY2021 Forecast as of February | FY2021 Actual | Incr. Decr. | Pricing | | Volume | | Cost& Others |
|---------------------------------------|--------------------------------------|------------------|----------------|--------------|--------------|--------------|--|-----------------|
| | | | | | | | | |
| Electronics & Innovative Products | 18.5 | 18.7 | + 0.2 | + 0.3 | + 0.0 | - 0.1 | | |
| Life Innovation | 14.5 | 15.5 | + 1.0 | - 0.4 | + 0.6 | + 0.9 | | |
| Elastomers & Infrastructure Solutions | -3.5 | -3.5 | + 0.0 | + 0.2 | - 0.1 | - 0.1 | | |
| Polymer Solutions | 8.5 | 7.9 | - 0.6 | + 1.1 | - 0.2 | - 1.5 | | |
| Others | 2.0 | 1.5 | - 0.5 | - | - 0.5 | - | | |
| Total | 40.0 | 40.1 | + 0.1 | + 1.2 | - 0.1 | - 0.9 | | |

Generally in line with the February forecast

FY2022 Earnings Forecast (Fiscal year ending March 2023)

The current available assumptions of raw material and fuel prices, foreign exchange rates, and other factors are taken into account.

| | FY2021 Actual | 1H (Apr.-Sep.) Actual | 2H (Oct.-Mar.) Actual | FY2022 Forecast | 1H (Apr.-Sep.) Forecast | 2H Oct.-Mar. Forecast |
|-------------------------|------------------|-----------------------------|-----------------------------|--------------------|-------------------------------|-----------------------------|
| Forex (¥/\$) | 112.1 | 109.9 | 114.2 | 125.0 | 125.0 | 125.0 |
| Japan Naphtha (¥/KI) | 56,800 | 50,800 | 63,050 | 89,000 | 89,000 | 89,000 |
| | FY2021 Actual | 1H (Apr.-Sep.) Actual | 2H (Oct.-Mar.) Actual | FY2022 Forecast | 1H (Apr.-Sep.) Forecast | 2H Oct.-Mar. Forecast |
| Investment | 35.6 | 15.4 | 20.2 | 46.0 | 23.0 | 23.0 |
| Depreciation | 23.9 | 11.5 | 12.4 | 26.0 | 13.0 | 13.0 |
| R&D | 14.2 | 7.4 | 6.8 | 15.0 | 7.5 | 7.5 |
| Interest Bearing Debt | 137.0 | 131.5 | 137.0 | 157.0 | 158.0 | 157.0 |

(¥ billions)

Continued strategic investment into specialty businesses

| (¥ billions) | FY2021 Actual | FY2022 Forecast | Incr. Decr. | FY2022 Apr.-Sep. Planned | FY2022 Oct.-Mar. Planned |
|---|------------------|--------------------|----------------|--------------------------------|--------------------------------|
| Sales | 384.8 | 455.0 | + 70.2 | 210.0 | 245.0 |
| Operating Income | 40.1 | 43.0 | + 2.9 | 18.0 | 25.0 |
| Operating Margin | 10.4% | 9.5% | - 1.0% | 8.6% | 10.2% |
| Ordinary Income | 36.5 | 41.0 | + 4.5 | 17.0 | 24.0 |
| Net Income Attributable to Owners of Parent | 26.0 | 29.0 | + 3.0 | 13.0 | 16.0 |

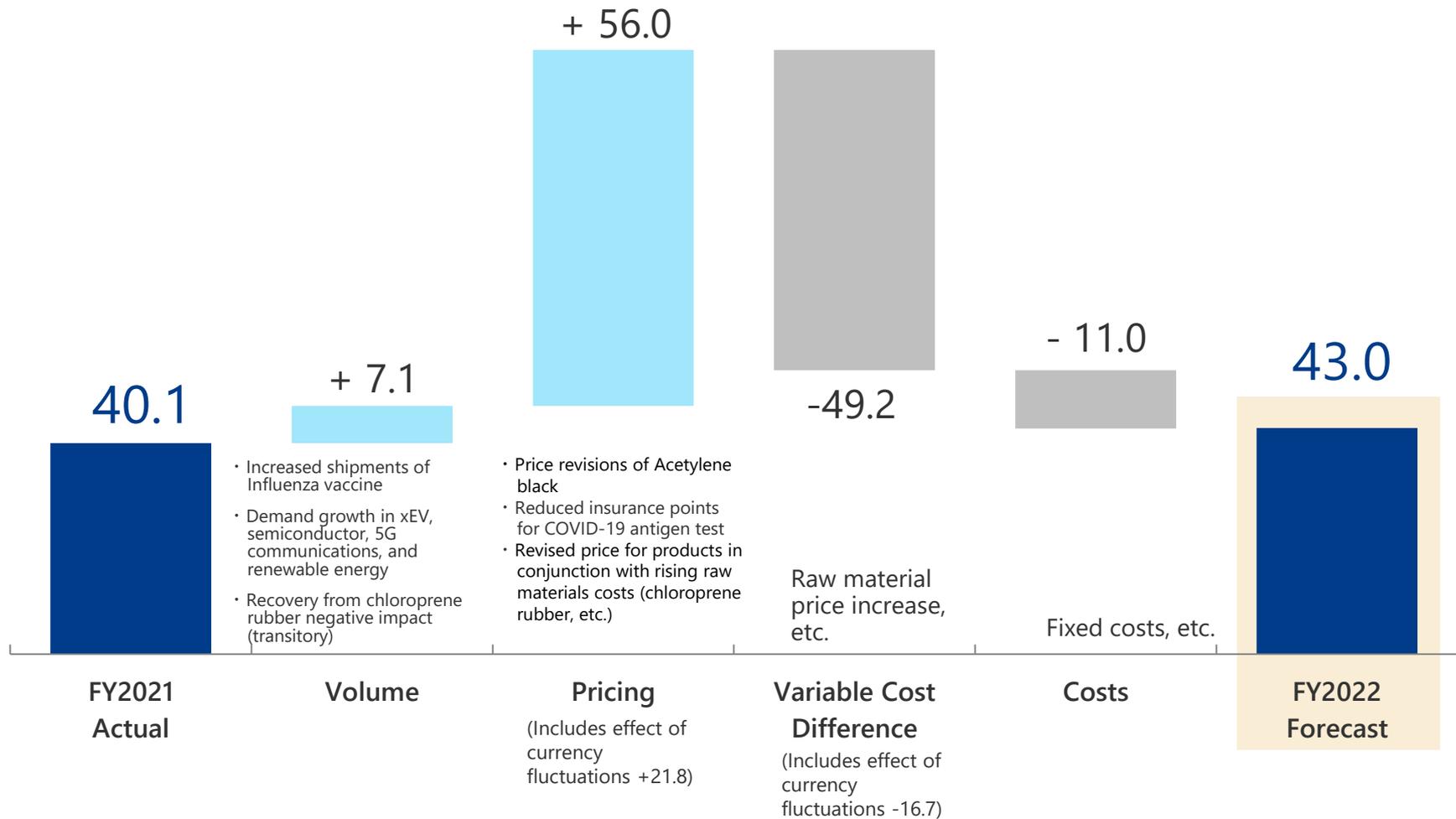
Operating income marked record highs for three consecutive years
Ordinary and net income both expected to mark record highs for the
second consecutive year

| | | YoY (¥ billions) |
|---|----------------------|------------------|
| Sales | 455.0 billion | + 70.2 |
| 1. Volume: Significant increase in shipments due to new influenza vaccine wing operations xEV/semiconductors/5G communications/renewable energy demand growth Elimination of transitory negative impact of Hurricane Ida on chloroprene rubber | | |
| | | + 14.1 |
| 2. Pricing: Significant price revision in line with acetylene black product value Reduced insurance points for COVID-19 antigen tests Revised product selling prices addressing rising raw materials market prices (Additional price increases for chloroprene rubber, POVAL, etc.) | | |
| | | + 56.0 |
| Operating Income | 43.0 billion | + 2.9 |
| 1. Volume: Significant increase in shipments due to new influenza vaccine wing operations xEV/semiconductors/5G communications/renewable energy demand growth Elimination of transitory negative impact of Hurricane Ida on chloroprene rubber | | |
| | | + 7.1 |
| 2. Pricing: Significant price revision in line with acetylene black product value Reduced insurance points for COVID-19 antigen tests Revised product selling prices addressing rising raw materials market prices (Additional price increases for chloroprene rubber, POVAL, etc.) (includes effect of currency fluctuations +21.8) | | |
| | | + 56.0 |
| 3. Variable Cost Difference: Price increase for raw materials, etc. (Includes effect of currency fluctuations -16.7) | | |
| | | - 49.2 |
| 4. Cost: Fixed costs, etc. | | |
| | | - 11.0 |

Demand expansion and growth by capturing megatrends in specialty businesses, and spread improvement through flexible price revisions

d) Graph of Operating Income Change Factors (Year-on-Year)

(¥ billions)



Demand expansion and growth by capturing megatrends in specialty businesses, and spread improvement through flexible price revisions

FY2022 Earnings Forecast

e) By Segment (Year-on-Year)

Denka

| Sales (¥ billions) | FY2021 Actual | FY2022 Forecast | Incr. Decr. | Pricing | Volume |
|---------------------------------------|------------------|--------------------|----------------|---------|--------|
| Electronics & Innovative Products | 90.2 | 105.0 | +14.8 | + 11.0 | + 3.8 |
| Life Innovation | 46.1 | 50.0 | + 3.9 | - 6.4 | + 10.3 |
| Elastomers & Infrastructure Solutions | 106.9 | 135.0 | +28.1 | + 24.6 | + 3.5 |
| Polymer Solutions | 126.6 | 150.0 | +23.4 | + 26.8 | - 3.4 |
| Others | 15.1 | 15.0 | - 0.1 | - | - 0.1 |
| Total | 384.8 | 455.0 | +70.2 | + 56.0 | + 14.1 |

| Operating Income (¥ billions) | FY2021 Actual | FY2022 Forecast | Incr. Decr. | Pricing | Volume | Cost& Others |
|---------------------------------------|------------------|--------------------|----------------|---------|--------|-----------------|
| Electronics & Innovative Products | 18.7 | 23.5 | + 4.8 | + 11.0 | + 2.7 | - 8.8 |
| Life Innovation | 15.5 | 10.0 | - 5.5 | - 6.4 | + 3.1 | - 2.2 |
| Elastomers & Infrastructure Solutions | - 3.5 | 1.0 | + 4.5 | + 24.6 | + 2.1 | -22.2 |
| Polymer Solutions | 7.9 | 7.5 | - 0.4 | + 26.8 | - 0.2 | -27.0 |
| Others | 1.5 | 1.0 | - 0.5 | - | - 0.6 | + 0.1 |
| Total | 40.1 | 43.0 | + 2.9 | + 56.0 | + 7.1 | - 60.2 |

Despite lower profit expected in Life Innovation, is exceeded by profit growth in Electronics & Innovative Products and Elastomer & Infrastructure Solutions

| (¥ billions) | FY2021 | FY2022 | Incr. Decr. | |
|-----------------------------------|---------|--------|----------------|-------|
| Sales | 90.2 | 105.0 | +14.8 | |
| Operating Income | 18.7 | 23.5 | +4.8 | |
| (Breakdown of profit differences) | | | | |
| | Pricing | Volume | Cost& Others | Total |
| | +11.0 | +2.7 | -8.8 | +4.8 |

| Sales Trends and Costs | |
|--|---|
| Spherical alumina | <ul style="list-style-type: none"> Sales volumes expected to rise as a result of full-scale new facilities in Singapore in April 2022 |
| Acetylene black | <ul style="list-style-type: none"> Strong demand for use in high-voltage cables for xEV and offshore wind power generation Significant price revisions in line with added value |
| Spherical silica High-performance film | <ul style="list-style-type: none"> Strong shipments expected to continue due to expanding demand for semiconductors |
| Ceramic substrates (silicon nitride, aluminum nitride) | <ul style="list-style-type: none"> xEV-related demand growth expected |

Market Trends (Semiconductor-Related)

[Spherical Silica]

Market share of approx. 30

- Decided to Expand Production in Singapore (Supply capacity) +30% (Construction completion) Planned for FY2024
- Omuta Plant begins construction to increase production of next-generation high-performance spherical fillers such as low dielectric dissipation material

[High-Performance Film]

- Supporting Higher Speed and Capacity Through Development of LCP Film

Promoting commercialization of LCP film with "low dielectric properties" effective in reducing transmission loss, which is essential for 5G communications

Increase in profits from megatrends in xEV, 5G communications, and semiconductors

Market Trends (xEV-Related)

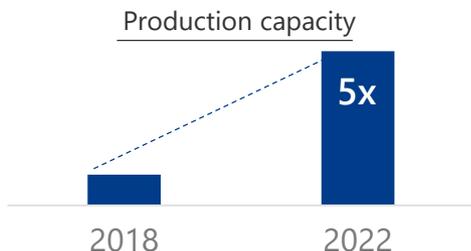
Increased Demand for xEV-Related Products

[Main xEV-related products]

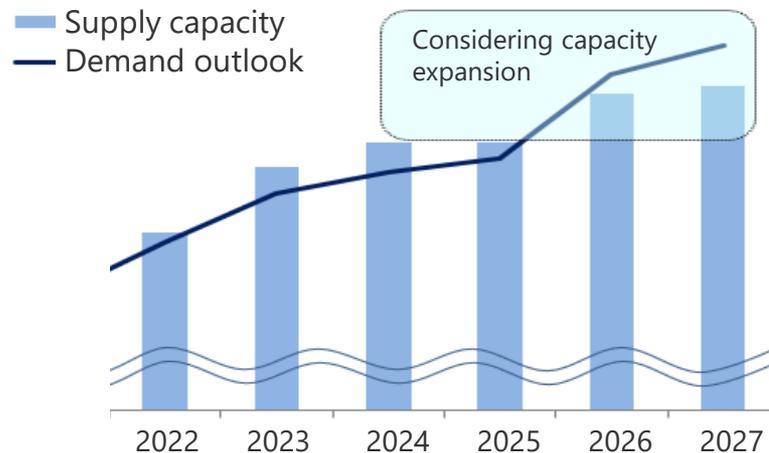
- Spherical alumina: Heat-dissipating material for LiB cooling mechanisms
- Acetylene black: Conductivity aid for LiB cathode materials
- Silicon nitride: Heat-dissipating substrates for inverters

[Spherical Alumina]
Market share of approx. 60

- Full Operation of New Facilities in Singapore From April 2022



[Acetylene Black]
• Demand Forecast for LiB Applications and Denka's Supply Capacity



[Silicon Nitride]

- Maintain No.1 Market Share and Grow Share Further

Increasing manufacturing capacity at the Omuta Plant (approx. 30% increase over current capacity)
Operation launch planned for the second half of FY2022

Continuing growth strategy in response to increasing demand/growth

| (¥ billions) | FY2021 | FY2022 | Incr. Decr. |
|-----------------------------------|--------|--------------|----------------|
| Sales | 46.1 | 50.0 | +3.9 |
| Operating Income | 15.5 | 10.0 | -5.5 |
| (Breakdown of profit differences) | | | |
| Pricing | Volume | Cost& Others | Total |
| -6.4 | +3.1 | -2.2 | -5.5 |

| Sales Trends and Costs | |
|---------------------------------|---|
| COVID-19 rapid antigen test kit | <ul style="list-style-type: none"> Reduced insurance points (from December 31, 2021) Although there is no plan to provide test kit supplies to the Japanese government like the previous year, shipment volumes are expected to be on par with last year due to increased demand for testing with test kits in Japan. |
| Other test reagents | <ul style="list-style-type: none"> Strong demand for Europe/U.S./China |
| Influenza vaccine | <ul style="list-style-type: none"> Strong demand expected to continue in the current fiscal year Planned production increase due to operation of new wing: 10 million vaccines |

Market Trends

Influenza Vaccine stock solution facility begins operations

(Facility capacity) 2x vs. previous levels

(Investment) Approx. ¥16.0 billion

(Manufacturing target)

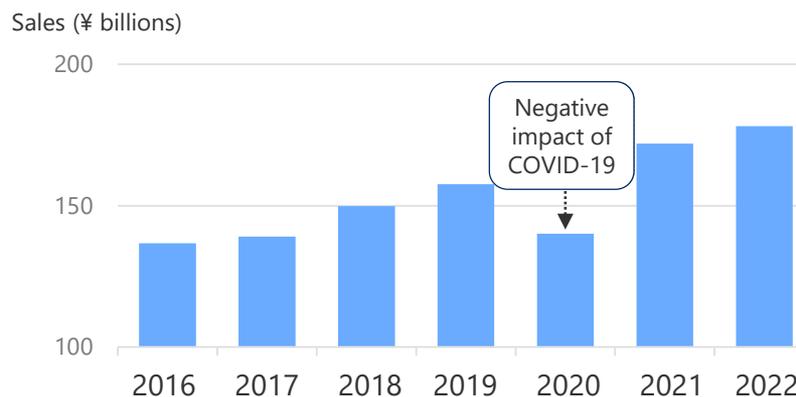
FY2022: 10 million vaccines

(For approx. 20 million people)

⇒ Addressing demand



Sales Trends for Test Reagents (Excluding Antigen Test Kits)



Decided to increase capacity for test reagent products

Strategic investment addressing growing demand

(Investment) Approx. ¥11.0 billion

(Planned completion) Second half of FY2024

Despite lower income due to expected negative impact from reduction of insurance points, strengthening and expanding vaccine and test reagent businesses

| (¥ billions) | FY2021 | FY2022 | Incr. Decr. |
|------------------|--------|--------|----------------|
| Sales | 106.9 | 135.0 | +2.81 |
| Operating Income | -3.5 | 1.0 | +4.5 |

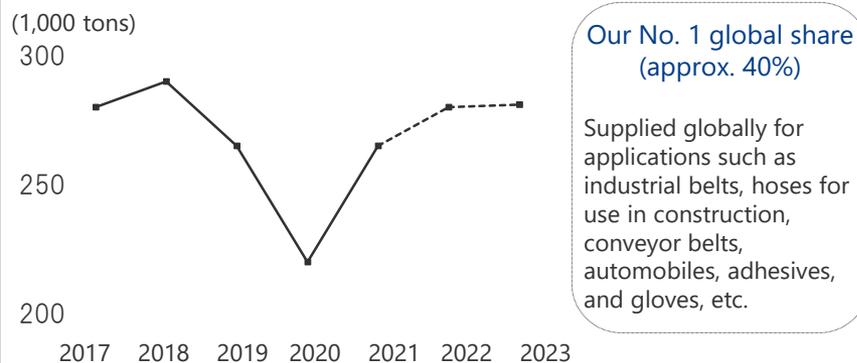
(Breakdown of profit differences)

| Pricing | Volume | Cost& Others | Total |
|---------|--------|-----------------|-------|
| +24.6 | +2.1 | -22.2 | +4.5 |

| Sales Trends and Costs | |
|--------------------------|---|
| Chloroprene rubber | <ul style="list-style-type: none"> Elimination of negative impact from the previous year's natural disasters Ongoing revised prices addressing soaring raw materials costs |
| Special cement Additives | <ul style="list-style-type: none"> Shipment volumes expected to rise |
| Cement | <ul style="list-style-type: none"> Advancing price increase negotiations from the previous year Incorporating sharp rises in coal prices due to the situation in Russia and Ukraine |

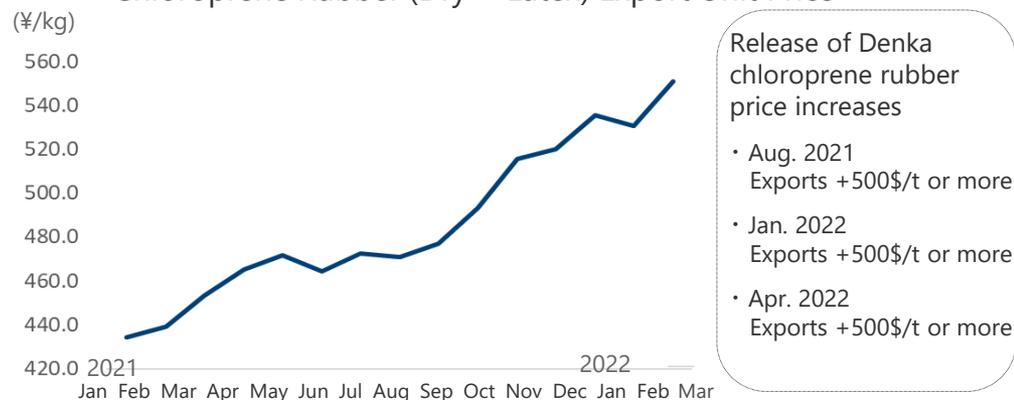
Market Trends

Chloroprene Rubber Global Demand (Denka Estimate)



[Customs Statistics]

Chloroprene Rubber (Dry + Latex) Export Unit Price



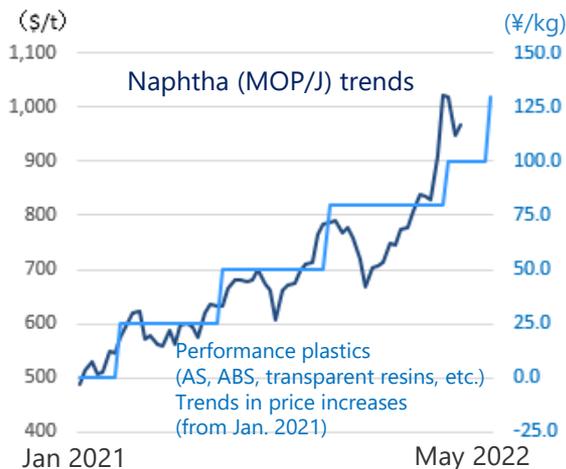
Despite rising raw material prices, profit increased due to flexible price hikes and elimination of the negative impact of the natural disaster at DPE last year

| (¥ billions) | FY2021 | FY2022 | Incr. Decr. | |
|-----------------------------------|---------|--------|----------------|-------|
| Sales | 126.6 | 150.0 | +23.4 | |
| Operating Income | 7.9 | 7.5 | -0.4 | |
| (Breakdown of profit differences) | | | | |
| | Pricing | Volume | Cost& Others | Total |
| | +33.3 | -0.2 | -33.5 | -0.4 |

| Sales Trends and Costs | |
|-------------------------------------|---|
| MS resin | • Shipments expected to increase year on year due to impact from increased production in Singapore amid strong demand |
| AS, ABS, transparent resins, etc. | • Maintaining spread with revised prices addressing soaring raw materials costs |
| Food wrapping sheets and containers | • Spread expected to maintain due to price revisions |
| Toyokalon | • Demand expected to recover with the resumption of economic activities at hair salons, etc. |
| Cost | • Styrene monomer plant scheduled for routine repairs (last performed in FY2018) |

Market Trends

Price Revisions of Raw Materials and in This Segment



MS Resins Production Capacity Increase in Singapore in July 2021

- (Production capacity)
 - Approx. 70,000 t/yr ⇒ Approx. 140,000 t/yr
- (Investment)
 - Approx. ¥2.7 billion
- (Sales)
 - Light guide plate applications for LCD TVs and PC monitors
 - Non-optical applications such as cosmetic containers

Maintaining spread year on year despite rising raw material prices

| | | FY2018 Actual | FY2019 Actual | FY2020 Actual | FY2021 Actual | FY2022 Forecast |
|----------------------|--------------|------------------|------------------|------------------|------------------|--------------------|
| Net income | (¥ billions) | 25.0 | 22.7 | 22.8 | 26.0 | 29.0 |
| Dividends per share* | (¥/share) | 120.0 | 125.0 | 125.0 | 145.0 | 145.0 |
| Dividend | (¥ billions) | 10.5 | 10.8 | 10.8 | 12.5 | 12.5 |
| Shareholders Return | | 42% | 48% | 47% | 48% | 43% |
| Stock Purchase | (¥ billions) | 2.1 | - | - | - | |
| Total Return | (¥ billions) | 12.6 | 10.8 | 10.8 | 12.5 | |
| Total return ratio | | 50% | 48% | 47% | 48% | |
| Depreciation | (¥ billions) | 22.9 | 22.5 | 22.9 | 23.9 | 26.0 |
| Investment & lending | (¥ billions) | 32.8 | 36.9 | 42.3 | 35.6 | 46.0 |
| ROE | | 10.3% | 9.1% | 8.8% | 9.4% | (9.8%) |
| Equity Ratio | | 51.0% | 50.0% | 50.8% | 51.7% | (51.3%) |
| Debt Equity Ratio | | 0.45 | 0.54 | 0.52 | 0.48 | (0.51) |

Mid-term 70.0
End 75.0

Maintaining
total return
ratio policy of
50%

*The company executed a one-for-five reverse stock split for common shares on October 1, 2017. Dividends per share have been recalculated to reflect this reverse split for comparison.

Maintaining a dividend of ¥145 per share of last year

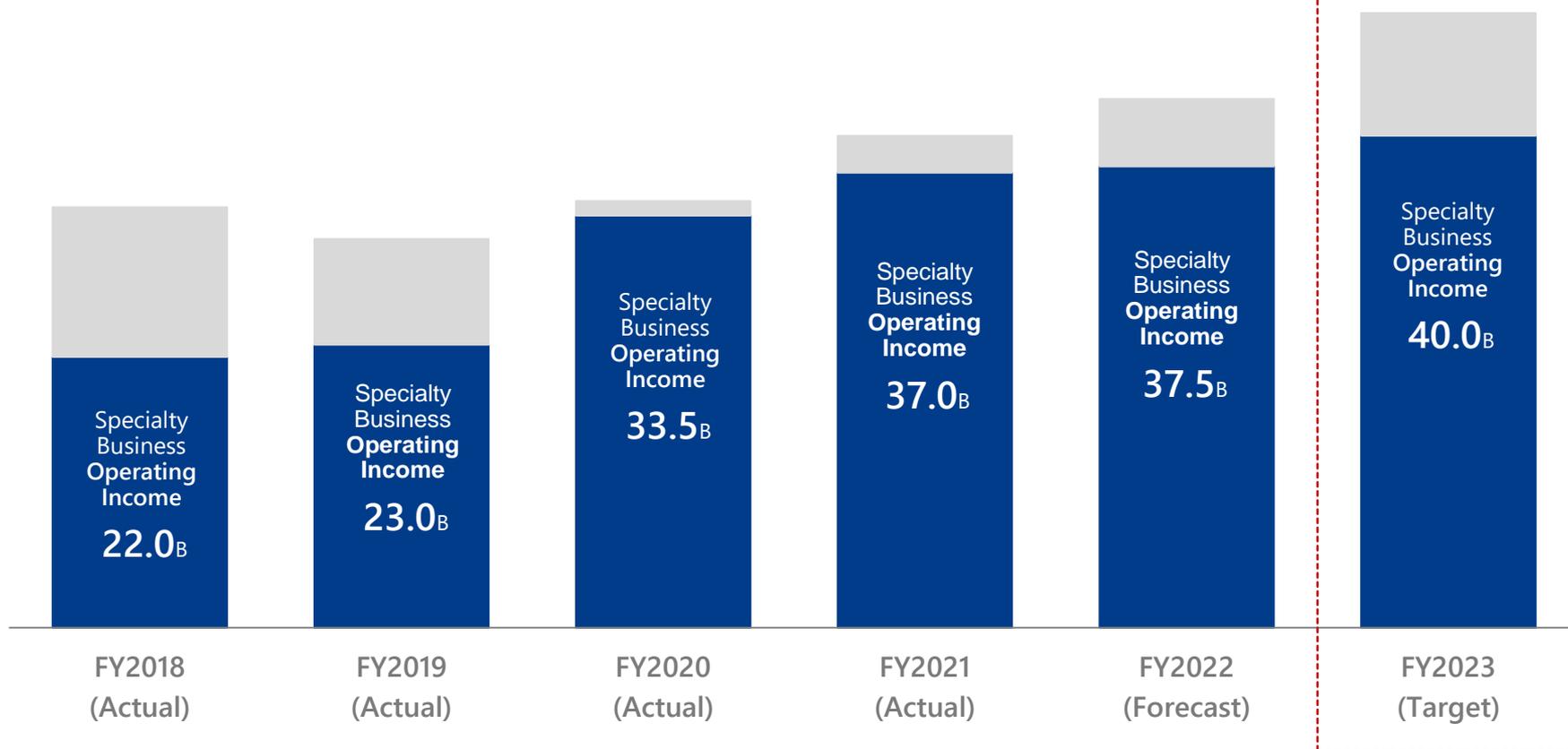
| Operating Income (¥ billions) | FY2022 Management Plan (Recalculated) | FY2022 Forecast | Vs. Plan | Reasons for Difference |
|---------------------------------------|--|--------------------|----------|--|
| Electronics & Innovative Products | 21.5 | 23.5 | +2.0 | <ul style="list-style-type: none"> • Growth for xEV, semiconductor, renewable energy-related products, etc., in line with assumptions [Progress according to plan] <ul style="list-style-type: none"> • Spherical alumina: Full operation of new facilities in Singapore from April 2022 • Acetylene black : Price revisions in line with product value |
| Life Innovation | 10.5 | 10.0 | -0.5 | [Progress according to plan] <ul style="list-style-type: none"> • Influenza vaccine: Full operation of new wing from FY2022 • COVID-19 test kits: Expanding demand due to recognition of kit usefulness Fall in sales price for domestic market expected to be in line with assumptions • Test reagents: Demand growth in line with assumptions |
| Elastomers & Infrastructure Solutions | 6.5 | 1.0 | -5.5 | <ul style="list-style-type: none"> • Chloroprene rubber: Despite price revisions addressing soaring raw materials costs, deterioration vs. assumptions with time lag to revision • Cement: Cost increase due to soaring raw material prices (coal) |
| Polymer Solutions | 10.5 | 7.5 | -3.0 | <ul style="list-style-type: none"> • MS resin: Shipments expected to fall below assumptions • Styrene monomer costs increase above assumptions, including routine repair costs |
| Others | 1.0 [*] | 1.0 | ±0.0 | |
| Total | 50.0 | 43.0 | -7.0 | |

* ¥2.0 billion in increased labor costs resulting from better labor conditions throughout the entire Group booked under Others is recorded proportionally in each segment.

Despite steady progress against plan in Electronics & Innovative Products and Life Innovation, Elastomer & Infrastructure Solutions and Polymer Solutions suffer negative impact of soaring raw material prices and worsening market conditions, therefore performance expected to fall short of numerical targets.

(¥ billions)

| | FY2018 Actual | FY2019 Actual | FY2020 Actual | FY2021 Actual | FY2022 Forecast | FY2023 Target |
|------------------|---------------|---------------|---------------|---------------|-----------------|---------------|
| Operating Income | 34.2 B | 31.6 B | 34.7 B | 40.1 B | 43.0 B | 50.0 B |
| Operating Margin | 8.3 % | 8.3 % | 9.8 % | 10.4 % | 9.5 % | 11.0 % |



Aiming for ¥50 Billion in Operating Income Through Sustainable Growth of Specialty Businesses and Improved Profitability of Core Businesses

FY2022 Earnings Forecast j) (Reference) Quarterly Trends (By Segment)

Denka

| Sales (¥ billions) | FY2020 | | | | FY2021 | | | | FY2022 Forecast | |
|---------------------------------------|-------------|-------------|--------------|-------------|-------------|--------------|-------------|--------------|--------------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 1H | 2H |
| Electronics & Innovative Products | 17.1 | 19.6 | 20.0 | 21.1 | 21.0 | 22.8 | 22.3 | 24.0 | 50.0 | 55.0 |
| Life Innovation | 5.3 | 10.9 | 20.5 | 6.3 | 6.0 | 19.3 | 10.9 | 9.9 | 20.0 | 30.0 |
| Elastomers & Infrastructure Solutions | 19.8 | 22.0 | 24.8 | 25.2 | 24.6 | 26.8 | 26.1 | 29.3 | 65.0 | 70.0 |
| Polymer Solutions | 25.3 | 25.1 | 28.3 | 31.3 | 31.8 | 31.5 | 29.5 | 33.9 | 67.5 | 82.5 |
| Others | 8.7 | 6.5 | 8.2 | 8.5 | 3.5 | 4.0 | 4.0 | 3.7 | 7.5 | 7.5 |
| Total | 76.2 | 84.1 | 101.7 | 92.4 | 86.7 | 104.4 | 92.8 | 100.9 | 210.0 | 245.0 |

| Operating Income (¥ billions) | FY2020 | | | | FY2021 | | | | FY2022 Forecast | |
|---------------------------------------|------------|------------|-------------|------------|------------|-------------|------------|------------|--------------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 1H | 2H |
| Electronics & Innovative Products | 2.8 | 3.8 | 3.6 | 4.0 | 4.4 | 4.8 | 4.6 | 4.9 | 11.0 | 12.5 |
| Life Innovation | 0.0 | 2.4 | 11.4 | 1.0 | 0.3 | 10.4 | 1.2 | 3.6 | 4.0 | 6.0 |
| Elastomers & Infrastructure Solutions | 0.3 | -0.4 | -1.9 | -1.5 | 0.1 | -0.0 | -1.2 | -2.3 | 1.0 | 0.0 |
| Polymer Solutions | 1.3 | 1.6 | 2.5 | 3.0 | 2.6 | 1.8 | 1.9 | 1.6 | 1.5 | 6.0 |
| Others | 0.0 | 0.3 | 0.3 | 0.2 | 0.4 | 0.5 | 0.4 | 0.2 | 0.5 | 0.5 |
| Total | 4.4 | 7.7 | 16.0 | 6.7 | 7.7 | 17.5 | 7.0 | 7.9 | 18.0 | 25.0 |

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

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