

**Denka**

Possibility  
of  
chemistry

# Results Presentation of FY2020 2Q

**Denka Co.,Ltd**

November 2020

**1 FY2020 Forecast Revision**

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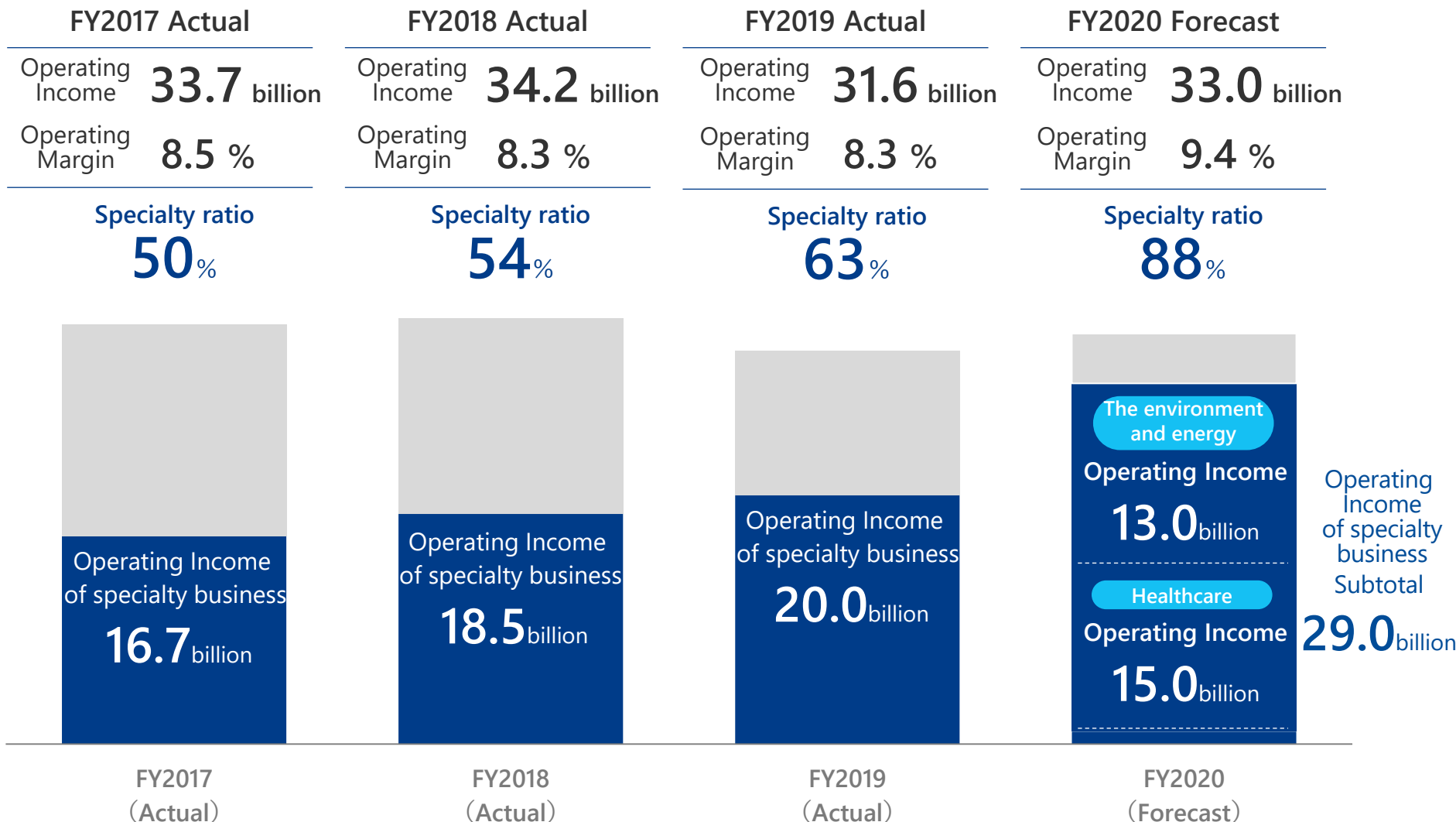
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**3 FY2020 Forecast**

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in billion Yen	Revised Forecast	Previous Forecast	Incr. △Decr.		
Sales	350.0	360.0	△ 10.0		
Operating Income	33.0	31.0	+ 2.0	Elastomer & Performance Plastics △ 4.5 Infrastructure & Social Solutions △ 1.5 Electronics & Innovative Products △ 0.5 Living & Environment Products + 0.5 Life Innovation + 8.0 Others + 0.0 ← + 2.0	
Operating Margin	9.4%	8.6%	+ 0.8%		
Ordinary Income	30.0	29.0	+ 1.0	Interest rates, non-operating income, etc. △ 1.0 ← + 1.0	
Net income attributable to owners of parent	22.0	21.0	+ 1.0	Extraordinary gains and losses and corporate tax etc. + 0.0 ← + 1.0	
Dividend per share (Yen)	¥125 (interim: ¥60; year-end: ¥65)	interim: ¥60; year-end: TBD		(previous year) ¥125	
Payout Ratio	49%	————		(previous year) 48%	



Steady growth of specialty business

in billion Yen	FY 2020 1st Half Act	FY 2019 1st Half Act	Incr. △Decr.		
Sales	160.3	192.0	△ 31.7		
Operating Income	12.1	15.3	△ 3.3	Elastomer & Performance Plastics Infrastructure & Social Solutions Electronics & Innovative Products Living & Environment Products Life Innovation Others	△ 4.8 △ 0.1 + 0.8 + 0.7 △ 0.1 + 0.2 ← △ 3.3
Operating Margin	7.5%	8.0%	△ 0.5%		
Ordinary Income	12.3	14.5	△ 2.2	Interest rates, non-operating income, etc.	+ 1.0 ← △ 2.2
Net income attributable to owners of parent	10.0	10.9	△ 0.8	Extraordinary gains and losses and corporate tax etc. (△2.3←△3.6)	+ 1.4 ← △ 0.8

year on year  
(in billion Yen)**Sales****160.3**billion△ **31.7**

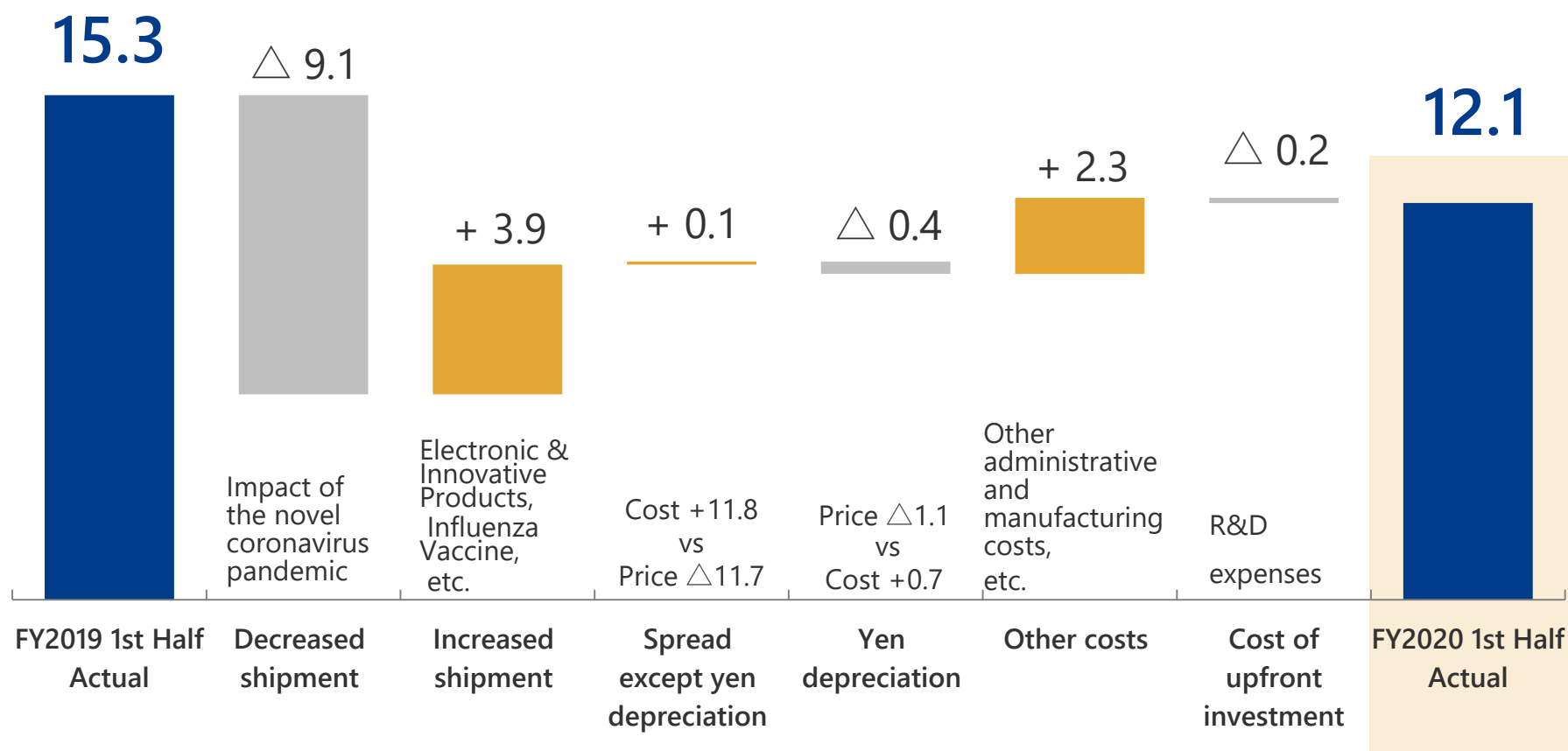
1. Decrease in sales volume : Impact of the novel coronavirus pandemic, etc. △ 18.8
2. Differences in sales prices : impact of downward revisions of sales prices of styrene-based products in step with plunges in raw material prices △ 12.8

year on year  
(in billion Yen)**Operating  
Income****12.1**billion△ **3.3**

1. Changes in sales volume : Impact of the novel coronavirus pandemic △ 9.1  
Other +3.9  
(Electronic & Innovative Products, Influenza Vaccine, etc.) △ 5.2
2. Spread : decrease in cost +11.8  
except yen depreciation vs products price revision △ 11.7 + 0.1
3. Yen depreciation : products price demerit in yen △ 1.1  
vs decrease in cost + 0.7 △ 0.4
4. Other costs : Other administrative and manufacturing costs, etc. + 2.3
5. Cost of upfront investment : R&D expenses △ 0.2

## Operating Income Variation factors

in billion Yen



Sales in billion yen	FY 2020 1st Half Act	FY 2019 1st Half Act	Incr. △Decr.	Price	Volume
Elastomers & Performance Plastics	54.6	78.7	△ 24.1	△ 11.9	△ 12.2
Infrastructure & Social Solutions	24.5	26.9	△ 2.5	+ 0.2	△ 2.7
Electronic & Innovative Products	33.3	33.5	△ 0.2	△ 0.5	+ 0.2
Living & Environment Products	16.6	18.6	△ 2.0	△ 0.5	△ 1.4
Life Innovation	16.2	15.0	+ 1.2	△ 0.1	+ 1.3
Others	15.2	19.2	△ 4.0	-	△ 4.0
<b>Total</b>	<b>160.3</b>	<b>192.0</b>	<b>△ 31.7</b>	<b>△ 12.8</b>	<b>△ 18.8</b>

Operating Income in billion yen	FY 2020 1st Half Act	FY 2019 1st Half Act	Incr. △Decr.	Price	Volume	Cost & Others
Elastomers & Performance Plastics	2.1	6.9	△ 4.8	△ 11.9	△ 5.7	+ 12.8
Infrastructure & Social Solutions	0.2	0.3	△ 0.1	+ 0.2	△ 0.7	+ 0.4
Electronic & Innovative Products	6.6	5.8	+ 0.8	△ 0.5	+ 0.6	+ 0.7
Living & Environment Products	0.5	△ 0.2	+ 0.7	△ 0.5	△ 0.6	+ 1.9
Life Innovation	2.4	2.5	△ 0.1	△ 0.1	+ 1.2	△ 1.1
Others	0.3	0.2	+ 0.2	-	+ 0.1	+ 0.0
<b>Total</b>	<b>12.1</b>	<b>15.3</b>	<b>△ 3.3</b>	<b>△ 12.8</b>	<b>△ 5.2</b>	<b>+ 14.7</b>



in billion Yen	FY 2020 1st Half Act	Forecast as of August	Incr. △Decr.		
Sales	160.3	160.0	+ 0.3		
Operating Income	12.1	12.0	+ 0.1	Elastomer & Performance Plastics Infrastructure & Social Solutions Electronics & Innovative Products Living & Environment Products Life Innovation Others	△ 0.9 △ 0.8 + 0.1 △ 0.0 + 1.4 + 0.3 ← + 0.1
Operating Margin	7.5%	7.5%	+ 0.0%		
Ordinary Income	12.3	12.0	+ 0.3	Interest rates, non-operating income, etc.	+ 0.2 ← +0.3
Net income attributable to owners of parent	10.0	10.0	+ 0.0	Extraordinary gains and losses and corporate tax etc. (△2.3←△2.0)	△ 0.3 ← +0.0

Sales in billion yen	FY 2020 1st Half Act	Forecast as of August	Incr. △Decr.	Price	Volume
Elastomers & Performance Plastics	54.6	55.0	△ 0.4	△ 0.2	△ 0.3
Infrastructure & Social Solutions	24.5	25.0	△ 0.5	△ 0.1	△ 0.4
Electronic & Innovative Products	33.3	33.0	+ 0.3	+ 0.1	+ 0.2
Living & Environment Products	16.6	16.0	+ 0.6	△ 0.1	+ 0.7
Life Innovation	16.2	15.0	+ 1.2	△ 0.0	+ 1.2
Others	15.2	16.0	△ 0.8	-	△ 0.8
<b>Total</b>	<b>160.3</b>	<b>160.0</b>	<b>+ 0.3</b>	<b>△ 0.3</b>	<b>+ 0.7</b>

Operating Income in billion yen	FY 2020 1st Half Act	Forecast as of August	Incr. △Decr.	Price	Volume	Cost & Others
Elastomers & Performance Plastics	2.1	3.0	△ 0.9	△ 0.2	+ 0.2	△ 0.9
Infrastructure & Social Solutions	0.2	1.0	△ 0.8	△ 0.1	+ 0.0	△ 0.8
Electronic & Innovative Products	6.6	6.5	+ 0.1	+ 0.1	+ 0.1	△ 0.1
Living & Environment Products	0.5	0.5	△ 0.0	△ 0.1	+ 0.0	+ 0.1
Life Innovation	2.4	1.0	+ 1.4	△ 0.0	+ 1.2	+ 0.3
Others	0.3	0.0	+ 0.3	-	+ 0.2	+ 0.1
<b>Total</b>	<b>12.1</b>	<b>12.0</b>	<b>+ 0.1</b>	<b>△ 0.3</b>	<b>+ 1.7</b>	<b>△ 1.3</b>

in billion Yen	FY 2020 Forecast	1st Half Actual	2nd Half Forecast	FY2020 Forecast At the beginning	FY 2019 Actual
Sales	350.0	160.3	189.7	360.0	380.8
Operating Income	33.0	12.1	20.9	31.0	31.6
Operating Margin	9.4%	7.5%	11.0%	8.6%	8.3%
Ordinary Income	30.0	12.3	17.7	29.0	30.0
Net income attributable to owners of parent	22.0	10.0	12.0	21.0	22.7

Forecast  
at the  
beginning

Expected Operating Income	1st Half	<b>TBD</b>	Full Year	<b>31.0</b> billion
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Assumption of the novel coronavirus pandemic

- The effect of the pandemic would gradually taper off from the second quarter onward and economic activity would be largely normalized in the 2nd half.

Forecast  
as of  
August

Expected Operating Income	1st Half	<b>12.0</b> billion	Full Year	<b>31.0</b> billion (Initial forecast unchanged)
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Upside potential

- Growth in data centers-related demand
- Contribution of Rapid Antigen Test for COVID-19

Downside risk

- The pandemic's impact on the performance of some mainstay products, such as CR, would get worse than initial forecasts.

Revised  
Forecast

Expected Operating Income	1st Half	<b>12.1</b> billion	Full Year	<b>33.0</b> billion (Upward revision)
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Upside Factors

- The launch of Rapid Antigen Test for COVID-19
- Review of head office and factory fixed costs

Downside Factors

- Infectious disease impact on some mainstay products, such as CR, was higher than expected.

Economic Precondition	FY2020 Forecast	1st Half Actual	2nd Half Forecast	FY2019 Actual	1st Half Actual	2nd Half Actual
Forex [USD 1.0 = Yen]	106.4	106.8	106.0	109.1	109.2	109.1
Naphtha price [Yen/Kl]	30,400	28,250	32,500	42,650	42,800	42,500

Reference in billion yen	FY2020 Forecast	1st Half Actual	2nd Half Forecast	FY2019 Actual	1st Half Actual	2nd Half Actual
Investment	45.0	17.1	27.9	36.9	18.9	18.0
Depreciation	23.0	11.5	11.5	22.5	11.0	11.5
R&D	16.0	7.4	8.6	15.0	7.3	7.7
Debt with interest	141.0	140.5	141.0	134.3	123.3	134.3

## Sales

350.0billion

year on year  
(in billion Yen)

△ 30.8

1. Decrease in sales volume : Impact of the novel coronavirus pandemic △ 37.6  
(The pandemic's impact in FY2019: △ 1.4; FY2020: △ 39.0)  
Other +32.1  
(Rapid Antigen Test for COVID-19, xEV-related products, etc) △ 5.5
2. Differences in sales prices : impact of downward revisions of sales prices of styrene-based products in step with plunges in raw material prices △ 25.3

## Operating Income

33.0billion

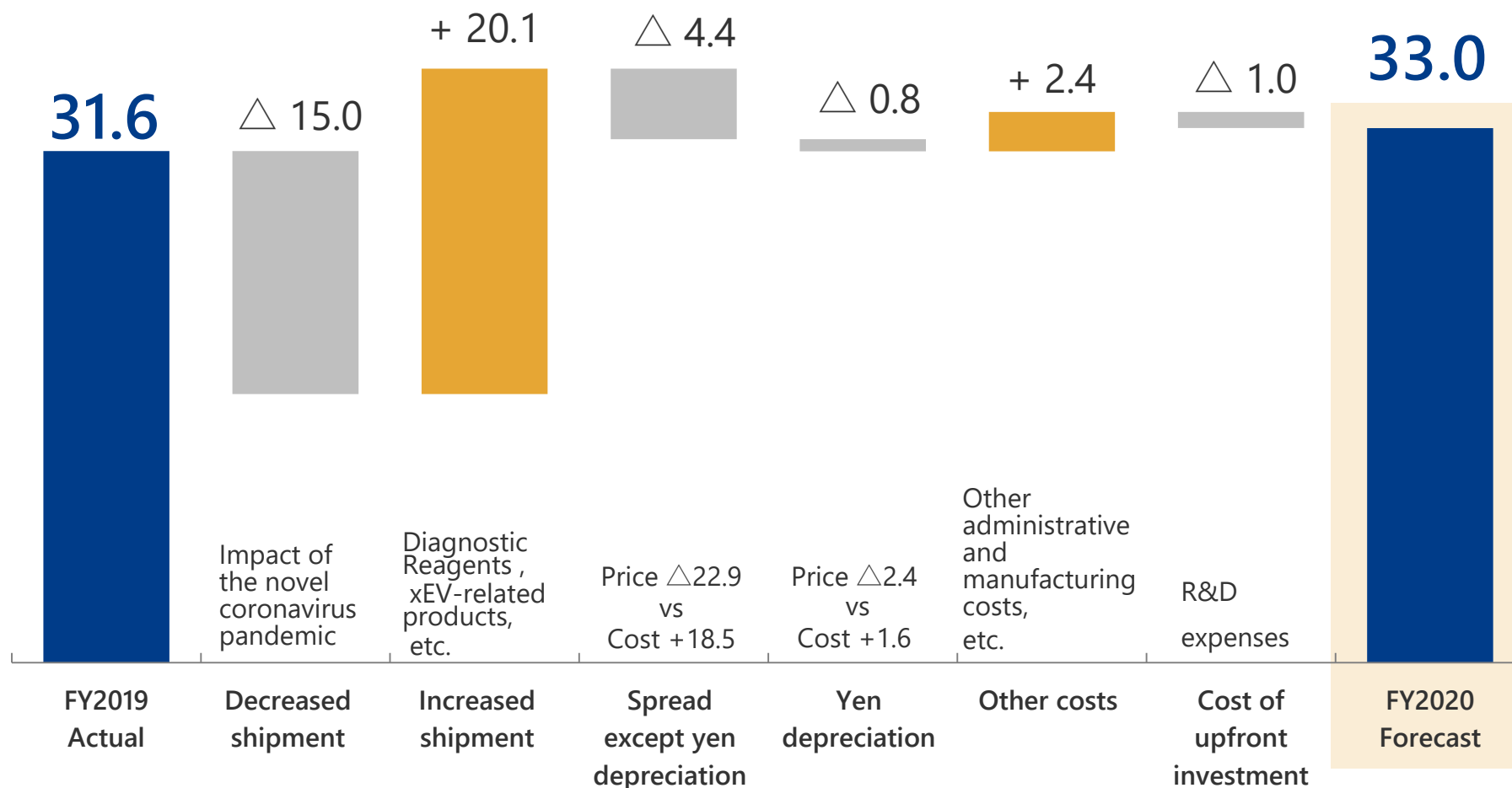
year on year  
(in billion Yen)

+1.4

1. Changes in sales volume : Impact of the novel coronavirus pandemic △ 15.0  
(The pandemic's impact in FY2019: △ 1.0; FY2020: △ 15.9)  
Other +20.1  
(Rapid Antigen Test for COVID-19, xEV-related products, etc) + 5.1
2. Spread : products price revision △ 22.9  
except yen depreciation vs decrease in cost +18.5 △ 4.4
3. Yen depreciation : products price demerit in yen △ 2.4  
vs decrease in cost + 1.6 △ 0.8
4. Other costs : Other administrative and manufacturing costs, etc. + 2.4
5. Cost of upfront investment : R&D expenses △ 1.0

## Operating Income Variation factors

in billion Yen



Sales in billion yen	FY2020 Forecast	FY2019 Actual	Incr. △Decr.	Price	Volume
Elastomers & Performance Plastics	115.0	149.3	△34.3	△ 22.4	△ 11.9
Infrastructure & Social Solutions	52.0	54.8	△ 2.8	+ 0.4	△ 3.2
Electronic & Innovative Products	70.0	68.0	+ 2.0	△ 1.8	+ 3.8
Living & Environment Products	33.0	37.0	△ 4.0	△ 1.4	△ 2.5
Life Innovation	46.0	35.5	+ 10.5	△ 0.0	+ 10.5
Others	34.0	36.2	△ 2.2	-	△ 2.2
Total	350.0	380.8	△30.8	△ 25.3	△ 5.5

Operating Income in billion yen	FY2020 Forecast	FY2019 Actual	Incr. △Decr.	Price	Volume	Cost & Others
Elastomers & Performance Plastics	3.0	10.9	△ 7.9	△22.4	△ 5.1	+19.6
Infrastructure & Social Solutions	0.5	0.3	+ 0.2	+ 0.4	△ 0.8	+ 0.7
Electronic & Innovative Products	13.0	12.4	+ 0.6	△ 1.8	+ 2.4	△ 0.0
Living & Environment Products	1.0	0.1	+ 0.9	△ 1.4	△ 1.1	+ 3.4
Life Innovation	15.0	7.0	+ 8.0	△ 0.0	+ 9.8	△ 1.7
Others	0.5	0.9	△ 0.4	-	△ 0.1	△ 0.3
Total	33.0	31.6	+ 1.4	△25.3	+ 5.1	+21.6



# FY2020 Forecast ⑥ By Segments (vs Forecast at the beginning)

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Sales in billion yen	FY2020 Forecast	Forecast at the beginning	Incr. △Decr.	Price	Volume
Elastomers & Performance Plastics	115.0	125.0	△ 10.0	△ 4.2	△ 5.8
Infrastructure & Social Solutions	52.0	55.0	△ 3.0	△ 0.4	△ 2.6
Electronic & Innovative Products	70.0	73.0	△ 3.0	△ 1.1	△ 1.9
Living & Environment Products	33.0	33.0	-	△ 0.4	+ 0.4
Life Innovation	46.0	38.0	+ 8.0	△ 0.1	+ 8.1
Others	34.0	36.0	△ 2.0	-	△ 2.0
<b>Total</b>	<b>350.0</b>	<b>360.0</b>	<b>△ 10.0</b>	<b>△ 6.0</b>	<b>△ 4.0</b>

Operating Income in billion yen	FY2020 Forecast	Forecast at the beginning	Incr. △Decr.	Price	Volume	Cost & Others
Elastomers & Performance Plastics	3.0	7.5	△ 4.5	△ 4.2	△ 4.5	+ 4.2
Infrastructure & Social Solutions	0.5	2.0	△ 1.5	△ 0.4	△ 0.5	△ 0.5
Electronic & Innovative Products	13.0	13.5	△ 0.5	△ 1.1	△ 0.5	+ 1.1
Living & Environment Products	1.0	0.5	+ 0.5	△ 0.4	+ 0.2	+ 0.7
Life Innovation	15.0	7.0	+ 8.0	△ 0.1	+ 7.4	+ 0.6
Others	0.5	0.5	-	-	+ 0.7	△ 0.7
<b>Total</b>	<b>33.0</b>	<b>31.0</b>	<b>+ 2.0</b>	<b>△ 6.0</b>	<b>+ 2.7</b>	<b>+ 5.4</b>

		FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Net income	(in billion Yen)	18.1	23.0	25.0	22.7	22.0
Dividend per share *	(Yen)	70.0	105.0	120.0	125.0	125.0
Total Dividend	(in billion Yen)	6.2	9.2	10.5	10.8	10.8
Payout Ratio		34%	40%	42%	48%	49%
Share buyback	(in billion Yen)	2.9	2.3	2.1	-	-
Total Shareholder Return	(in billion Yen)	9.1	11.5	12.6	10.8	10.8
Total Return Ratio		50%	50%	50%	48%	49%
Depreciation	(in billion Yen)	24.4	24.6	22.9	22.5	23.0
Capital expenditure	(in billion Yen)	26.9	27.0	32.8	36.9	45.0
ROE		8.3%	10.0%	10.3%	9.1%	

\*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 will remain committed to a targeted total shareholder return ratio of 50%.**

## 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.

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