

**Denka**

Possibility  
of  
chemistry

# Results Presentation of FY2021 1Q

(the 1<sup>st</sup> 3months of the Fiscal year ending March 2022)

Securities code : 4061

**Denka Co. ,Ltd**

August 6, 2021

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# FY2021 1Q Results

(¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.	Main factors of Incr.Decr
Sales	76.2	<b>86.7</b>	+ 10.5	(Detailed below)
Operating Income	4.4	<b>7.7</b>	+ 3.3	(Detailed below)
Operating Margin	5.8%	<b>8.9%</b>	+ 3.2%	
Ordinary Income	5.0	<b>7.5</b>	+ 2.5	Interest rates, Non-operating income, etc. - 0.8 ← + 2.5
Net income attributable to Owners of parent	4.2	<b>6.2</b>	+ 2.0	Extraordinary gains and losses and Corporate tax etc. - 0.5 ← + 2.0

Despite the lingering negative impact of COVID-19, the Denka Value-Up initiative was successful, resulting in marking record highest operating income for 1Q

## Sales

86.7 billion

YoY (¥ billions)

+ 10.5

1. Volume	: Recovery of demand from COVID-19 impact Other (xEV-related, semiconductor-related demand growth, etc.)	+ 13.0
2. Pricing	: Styrene-based products sales price revision due to raw material price increase, etc.	+ 5.7
3. Other	: Change in accounting standards for recognition of revenue (Group trading company portion, etc.)	- 8.2

## Operating Income

7.7 billion

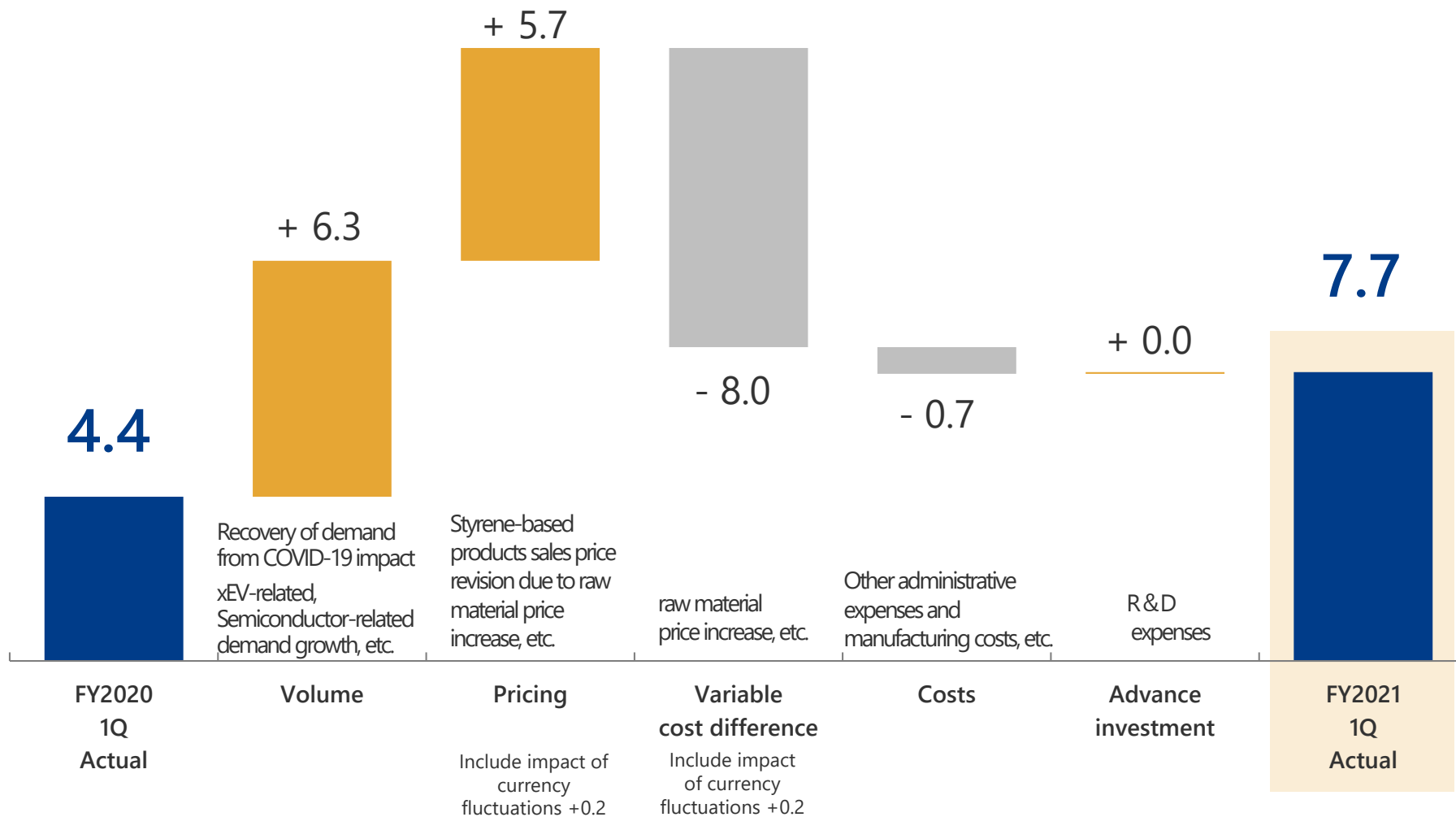
YoY (¥ billions)

+ 3.3

1. Volume	: Recovery of demand from COVID-19 impact Other (xEV-related, semiconductor-related demand growth, etc.)	+ 6.3
2. Pricing	: Styrene-based products sales price revision due to raw material price increase (include impact of currency fluctuations +0.2)	+ 5.7
3. Variable Cost Difference	: Raw material price increase, etc. (include impact of currency fluctuations +0.2)	- 8.0
4. Costs	: Other administrative expenses and manufacturing costs, etc.	- 0.7

**In addition to recovery from the impact of COVID-19,  
demand growth in xEV and semiconductor-related products offset worsening spread**  
(margin between product sales prices and raw materials prices)

(¥ billions)



In addition to recovery from the impact of COVID-19, demand growth in xEV and semiconductor-related products offset worsening spread

Sales (¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.	Pricing	Volume	Other*
Electronics & Innovative Products	17.1	21.0	+ 3.9	+ 0.4	+ 4.9	- 1.3
Life Innovation	5.3	6.0	+ 0.7	- 0.2	+ 0.9	- 0.0
Elastomer & Infrastructure Solutions	19.8	24.6	+ 4.8	+ 0.2	+ 5.4	- 0.9
Polymer Solutions	25.3	31.8	+ 6.4	+ 5.4	+ 1.5	- 0.4
Others	8.7	3.5	- 5.2	-	+ 0.3	- 5.5
<b>Total</b>	<b>76.2</b>	<b>86.7</b>	<b>+10.5</b>	<b>+ 5.7</b>	<b>+ 13.0</b>	<b>- 8.2</b>

\*Change in accounting standards for recognition of revenue

Operating Income (¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.	Pricing	Volume	Cost& Others
Electronics & Innovative Products	2.8	4.4	+ 1.6	+ 0.4	+ 2.3	- 1.1
Life Innovation	0.0	0.3	+ 0.3	- 0.2	+ 0.4	+ 0.0
Elastomer & Infrastructure Solutions	0.3	0.1	- 0.2	+ 0.2	+ 2.9	- 3.3
Polymer Solutions	1.3	2.6	+ 1.3	+ 5.4	+ 0.6	- 4.7
Others	0.0	0.4	+ 0.4	-	- 0.0	+ 0.4
<b>Total</b>	<b>4.4</b>	<b>7.7</b>	<b>+ 3.3</b>	<b>+ 5.7</b>	<b>+ 6.3</b>	<b>- 8.7</b>

Expanded sales in Electronics & Innovative Products,  
and improved spread in Polymer Solutions contributed to increase income

## Electronics &amp; Innovative Products

Operating income main change factors

(¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.		
Sales	17.1	21.0	+3.9	Spherical Alumina	: xEV-related applications and 5G communications-related demand growth Increased shipments due to partial operation beginning of new facilities in Singapore
Operating Income	2.8	4.4	+1.6	Acetylene Black	: Strong demand for xEV-related applications and high-voltage cables for offshore wind power generation
				Fused Silica, Carrier Tape, etc.	: Semiconductor-related demand growth

## Life Innovation

Operating income main change factors

(¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.		
Sales	5.3	6.0	+0.7	Rapid Antigen Test COVID-19	: Not sold in 1Q last year ~ quantity difference
Operating Income	0.0	0.3	+0.3	Other test reagents	: Recovery of demand from the impact of COVID-19

**Driven by growth of specialty businesses related to xEV, semiconductor, and infectious disease**



## Elastomer &amp; Infrastructure Solutions

Operating income main change factors

(¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.		
Sales	19.8	24.6	+4.8	Chloroprene Rubber	: Sales volumes increased due to recovery of demand from the impact of COVID-19. However, decreased operation due to a cold spell at DPE and increased raw material pricing resulted nearly unchanged from the previous term
Operating Income	0.3	0.1	-0.2	Cement	: Income decreased due to lower sales volumes than in the previous term, and a rise in coal prices

## Polymer Solutions

Operating income main change factors

(¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.		
Sales	25.3	31.8	+6.4	MS resin (Singapore)	: Almost the same shipments as the previous fiscal term : Recovery from impact of COVID-19 during the previous fiscal term
Operating Income	1.3	2.6	+1.3	AS, ABS, transparent resins, etc. Toyokalon	

## Others

Sales main change factors

(¥ billions)	FY2020 1Q Actual	FY2021 1Q Actual	Incr. Decr.	
Sales	8.7	3.5	-5.2	Change in accounting standards for recognition of revenue (decrease in sales of Group companies)
Operating Income	0.0	0.4	+0.4	

**Recovery in demand in businesses in our key operations  
such as chloroprene rubber and performance plastics**

# FY2021 Earnings Forecast

## FY2021 1H

## FY2021 Full year

(¥ billions)	FY2021 1H					FY2021 Full year				
	Initial Forecast	Revised Forecast	Vs. initial Forecast	FY2020 1 H Actual	Year-on-year	Initial Forecast	Revised Forecast	Vs. initial Forecast	FY2020 Actual	Year-on-year
Sales	175.0	185.0	+ 10.0	160.3	+ 24.7	365.0	365.0	± 0.0	354.4	+ 10.6
Operating Income	19.0	22.0	+ 3.0	12.1	+ 9.9	42.0	42.0	± 0.0	34.7	+ 7.3
Operating Margin	10.9%	11.9%	+ 1.0%	7.5%	+ 4.4%	11.5%	11.5%	± 0.0%	9.8%	+ 1.7%
Ordinary Income	17.0	20.0	+ 3.0	12.3	+ 7.7	39.0	39.0	± 0.0	32.1	+ 6.9
Net income attributable to Owners of parent	13.0	15.0	+ 2.0	10.0	+ 5.0	29.0	29.0	± 0.0	22.8	+ 6.2

**1H: Sales, Operating income, Ordinary income, and Net income all revised upward**

**Full year: Initial forecast remains unchanged as of now**

Vs. forecast (¥ billions)

**Sales****185.0** billion**+10.0**

- |             |   |       |
|-------------|---|-------|
| 1. Volume:  | Positive factors (Upwards trend in semiconductor-related products and chloroprene rubber) | + 0.5 |
|             | Negative factors (Anticipating downward trend in influenza vaccines, etc.)                |       |
| 2. Pricing: | Upward revision of estimated sales price of COVID-19 rapid antigen test kit               | + 9.5 |
|             | Styrene-based products sales price revision due to raw material price increase            |       |

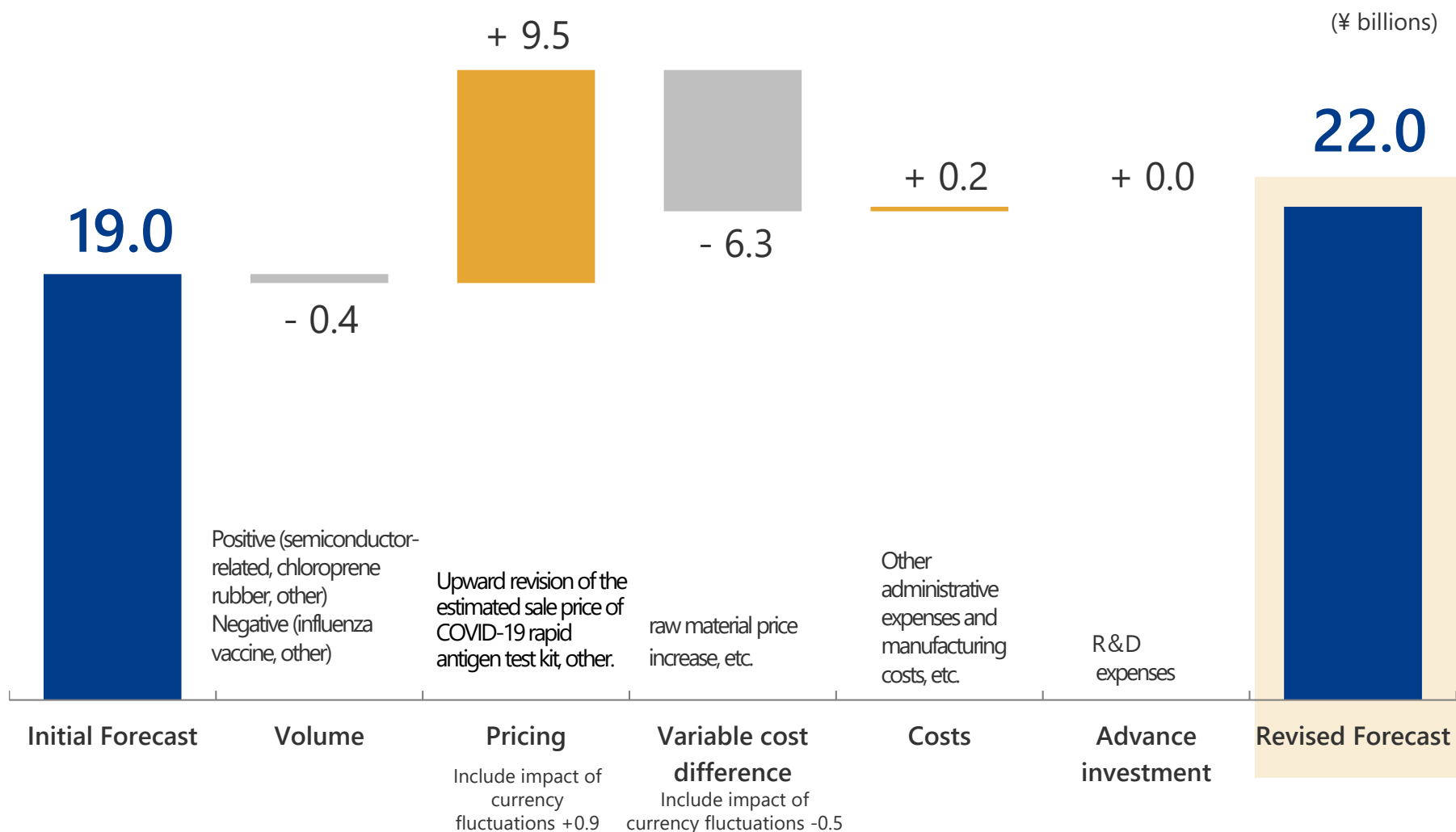
Vs. forecast (¥ billions)

**Operating  
Income****22.0** billion**+3.0**

- |                  |   |       |
|------------------|---|-------|
| 1. Volume        | : Anticipating reduced volume of influenza vaccine, etc.  | - 0.4 |
| 2. Pricing       | : Upward revision of estimated sale price of COVID-19 rapid antigen test kit, Styrene-based products sales price revision due to raw material price increase (including impact of currency fluctuations +0.9) | + 9.5 |
| 3. Variable cost |   |       |
| Difference       | : Raw material price increase, etc. (including impact of currency fluctuations -0.5)  | - 6.3 |
| 4. Costs         | : Other administrative expenses and manufacturing costs, etc.   | + 0.2 |

**For operating income, a positive difference in sales price including an upward revision of the estimated sales price of COVID-19 rapid antigen test kit is expected to exceed negative impact of variable cost difference resulting from a rise in raw material prices**

c) 1H : Graph of Operating Income Change Factor (vs Forecast at the beginning)



For operating income, a positive difference in sales price including an upward revision of the estimated sales price of COVID-19 rapid antigen test kit is expected to exceed negative impact of variable cost difference resulting from a rise in raw material prices

Sales (¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	Pricing		Volume	
Electronics & Innovative Products	42.0	43.0	+ 1.0	+ 0.1	+ 0.9		
Life Innovation	18.0	24.0	+ 6.0	+ 5.8	+ 0.2		
Elastomer & Infrastructure Solutions	50.0	51.0	+ 1.0	+ 0.8	+ 0.2		
Polymer Solutions	60.0	62.0	+ 2.0	+ 2.8	- 0.8		
Others	5.0	5.0	± 0.0	-	± 0.0		
<b>Total</b>	<b>175.0</b>	<b>185.0</b>	<b>+10.0</b>	<b>+ 9.5</b>	<b>+ 0.5</b>		

Operating Income (¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	Pricing		Volume		Cost& Others
Electronics & Innovative Products	8.0	8.0	± 0	+ 0.1	+ 0.8	- 0.9		
Life Innovation	5.0	8.5	+ 3.5	+ 5.8	- 1.7	- 0.6		
Elastomer & Infrastructure Solutions	1.0	0.5	- 0.5	+ 0.8	+ 0.8	- 2.0		
Polymer Solutions	4.5	4.5	± 0.0	+ 2.8	- 0.3	- 2.5		
Others	0.5	0.5	± 0.0	-	+ 0.0	- 0.0		
<b>Total</b>	<b>19.0</b>	<b>22.0</b>	<b>+ 3.0</b>	<b>+ 9.5</b>	<b>- 0.4</b>	<b>- 6.1</b>		

The main factor in the upward revision of operating income :  
the increasing income of "Life Innovation"

(¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	Pricing	Volume	Cost& Others	FY2020 1H Actual
Sales	42.0	43.0	+ 1.0	+ 0.1	+ 0.9		36.7
Operating Income	8.0	8.0	± 0.0	+ 0.1	+ 0.8	- 0.9	6.6

## Main Change Factors in Operating Income Forecast

### Sales trends

Spherical alumina	<ul style="list-style-type: none"> <li>Increasing xEV-related, 5G communications-related demand is expected in line with the initial forecast</li> <li>Contribution of new facilities in Singapore is also expected in line with the initial forecast</li> </ul>
Acetylene black	<ul style="list-style-type: none"> <li>Steady demand for xEV-related applications and high-voltage cables for offshore wind power generation, resulting in shipments in line with the initial forecast</li> </ul>
Ceramic substrates	<ul style="list-style-type: none"> <li>Delayed recovery of demand from electric railways is expected from the impact of COVID-19</li> </ul>
Fused silica High-performance film	<ul style="list-style-type: none"> <li>Bolstered by expanded demand from 5G communications and data centers, shipments of semiconductor-related products are expected to exceed initial forecasts</li> </ul>

### Cost

- Higher costs due to increased raw material prices and differences in product mixes

**Increasing Operating income is expected in line with initial forecasts  
owing to higher demand for semiconductor-related products  
despite increasing costs due to higher raw material prices**

(¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	Pricing	Volume	Cost& Others	FY2020 1H Actual
Sales	18.0	24.0	+ 6.0	+ 5.8	+ 0.2		16.2
Operating Income	5.0	8.5	+ 3.5	+ 5.8	- 1.7	- 0.6	2.4

## Main Change Factors in Operating Income Forecast

### Sales trends

#### COVID-19 rapid antigen test kit

- Upward revision of estimated selling price of the initial forecast
- Although the expansion of demand, including screening tests at senior citizen facilities, was factored into the initial forecast, it is expected to exceed the forecast to some extent due to the supply to the Japanese government.

#### Other test reagents

- In addition to a recovery of demand in China, increasing other testing demands of COVID-19 patients in Europe and the US, resulting in exceeding expectations

#### Influenza vaccine

- Shipment volumes may fail to meet initial forecasts at the same level as last year.

**While influenza vaccine shipment volumes may fail to meet initial forecasts, COVID-19 rapid antigen test kits will contribute to increase income.**



(¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	Pricing	Volume	Cost& Others	FY2020 1H Actual
Sales	50.0	51.0	+ 1.0	+ 0.8	+ 0.2		41.8
Operating Income	1.0	0.5	- 0.5	+ 0.8	+ 0.8	- 2.0	-0.1

## Main Change Factors in Operating Income Forecast

### Sales trends

- |                      |   |
|----------------------|---|
| Chloroprene rubber   | <ul style="list-style-type: none"> <li>We have seen a temporary slowdown in medical glove applications which have driven demand since the second half of the last fiscal year, but we expect a strong recovery in demand in industrial, adhesive, and automotive applications that will exceed forecasts</li> </ul> |
| Specialty admixtures | <ul style="list-style-type: none"> <li>Recovery from the impact of COVID-19 during the previous year is expected in line with initial forecasts</li> </ul>  |
| Cement               | <ul style="list-style-type: none"> <li>Recovery from the impact of COVID-19 during the previous year is expected in line with initial forecasts</li> </ul>  |

- Cost
- Price increase in raw materials (butadiene/chlorine (chloroprene rubber), coal (cement), etc.)

**Demand for chloroprene rubber is to recover more than expected, however, to be lower than initial forecasts due to recent increases in raw material prices**

(¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	Pricing	Volume	Cost& Others	FY2020 1H Actual
Sales	60.0	62.0	+ 2.0	+ 2.8	- 0.8		50.4
Operating Income	4.5	4.5	± 0.0	+ 2.8	- 0.3	- 2.5	2.9

## Main Change Factors in Operating Income Forecast

### Sales trends

- MS resin
  - Demand for use in light guide plates in TVs and monitors and in other applications such as cosmetic containers has remained strong, and is expected to remain in line with initial forecasts
  - Production capacity in Singapore doubled (operation started in July)
- AS, ABS, transparent resins, etc.
  - We expect increased profits due to higher volumes from the market recovery, and from inventory Impact.
- Food wrapping sheets, Denka Polymers
  - Recovered from the impact of COVID-19 during the previous year, but slightly below forecasts
- Toyokalon
  - Recovery from the impact of COVID-19 during the previous year meaning in line with initial forecasts

- Cost
  - Price increase in raw materials (ethylene, benzene, etc.)

**As spread will maintain despite increase in raw materials costs,  
Operating income is to be in line with initial forecasts (1.5× increase QoQ)**

	FY2021 1H			FY2021 Full year		
<b>Sales</b> (¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	FY2021 Initial Forecast	FY2021 Revised Forecast	Incr. Decr.
Electronics & Innovative Products	42.0	<b>43.0</b>	+ 1.0	85.0	<b>85.0</b>	± 0.0
Life Innovation	18.0	<b>24.0</b>	+ 6.0	40.0	<b>40.0</b>	± 0.0
Elastomer & Infrastructure Solutions	50.0	<b>51.0</b>	+ 1.0	105.0	<b>105.0</b>	± 0.0
Polymer Solutions	60.0	<b>62.0</b>	+ 2.0	125.0	<b>125.0</b>	± 0.0
Others	5.0	<b>5.0</b>	± 0.0	10.0	<b>10.0</b>	± 0.0
<b>Total</b>	175.0	<b>185.0</b>	+10.0	365.0	<b>365.0</b>	± 0.0
<b>Operating Income</b> (¥ billions)	FY2021 1H Initial Forecast	FY2021 1H Revised Forecast	Incr. Decr.	FY2021 Initial Forecast	FY2021 Revised Forecast	Incr. Decr.
Electronics & Innovative Products	8.0	<b>8.0</b>	± 0.0	17.0	<b>17.0</b>	± 0.0
Life Innovation	5.0	<b>8.5</b>	+ 3.5	10.5	<b>10.5</b>	± 0.0
Elastomer & Infrastructure Solutions	1.0	<b>0.5</b>	△ 0.5	4.0	<b>4.0</b>	± 0.0
Polymer Solutions	4.5	<b>4.5</b>	± 0.0	9.5	<b>9.5</b>	± 0.0
Others	0.5	<b>0.5</b>	± 0.0	1.0	<b>1.0</b>	± 0.0
<b>Total</b>	19.0	<b>22.0</b>	± 3.0	42.0	<b>42.0</b>	± 0.0

**Initial full-year forecasts in each segment remain unchanged as of now**

(¥ billions)	FY2020 1Q Actual (Apr-Jun)	FY2021 1Q Actual (Apr-Jun)	FY2021 1H Revised Forecast (Apr-Sep)	FY2021 Full-Year Initial Forecast (Apr-Mar)
Investment	71	76	220	430
Depreciation	57	57	115	235
R&D	38	38	80	160
Interest-Bearing Debt	1,422	1,402	1,380	1,370
	FY2020 1Q Actual (Apr-Jun)	FY2021 1Q Actual (Apr-Jun)	FY2021 1H Revised Forecast (Apr-Sep)	FY2021 Full-Year Initial Forecast (Apr-Mar)
Forex (¥/\$)	107.7	109.8	110.0	108.0
Japan Naphtha (¥/kl)	26,000	48,100	50,450	46,000

Continuing strategic investment into specialty businesses

		FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Initial Forecast
<b>Net Income</b>	(billion)	23.0	25.0	22.7	22.8	<b>29.0</b>
<b>Dividend per share*</b>	(¥)	105.0	120.0	125.0	125.0	<b>135.0</b>
						Mid-term 65.0 End 70.0
<b>Dividend</b>	(billion)	9.2	10.5	10.8	10.8	<b>11.6</b>
<b>Shareholders Return</b>		40%	42%	48%	47%	<b>40%</b>
<b>Stock Purchase</b>	(billion)	2.3	2.1	-	-	Continue our policy targeting a total return ratio of 50% through share buybacks
<b>Total Return</b>	(billion)	11.5	12.6	10.8	10.8	
<b>Total Return Ratio</b>		50%	50%	48%	47%	
<b>Depreciation</b>		24.6	22.9	22.5	22.9	<b>23.5</b>
<b>Investment &amp; lending</b>	(billion)	27.0	32.8	36.9	42.3	<b>43.0</b>
<b>ROE</b>		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  
(No revision)**

Operating Income (¥ billions)	FY2020 Actual	FY2021 Initial Forecast	FY2022 Management Plan	Year-on- year	Main measures
Electronics & Innovative Products	14.2	17.0	22.0	+5.0	<p><b>Spherical alumina:</b> Increasing xEV and 5G communications-related demand, effect of expansion in Singapore operations (to be completed around the end of fiscal 2021)</p> <p><b>Acetylene black:</b> Increasing demand for xEV and high-voltage offshore wind power generation cables, shift from low-cost applications to high-value-added applications</p>
Life Innovation	14.8	10.5	11.0	+0.5	<p><b>Influenza vaccine:</b> New facilities production operations from 2022 season</p> <p><b>Test reagents:</b> Product line-up expansions, testing demand recovery (CRP for China, etc.)</p> <p><b>COVID-19 test kit:</b> Estimated drop in prices</p> <p><b>the DELYTACT (G47Δ) Oncolytic Virus:</b> Expected to contribute in FY2023 and beyond</p>
Elastomer & Infrastructure Solutions	-3.6	4.0	7.0	+3.0	<p><b>Chloroprene rubber:</b> Recovery in demand</p> <p><b>Cement:</b> Increasing resource recycling (acceptance in municipal waste)</p> <p><b>Specialty admixtures:</b> Increasing demand in "the linear shinkansen", by promoting sales of "Clear Shot", dust control product used in tunnel construction</p>
Polymer Solutions	8.4	9.5	11.0	+1.5	<p><b>MS resin:</b> Increasing demand in light guide plates in TVs and monitors as well as in lighting, and expanding demand in other applications such as cosmetic containers Production capacity in Singapore doubled (operation started in July)</p> <p><b>IP:</b> Expanding sales of high value-added grades (for automotive interior/exterior materials, etc.)</p>
Others	0.8	1.0	-1.0	-2.0	(Includes increasing labor costs resulting from better labor conditions throughout the entire Group)
<b>Total</b>	<b>34.7</b>	<b>42.0</b>	<b>50.0</b>	<b>+8.0</b>	

\* DELYTACT is a registered trademark of Daiichi Sankyo Company, Limited

**Complete the specialty strategy of Denka Value-Up  
to achieve 50 billion yen in operating income**

## 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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