

FY2021 2Q Financial Results Presentation Summary
(November 8, 2021)

(1) Overview of FY2021 2Q Financial Results (year-on-year changes)

With the success of the Denka Value-Up management plan initiatives, Denka achieved first-half operating results far in excess of its own historical record highs.

(Billions of yen)

① Net sales:	191.1 (+30.8):	Increase in sales volume (+31.2) Differences in sales prices (+15.4) Impact of the revision of Accounting Standard for Revenue Recognition (-15.7)
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An increase in sales volume contributed to an increase of ¥31.2 billion year on year, reflecting growing demand for a rapid diagnostic testing kit for detecting the novel coronavirus antigen, in addition to higher demand for xEV- and semiconductor-related products, recovery in overall demand from stagnation in 2020 under the influence of the novel coronavirus pandemic, and other positive factors.

Differences in sales prices resulted in an increase of ¥15.4 billion in sales, due mainly to the upward revision of styrene-based product sales prices in step with rises in raw material prices.

On the other hand, the revision of the Accounting Standard for Revenue Recognition led to a decrease of ¥15.7 billion. Thus, consolidated net sales were up ¥30.8 billion year on year.

(Billions of yen)

② Operating income:	25.2 (+13.2)	
Changes in sales volume	(+20.1):	Expansion and growth of demand (COVID-19 rapid antigen test kit, xEV-related products, semiconductor-related products, etc.) Recovery of demand from COVID-19 impact (chloroprene rubber, etc.)
Differences in sales prices	(+15.4):	Styrene-based products sales price revision due to raw material price increase, etc. (include impact of currency fluctuations +1.9)
Variable Cost Difference	(-17.8):	Raw material price increase, etc. (include impact of currency fluctuations -0.8)
Costs	(-4.5):	Manufacturing costs and Other administrative expenses, etc.
		(+13.2): Net increase due to the factors listed above

With the positive effect of the increase in sales volume surpassing the negative effect of deteriorating spreads and growth in costs, we achieved a significant ¥13.2 billion increase in operating income from the same period of the previous fiscal year.

(2) Forecasts for Full-Year Operating Results for FY2021 (changes from the initial forecasts)

Although Denka has defined its goal of achieving record-high annual profit as part of operating results forecasts announced at the beginning of fiscal year, the Company now aims for even higher profit.

(Billions of yen)

① Net sales:	395.0 (+30.0):	Increase in sales volume (+3.0), Differences in sales prices (+27.0)
② Operating income:	44.0 (+2.0)	
Changes in sales volume	(-2.8):	Positive (upwards trend in semiconductor-related products) Negative (temporary such as Hurricane Ida at DPE USA, JPY -2.5 billion, downward trend in influenza vaccines, etc.)
Differences in sales prices	(+27.0):	COVID-19 rapid antigen test kit Styrene-based products sales price revision due to raw material price increase (including currency fluctuations +4.3)
Variable Cost Difference	(-20.4):	Raw material price increase, etc. (include impact of currency fluctuations -2.9)
Costs	(-3.3):	Manufacturing costs and Other administrative expenses, etc.
Advanced Investments	(+1.5):	R&D expenses
		(+2.0): Net increase due to the factors listed above

Changes in sales volume are expected to result in a decrease of ¥2.8 billion in profit due to such one-off negative factors as the impact of Hurricane Ida, which struck the United States and affected DPE's operations, as well as less-than-robust sales of influenza vaccines, while rises in raw material prices are likely to cause manufacturing costs to increase by ¥20.4 billion.

On the other hand, differences in sales prices, which include the positive effect of COVID-19 rapid antigen test kit and similar revisions in other product prices, are expected to result in an increase of ¥27.0 billion in profit. Overall, we expect operating income to rise ¥2.0 billion from the initial forecast.

(3) Shareholder Returns

We expect full-year dividends per share for fiscal 2021 to total ¥145 per share, up ¥10 per share from our initial forecasts.

Fiscal 2020 dividends	: ¥125 per share (interim: ¥60; year-end: ¥65); dividend payout ratio: 47%
Initial forecasts for dividends per share for fiscal 2021	: ¥135 per share (interim: ¥65; year-end: ¥70); dividend payout ratio: 40%
Revised forecasts for dividends per share for fiscal 2021	: ¥145 per share (interim: ¥70; year-end: ¥75); dividend payout ratio: 43%

Our policy of working to achieve a total shareholder return ratio of 50% remains constant.

(4) Fiscal 2022 Numerical Targets under Denka Value-Up (year-on-year changes)

Fiscal 2022 numerical targets: Operating income of ¥50.0 billion

[Breakdown by segment]

Electronics & Innovative Products:	¥22.0 billion (+¥3.5 billion)
Life Innovation:	¥11.0 billion (-¥4.5 billion)
Elastomers & Infrastructure Solutions:	¥7.0 billion (+¥8.0 billion)
Polymer Solutions:	¥11.0 billion (¥1.5 billion)
Others:	-¥1.0 billion (-¥2.5 billion)

Total	¥50.0 billion (+¥6.0 billion)

Aiming to achieve operating income of ¥50.0 billion, we will push ahead further with our specialty strategies, to this end rallying the entire strength of the Company.

(5) Main Content of Q&A Session

① Trends in demand for Electronics & Innovative Products

- Demand for semiconductor-related products, such as fused silica and highly functional films, is expected to remain strong.
- Although acetylene black is somewhat affected by automakers opting to cut back on production in the wake of semiconductor shortages, demand for acetylene black for use in LiBs and high-voltage transmission cables is expected to grow over the medium to long term as shown in the graph on page 17 of the presentation material. With this in mind, we are currently considering the construction of a new manufacturing base in addition to augmenting production capacity at some existing bases.

② Sales status of COVID-19 rapid antigen test kit

- In the first half, the unit price of this product did not fall as much as estimated in forecasts made at the beginning of the fiscal year that factored in the risk of a decline in its sales price. Embarking on the second half, this sales price trend is likely to continue for a certain period of time.
- Our fiscal 2022 numerical targets factor in the risk of a price decrease.

③ Performance outlook for Elastomers & Infrastructure Solutions

- Hurricane Ida, which struck the United States, affected the upstream supply chain of DPE, a local base for chloroprene rubber (CR) production. Its impact on profit is estimated at -¥2.5 billion.
- On the other hand, prices of CR, cement, special cement additives and other products were upwardly revised in step with rises in raw material prices. Accordingly, these offerings' sales are expected to contribute more to operating results in fiscal 2022 than they do in fiscal 2021.

④ Status of the business portfolio shift

- Multiple projects with specific goals are currently progressing.
- Promoting these and other endeavors, we aim to disclose tangible outcomes of the business portfolio shift by the end of fiscal 2022.