

# FY2021 4Q Financial Results Presentation Summary

(May 11, 2022)

## (1) Overview of FY2021 4Q Financial Results (year-on-year changes)

With significant contributions from specialty businesses, Denka achieved new record highs in every profit indicator.

(Billions of yen)

① Net sales:	384.8 (+30.5):	Increase in sales volume (+28.6) Differences in sales prices (+33.1) Impact of the revision of Accounting Standard for Revenue Recognition (-31.3)
② Operating income:	40.1 (+5.4):	
Changes in sales volume	(+20.5):	Growth in demand for EV-related products and semiconductor-related products Sales grew for rapid test kits for COVID-19 antigens due in part to supply in response to a government request, as did sales for such diagnostic reagents as inflammation markers. On the other hand, influenza vaccine sales declined due to deterioration in productivity. Demand for chloroprene rubber (CR) and other key offerings recovered from stagnation influenced by the novel coronavirus pandemic.
Differences in sales prices	(+33.1):	Downward revision of national health insurance points allocated to rapid test kits for COVID-19 antigens Upward price revisions for styrene-based and other products in step with rises in raw material prices (Including +8.4 attributable to foreign exchange fluctuations)
Differences in manufacturing costs	(-40.5):	Rises in raw material prices, etc. (including -5.5 attributable to foreign exchange fluctuations)
Other differences in costs	(-7.8):	Fixed costs, etc.
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		(+5.4) Net increase due to the factors listed above

Achieved growth in profit due to the expansion of demand for EV- and semiconductor-related products as well as demand for rapid test kits for COVID-19 antigens.

## (2) Forecasts for Full-Year Operating Results for FY2022 (year-on-year changes)

Denka expects to hit a new record high in operating income for the third consecutive year.

Assumptions: Exchange rate: \$1 = ¥125; Japan naphtha price: ¥89,000/KL

(Billions of yen)

① Net sales:	455.0 (+70.2):	Changes in sales volume (+14.1) Differences in sales prices (+56.0)
② Operating income:	43.0 (+2.9):	
	Changes in sales volume (+7.1):	A considerable increase in the volume of influenza vaccine shipments due to the launch of a new production facility and growth in demand for products related to EVs, semiconductors, 5G communication devices, renewable energy and other fields
	Differences in sales prices (+56.0):	Disappearance of the temporary negative impact of Hurricane Ida on CR production lines Major price revisions for acetylene black to ensure that the price of this offering is commensurate with its genuine value Downward revision of national health insurance points allocated to rapid test kits for COVID-19 antigens Additional upward revisions of prices for CR, Poval and other products in response to rises in raw material prices (Including +21.8 attributable to foreign exchange fluctuations)
	Differences in manufacturing costs (-49.2):	Rises in raw material prices, etc. (including -16.7 attributable to foreign exchange fluctuations)
	Other differences in costs (-11.0):	Fixed costs, etc.
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	(+2.9)	Net increase due to the factors listed above

Denka anticipates an increase in profit due to growing demand associated with its specialty businesses, which are designed to seize opportunities arising from megatrends, along with the positive effect of flexible revisions of product prices which will, in turn, lead to improvement in spreads.

## (3) Shareholder Returns

We remain committed to achieving a total shareholder return ratio of 50% and, therefore, will also acquire treasury stock in a flexible manner consistent with changes in stock prices and other prevailing conditions. For fiscal 2022, our annual dividend forecast is set at ¥145 per share, the same amount as annual dividends paid for fiscal 2021.

Fiscal 2021 dividends:

¥145 per share (interim: ¥70; year-end: ¥75); dividend payout ratio: 48%

Forecasts for dividends per share for fiscal 2022:

¥145 per share (interim: ¥70; year-end: ¥75); dividend payout ratio: 43%

#### (4) Differences between Forecasts for Fiscal 2022 Operating Results and Numerical Targets under Denka Value-Up

	Targets	Forecasts	Differences
Electronics & Innovative Products:	¥21.5 billion	¥23.5 billion	(+¥2.0 billion)
Life Innovation:	¥10.5 billion	¥10.0 billion	(-¥0.5 billion)
Elastomers & Infrastructure Solutions:	¥6.5 billion	¥1.0 billion	(-¥5.5 billion)
Polymer Solutions:	¥10.5 billion	¥7.5 billion	(-¥3.0 billion)
Others:	¥1.0 billion	¥1.0 billion	(±¥0 billion)
Total	¥50.0 billion	¥43.0 billion	(-¥7.0 billion)

Although the performance of Electronics & Innovative Products and Life Innovation has been steadily progressing against targets, Elastomers & Infrastructure Solutions and Polymer Solutions are expected to be affected by surges in raw material prices, deterioration in market conditions and other negative factors. Accordingly, we forecast that numerical targets for fiscal 2022 will not be met.

#### (5) Toward Fiscal 2023

Looking ahead, we aim to achieve operating income of ¥50.0 billion in fiscal 2023 by pursuing sustainable growth for specialty businesses and improvement in profit earned via core operations.

Fiscal 2022 forecast for operating income:	¥43.0 billion
(Of this, operating income from specialty businesses:	¥37.5 billion)
Fiscal 2023 target for operating income:	¥50.0 billion
(Of this, operating income from specialty businesses:	¥40.0 billion)

#### (6) Summary of Q&A Session

- ① Expected Impact of Changes in the External Environment on FY2022 Operating Results
  - Our FY2022 operating results forecasts incorporate the impacts of external factors that can be predicted at present. These factors include fallout from the Russia-Ukraine conflict, lockdowns in China, and stagnation in automobile production due to semiconductor shortages.
  - Procuring coal from Russia is not sustainable. However, a plan for a switchover to Australian coal is already in place, with the availability of alternative sources being mostly confirmed. Thanks to these and other measures, there will be no impact on our operations.
- ② Status of the Revision of Acetylene Black Price
  - A major price revision has been undertaken to ensure the sales price of this offering is commensurate with its genuine value. As a result, acetylene black is expected to better contribute to Denka's FY2022 operating results.
- ③ Sales Outlook for Influenza Vaccines and rapid test kits for COVID-19 antigens
  - With the launch of a new liquid vaccine production facility, our influenza vaccine production capacities have doubled. Moreover, we will step up marketing in early autumn, a season typically characterized by high demand, by taking advantage of the strong sales channels of our sales alliance partners. For FY2022, our plans call for producing 10 million vaccines.

- From January 2022 to the present, demand for rapid test kits for COVID-19 antigens has been robust. Specifically, a steady increase was seen in demand for screening usage as people turned to this kit on a variety of occasions, such as to confirm workplace or household infections as well as prior to attending events in compliance with requests from event organizers.

We expect the FY2022 shipment volume in Japan to remain virtually unchanged from the previous fiscal year despite the absence of a supply plan based on a government request like that in force a year earlier.

④ Outlook for the Performance of Elastomers & Infrastructure Solutions

- CR-related operations are expected to see a significant increase in profit due to disappearance of the negative impact of the previous fiscal year's cold wave and devastating hurricane in the United States, which both affected DPE, as well as upward price revisions in response to surges in raw material prices.