

Denka

Possibility
of
chemistry

Results Presentation of FY2022 2Q

(The 1st Half of the Fiscal year ending March 2023)

Securities code: 4061

Denka Co., Ltd

November 8, 2022

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	FY2021 1H Actual (Apr-Sep)	FY2022 1H Forecast as of August	FY2022 1H Actual (Apr-Sep)	FY2021 Actual	FY2022 Forecast as of August	FY2022 Revised Forecast (announced October 25)
Forex (¥/\$)	109.9	131.0	131.6	112.1	133.0	138.3 (2H:145.0) (Oct-Mar)
Japan Naphtha (¥/kl)	50,800	84,500	82,850	56,800	82,400	77,800 (2H:145.0) (Oct-Mar)
*Foreign exchange sensitivity (USD): One yen in downward movement improves operating Income by approximately 200 million yen (¥ billions)						
Investment	15.4	23.0	17.0	35.6	46.0	43.0
Depreciation	11.5	13.0	13.4	23.9	26.0	26.0
R&D	7.4	7.5	7.5	14.2	15.0	15.0
Interest Bearing Debt	131.5	158.0	170.6	137.0	157.0	164.0

**Assumptions for the second half are based on an exchange rate of 145 yen/USD.
Domestic naphtha at 72,800 yen/kl**

FY2022 1st Half Results

a) Summary (Year on Year, vs Forecast as of August)

(¥ billions)	FY2021 1H Actual	FY2022 1H Actual	(Year on Year)	FY2022 1H Forecast as of August
Sales	191.1	202.9	+ 11.8	210.0
Operating Income	25.2	18.3	- 6.9	18.0
Operating Margin	13.2%	9.0%	- 4.2%	8.6%
Ordinary Income	23.7	17.0	- 6.6	17.0
Net Income Attributable to Owners of Parent	18.0	14.3*	- 3.7	13.0

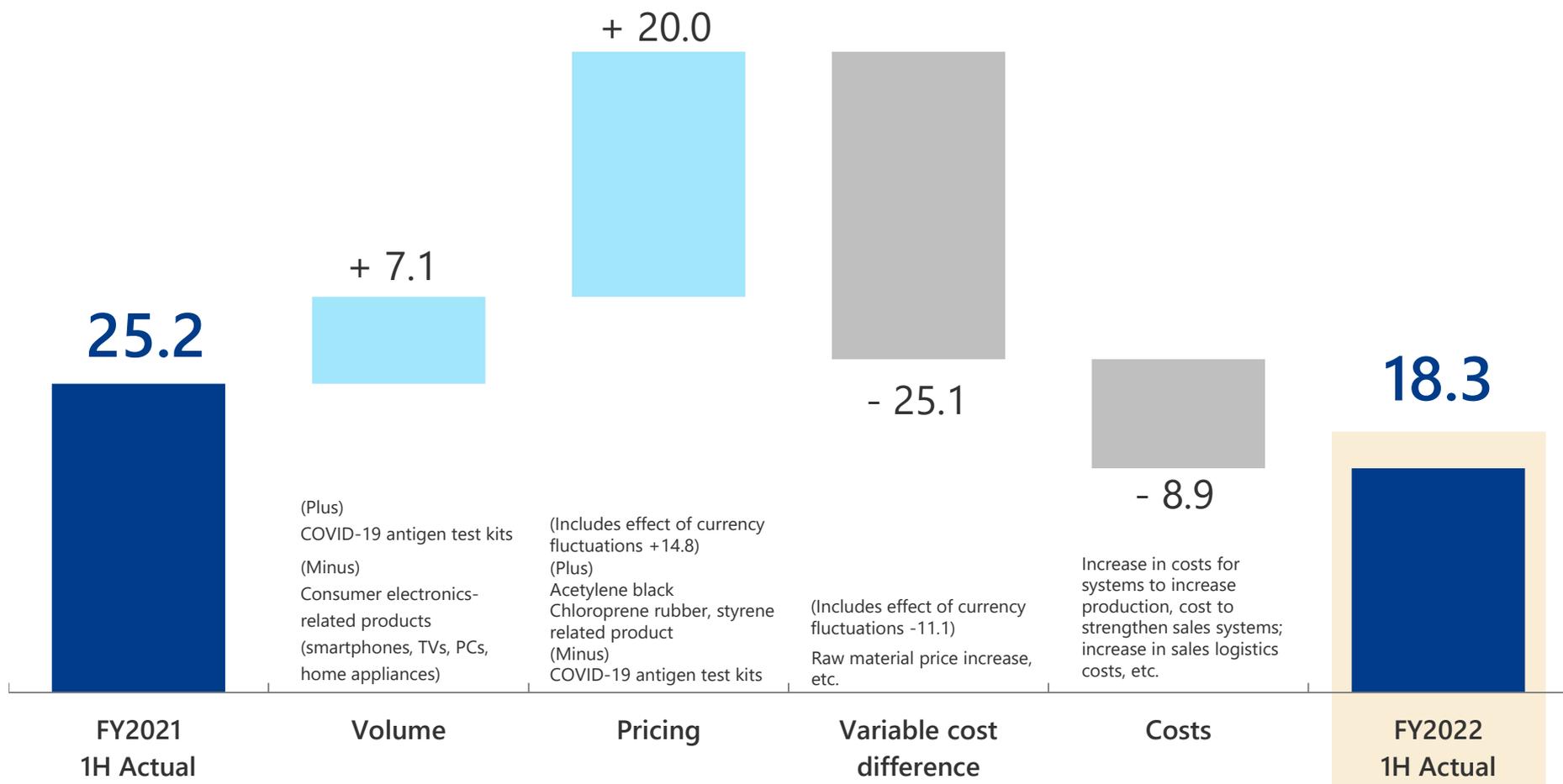
*Profit increase vs. August forecast reflects +1.5 billion yen in sale of strategic cross-shareholdings

Lower profit year on year (in line with August forecast)

		YoY (¥ billions)
Sales	202.9 billion	+ 11.8
1. Volume:	(See below)	- 8.2
2. Pricing:	(See below)	+ 20.0
Operating Income	18.3 billion	- 6.9
1. Volume	(Plus) COVID-19 antigen test kits: Increased demand with the 7th wave of infections (Minus) Semiconductor-related, functional resins: Deceleration of market activity in China for consumer electronics (smartphones, TVs, PCs, home appliances)	+ 7.1
2. Pricing:	(Includes effect of currency fluctuations +14.8) (Plus) Acetylene black: Significant price revision in line with product value Chloroprene rubber, styrene-related products, etc: Price revisions in response to higher raw materials and fuel prices (Minus) COVID-19 antigen test kits: Price declines due to reduction in insurance points	+ 20.0
3. Variable cost difference:	(Includes effect of currency fluctuations -11.1) Price increase for raw materials, fuel prices, etc.	- 25.1
4. Cost variances:	Increased costs for building a system to increase production and for strengthening sales systems; styrene monomer plant scheduled for routine repairs (last performed in FY2018), increase in sales logistics costs, etc.	- 8.9

**Lower profit, despite increase in volume,
due mainly to fall in COVID-19 antigen test kit prices, cost increases, etc.**

(¥ billions)



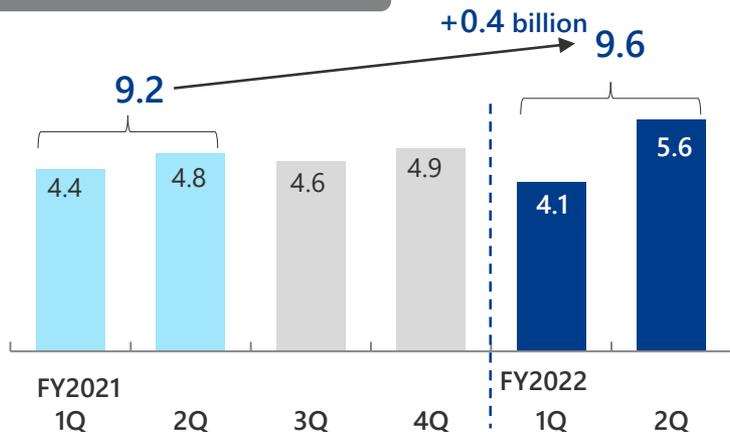
Lower profit, despite increase in volume, due mainly to fall in COVID-19 antigen test kit prices, cost increases, etc.

Sales (¥ billions)	FY2021 1H Actual	FY2022 1H Actual	Incr. Decr.	Volume		Pricing	
Electronics & Innovative Products	43.8	47.5	+ 3.7	- 3.8	+ 7.4		
Life Innovation	25.3	21.9	- 3.4	+ 12.3	- 15.7		
Elastomers & Infrastructure Solutions	51.4	62.9	+11.5	- 2.1	+ 13.6		
Polymer Solutions	63.2	63.6	+ 0.4	- 14.2	+ 14.6		
Others	7.5	7.0	- 0.4	- 0.4	-		
Total	191.1	202.9	+11.8	- 8.2	+ 20.0		

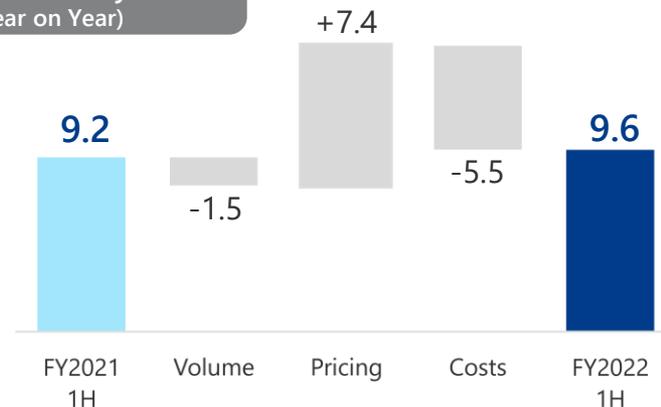
Operating Income (¥ billions)	FY2021 1H Actual	FY2022 1H Actual	Incr. Decr.	Volume		Pricing		Cost& Others
Electronics & Innovative Products	9.2	9.6	+ 0.4	- 1.5	+ 7.4	- 5.5		
Life Innovation	10.7	6.5	- 4.2	+ 11.4	- 15.7	+ 0.1		
Elastomers & Infrastructure Solutions	0.0	1.3	+ 1.3	- 0.6	+ 13.6	- 11.7		
Polymer Solutions	4.3	-0.2	- 4.5	- 2.3	+ 14.6	- 16.8		
Others	0.9	1.0	+ 0.1	+ 0.2	-	- 0.1		
Total	25.2	18.3	- 6.9	+ 7.1	+ 20.0	- 33.9		

**Sharp decline in profit
for Life Innovation and Polymer Solutions**

Operating Income by Quarter



Operating Income Variance Analysis (Year on Year)



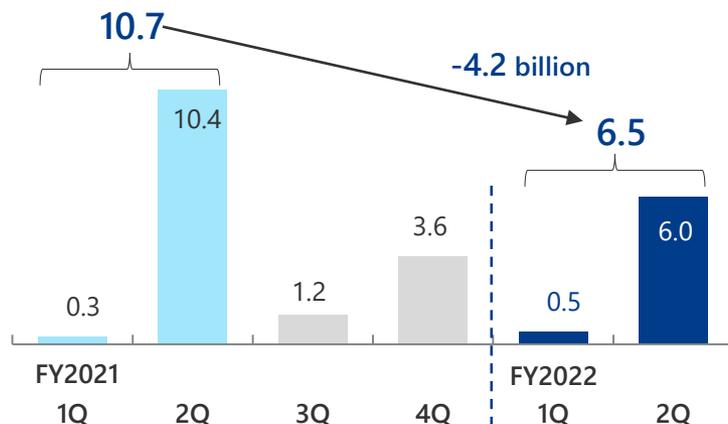
(¥ billions)

Sales Trends and Costs by Product

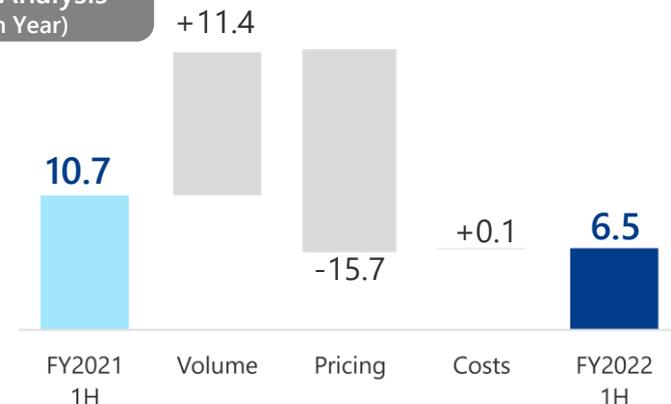
- Spherical alumina**
 - Shipments for xEVs, which were sluggish from April to June, began to recover in July; however, shipments in the first half of the year were slightly below levels in the previous year
- Fused silica**
 - Weak shipments for consumer electronics (smartphones, PCs, home electronics) were offset by recovery in automotive applications, resulting in shipments largely unchanged from last year
- High-performance film**
- Acetylene black**
 - Strong shipments for high-voltage cables continued from the previous year
 - Shipments for xEVs, which were sluggish from April to June, began to recover in July; however, shipments in the first half of the year were slightly below levels in the previous year
 - Sales prices rose sharply due to price revisions in line with product value
- Ceramic substrates (silicon nitride, aluminum nitride)**
 - Demand from electric railways remained sluggish as in the previous year
 - Demand for xEV-related products, which was sluggish from April to June, began to recover in July. Shipments for the first half of the year were on par with the previous year
- Cost**
 - Increased costs due to rising raw materials and fuel prices (corresponding to product prices), increase in costs for systems to increase production, cost to strengthen sales systems

Increased due to the effect of acetylene black price revision and recovery of xEV-related demand beginning in July

Operating Income by Quarter



Operating Income Variance Analysis (Year on Year)



Sales Trends and Costs by Product

Influenza vaccine

- Shipments began in September as planned for sales of over 10 million vaccines at the new undiluted liquid plant building; shipments exceeded levels of the previous year

COVID-19 rapid antigen test kit

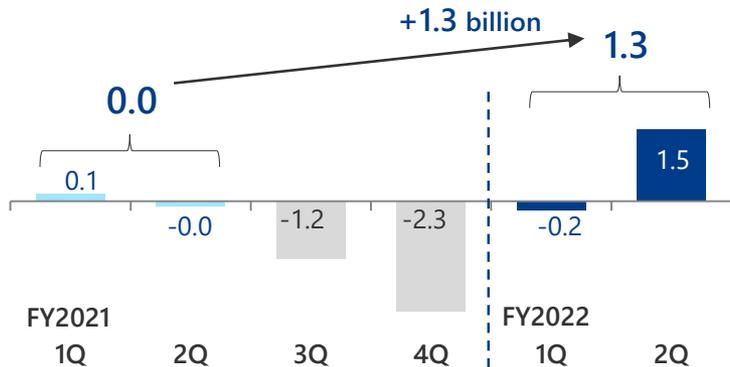
- In addition to expanded demand for screening tests, etc., shipments exceeded the previous year due to the emergence of the 7th wave of infections
- Selling prices fell sharply due to the reduction of insurance points on December 31, 2021

Other test reagents (Inflammation markets, etc.)

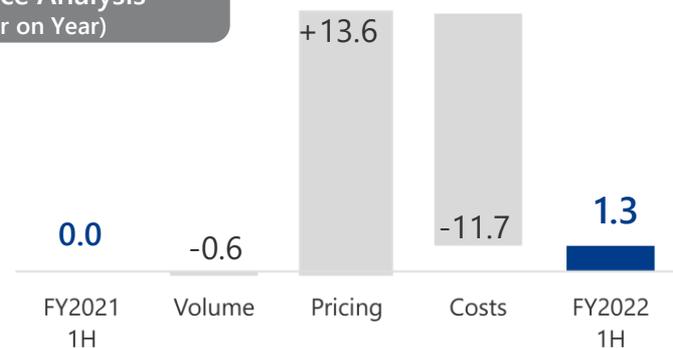
- Despite a trend toward increasing testing demand, shipments were level with the previous year due to a decrease in hospital testing demand caused by the Shanghai lockdowns.

Overall, profit decreased due to decrease in profit for COVID-19 antigen test kits (impact of price decline > impact of volume increase), despite an increase in profit for influenza vaccines due to the impact of new plant operations.

Operating Income by Quarter



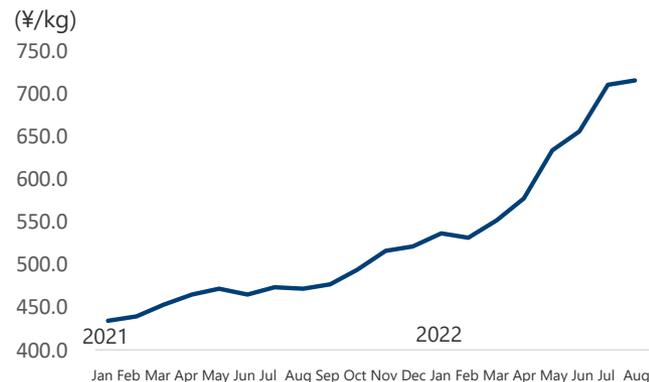
Operating Income Variance Analysis (Year on Year)



Sales Trends and Costs by Product

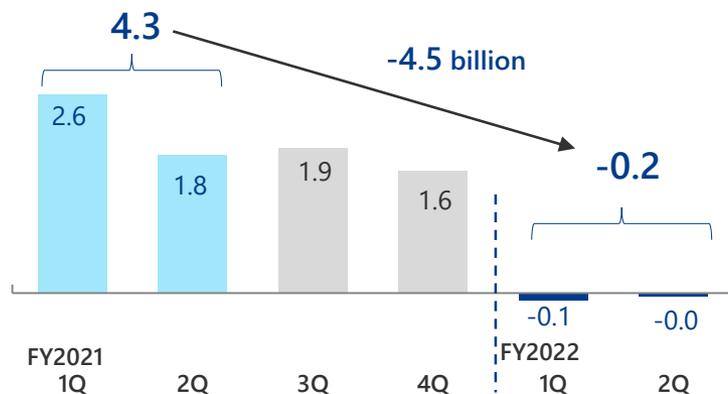
- Chloroprene rubber**
 - Demand remained firm and shipments were largely in line with the same period in the previous fiscal year
 - Spread improved due to price hikes in response to rising raw materials costs (Announced additional price increase beginning in September (4th increase))
- Special cement additives**
 - Largely unchanged from last year
- Cement**
 - The 2,300 yen/ton price increase, which had been delayed, is almost complete, with certain exceptions (as of September 30)
 - Negotiations for an additional 3,000 yen/ton price increase beginning in October are in progress
 - Coal prices soared (FY2021 1H: \$138/t ⇒ FY2022 1H: \$399/t)

[Customs Statistics] Chloroprene rubber (dry + latex) export unit price (¥/kg)



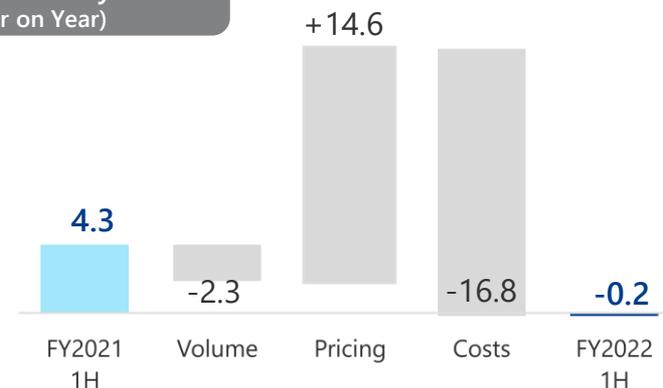
Despite a large increase in cement costs due to a sharp rise in coal prices, profit increased due to the effect of chloroprene rubber price hikes.

Operating Income by Quarter



Operating Income Variance Analysis (Year on Year)

(¥ billions)



Sales Trends and Costs by Product

- MS resin**
 - Despite the economic slowdown in the Chinese market, shipment volume was on a par with the previous year due to replacement demand from competing materials. However, depreciation and other costs increased
- AS, ABS, transparent resins, etc.**
 - Shipment volume was lower than the previous year due to the impact of automobile production cutbacks and economic slowdown in the Chinese market (for home appliances, etc.)
- Food wrapping sheets and containers**
 - Largely unchanged from last year
- Toyokalon**
 - Shipments were lower year on year stemming from continuing weakness in purchasing power in Africa and the U.S. due to inflation
- Cost**
 - Raw materials cost increases (maintained spread due to flexible price revisions)
 - Styrene monomer plant scheduled for routine repairs (last performed in FY2018), increase in sales logistics costs

Price revisions in response to rising raw materials prices implemented to maintain the spread; however, profit declined significantly due to lower demand caused by economic downturn, as well as an increase in routine repair and logistics costs.

FY2022 Earnings Forecast

a) Summary (vs Forecast as of August, Year on Year)

(¥ billions)	FY2022 Forecast as of August	FY2022 Revised Forecast (announced October 25)	(vs. August Forecasts)	FY2021 Actual	(Year on Year)
Sales	455.0	445.0	- 10.0	384.8	+ 60.2
Operating Income	43.0	43.0	± 0.0	40.1	+ 2.9
Operating Margin	9.5%	9.7%	± 0.2%	10.4%	- 0.7%
Ordinary Income	41.0	39.0	- 2.0	36.5	+ 2.5
Net Income Attributable to Owners of Parent	29.0	18.5*	- 10.5	26.0	- 7.5

*Extraordinary Losses of -19.0 billion yen due to withdrawal from cement business (see next page)

**Operating income remains unchanged from August forecast;
net income includes extraordinary loss due to withdrawal from
the cement business and restructuring of carbide chain business**

b) Withdrawal from Cement Business and Restructuring of Carbide Chain

Resolution Passed to Withdraw Completely from in-house Limestone Mining and Cement Manufacturing Business (announced October 25, 2022)

Schedule (Planned)

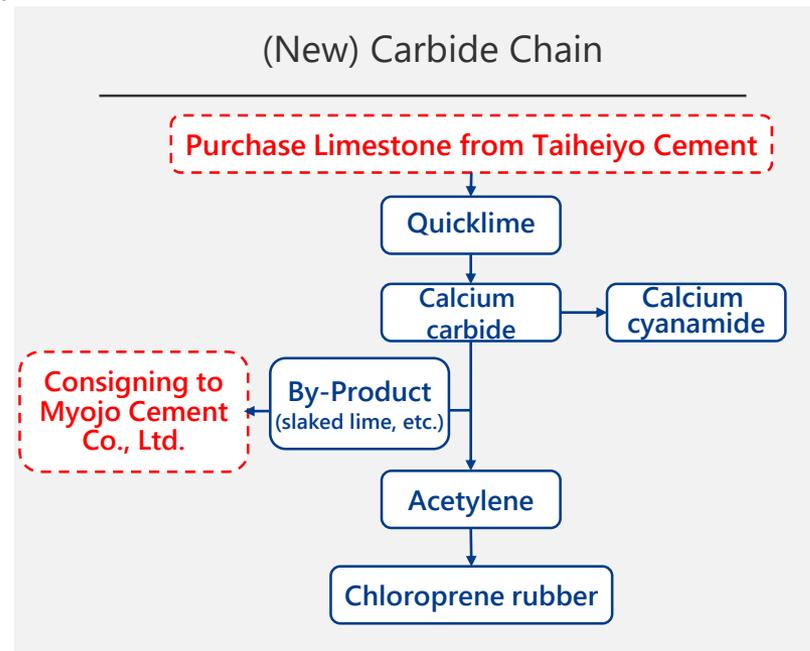
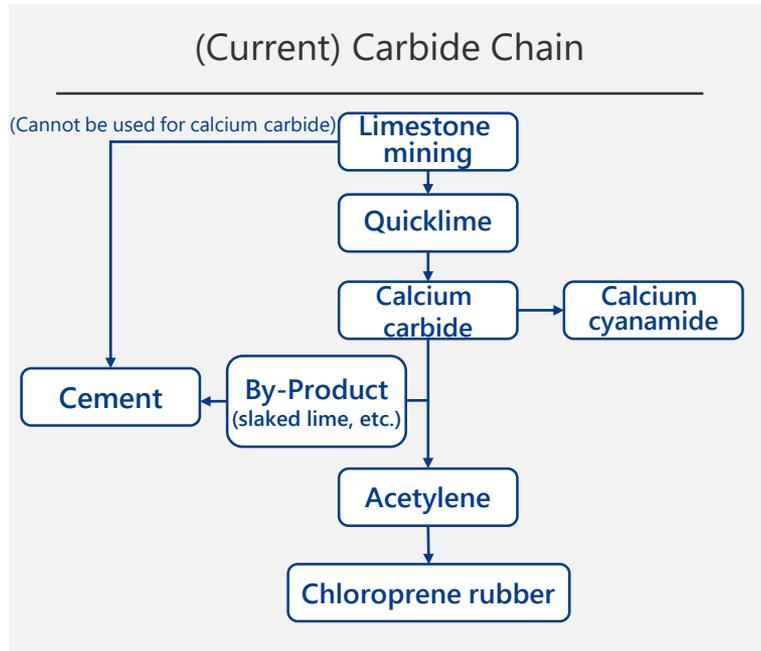
March 31, 2023: Transfer cement sales business to a New company*, which in turn will transfer the business to Taiheiyo Cement Corporation

April 2023 onwards: Manufacturing: Denka, Sales: a New company ⇒ Sales under the Taiheiyo Cement brand name

First half of 2025: Cease cement production and in-house limestone mining ⇒ Purchase limestone and consign by-product disposal

*New company: a New Sales subsidiary to be established by Denka

[By around the First Half, 2025 (Planned)]



*Myojo Cement Co., Ltd. : a 100% subsidiary of Taiheiyo Cement Corporation

Posted Extraordinary Losses of Approximately 19 Billion Yen,
Including Impairment Losses on Fixed Assets

The Impact of Portfolio Reforms (After Completing Withdrawal)

Profitability (Compared to FY2018-2022 Average)

(Positive Factors)

- Decrease in fixed costs of cement business (depreciation, repairs, etc.)
- Decrease in fixed costs of in-house mines (depreciation, repairs, etc.)
- Decrease in electricity purchases

(Negative Factors)

- Decrease in marginal profit
- Increase Limestone procurement cost for carbide
- Increase Consigned by-product disposal costs

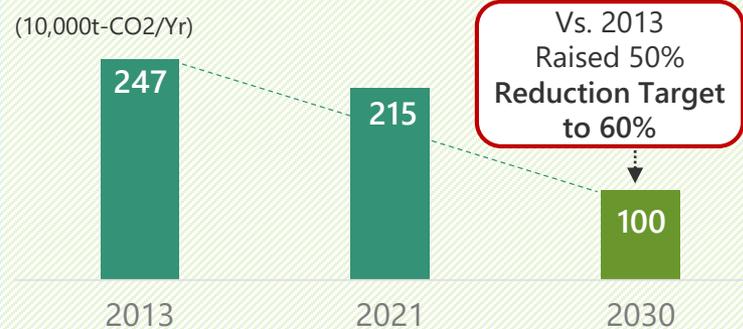
Profit Improvement of **Approximately 1 Billion Yen**
Compared to the Average of the Past 5 Years

Improve Profitability
Improve Asset Efficiency

Environmental Aspects

Reduction of CO₂ Emissions by
Approximately 900,000 t/year after
Withdrawal from Cement Production

GHG Emissions (Scope 1+2)



Changed 2030 Reduction Target
to 60% (vs.2013)
Achieve Carbon Neutrality by 2050

Achieve Profitability and Environmental Benefits through Portfolio Reforms.
Concentrate Management Resources into Growth Areas to Enhance Corporate Value.

FY2022 Earnings Forecast

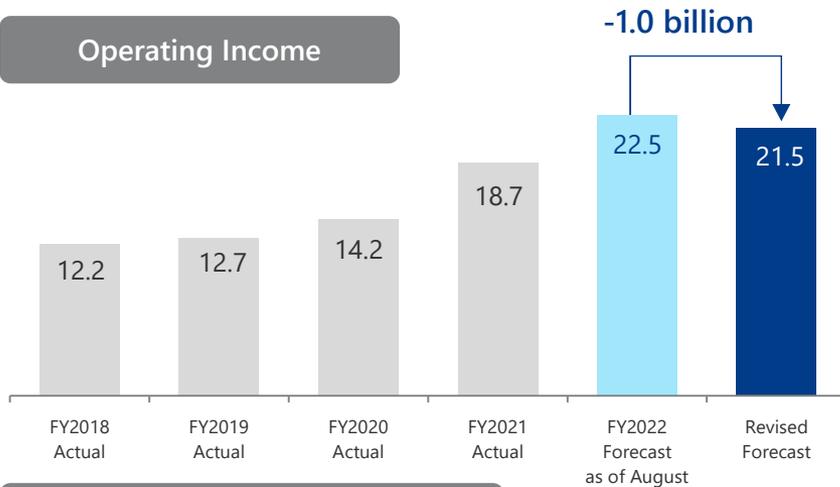
c) By Segment (vs Forecast as of August)

Sales (¥ billions)	FY2022 Forecast as of August	FY2022 Revised Forecast	Incr. Decr.	Volume		Pricing	
Electronics & Innovative Products	105.0	105.0	± 0.0	- 2.1	+ 2.1		
Life Innovation	45.0	50.0	+ 5.0	+ 4.7	+ 0.3		
Elastomers & Infrastructure Solutions	140.0	140.0	± 0.0	- 2.8	+ 2.8		
Polymer Solutions	150.0	135.0	-15.0	- 8.0	- 7.0		
Others	15.0	15.0	± 0.0	-	-		
Total	455.0	445.0	-10.0	- 8.2	- 1.8		

Operating Income (¥ billions)	FY2022 Forecast as of August	FY2022 Revised Forecast	Incr. Decr.	Volume		Pricing		Cost& Others
Electronics & Innovative Products	22.5	21.5	- 1.0	- 2.7	+ 2.1	- 0.4		
Life Innovation	11.0	13.0	+ 2.0	+ 1.5	+ 0.3	+ 0.2		
Elastomers & Infrastructure Solutions	2.5	3.5	+ 1.0	- 0.3	+ 2.8	- 1.5		
Polymer Solutions	4.5	2.5	- 2.0	- 1.6	- 7.0	+ 6.6		
Others	2.5	2.5	± 0.0	+ 0.3	-	- 0.3		
Total	43.0	43.0	± 0.0	- 2.8	- 1.8	+ 4.5		

Despite fluctuations in each segment, we left our overall forecast unchanged from August.

Operating Income



Operating Income Variance Analysis (vs Forecast as of August)

(¥ billions)



Market Outlook and Sales Trends

(Market)	Forecast as of August	Revised Forecast
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Semiconductors	Demand for semiconductors in consumer electronics applications is decreasing; however, demand for semiconductors for use in automobiles, which had been in short supply, is increasing	Consumer electronics weakened, and automotive-related demand could not compensate
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xEV	Gradual recovery beginning in July	(No change)
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Renewable energy (High-voltage cables)	Continued strong demand	(No change)
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Sales Trends

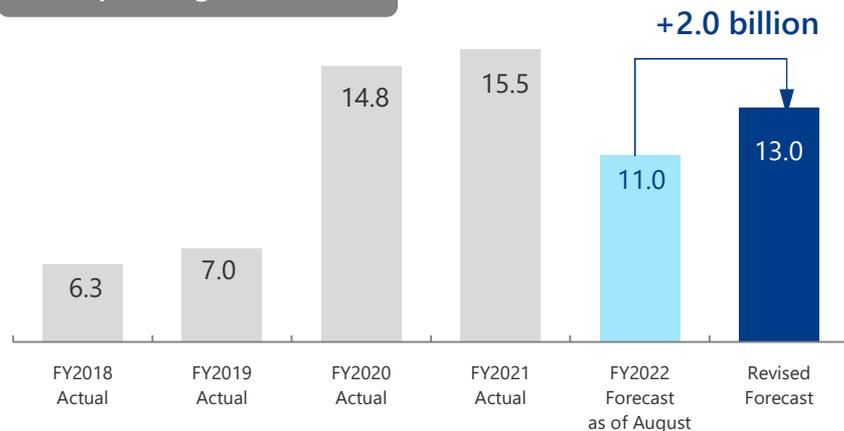
Fused silica	: We forecast semiconductor demand to swing downward and be lower than projected
High-performance film	
Spherical alumina	: We forecast consumer electronics demand to swing downward and be lower than projected
Ceramic substrates (silicon nitride, aluminum nitride)	: Same as August forecast
Acetylene black	: Same as August forecast (We determined to establish a JV in Thailand as a new manufacturing center)

Lower than August forecast due to lower demand for consumer electronics (smartphones, PCs, home appliances)

FY2022 Earnings Forecast

d) Life Innovation (vs Forecast as of August)

Operating Income



Operating Income Variance Analysis (vs forecast as of August)

(¥ billions)



Market Outlook and Sales Trends

(Market) Forecast as of August Revised Forecast

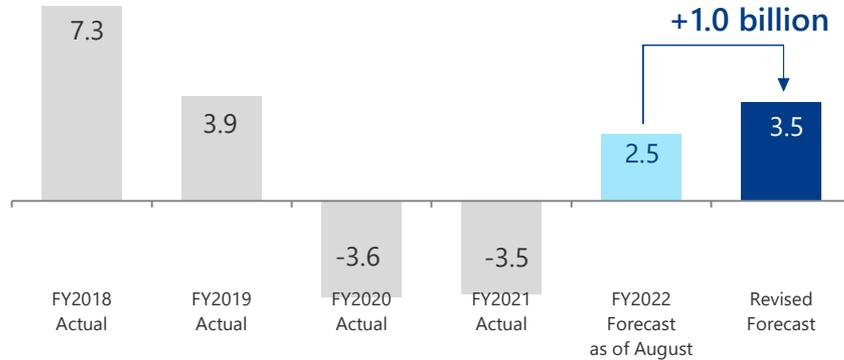
Influenza	We forecast an outbreak to a certain degree	(No change)
COVID-19	7th wave (through July)	7th wave (through August) 8th wave (projected)
Other test reagents (Inflammation markets, etc.)	Despite a trend toward increasing demand, in-hospital testing demand decreased due to the Shanghai lockdowns	(No change)

Sales Trends

Influenza vaccine	: Expected to be slightly above the 10 million vaccines production plan due to improved productivity Demand did not decline, unaffected even over the past two years of the COVID-19 pandemic
COVID-19 rapid antigen test kits	: We expect shipments to increase due to an 8th wave of the pandemic, in addition to the increase in demand resulting from the 7th wave (Including simultaneous test kits for COVID-19 and influenza)
Other test reagents (Inflammation markets, etc.)	: Same as August forecast

In addition to increased demand due to the 7th wave, we assume an 8th wave outbreak, with shipments expected to exceed August forecast.

Operating Income



Operating Income Variance Analysis (vs Forecast as of August)



Market Outlook and Sales Trends

(Market)	Forecast as of August	Revised Forecast	Sales Trends
Chloroprene rubber	Demand expected to be on par with FY2019	Raw materials lower than August forecast (coke, etc.) No change in demand assumptions	Sales volume and price increases should progress on par with August forecast Positive impact due to the weakening yen
Special cement additives	Recovery in private-sector construction is likely to be delayed; however, recovery is expected in the second half of the year	Recovery of demand is expected to be delayed	We expect shipments to decline
Cement	Fuel coal: US\$392/ton	Fuel coal: US\$405/ton	Promoting an additional price increase of 3,000 yen/t

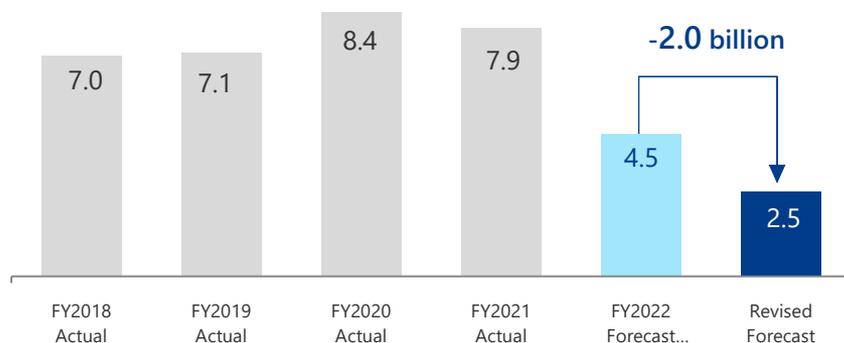
Forecast to exceed August forecast

due to decline in chloroprene rubber raw material prices and the weakening yen

FY2022 Earnings Forecast

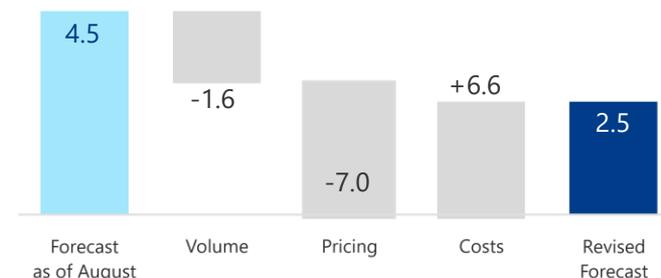
d) Polymer Solutions (vs Forecast as of August)

Operating Income



Operating Income Variance Analysis (vs Forecast as of August)

(¥ billions)



Market Outlook and Sales Trends

(Market)	Forecast as of August	Revised Forecast
Consumer Electronics (TVs, PCs, home appliances, etc.)	Demand is expected to decline due to the economic slowdown; however, a recovery is expected in the second half of the year	We forecast the recovery in demand to be slower than expected and will begin in November or later
Cosmetics containers, general merchandise, etc.	Economic slowdown in Chinese market Assuming recovery in July-September	Assuming recovery in the second half of the year
Food containers	Decrease in demand related to supermarkets and convenience stores, but increase in take-out-related demand Assuming recovery in July-September	Recovery in demand likely to be delayed
Toyokalon	Decline in purchasing power due to inflation in African and U.S. markets	Prolonged decline in demand

Sales Trends	
MS resin	: Demand for light guide plate applications for TVs and monitors forecast to be lower than expected (MS resin manufacturing and sales company has a December fiscal year-end)
AS, ABS, transparent resins, etc.	: Demand for consumer electronics, cosmetics containers, general merchandise, etc., expected to be lower than forecast
Food wrapping sheets and containers	: Lower than August forecast
Toyokalon	: Lower than August forecast

We forecast the recovery in demand to be slower than expected and project results to be lower than August forecast.

		FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Forecast (announced October 25)
Net Income	(¥ billions)	25.0	22.7	22.8	26.0	18.5
Dividends per Share*	(¥/share)	120.0	125.0	125.0	145.0	145.0
						Mid-term 70.0 End 75.0
Dividend	(¥ billions)	10.5	10.8	10.8	12.5	12.5
Shareholders Return		42%	48%	47%	48%	68%
Stock Purchase	(¥ billions)	2.1	-	-	-	-
Total Return	(¥ billions)	12.6	10.8	10.8	12.5	12.5
Total Return Ratio		50%	48%	47%	48%	68%
Depreciation	(¥ billions)	22.9	22.5	22.9	23.9	26.0
Investment & Lending	(¥ billions)	32.8	36.9	42.3	35.6	43.0
ROE		10.3%	9.1%	8.8%	9.4%	(6.2%)
Equity Ratio		51.0%	50.0%	50.8%	51.7%	(50.6%)
Net D/E Ratio		0.40	0.42	0.42	0.40	(0.47)

Although one-time losses incurred to enhance corporate value will result in exceeding our standard policy of 50% total return ratio, we intend to maintain a 145 yen/share dividend from the viewpoint of stable dividends.

Reference : First Half Breakdown (By Segment) (vs Forecast as of August)

Denka

Sales (¥ billions)	FY2022 1H Forecast as of August	FY2022 1H Actual	Incr. Decr.	Volume	Pricing
Electronics & Innovative Products	50.0	47.5	- 2.5	- 2.7	+ 0.2
Life Innovation	20.0	21.9	+ 1.9	+ 1.5	+ 0.4
Elastomers & Infrastructure Solutions	65.0	62.9	- 2.1	- 2.4	+ 0.3
Polymer Solutions	67.5	63.6	- 3.9	- 2.3	- 1.6
Others	7.5	7.0	- 0.5	- 0.5	-
Total	210.0	202.9	- 7.1	- 6.3	- 0.8

Operating Income (¥ billions)	FY2022 1H Forecast as of August	FY2022 1H Actual	Incr. Decr.	Volume	Pricing	Cost& Others
Electronics & Innovative Products	10.0	9.6	- 0.4	- 0.9	+ 0.2	+ 0.3
Life Innovation	5.0	6.5	+ 1.5	+ 0.6	+ 0.4	+ 0.6
Elastomers & Infrastructure Solutions	1.5	1.3	- 0.2	- 0.3	+ 0.3	- 0.2
Polymer Solutions	0.5	-0.2	- 0.7	- 0.6	- 1.6	+ 1.5
Others	1.0	1.0	+ 0.0	+ 0.4	-	- 0.4
Total	18.0	18.3	+ 0.3	- 0.7	- 0.8	+ 1.8

Reference : Forecast (By Segment) (Year on Year)

Sales (¥ billions)	FY2021 Actual	FY2022 Revised Forecast	Incr. Decr.	Breakdown	
				Volume	Pricing
Electronics & Innovative Products	90.2	105.0	+ 14.8	- 4.3	+ 19.1
Life Innovation	46.1	50.0	+ 3.9	+ 20.7	- 16.8
Elastomers & Infrastructure Solutions	106.9	140.0	+ 33.1	- 0.9	+ 34.0
Polymer Solutions	126.6	135.0	+ 8.4	- 19.7	+ 28.2
Others	15.1	15.0	- 0.1	- 0.1	-
Total	384.8	445.0	+ 60.2	- 4.3	+ 64.5

Operating Income (¥ billions)	FY2021 Actual	FY2022 Revised Forecast	Incr. Decr.	Breakdown		
				Volume	Pricing	Cost& Others
Electronics & Innovative Products	18.7	21.5	+ 2.8	- 1.7	+ 19.1	- 14.6
Life Innovation	15.5	13.0	- 2.5	+ 15.4	- 16.8	- 1.1
Elastomers & Infrastructure Solutions	-3.5	3.5	+ 7.0	- 1.1	+ 34.0	- 26.0
Polymer Solutions	7.9	2.5	- 5.4	- 3.0	+ 28.2	- 30.5
Others	1.5	2.5	+ 1.0	+ 1.1	-	- 0.2
Total	40.1	43.0	+ 2.9	+ 10.7	+ 64.5	- 72.3

(Reference) Quarterly Trends (By Segment)

Sales (¥ billions)	FY2020				FY2021				FY2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	2H Forecast (3Q, 4Q)
Electronics & Innovative Products	17.1	19.6	20.0	21.1	21.0	22.8	22.3	24.0	21.9	25.6	57.5
Life Innovation	5.3	10.9	20.5	6.3	6.0	19.3	10.9	9.9	6.4	15.5	28.1
Elastomers & Infrastructure Solutions	19.8	22.0	24.8	25.2	24.6	26.8	26.1	29.3	30.4	32.5	77.1
Polymer Solutions	25.3	25.1	28.3	31.3	31.8	31.5	29.5	33.9	31.6	32.0	71.4
Others	8.7	6.5	8.2	8.5	3.5	4.0	4.0	3.7	4.1	2.9	8.0
Total	76.2	84.1	101.7	92.4	86.7	104.4	92.8	100.9	94.4	108.6	242.1

Operating Income (¥ billions)	FY2020				FY2021				FY2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	2H Forecast (3Q, 4Q)
Electronics & Innovative Products	2.8	3.8	3.6	4.0	4.4	4.8	4.6	4.9	4.1	5.6	11.9
Life Innovation	0.0	2.4	11.4	1.0	0.3	10.4	1.2	3.6	0.5	6.0	6.5
Elastomers & Infrastructure Solutions	0.3	-0.4	-1.9	-1.5	0.1	-0.0	-1.2	-2.3	-0.2	1.5	2.2
Polymer Solutions	1.3	1.6	2.5	3.0	2.6	1.8	1.9	1.6	-0.1	-0.0	2.7
Others	0.0	0.3	0.3	0.2	0.4	0.5	0.4	0.2	0.6	0.4	1.5
Total	4.4	7.7	16.0	6.7	7.7	17.5	7.0	7.9	4.9	13.4	24.7

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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