

Summary of Consolidated Financial Results

May 12, 2021
Denka Company Limited

1. Consolidated Financial Results and Forecast

(¥ billions)

	FY 2019 Apr to Mar	FY 2020 Apr to Mar	Incr. Decr.	FY 2021 Forecast Apr to Sep	FY 2021 Forecast Apr to Mar
Net Sales	380.8	354.4	- 26.4	175.0	365.0
Operating Income	31.6	34.7	3.1	19.0	42.0
Ordinary Income	30.0	32.1	2.1	17.0	39.0
Net Income attributable to Owners of parent	22.7	22.8	0.1	13.0	29.0

2. Overview (year-on-year comparisons)

To realize the corporate philosophy enshrined in The Denka Value, the Denka Group set up a threefold growth vision designed to create a “Specialty-Fusion Company,” “Sustained Growth” and “Sound Growth” through the execution of Denka Value-Up, a management plan spanning a period of five years beginning in April 2018. To this end, the Group has been promoting the plan’s two growth strategies, namely, the business portfolio shift and the introduction of innovative processes, aiming to expand its operations and enhance profitability.

In the fiscal year ended March 31, 2021, the Group’s operating results were affected by lower overall sales volumes due to stagnant demand resulting from global economic recession, despite growth in sales of Electronic & Innovative Products and the positive effects of new products in the healthcare field. Moreover, the sales prices of some products were revised downward in step with plunges in raw material prices. Taking these and other factors into account, consolidated net sales totaled ¥354.4 billion, down ¥26.4 billion, or 6.9%, compared with the previous fiscal year.

On the earnings front, the shipment of QuickNavi™-COVID19 Ag, a rapid diagnostic testing kit for detecting novel coronavirus antigen, greatly contributed to operating results. In addition, the Group has benefitted from such positive factors as growing demand for EV- and semiconductor-related products and other offerings in the environment and energy field while reducing fixed costs. As a result, operating income rose ¥3.1 billion, or 9.9%, year on year, to ¥34.7 billion, a record high. The Group also achieved year-on-year growth in two other profit indices, with ordinary income and profit attributable to owners of the parent totaling ¥32.1 billion, up 7.0%, and ¥22.8 billion, up 0.4%, respectively.

3. Forecasts for the Fiscal Year Ending March 31, 2022

For the fiscal year ending March 31, 2022, the Group anticipates recovery in demand associated with our key operations, including chloroprene rubber (CR), demand for which had been significantly affected by the novel coronavirus pandemic in the prior year. The Group also expects further growth in demand for offerings related to EVs, semiconductors, 5G communications infrastructure, renewable energy, and other applications in the environment and energy field. Based on these projections, the Group forecasts operating income of ¥42.0 billion, well in excess of the ¥34.7 billion recorded in the fiscal year ended March 31, 2021, and thus expects to achieve record-high operating income for the second consecutive year. The Group’s operating results forecasts also include ordinary profit of ¥39.0 billion and profit attributable to owners of the parent of ¥29.0 billion, which both will represent record highs.

4. Assumptions

	FY 2019 Apr to Mar	FY 2020 Apr to Mar	Incr. Decr.	FY 2021 Forecast Apr to Sep	FY 2021 Forecast Apr to Mar
Investment	36.9	42.3	5.4	22.0	43.0
Depreciation	22.5	22.9	0.4	11.5	23.5
R&D	15.0	14.7	- 0.3	8.0	16.0
Interest-Bearing Debt	134.3	138.2	3.9	138.0	137.0

	FY 2019 Apr to Mar	FY 2020 Apr to Mar	FY 2021 Forecast Apr to Sep	FY 2021 Forecast Apr to Mar
Forex (¥/\$)	109.1	105.8	108.0	108.0
Japan Naphtha (¥/KL)	42,650	31,800	46,000	46,000

5. Results by Segment (year-on-year comparisons)

Elastomers & Performance Plastics

Segment income was down year on year due to a substantial decline in CR demand under the influence of the novel coronavirus pandemic. However, the Group has seen ongoing recovery in such demand from the second half onward. Moreover, the shipment of MS resin for use in light guiding substrates for televisions and monitors has been consistently firm.

Infrastructure & Social Solutions

Segment income decreased despite the positive effects of the Group's efforts to maintain product prices after the recent upward revisions. This was mainly attributable to declines from results seen in the previous fiscal year in sales of cement, special cement additives, fertilizers, fire-resistant materials and steelmaking materials due to the pandemic's fallout and the influence of unfavorable weather.

Electronics & Innovative Products

As the Group was buoyed by growing demand associated with the global introduction of 5G infrastructure and an increase in data center-related product needs worldwide, robust sales of highly functional films for use as embossed carrier tapes for electronic components and semiconductors exceeded results recorded in the previous fiscal year, as did sales of fused silica fillers for use as semiconductor encapsulant fillers. Similarly, sales of spherical alumina and ultra-high purity electro-conductive carbon black for use in EV-related applications were up year on year. Thanks to these factors, segment income increased.

Living & Environment Products

Although demand for plastic rain gutters, TOYOKALON synthetic wig fibers and industrial tapes returned to a recovery track from the decline induced by the pandemic, the sales volume for these products was still down year on year. However, thanks to growing demand for takeaway food services, overall sales of food packaging sheets and processed products using such sheets largely remained firm. Moreover, plunges in raw material prices and a reduction in fixed costs contributed to segment results. Taking these and other factors into account, segment income rose from the previous fiscal year.

Life Innovation

The shipping volume of influenza virus rapid diagnostic testing kits was down from the previous fiscal year. On the other hand, the shipping volume of influenza vaccines increased year on year as medical specialists and authorities issued earlier-than-usual recommendations regarding vaccination. Moreover, the August 2020 release of QuickNavi™-COVID19 Ag contributed to segment results. Consequently, operating income rose significantly from the previous fiscal year.

Net Sales and Operating Income by segments		FY 2019 Apr to Mar	FY 2020 Apr to Mar	Incr. Decr.
Elastomers & Performance Plastics	Net Sales	149.3	124.3	- 25.0
	Operating Income	10.9	4.4	- 6.5
Infrastructure & Social Solutions	Net Sales	54.8	50.5	- 4.3
	Operating Income	0.3	- 0.5	- 0.8
Electronics & Innovative Products	Net Sales	68.0	71.2	3.2
	Operating Income	12.4	14.0	1.6
Living & Environment Products	Net Sales	37.0	33.4	- 3.5
	Operating Income	0.1	1.2	1.1
Life innovation	Net Sales	35.5	42.9	7.4
	Operating Income	7.0	14.8	7.9
Others/ Companywide	Net Sales	36.2	32.0	- 4.2
	Operating Income	0.9	0.8	- 0.1
Total	Net Sales	380.8	354.4	- 26.4
	Operating Income	31.6	34.7	3.1

Net Sales by segments	Net Sales				
	FY 2019 Apr to Mar	FY 2020 Apr to Mar	Incr. Decr.	Sales price	Sales volume
Elastomers & Performance Plastics	149.3	124.3	- 25.0	- 19.0	- 6.0
Infrastructure & Social Solutions	54.8	50.5	- 4.3	0.4	- 4.6
Electronics & Innovative Products	68.0	71.2	3.2	- 2.1	5.3
Living & Environment Products	37.0	33.4	- 3.5	- 1.5	- 2.0
Life innovation	35.5	42.9	7.4	- 0.1	7.5
Others/Companywide	36.2	32.0	- 4.2	-	- 4.2
Total	380.8	354.4	- 26.4	- 22.4	- 4.0

Operating income by segments	Operating income					
	FY 2019 Apr to Dec	FY 2020 Apr to Dec	Incr. Decr.	Sales price	Sales volume	cost & others
Elastomers & Performance Plastics	10.9	4.4	- 6.5	- 19.0	- 3.2	15.8
Infrastructure & Social Solutions	0.3	- 0.5	- 0.8	0.4	- 1.3	0.2
Electronics & Innovative Products	12.4	14.0	1.6	- 2.1	3.5	0.2
Living & Environment Products	0.1	1.2	1.1	- 1.5	- 0.9	3.5
Life innovation	7.0	14.8	7.9	- 0.1	8.6	- 0.6
Others/Companywide	0.9	0.8	- 0.1	-	- 0.1	0.0
Total	31.6	34.7	3.1	- 22.4	6.5	19.0

6. Changes in Reportable Segments

As of April 1, 2021, the Group revised its reportable segments as detailed below. The revised segmentation reflects the reorganization of the Group's conventional structure centered on five business divisions into four business divisions, and applies to the reporting of its operating results for the fiscal year ending March 31, 2022 and beyond.

Former segmentation	Revised segmentation	Main products
Elastomers & Performance Plastics	Electronics & Innovative Products	Fused silica, fine ceramics, acetylene black, electronic circuit substrates, electronic packaging materials, etc.
Infrastructure & Social Solutions	Life Innovation	Vaccines, joint function improvers, diagnostic reagents, etc.
Electronics & Innovative Products	Elastomers & Infrastructure Solutions	Chloroprene rubber, cement, special cement additives, fertilizers, calcium carbide, fire-resistant materials, environmental materials, etc.
Living & Environment Products	Polymer Solutions	Styrene monomer, polystyrene resin, ABS resin, CLEAREN, heat-resistant resin and transparent resin, POVAL, food packaging materials, housing materials, industrial materials, etc.
Life Innovation	Other	Trading and engineering
Other		

Supplementary information regarding consolidated net sales and operating income to be compiled using the revised segmentation for the fiscal year ending March 31, 2022, is outlined below.

Net Sales and Operating Income by segments		FY 2020 Apr to Mar	FY 2021 Apr to Mar	Incr. Decr.	FY 2021 Forecast Apr to Sep
Electronics & Innovative Products	Net Sales	77.7	85.0	7.3	42.0
	Operating Income	14.2	17.0	2.8	8.0
Life Innovation	Net Sales	42.9	40.0	- 2.9	18.0
	Operating Income	14.8	10.5	- 4.3	5.0
Elastomers & Infrastructure Solutions	Net Sales	91.8	105.0	13.1	50.0
	Operating Income	- 3.6	4.0	7.6	1.0
Polymer Solutions	Net Sales	109.9	125.0	15.1	60.0
	Operating Income	8.4	9.5	1.1	4.5
Others/ Companywide	Net Sales	32.0	10.0	* - 22.0	5.0
	Operating Income	0.8	1.0	0.2	0.5
Total	Net Sales	354.4	365.0	10.6	175.0
	Operating Income	34.7	42.0	7.3	19.0

* Includes the effect of applying the accounting standard for revenue recognition to group trading companies.