

**FY2021 1Q Financial Results Presentation Summary**  
(August 6, 2021)

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

Despite the ongoing negative impact of the novel coronavirus pandemic, the Group achieved a record-high profit in terms of first quarter results. This was thanks to the effect of Denka Value-Up management plan initiatives focused on the specialization of the Group's operations.

(Billions of yen)

① Net sales:	86.7	+ 10.5	Decrease in sales volume (+13.0) Differences in sales prices (+5.7) Change in accounting standards for recognition of revenue (Group trading company portion, etc.) (-8.2)
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Net sales were up ¥10.5 billion year on year. Rises in sales volumes resulted in an increase of ¥13.0 billion in sales, reflecting such factors as overall recovery from demand stagnation due to the novel coronavirus pandemic and growth in demand for EV- and semiconductor-related products. Improvements in sales prices contributed to a ¥5.7 billion increase in sales on the back of upward revisions in 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 ¥8.2 billion.

(Billions of yen)

② Operating income:	7.7	+ 3.3	
Changes in sales volume		+ 6.3	Recovery of demand from COVID-19 impact Other (xEV-related, semiconductor-related demand growth, etc.)
Increases in sales prices		+ 5.7	Styrene-based products sales price revision due to raw material price increase (include impact of currency fluctuations +0.2)
Variable Cost Difference		- 8.0	Raw material price increase, etc. (include impact of currency fluctuations +0.2)
Costs		- 0.7	Other administrative expenses and manufacturing costs, etc.
		+ 3.3	Net increase due to the factors listed above

Operating income increased as recovery in overall demand and growth in demand for EV- and semiconductor-related products offset the negative effect of deteriorating spreads (margin between product sales prices and raw materials prices).

**(2) Forecasts for FY2021 1H Operating Results (changes from the initial forecasts)**

Sales of semiconductor-related products and other specialty products have been robust. In addition, the Group expects the sales price of QuickNaviTM-COVID19 Ag, a rapid diagnostic testing kit for detecting novel coronavirus antigen, to surpass the initial estimate. Taking these factors into account, the Group has upwardly revised its forecasts for first-half operating results for fiscal 2021.

(Billions of yen)

① Net sales:	185.0	+ 10.0	Decrease in sales volume (+0.5) Differences in sales prices (+9.5)
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Net sales are expected to increase ¥10.0 billion vs initial forecasts. Taking into account expected upturns in sales of semiconductor-related products, chloroprene rubber and other products as well as possible decreases in sales of such products as influenza vaccines, anticipated increases in sales volumes will contribute ¥0.5 billion to this rise. Differences in sales prices will lead to an increase of ¥9.5 billion due mainly to the upwardly revised sales price of QuickNaviTM-COVID19 Ag and the upward revision of prices for other products in step with higher raw material prices.

(Billions of yen)

② Operating income:	22.0	+ 3.0	
Changes in sales volume		- 0.4	Anticipating reduced volume of influenza vaccine, etc.
Increases in sales prices		+ 9.5	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)
Variable Cost Difference		- 6.3	Raw material price increase, etc. (including impact of currency fluctuations -0.5)
Costs		+ 0.2	Other administrative expenses and manufacturing costs, etc.
		+ 3.0	Net increase due to the factors listed above

Operating income is likely to increase, with positive factors arising from differences in sales prices expected to surpass negative factors attributable to increasing in manufacturing costs resulting from higher raw material prices.

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

The Group anticipates that full-year operating results may well be greater than expected in light of such first-half trends as recovery in overall demand and progress in business specialization. However, due to the influence of the novel coronavirus pandemic on current circumstances, the Group is closely assessing factors that could possibly affect its outlook for operating results for the third quarter and beyond. Therefore, the Group's operating income forecast of ¥42.0 billion remains unchanged from the initial forecast formulated at the beginning of the fiscal year.

### (4) Shareholder Returns

Unchanged from the initial forecasts formulated at the beginning of the fiscal year.

Dividends per share for fiscal 2020: ¥125 per share (interim: ¥60; year-end: ¥65); dividend payout ratio: 47%

Forecasts for dividends per share for fiscal 2021: ¥135 per share (interim: ¥65; year-end: ¥70); dividend payout ratio: 40%

Our policy of working to achieve a total shareholder return ratio of 50%, while flexibly undertaking share repurchases in light of trends of share prices, remains constant.

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

Fiscal 2022 numerical target: Operating income of ¥50.0 billion

[By Segment]	(Billions of yen)
Electronics & Innovative Products	22.0 (+5.0)
Life Innovation	11.0 (+0.5)
Elastomer & Infrastructure Solutions	7.0 (+3.0)
Polymer Solutions	11.0 (+1.5)
Others	- 1.0 (-2.0)
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Total	50.0 (+8.0)

For fiscal 2022, the Group intends to push ahead further with its specialization strategies under Denka Value-Up while expecting the disappearance of the negative impact of the novel coronavirus pandemic. Taking these factors into account, the Group believes that operating income of ¥50.0 billion is highly achievable.

### (6) Main Content of Q&A Session

#### ①Trend in demand for Electronics & Innovative Products

- Growth in demand for spherical alumina and acetylene black remains ongoing. On the other hand, the Group's performance was partially affected by a reduction in automobile production due to semiconductor shortages, but is believed to recover from July 2021 onward.
- Demand for semiconductor-related products, such as fused silica and highly functional films, is likely to remain strong thanks mainly to the popularization of remote working amid the novel coronavirus pandemic and resulting growth in demand for electronic devices.

#### ②Status of sales of QuickNavi™-COVID19 Ag

- Sales price of QuickNavi™-COVID19 Ag, albeit slightly declining, still exceeds our initial estimate at the beginning of fiscal 2021 for the unit price of this product, which took into account such negative factors as the risk of a downturn in market price in step with inflows of competitor products imported from countries abroad.
- The amount of purchase announced by the Ministry of Health, Labour and Welfare is including distributed inventories held by our sales alliance partners. These inventories are already included in sales for the previous fiscal year.

Reference: Press release dated August 6, 2021 "Denka Supplies COVID-19 Rapid Antigen Test Kits to Japanese Government (Updated)"

[https://www.denka.co.jp/eng/storage/news/pdf/359/20210806\\_denka\\_quicknavi\\_covid19ag\\_en.pdf](https://www.denka.co.jp/eng/storage/news/pdf/359/20210806_denka_quicknavi_covid19ag_en.pdf)

#### ③Trend in demand for chloroprene rubber (CR) and the status of upward price revisions

- On the back of robust demand for CR, the demand-supply balance has become tight, while raw material prices have mounted. Taking these factors into account, the Group announced the upward revision of CR prices. Going forward, as we believe that raw material prices could rise even more, we intend to flexibly reset CR prices to reflect external factors.

Reference: Press release dated August 2, 2021 "Price Revision for Denka Chloroprene (Denka CR)"

[https://www.denka.co.jp/eng/storage/news/pdf/358/20210802\\_denka\\_chloroprene\\_en.pdf](https://www.denka.co.jp/eng/storage/news/pdf/358/20210802_denka_chloroprene_en.pdf)

#### ④Manufacturing costs and selling, general and administrative expenses, etc.

- Although our assumptions for costs at the beginning of fiscal 2021 were based on the dropping of pandemic-related restrictions on business activities, movement restrictions are still in place in many regions, discouraging non-essential, non-urgent business trips and other types of outings. Such restrictions help the Group curb expenses. If these restrictions continue to be in place going forward, the Group's expenses could fall short of its initial estimate.