

FY2022 1Q Financial Results Presentation
Summary of Q&A Session
(August 5, 2022)

Electronics & Innovative Products

Q1. The first-half operating income forecast has been revised downward from ¥11.0 billion to ¥10.0 billion. However, the quarterly forecast shows that second-quarter operating income will improve approximately ¥1.8 billion compared with the first quarter. Please elaborate on factors supporting these forecasts in light of current circumstances.

A1. Our first-quarter operating results have been significantly affected by lockdowns in Shanghai and by a decline in automobile production due mainly to semiconductor shortages. However, semiconductor shortages are being alleviated from July onward. Accordingly, we expect automobile production to get on a recovery track. Moreover, a general trend toward growth in EV demand has continued even as automobile production declined. Thus, although first-quarter demand for our EV-related products was temporarily hampered by stagnation in parts procurement at EV makers and other negative factors, we believe that it will continue on the recovery track we have seen since July.

Q2. Regarding ceramics-based electronic circuit substrates, it was reported that Denka's competitors are currently expanding their production capacities. Do you think this trend will affect the Company's operating results?

A2. We will remain largely unaffected by these moves because Denka and its competitors target different countries. We market our substrates mainly to users in Japan and Europe.

Q3. With regard to acetylene black, have you seen changes in the status of competition vis-à-vis other materials?

A3. Although acetylene black is in a competitive relationship with carbon nanotube, we have not seen a major change in our market share. Currently, market demand for cathode conductive agents for LiBs is growing. Accordingly, we are not in a situation where two materials compete in the same market.

Life Innovation

Q4. Did you see a major increase in the first-quarter sales volume of rapid test kits for COVID-19 antigens due to the recent resurgence of the COVID-19 pandemic?

A4. The sixth wave of the pandemic was subdued in the first quarter, with no significant uptick in the number of infections. On the other hand, the number of infections expanded rapidly from July onward. This emerged as the seventh wave, leading to strong demand for these test kits.

Q5. In connection with rapid test kits for COVID-19 antigens, please describe your projection for the second half regarding the status of the COVID-19 pandemic, along with your forecast for sales of these test kits.

A5. In the second half, we do not anticipate a major outbreak of COVID-19 like that we are now seeing amid the seventh wave. We assume that the COVID-19 pandemic will by and large be subdued. However, the spread of influenza infections is now being reported, mainly in countries in the southern hemisphere. With this in mind, we believe that sales of combo kits for use in the simultaneous testing of influenza and COVID-19 will remain strong and contribute to operating results. Taking these factors into account, in the second half we expect overall sales of these kits to edge down somewhat from first-half sales.

Elastomers & Infrastructure Solutions

Q6. Please explain the first-quarter status of chloroprene rubber (CR) sales as well as your forecast for CR sales in the second quarter.

A6. First-quarter demand for CR has been strong, making it possible for us to raise its sales prices in a manner more proactive than initially planned. Although we estimate that the second-quarter sales volume of CR will remain largely unchanged from the first quarter, we anticipate a further improvement in spreads due to progress in upward revisions of CR sales prices.

Q7. On the back of rising coal prices, other cement manufacturers are planning the introduction of a surcharge system. Given these circumstances, what initiatives does Denka intend to launch to improve profitability?

A7. Thus far, we have not introduced a surcharge system. Having upwardly revised cement price by ¥2,300/t in November 2021, we have additionally announced an upward price revision of ¥3,000/t on August 4, 2022.

Polymer Solutions

Q8. Please describe the first-quarter sales status of MS resin and your forecast for its sales from the second-quarter onward.

A8. First-quarter demand for light guiding substrates for televisions and monitors, which are the primary application of MS resin, was weaker than estimated. Having embarked on the second quarter, we have yet to see quick recovery in demand. Therefore, we forecast that demand will remain lower than estimated at the beginning of the fiscal year.

Other

Q9. Please provide, if any, updates on Denka's initiatives in the business portfolio shift.

A9. We have made steady progress in structural reforms. In light of this progress, we believe that we will be able to report tangible outcomes from these reforms by the end of December or by the time third-quarter financial results are announced at the latest.