

**FY2022 Financial Results Presentation**  
**Summary of Q&A Session**  
**(May 11, 2023)**

**Electronics & Innovative Products**

Q1: (Slide 16) Fiscal 2023 operating results forecasts for this segment include a negative ¥7.1 billion difference in costs compared with the previous fiscal year. Could you break down these costs?

A1: We have been undertaking strategic investment based on our growth strategies. This resulted in an increase in depreciation costs. In step with this move, we have also seen growth in labor and other costs associated with the development of a higher capacity production structure. Also, as of the end of fiscal 2022 we had strategically secured a larger than usual volume of inventories in anticipation of demand recovery in fiscal 2023. The higher volume of inventories is similarly expected to lead to a cost increase.

Q2: Please describe the status of acetylene black for the cathode conductive agents for LiBs in terms of competition against carbon nanotube products.

A2: Automakers seem to base their choice of one or the other based on vehicle and battery type. We believe that our acetylene black can maintain a certain volume of market share on the back of the robust expansion of the EV market.

**Life Innovation**

Q3: (Slide 18) Fiscal 2023 operating results forecasts for this segment include a negative ¥3.0 billion difference in costs compared with the previous fiscal year. Could you break down these costs?

A3: Our plans call for a strategic approach with regard to allocating research expenses. These expenses will account for the most of cost growth.

Q4: Isn't there a possibility of downturn in sales of COVID-19 antigen test kits vis-à-vis their sales forecasts?

A4: We have been formulating our sales forecasts based on an assumption that COVID-19 outbreaks will occur about twice a year. That being said, there is no way to precisely predict the course or severity of an outbreak.

On the other hand, the effectiveness of antigen test kits is now widely recognized among healthcare institutions. Moreover, in line with the reclassification of this disease to Class 5 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases, Japan's Ministry of Health, Labour and Welfare has adopted a policy that permits a growing number of healthcare institutions to accept COVID-19 patients. Accordingly, inspection-related demand is likely to grow among healthcare institutions. Our sales in this field are strong.

Also, in the fiscal 2022 influenza season, we saw a considerable increase in the number of influenza patients, albeit fewer than recorded in the pre-COVID-19 pandemic period. The outbreak of influenza is still ongoing in some regions. We therefore believe that demand for combo kits capable of simultaneous testing for COVID-19 and influenza may well expand.

Taking the aforementioned factors into account, we anticipate that shipment volumes will be fairly robust, even though sales trends could be affected by the actual courses taken by outbreaks.

### **Elastomers & Infrastructure Solutions**

Q5: Assumptions for fiscal 2023 operating results forecasts include the maintenance of chloroprene rubber (CR) prices at the current levels. Is that possible?

A5: In fiscal 2022, we upwardly revised CR prices at a considerable pace. For fiscal 2023, our sales policy is to maintain prices around the revised levels.

### **Polymer Solutions**

Q6: For Polymer Solutions, Denka had set its fiscal 2022 operating results forecast as of February 2023 at a profit of ¥1.0 billion. However, the actual operating results turned out to be a loss of ¥1.2 billion. Could you explain the factors that over the course of a couple of months or so led to this considerable divergence from forecasts?

A6: Previously, our plans had factored in demand recovery for various resin products manufactured by the Chiba Plant. We had expected this recovery to occur in March 2023 following the Lunar New Year; however, the actual pace of recovery turned out to be slower than predicted. Furthermore, raw material prices were higher than expected through to the end of the period. We were able to reflect surging raw material prices to our sales prices only after fiscal 2023 began. This is why operating results for this segment fell short of our forecasts.

### **ROIC by Segment**

Q7: (Slide 21) Regarding ROIC by segment, ROIC for Electronics & Innovative Products and Life Innovation is relatively higher than the segment average while that for Polymer Solutions and Elastomers & Infrastructure Solutions is relatively lower. In light of Denka's goal of achieving an ROIC of 10% or more by 2030, what are your thoughts on the aforementioned ROIC status of each segment?

A7: We have been able to earn a robust profit in Electronics & Innovative Products and Life Innovation, both of which constitute priority fields, and thus maintained a high level of ROIC. On the other hand, Polymer Solutions and Elastomers & Infrastructure Solutions have been affected by delays in specialization during the period of the previous Denka Value-Up management plan. Under Mission2030, our current management plan, we will boldly replace our portfolio of low-ROIC businesses that lack viable roadmaps for improvement.