



Denka

Possibility
of
chemistry

Results Presentation of FY2024 3Q (The 9 Months of the Fiscal Year Ending March 2025)

Note: This slide deck has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated slide and the Japanese original, the original shall prevail.

Securities code: 4061

Denka Co., Ltd

February 7, 2025

- The status of petitions relating to the new regulations affecting DPE remains largely unchanged since the announcement of 2Q results
- Consideration is underway, with target to reach fundamental measures by the end of the current fiscal year

DPE Response to the New Regulations

- Petition for review of the new regulations
- Petition for confirmation of the legal validity of LDEQ's approval of the extension of grace period for two years

The hearing status of all petitions remains largely unchanged since the announcement of 2Q results (grace period extended for the duration of the hearing).

(Details on the Petition Against the New Regulations)
 Refer to page 2 of the FY2024 2Q Results Presentation
https://www.denka.co.jp/eng/storage/news/pdf/517/20241108_denka_ir_materials_en.pdf

Fundamental measures in the chloroprene rubber business

- Direction of considerations
 No change (decision based on business feasibility, including environmental regulations)
- Planned period of considerations
 By the end of the current fiscal year

No changes in direction or period of considerations.

Consideration is underway with target to reach fundamental measures by the end of the current fiscal year.

FY2024 3Q
Financial Results
Summary
(P4-P12)

- Operating income: 11.8 billion yen (-0.7 billion yen YoY)
 - Net income: 2.6 billion yen (-1.0 billion yen YoY)
- Gain on sale of strategic cross-shareholdings: FY2023 3Q +2.0 billion yen → FY2024 3Q +0.3 billion yen
FY2023 Impairment loss on goodwill related to Icon Genetics due to the discontinuation of norovirus vaccine development, etc.: -6.8 billion yen

FY2024
Earnings Forecast
(P13-P16)

- Operating income: 18.0 billion yen (unchanged from initial forecast)
 - Net income: 9.0 billion yen (unchanged from initial forecast)
- Progress is generally in line with expectations, but demand recovery is slowing. Denka is strengthening efforts to achieve the forecast
 - Carefully investigating the impact of new regulations on DPE chloroprene rubber manufacturing operations and financial results
 - We have not factored in the impact of fundamental measures in the chloroprene rubber business, which is targeted to be reached by the end of the current fiscal year

Shareholder
Returns
(P17)

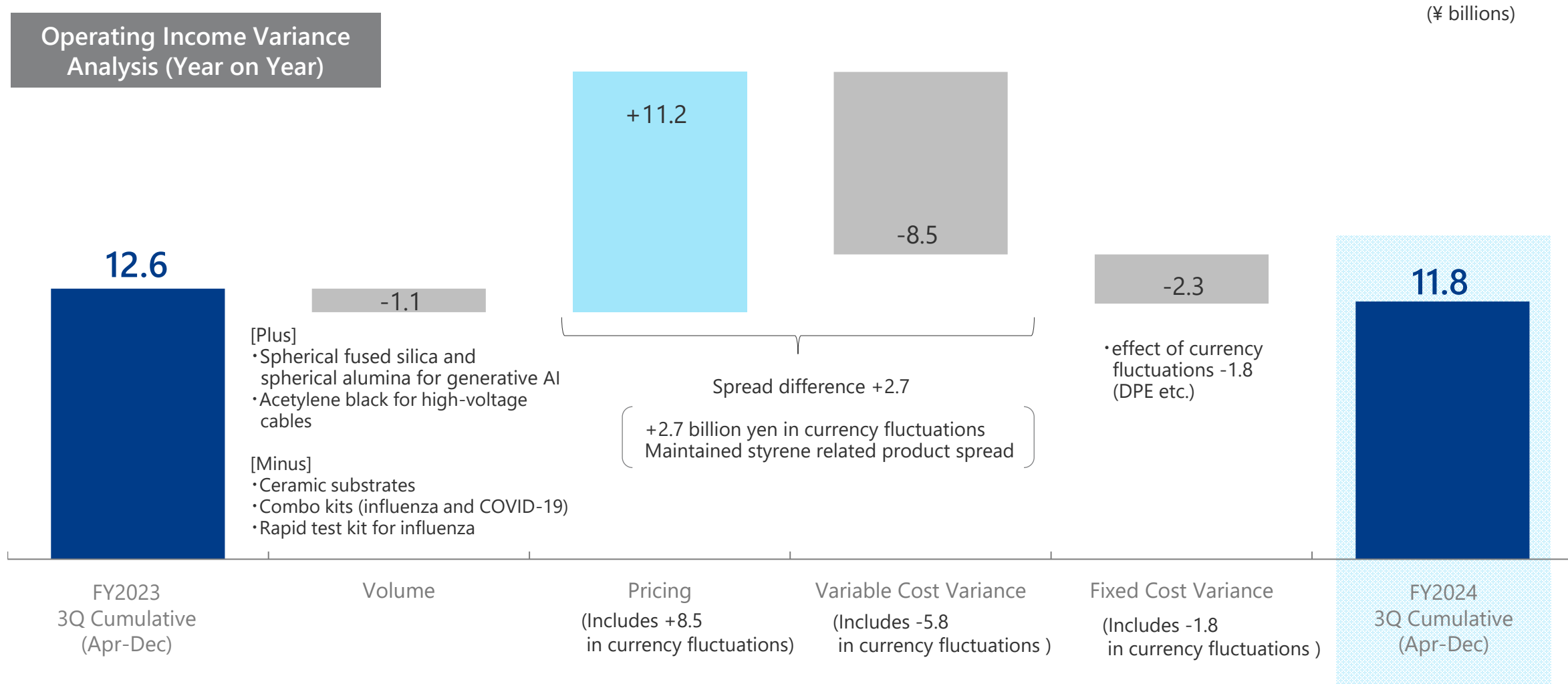
- Dividend forecast: No change from 100 yen/share (96% total return ratio)
Expecting improved cash flow next year and beyond, considering the impact of the fundamental measures in the chloroprene rubber business, which is targeted to be reached by the end of the current fiscal year
- Future dividend policy: Maintain or increase dividend per share based on a total return ratio of 50%
(cumulative total for the eight years of the management plan)

FY2024 3Q Results

■ Operating income remains in line with the previous year, while ordinary income declined due to foreign exchange and other factors

(¥ billions)	FY2023 3Q Cumulative (Apr-Dec)	FY2024 3Q Cumulative (Apr-Dec)	(Year on Year)	
Sales	292.8	301.6	+ 8.8	
Operating income	12.6	11.8	- 0.7	<p>[Non-operating expenses/income: -3.4 year on year]</p> <ul style="list-style-type: none"> • Foreign exchange loss: -1.0 • New acetylene black manufacturing base (Thailand) Etc. • Loss on disposal of fixed assets: -0.7 • Financial expenses/income: -0.7
Operating margin	4.3%	3.9%	- 0.4%	
Ordinary Income	8.5	4.3	- 4.1	
Net Income Attributable to Owners of Parent	3.6	2.6	- 1.0	<p>[Extraordinary loss/income: +4.9 year on year]</p> <ul style="list-style-type: none"> • Gain on sale of strategic cross-shareholdings: -1.6 • FY2023 3Q Cumulative: +2.0 • ⇒ FY2024 3Q Cumulative: +0.3 • Loss on business liquidation: +6.5 • Impairment loss on goodwill, etc., related to Icon Genetics due to termination of norovirus vaccine development in FY2023: -6.8
Forex (¥/\$)	142.9	152.3		
Japan Naphtha (¥/KI)	68,100	76,200		

- While there was a growth in demand for generative AI related products and the recovery in acetylene black for high-voltage cables, sales volumes lowered in ceramic substrates and combo kits (influenza/COVID-19)



- While profit increased in Electronics & Innovative Products and Polymer Solutions, profit declined in Life Innovation. As a result, overall performance remained in line with the previous year.

Sales	FY2023	FY2024	Incr. Decr.	Volume		Pricing		(¥ billions)
	3Q Cumulative (Apr-Dec)	3Q Cumulative (Apr-Dec)						
Electronics & Innovative Products	63.3	67.5	+ 4.2	+ 2.7	+ 1.5			
Life Innovation	38.0	35.1	- 2.9	- 2.7	- 0.2			
Elastomers & Infrastructure Solutions	85.8	84.5	- 1.3	- 2.0	+ 0.7			
Polymer Solutions	92.4	102.4	+ 10.0	+ 0.8	+ 9.2			
Others	13.3	12.1	- 1.2	- 1.2	-			
Total	292.8	301.6	+ 8.8	- 2.5	+ 11.2			
Operating Income	FY2023	FY2024	Incr. Decr.	Volume		Pricing		Cost and Other
	3Q Cumulative (Apr-Dec)	3Q Cumulative (Apr-Dec)						
Electronics & Innovative Products	6.7	6.9	+ 0.3	+ 2.1	+ 1.5	- 3.3		
Life Innovation	9.7	7.6	- 2.1	- 2.7	- 0.2	+ 0.8		
Elastomers & Infrastructure Solutions	-5.6	-5.7	- 0.1	- 1.2	+ 0.7	+ 0.4		
Polymer Solutions	0.3	1.1	+ 0.7	+ 0.2	+ 9.2	- 8.7		
Others	1.4	1.9	+ 0.5	+ 0.5	-	+ 0.0		
Total	12.6	11.8	- 0.7	- 1.1	+ 11.2	- 10.9		

Profit declined in Electronics & Innovative Products and Life Innovation

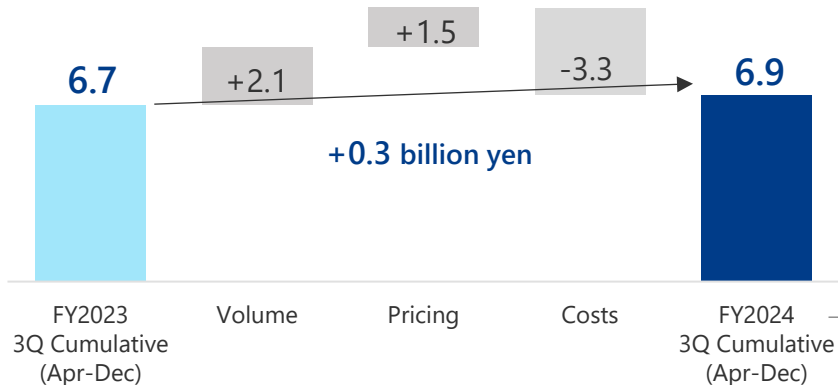
(¥ billions)

Sales	FY2022				FY2023				FY2024			Vs. FY2024 2Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Electronics & Innovative Products	21.9	25.6	22.3	23.8	19.2	22.5	21.7	24.5	21.9	23.2	22.5	- 0.7
Life Innovation	6.4	15.5	16.9	8.8	7.2	15.0	15.8	9.0	7.8	14.6	12.7	- 1.9
Elastomers & Infrastructure Solutions	30.4	32.5	31.6	29.3	28.0	29.2	28.6	25.6	29.2	27.2	28.0	+ 0.8
Polymer Solutions	31.6	32.0	30.3	33.7	29.8	31.7	30.9	31.9	32.6	34.9	34.9	+ 0.1
Others	4.1	2.9	4.7	3.4	3.7	5.1	4.5	5.4	3.8	4.0	4.4	+ 0.5
Total	94.4	108.6	105.8	98.8	87.8	103.5	101.5	96.4	95.2	103.8	102.5	- 1.3

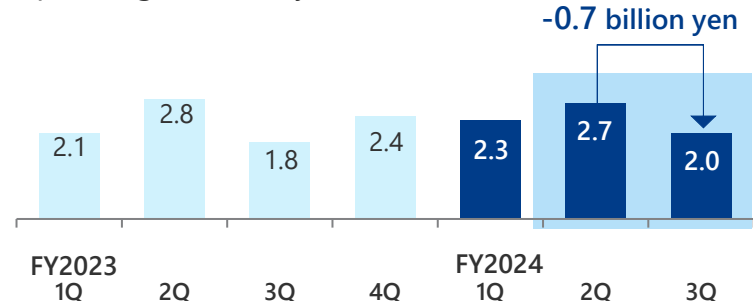
Operating income	FY2022				FY2023				FY2024			Vs. FY2024 2Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Electronics & Innovative Products	4.1	5.6	4.1	4.2	2.1	2.8	1.8	2.4	2.3	2.7	2.0	- 0.7
Life Innovation	0.5	6.0	5.0	2.8	0.9	5.7	3.1	2.0	1.7	4.0	1.9	- 2.1
Elastomers & Infrastructure Solutions	-0.2	1.5	-1.3	-1.1	-0.7	-0.9	-3.9	-3.7	-0.2	-2.9	-2.6	+ 0.2
Polymer Solutions	-0.1	-0.0	-0.9	-0.1	-0.0	-0.2	0.6	-0.4	0.3	0.4	0.4	+ 0.1
Others	0.6	0.4	0.9	0.4	0.5	0.5	0.4	0.6	0.7	0.5	0.7	+ 0.2
Total	4.9	13.4	7.8	6.3	2.8	7.7	2.0	0.8	4.7	4.7	2.4	- 2.2

Overall performance remained in line with the previous year, as demand growth for generative AI products and the recovery in high-voltage cable demand, by lower sales due to design changes at key ceramic substrate users and higher costs from inventory impacts

Operating Income Variance Analysis (Year on Year)



Operating Income by Quarter



3Q Non-Consolidated (vs. 2Q)

- Demand stalled for semiconductors not used in generative AI
- Inventory disposal due to design changes among key ceramic substrate users and other factors

Reason for Variance (Year on Year)

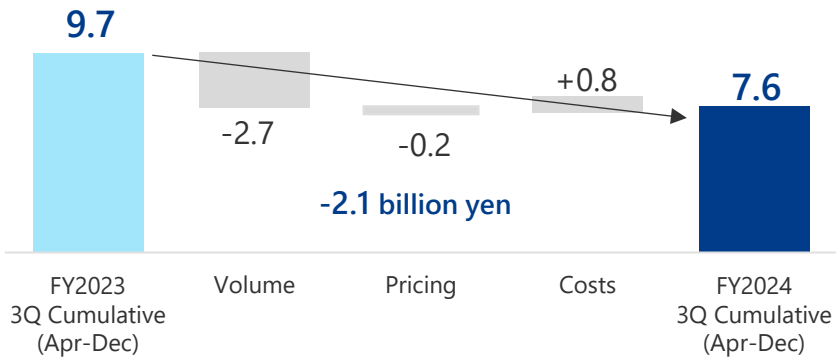
Sales	Volume	(By Application)			Pricing
		Semiconductor and Electronic Components	xEV	Other	
Spherical alumina	↗	↗	(TIM* applications) Gradual demand recovery (Thermal conductive molding compound applications) Expanding adoption of next-generation memory in generative AI	Sales declined due to weak demand for EVs in Europe and North America	↗ Sales composition difference (Increase for generative AI)
Spherical fused silica	→	→	(Semiconductor sealant applications) Recovery slowed except for generative AI (Resin substrate applications) Demand for generative AI increased		↗ Same as above
High-performance film	↗	↗	Moderate recovery for electronic components		↗ Currency fluctuation : Plus
Acetylene Black	↗	↗		Same as above (For high-voltage cables) Sales higher with demand recovery trends in Europe	→
Ceramic substrates (silicon nitride, aluminum nitride)	↓	↓		Sales lower year on year due to design changes among major users (For electric railway) Steady recovery	→
Cost and Other	↓		Foreign exchange, inventory effects (effects of high unit cost beginning inventory), etc.		

*TIM (thermal interface materials)

- Profit declined as combo kit sales decreased compared to the previous year, when influenza and COVID-19 spread continuously from early spring
- Rapid antigen test kits continue to operate at full capacity with demand increasing further due to the influenza outbreak this winter; our new plant will offer expanded capacity and increased supply beginning April 2025.

Operating Income Variance Analysis (Year on Year)

(¥ billions)



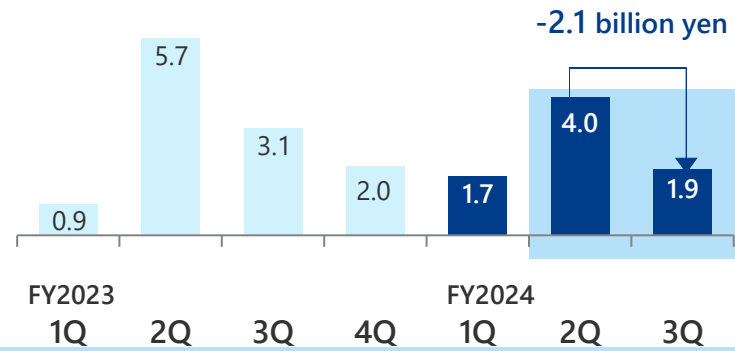
Reason for Variance (Year on Year)

	Sales	Volume	Pricing
Influenza vaccines	→	→	→
Rapid antigen test kits	↓	↓	→
IVD reagents (inflammation markers, etc.)	→	→	→
Cost and Other	→		

Notes:

- Influenza vaccines:** Level year on year
- Rapid antigen test kits:** Combo kit sales decreased compared to the previous year, when influenza and COVID-19 spread continuously from early spring. Maintaining full capacity with ongoing strong demand for test kits, including influenza and COVID-19. Impact of insurance point reductions was minimal.
- IVD reagents (inflammation markers, etc.):** Level year on year
- Cost and Other:** Level year on year

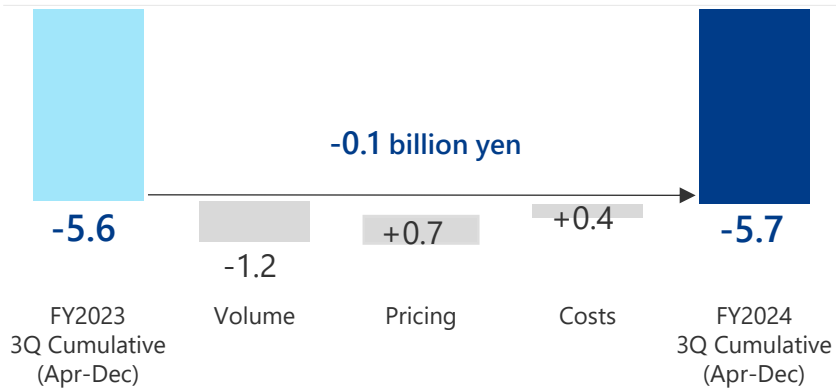
Operating Income by Quarter



■ Chloroprene rubber shipments remained in line with the previous year, with price increases starting in September and continuing in phases

Operating Income Variance Analysis (Year on Year)

(¥ billions)



Reason for Variance (Year on Year)

	Sales	Volume	Pricing
Chloroprene rubber	→	→	→ Continued weak demand
Special cement additives	↘	↘	→ Level year on year
Cement	→	→	→ Level year on year
Cost and Other	→		→ Cement: Coal prices fell (FY2023 3Q Cumulative: \$148/t ⇒ FY2024 3Q Cumulative: \$138/t)

• Foreign exchange: Plus
 • Impact excluding current fluctuation: Negative
 Sales prices fell due to stronger competition; we began to raise prices in September

[Customs Statistics] Export unit prices (dry + latex)



Operating Income by Quarter



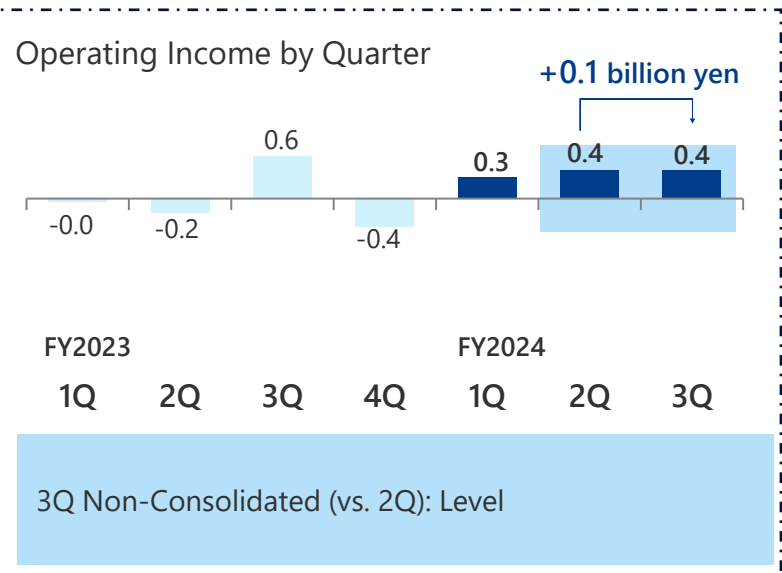
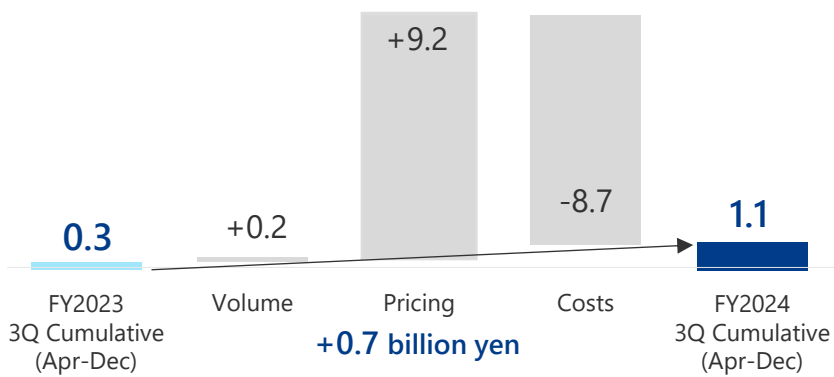
3Q Non-Consolidated (vs. 2Q): Level

Profit increased due to recovering demand for PCs and home appliances

Operating Income Variance Analysis (Year on Year)

(¥ billions)

Reason for Variance (Year on Year)



	Sales	Volume	Pricing
MS resins	↗	↗ (LGP applications) Steady sales for PC monitors	↗
AS, ABS, transparent resins, etc.	↗	↗ (Consumer electronics applications) Progress in inventory adjustments among users in China	↗ Styrene Related Product: Price revision with rising raw materials and fuel prices (spread maintained)
Food wrapping sheets and containers	→	→ Level year on year	↗
Toyokalon	→	→ Level year on year	→ Level year on year
Cost and Other	↘	Worsened due to rising raw material and fuel prices (spread maintained)	

FY2024 Earnings Forecast

- Progress is generally in line with expectations, but demand recovery is slowing; the Company is strengthening efforts to achieve the forecast

(¥ billions)	FY2023		FY2023		FY2024 Revised Forecast (unchanged from 2Q forecast)		(Year on Year)
	3Q Cumulative	4Q	3Q Cumulative	4Q Forecast	3Q Cumulative	4Q Forecast	
Sales	292.8	96.4	389.3	301.6	118.4	420.0	+30.7
Operating income	12.6	0.8	13.4	11.8	6.2	18.0	+4.6
Operating margin	4.3%	0.9%	3.4%	3.9%	5.2%	4.3%	+0.8%
Ordinary Income	8.5	-3.0	5.5 <small>*1</small>	4.3	7.7	12.0 <small>*2</small>	+6.5
Net Income Attributable to Owners of Parent	3.6	8.4	11.9	2.6	6.4	9.0	-2.9
Forex (¥/\$)	142.9	146.7	143.8	152.3		150.5	
Japan Naphtha (¥/kl)	68,100	72,300	69,000	76,200		75,700	

*1 FY2023 gain on sale of strategic cross-shareholdings +17.4 billion yen
 Impairment loss on goodwill, etc., related to Icon Genetics -6.8 billion yen

*2 FY2024 gain on sale of strategic cross-shareholdings +0.3 billion yen

- We are carefully investigating the impact of new regulations on DPE chloroprene rubber manufacturing operations and financial results
- We have not factored in the impact of fundamental measures in the chloroprene rubber business, which is targeted to be reached by the end of the current fiscal year

Operating Income (¥ billions)	3Q Cumulative (Apr-Dec)	4Q Forecast	Full-Year Forecast	Progress
Electronics & Innovative Products	6.9	3.1	10.0	While demand for generative AI continues to grow, the recovery in semiconductor-related demand outside of generative AI has been slower than expected xEV demand remains weak
Life Innovation	7.6	2.4	10.0	Antigen rapid diagnostic kits: Kits continue to operate at full capacity. Because of this, despite an influenza outbreak in late December and early January, it is difficult to exceed forecasted volumes. Supply will increase with expanded facilities starting April 2025 Influenza vaccines: Vaccination rates have not increased this fiscal year, despite the influenza outbreak during late December and early January. We are monitoring vaccination rate trends for the next fiscal year and beyond
Elastomers & Infrastructure Solutions	-5.7	0.2	-5.5	Initial forecasts remain unchanged as we have not factored in the impact of fundamental measures in the chloroprene rubber business, which is targeted to be reached by the end of the current fiscal year (see P2)
Polymer Solutions	1.1	0.4	1.5	PC and home appliance demand had been recovering steadily but has recently weakened
Others	1.9	0.1	2.0	
Total	11.8	6.2	18.0	

- We adjusted the timing of recording for the new acetylene black facility in Thailand, while construction remains on schedule

	Investment & Lending				Depreciation				R&D				(¥ billions)
	3Q Cumulative (Year on Year)		Full Year (vs Initial Forecast)		3Q Cumulative (Year on Year)		Full Year (vs Initial Forecast)		3Q Cumulative (Year on Year)		Full Year (vs Initial Forecast)		
	FY2023	FY2024	FY2024		FY2023	FY2024	FY2024		FY2023	FY2024	FY2024		
	Actual	Actual	Initial Forecast	Revised Forecast	Actual	Actual	Initial Forecast	Revised Forecast	Actual	Actual	Initial Forecast	Revised Forecast	
Electronics & Innovative Products	11.4	20.8	48.0	35.0	6.6	7.0	9.6		4.1	4.2	6.0	5.5	
Life Innovation	3.5	8.4	10.0	12.0	2.9	2.4	3.0		3.5	3.5	6.0	5.0	
Elastomers & Infrastructure Solutions	9.4	9.1	8.0	11.5	6.7	6.9	9.0	No change	2.1	1.9	2.5	2.5	
Polymer Solutions	3.4	4.3	4.0	6.5	3.7	3.9	5.0		1.8	1.8	2.5	2.5	
Others	-	-	-	-	0.2	0.3	0.4		-	-	-	-	
Total	27.6	42.6	70.0	65.0	20.1	20.5	27.0		11.5	11.4	17.0	15.5	

Reasons for Increased Investments & Lending for FY2024

- ⇒ Timing of key strategic investment recognition
- Electronics & Innovative Products: Established a new acetylene black production facility in Thailand
- Life Innovation: Increased production of test reagents and antigen test kits



We significantly reduced planned investments at the decision-making level since FY2023 to cut investment cash flow by 100 billion yen over eight years under the Mission 2030 management plan

■ Dividend forecast unchanged from 100 yen/share

Expecting improved cash flow next year and beyond, considering the impact of the fundamental measures in the chloroprene rubber business to be reached by the end of the current fiscal year

		FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Net Income	(¥ billions)	25.0	22.7	22.8	26.0	12.8	11.9	9.0
Dividends per Share	(¥/share)	120.0	125.0	125.0	145.0	100.0	100.0	100.0
								Mid-term 50.0 End 50.0
Dividend	(¥ billions)	10.5	10.8	10.8	12.5	8.6	8.6	8.6
Shareholders Return		42%	48%	47%	48%	68%	72%	96%
Stock Purchase	(¥ billions)	2.1	-	-	-	-	-	-
Total Return	(¥ billions)	12.6	10.8	10.8	12.5	8.6	8.6	8.6
Total Return Ratio		50%	48%	47%	48%	68%	72%	96%
Depreciation	(¥ billions)	22.9	22.5	22.9	23.9	27.0	26.9	27.0
Investment & Lending	(¥ billions)	32.8	36.9	42.3	35.6	39.4	43.7	65.0
Interest Bearing Debt	(¥ billions)	112.1	134.3	138.2	137.0	169.7	174.4	209.0
Net D/E Ratio		0.40	0.42	0.42	0.40	0.50	0.45	0.60
ROIC		7.8%	6.6%	6.8%	7.3%	6.7%	2.5%	3.0%
ROE		10.3%	9.1%	8.8%	9.4%	4.4%	4.0%	2.9%

(¥ billions)

Sales	FY2023 Actual	FY2024 Revised Forecast (No change)	Incr. Decr.	Volume		Pricing	
Electronics & Innovative Products	87.8	95.0	+ 7.2	+ 5.0	+ 2.2		
Life Innovation	47.1	45.0	- 2.1	- 1.3	- 0.8		
Elastomers & Infrastructure Solutions	111.4	120.0	+ 8.6	+ 12.5	- 3.8		
Polymer Solutions	124.2	140.0	+ 15.8	+ 4.2	+ 11.6		
Others	18.8	20.0	+ 1.2	+ 1.2	-		
Total	389.3	420.0	+ 30.7	+ 21.6	+ 9.1		

Operating income	FY2023 Actual	FY2024 Revised Forecast (No change)	Incr. Decr.	Volume		Pricing		Cost and Other
Electronics & Innovative Products	9.0	10.0	+ 1.0	+ 3.4	+ 2.2	- 4.6		
Life Innovation	11.7	10.0	- 1.7	- 1.5	- 0.8	+ 0.6		
Elastomers & Infrastructure Solutions	-9.3	-5.5	+ 3.8	+ 5.5	- 3.8	+ 2.1		
Polymer Solutions	-0.1	1.5	+ 1.6	+ 0.8	+ 11.6	- 10.7		
Others	2.0	2.0	- 0.0	- 0.0	-	- 0.0		
Total	13.4	18.0	+ 4.6	+ 8.1	+ 9.1	- 12.6		

Sales (¥ billions)	FY2022				FY2023				FY2024			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q Forecast
Electronics & Innovative Products	21.9	25.6	22.3	23.8	19.2	22.5	21.7	24.5	21.9	23.2	22.5	27.4
Life Innovation	6.4	15.5	16.9	8.8	7.2	15.0	15.8	9.0	7.8	14.6	12.7	9.9
Elastomers & Infrastructure Solutions	30.4	32.5	31.6	29.3	28.0	29.2	28.6	25.6	29.2	27.2	28.0	35.5
Polymer Solutions	31.6	32.0	30.3	33.7	29.8	31.7	30.9	31.9	32.6	34.9	34.9	37.6
Others	4.1	2.9	4.7	3.4	3.7	5.1	4.5	5.4	3.8	4.0	4.4	7.9
Total	94.4	108.6	105.8	98.8	87.8	103.5	101.5	96.4	95.2	103.8	102.5	118.4

Operating income (¥ billions)	FY2022				FY2023				FY2024			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q Forecast
Electronics & Innovative Products	4.1	5.6	4.1	4.2	2.1	2.8	1.8	2.4	2.3	2.7	2.0	3.1
Life Innovation	0.5	6.0	5.0	2.8	0.9	5.7	3.1	2.0	1.7	4.0	1.9	2.4
Elastomers & Infrastructure Solutions	-0.2	1.5	-1.3	-1.1	-0.7	-0.9	-3.9	-3.7	-0.2	-2.9	-2.6	0.2
Polymer Solutions	-0.1	-0.0	-0.9	-0.1	-0.0	-0.2	0.6	-0.4	0.3	0.4	0.4	0.4
Others	0.6	0.4	0.9	0.4	0.5	0.5	0.4	0.6	0.7	0.5	0.7	0.1
Total	4.9	13.4	7.8	6.3	2.8	7.7	2.0	0.8	4.7	4.7	2.4	6.2

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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.

Possibility of chemistry

Denka

Inquiries regarding this material
Corporate Communications Dept,
Denka Co., Ltd.

TEL

03-5290-5511

URL

<https://www.denka.co.jp/eng/>