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## **FY2024 3Q Financial Results Presentation**

### **Summary of Q&A Session**

#### **(February 7, 2025)**

#### **Overall**

Q1: Please share the reasoning behind the decision for the change in president at this point of time. Is this change an indication of Denka having a good prospect on fundamental measures in its chloroprene rubber (CR) business?

A1: Discussions and consideration of measures are under way, and we are targeting to reach these measures by the end of fiscal 2024. We are gradually identifying the direction that Denka should take in this regard. Right now, we are about to release SNECTON, a newly developed low-dielectric organic insulating material. In addition, expanded production lines for high-value-added inorganic filler are scheduled to start operations in fiscal 2025 at the Omuta Plant. Also, our Gosen Plant will bring a new factory for antigen rapid diagnostic kits and IVD reagents on line. Considering the future contribution of the resulting expanded production capacities and other positive factors, we are therefore expecting our operating results from fiscal 2025 onward to return to a growth track. Moreover, we have judged that Denka needs to refresh its management team in order to further accelerate business growth toward the achievement of "Mission2030."

Q2: Please outline your forecasts for fiscal 2025 operating results.

A2: We are confident that operating income will recover and, even when conservatively estimated, attain a level that will allow us to deliver dividends per share of ¥100, the payment of which will result in a total shareholder return ratio of 50%.

Q3: Please describe the rationale behind the projection of a ¥3.8 billion increase in quarterly operating income. What led Denka to conclude that operating income will grow from the ¥2.4 billion recorded in the third quarter to ¥6.2 billion in the fourth?

A3: In the third quarter of fiscal 2024, we saw such one-off negative factors as periodic repair and valuation losses on inventories in the CR business in addition to the suspension of antigen rapid diagnostic kits production lines due to the construction of a new factory. The absence of these factors in the fourth quarter will help us expand earnings. However, except in the generative AI field, we anticipate that recovery in semiconductor demand could be slower than originally expected and suspect that demand for EV-related products may continue to be sluggish. Accordingly, we are stepping up initiatives to achieve our operating results forecast.

#### **Electronics & Innovative Products**

Q4: Please describe the sales status of spherical fused silica, spherical alumina, SNECTON, and other offerings for cutting-edge fields, including generative AI.

A4: With regard to sales of spherical fused silica and spherical alumina, around 20% of these products' overall net sales are in cutting-edge fields and demand for them has been steadily expanding. As for SNECTON, it has been approved by certain customers and will be released in February. Accordingly, we expect the sales to grow gradually from fiscal 2025 onward. We aim to

bring SNECTON's sales to ¥10 billion to ¥20 billion in fiscal 2030 or later.

Q5: Although the EV market's rate of growth of has slowed, will Denka possibly postpone its capital expenditure plan for a new acetylene black production facility in Thailand?

A5: We market acetylene black for both xEV-related and high-voltage cable-related applications. Market expansion is expected for high-voltage cable applications as demand is currently on a recovery trend. Moreover, even though growth in the xEV-related market is currently slowing, projections suggest the expansion of this market over the medium to long term. Accordingly, our plan for the Thai-based acetylene black production facility remains unchanged, with the launch of new facilities scheduled for fiscal 2026.

### **Life Innovation**

Q6: In fiscal 2024, this segment's operating income for the first nine months amounted to ¥7.6 billion, down ¥2.1 billion from operating income of ¥9.7 billion recorded in the same period of the previous fiscal year, due to a volume factor of negative ¥2.7 billion, which was somewhat alleviated by a cost factor of positive ¥0.8 billion. Could you discuss each factor in detail?

A6: The primary negative components affecting the volume factor included the lower sales volume of antigen rapid diagnostic kits in fiscal 2024 despite ongoing full-capacity production aimed at accommodating strong demand. This was in contrast with the higher fiscal 2023 sales volume backed by sufficient inventory volume. The situation was exacerbated by the temporary suspension of test kit production necessitated by the construction of the new factory.

The positive contribution of the cost factor was mainly attributable to a decrease in the amortization of goodwill. This is due to the fact that Denka recorded an impairment of goodwill in fiscal 2023 in connection with Icon Genetics, which had been engaged in the development of norovirus vaccine, thus the amortization of goodwill decreased from fiscal 2024.

### **Elastomers & Infrastructure Solutions**

Q7: In the third quarter, Denka recorded costs for the periodic repair of CR production facilities at its Omi Plant. Despite these costs, Denka's segment earnings for the third quarter remained on par with those recorded in the second. Why is that?

A7: We announced upward price revisions for our CR and enforced new pricing from September 2024 onward in phases. Although we have not seen substantial recovery in global CR demand, we have succeeded in securing approval from customers for new pricing based on their understanding of such circumstances as surges in costs, including those for raw materials and fuels, as well as our future forecast for demand-supply balance.

### **Polymer Solutions**

Q8: The chemical industry has been undergoing the reorganization of petrochemical businesses. What is Denka's position on structural reforms to be undertaken in Denka's styrene-related operations?

A8: We have determined that business reorganization now under way in the Chiba area will not affect the procurement of such raw materials as ethylene. Currently, therefore, we don't expect major negative factors to emerge. On the other hand, we have seen an around 20% decrease in demand for styrene-based resins for food packaging, the main application of these resins,

compared with demand seen prior to the COVID-19 pandemic. Given this, we need to optimize our sales and production structures and intend to robustly push ahead with optimization measures accordingly via, for example, collaboration with external companies.