Denka Company Limited

Q1 Financial Results Briefing for the Fiscal Year Ending March 2027

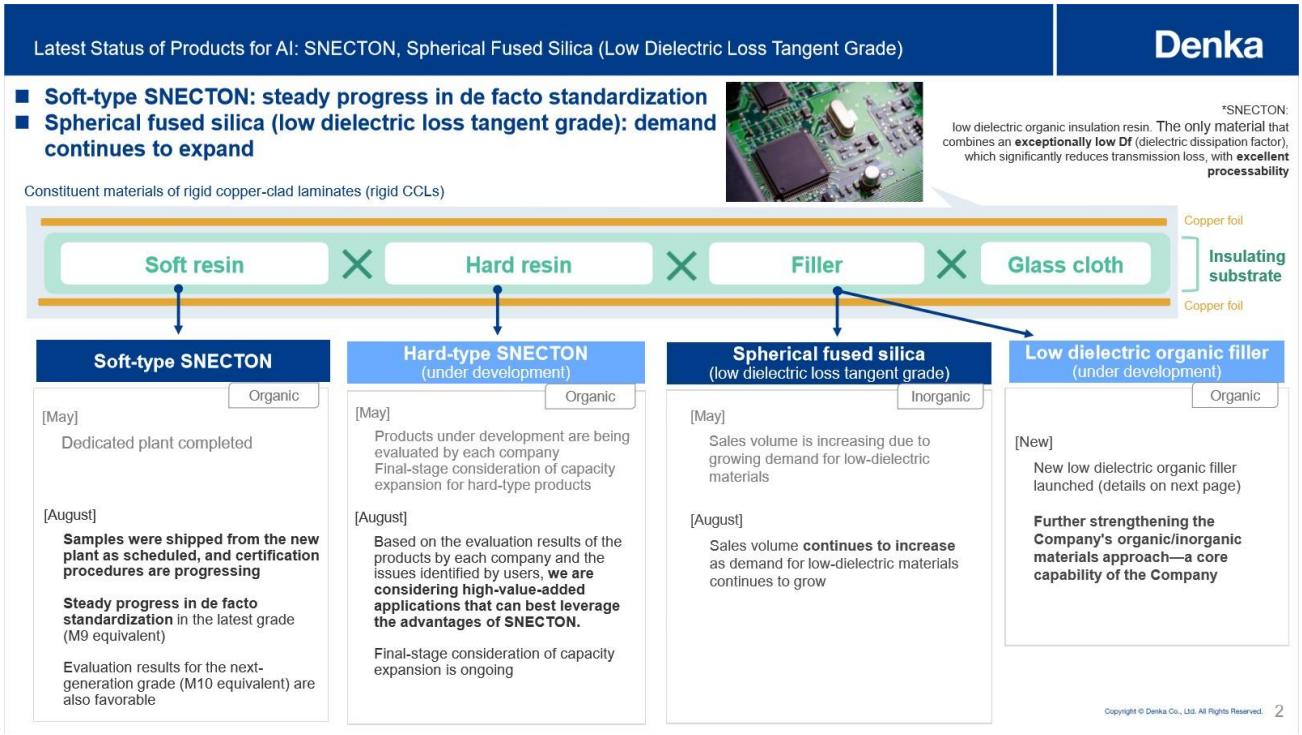
August 7, 2026

Event Summary

[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending March 2027	
[Fiscal Period]	FY2026 Q1	
[Date]	August 7, 2026	
[Venue]	Webcast	
[Speaker]	Rimiru Hayashida	Director, Senior Managing Executive Officer, CFO

Presentation

Hayashida: I am Hayashida. Thank you very much for taking the time out of your busy schedule to participate in the Denka financial results briefing for Q1 of FY2026 today. I would also like to take this opportunity to thank you for your continued support of our business.



First, I would like to explain the latest developments regarding our AI-related products, which are key drivers of our company's growth. See page two.

Our AI-related products, SNECTON and spherical fused silica, are used in rigid CCLs. The insulating layer of a rigid CCL consists primarily of four components: soft resin, hard resin, filler, and glass cloth. These materials must exhibit an extremely low dielectric loss tangent in order to enable high-speed communications, including AI applications.

In this context, our company sells SNECTON as a soft resin and spherical silica as a filler, and demand for these products is growing rapidly. In addition, since SNECTON has also developed products in the hard resin category, our company is able to provide solutions in three of the four material categories.

In addition, as part of our new filler lineup, we have developed an organic low-dielectric resin filler. We will further strengthen our approach to materials, which combines both organic and inorganic materials, a key strength of our company, and focus our efforts on initiatives in various fields.

The dedicated plant for soft-type SNECTON was completed in May. We have shipped samples from the new plant as scheduled, and the customer's certification process is proceeding smoothly. The process of establishing the latest grade as the de facto standard for CCL, equivalent to M9, is progressing smoothly. The evaluation results for the next-generation grade,M10-equivalent CCL, are also favorable.

Based on the evaluation results from various companies regarding our hard-type SNECTON prototype, we are currently considering its deployment in high value-added applications where SNECTON's advantages can be best demonstrated. Based on this sales strategy, we are currently in the final stages of considering further expansion of our facilities.

Demand for low dielectric loss silica, an inorganic filler, continues to grow, and sales volumes are on an upward trend. As mentioned earlier, we have recently launched a new organic filler, a low-dielectric organic filler, onto the market. In the area of low-dielectric organic filler, we will continue to meet the demand for low dielectric constants not only for rigid CCLs, but also for FCCLs.

On the next page, we will provide a detailed explanation of our new low-dielectric organic filler.

Latest Status of Products for AI: Low Dielectric organic Filler

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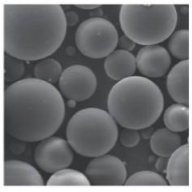
■ **Low-dielectric organic filler: Newly developed product introduced for high-speed communication substrates**

New development

Low dielectric organic filler



Key features

- **PFAS-free** while maintaining low dielectric properties comparable to PTFE
- The spherical particle shape enables **high loading**
- Compared with PTFE fillers, it offers **lower CTE*** and **lower specific gravity and higher adhesion**
- Compared with inorganic fillers, it offers **lower Dk and lower specific gravity**

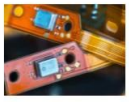
► Intended as a replacement for resin fillers in FCCLs and for use together with inorganic fillers in rigid CCLs

*CTE: Coefficient of thermal expansion

Physical properties

	Organic		Inorganic	
	Product developed by Denka (organic filler)	(Reference) PTFE fillers	Spherical fused silica	Spherical fused silica (low dielectric loss tangent grade)
Particle shape	Spherical	Non-spherical	Spherical	Spherical
Specific gravity (g/cm³)	1.0~1.2	2.2	2.2	2.2
CTE(ppm/°C)	70	100-140	0.5	0.5
Dielectric constant (Dk)	2.3	2.1	3.8	3.8
Dielectric dissipation factor (Df)	0.0006	0.0003	(Depending on the product)	0.0010 or less

Assumed application (1): Flexible copper-clad laminates (FCCLs) using fluorinated hybrid polyimide



Base polymer (modified polyimide) × PTFE resin filler ► Replaced with low-dielectric organic filler

Copper foil / Insulating layer / Copper foil

Assumed application (2): Rigid copper-clad laminates (rigid CCLs)

Soft resin × Hard resin × Combination of low-dielectric inorganic fillers and low-dielectric organic fillers × Glass cloth

Copper foil / Insulating layer / Copper foil

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See page three.

There are four main characteristics of low-dielectric organic filler. One is that it is PFAS-free while maintaining low dielectric properties comparable to PTFE. Second, because the particles are spherical, they can be highly loaded. The third point is that, compared to PTFE fillers, it offers lower CTE and lower specific gravity and higher adhesion. The fourth point is that, compared to inorganic fillers, it offers lower dielectric constant and a lower specific gravity.

Taking advantage of these characteristics, we intend to use low-dielectric resin fillers in both FCCL and rigid CCL. Among FCCLs, the PTFE filler is currently the primary material used in the modified polyimide-based FCCLs to achieve low dielectric properties. We are aiming to alternate this filler.

We also anticipate applications where, when used in combination with low-dielectric resin fillers for rigid CCLs, the dielectric constant can be further reduced. We will make the most of our company's strength, which lies in our expertise in both inorganic and organic technologies, to establish a strong presence through unique solutions that no one else can offer.

Production Suspension at DPE (U.S. Chloroprene Rubber Manufacturing Subsidiary): Impact on Earnings and Latest Status

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- **Operating income: The impact of fundamental measures was +3.0 billion yen in 1Q and is expected to be +6.2 billion yen for the full year as planned (vs. FY2025)**
- **Extraordinary gains and losses: 1Q: -4.7 billion yen. A certain amount of extraordinary losses is expected for the full year, but we plan to offset this by recording extraordinary gains, etc.**

Latest Status		
	Equipment	To safely suspend the manufacturing facilities, DPE has nearly completed the removal of materials, including raw materials and intermediates, and is currently cleaning the equipment and carrying out post-treatment work
	Employees	DPE is working to optimize its workforce (Number of employees: approx. 140 at the end of December 2025 → approx. 80 at the end of July 2026 → further workforce optimization)
	Stakeholders	To minimize future costs, DPE is continuing discussions with relevant stakeholders

(¥ billions)		1Q	2Q	2H	Full-year
Operating income	Impact of fundamental measures (vs. FY2025)	+3.0	+3.2	0.0	+6.2
Extraordinary gains and losses	DPE-related losses	-4.7 (Costs, including labor costs, associated with the removal of raw materials and other materials)	From 2Q onward, certain costs are expected to be recorded as extraordinary losses		
	Gain on sale of strategically held shares	0.0			
	Recognition of deferred tax assets	0.0			

Consider → Compensate

Note: This slide 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.

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Next, I will explain the earnings impact of the production suspension at DPE, our US chloroprene rubber manufacturing subsidiary, as well as its latest status. See page four.

DPE has nearly completed the removal of materials, including raw materials and intermediates to safely suspend the manufacturing facilities. We are currently cleaning the equipment and performing post-treatment work.

As of the end of July 2026, our workforce had decreased to approximately 80 employees. However, in line with the progress of this initiative, we will continue to optimize our headcount going forward.

At the same time, we are fully committed to consulting with our stakeholders. We will strive to resolve this matter promptly and minimize future costs.

Next, I will explain the impact on our earnings.

The impact of our drastic measures on operating income was a positive JPY3 billion in Q1 FY2026 compared to FY2025. For the full year, we expect a positive impact of JPY6.2 billion YoY, which is in line with our plan.

On the other hand, regarding extraordinary gains and losses, labor costs associated with the removal of raw materials were incurred, resulting in a negative impact of JPY4.7 billion recorded in Q1. From Q2 onward, certain costs are expected to be recorded as extraordinary losses.

As we have stated previously, we intend to compensate for this impact this fiscal year through extraordinary gains and other measures to manage our net income.

Presentation Highlights

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FY2026 1Q Results (P6-P14)

■ **Operating income: 11.0 billion yen (+8.7 billion yen YoY)**

Significant profit growth due to expanding demand for semiconductors (AI-related) and power infrastructure, the effect of the DPE production suspension (+3.0), and **inventory effects* (+6.0, including temporary effects of the situation in the Middle East, etc.)**

*** Inventory effect: +6.0 (including the effect of sales of opening inventory acquired before raw material and fuel prices rose): possibility of turning negative if raw materials and fuel prices decline (Polymer Solutions: +4.8, Elastomers & Infrastructure Solutions: +0.5, etc.)**

■ **Net income: 2.8 billion yen (-2.2 billion yen YoY)**

Extraordinary losses: Loss on liquidation of business, etc. (DPE-related, etc.)

FY2025 1Q: -2.2 (only write-downs of raw materials and intermediate products in equipment)
FY2026 1Q: -4.8 (costs, including labor costs, associated with the removal of raw materials and other materials)

Extraordinary gains: FY2025 1Q: +8.2 (gain on sale of land for Ofuna Plant) → FY2026 1Q: None

FY2026 Forecast (P15-P18)

■ **Operating income: 1H 17.0 billion yen (+5.0 billion yen vs Initial Forecast)**

■ **Net income: 1H 0.0 billion yen (±0.0 billion yen vs Initial Forecast)**

[1H]
Reflecting solid progress in Electronics & Innovative Products, lower sales in Life Innovation, and the remaining positive inventory effects

[Full-Year]
As the outlook for the situation in the Middle East and for raw material and fuel prices remains uncertain, the inventory effect may turn negative. Therefore, no revision has been made at this time, and it will be reviewed in 2Q.
(Reference) Initial forecast Operating income: 30.0 billion yen Net income: 16.0 billion yen

Shareholder Returns (P19)

■ **Dividend forecast: No change from 100 yen/share (Total return ratio 54%)**

■ **Future dividend policy: Aim to maintain or increase dividend per share based on a total return ratio of 50% (cumulative total for the eight years of the management plan)**

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See page five. Here are today's presentation highlights.

In the Q1 financial results for FY2026, demand for AI-related products and power infrastructure expanded, and the suspension of DPE operations contributed JPY3 billion. Inventory-related effects, including temporary impacts stemming from the situation in the Middle East, contributed JPY6 billion, resulting in a significant increase in the overall operating income of JPY8.7 billion YoY.

Net income totaled JPY2.8 billion, representing a decrease of JPY2.2 billion YoY, when the Company recorded a gain on sale of land for Ofuna Plant.

We have revised upward our earnings forecast for H1 of FY2026, taking into account steady progress in the Electronics & Innovative Products segment, a decline in sales in the Life Innovation segment, and the continued positive impact of inventory adjustments.

On the other hand, regarding our full-year earnings forecast, given the uncertainty surrounding the situation in the Middle East and trends in raw material prices, we believe there is a possibility that the impact of inventory levels could shift to a negative. For this reason, we will not be making any revisions at this time but plan to do so when we announce our Q2 financial results.

The dividend forecast remains unchanged from the initial forecast. The Company aims to maintain and increase the dividend per share based on a total return ratio of 50% for the cumulative eight years in the Mission 2030 management plan.

FY2026 1Q Results (1) Summary (Year on Year)

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■ **Operating income: Significant profit growth due to expanding demand for semiconductors (AI-related) and power infrastructure, the effect of the DPE production suspension (+3.0), and inventory effects (+6.0, including temporary effects of the situation in the Middle East, etc.)**

(billion yen)	FY2025 1Q Actual	**FY2026 1Q Actual**	(Year on Year)
Sales	94.1	**97.0**	+2.9
Operating income	2.3	**11.0**	+8.7
Operating Margin	2.4%	**11.3%**	+8.9%
Ordinary Income	1.7	**9.5**	+7.8
Extraordinary gains: Gain on sale of land for Ofuna Plant	8.2	**0.0**	
Extraordinary losses: Loss on liquidation of business, etc. (DPE-related, etc.)	-2.2	**-4.8**	
Net income	5.0	**2.8**	-2.2
Forex (yen/USD)	145.3	**159.9**	
Japan Naphtha (yen/KL)	65,100	**113,200**	

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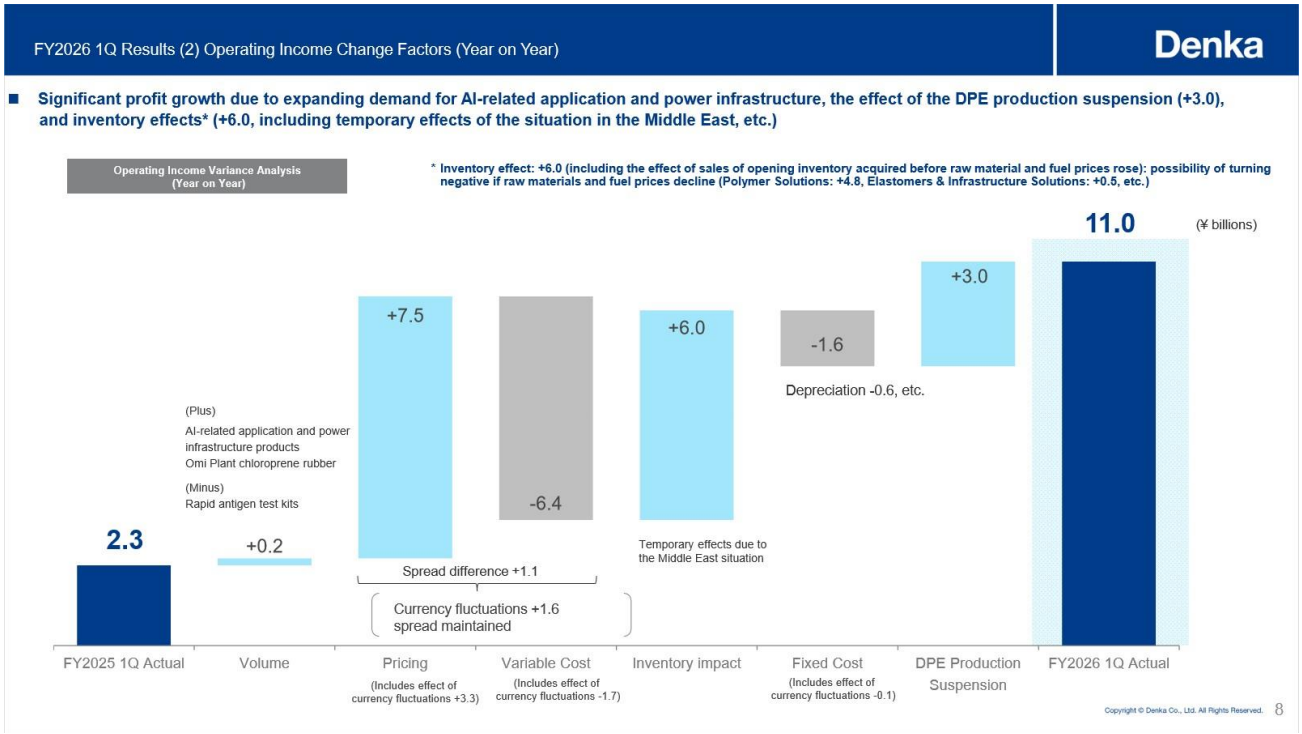
Now, let's move on to our Q1 FY2026 financial results. Please turn to page seven.

For Q1 of FY2026, revenue was JPY97 billion, operating income was JPY11 billion, ordinary income was JPY9.5 billion, and net income was JPY2.8 billion.

Operating income increased significantly due to factors such as growing demand in AI-related sectors and for power infrastructure, the impact of the suspension of DPE operations, and inventory-related effects.

Net income declined compared to the previous year, which included a gain on sale of land at Ofuna Plant.



On page eight, I will explain the factors behind the change in operating income.

The change in volume resulted in a net increase of JPY200 million, driven by a decline in sales of rapid antigen test kits, offset by increased sales of AI-related products, products for the power infrastructure sector, and chloroprene rubber from Omi Plant.

Net spread difference was positive JPY1.1 billion, as sales price realization offset higher raw material costs to maintain our spread.

Additionally, the inventory impact was a positive JPY6 billion, as we sold beginning-of-period inventory that was secured before raw material prices spiked. However, the positive effect resulting from not holding inventory here could turn into a negative effect when raw material and fuel prices decline. For this reason, we, too, recognize that this effect is temporary.

In addition, fixed assets decreased by JPY1.6 billion due to factors such as an increase in depreciation expenses, while the impact of the suspension of DPE operations resulted in a positive effect of JPY3 billion.

As a result, operating income rose significantly to JPY11 billion.

FY2026 1Q Results (3) Change Factors by Segment (Year on Year)

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■ **Profit increased in Electronics & Innovative Products, Elastomers & Infrastructure Solutions, and Polymer Solutions**

(¥ billions)

Sales	FY2025 1Q Actual	FY2026 1Q Actual	Incr. Decr.	Volume	Pricing	DPE Production Suspension
Electronics & Innovative Products	23.6	**26.4**	+2.8	+0.8	+1.9	
Life Innovation	6.6	**7.0**	+0.4	+0.5	-0.1	
Elastomers & Infrastructure Solutions	25.8	**23.7**	-2.1	-0.2	+1.5	-3.4
Polymer Solutions	33.8	**36.1**	+2.3	-1.8	+4.1	
Others	4.3	**3.9**	-0.4	-0.4	-	
Total	94.1	**97.0**	+2.9	-1.1	+7.5	-3.4

Operating income	FY2025 1Q Actual	FY2026 1Q Actual	Incr. Decr.	Volume	Pricing	Cost and Others	DPE Production Suspension
Electronics & Innovative Products	2.5	**3.7**	+1.2	+0.6	+1.9	-1.3	
Life Innovation	0.2	**0.2**	-0.0	-0.6	-0.1	+0.7	
Elastomers & Infrastructure Solutions	-1.4	**2.7**	+4.1	+1.0	+1.5	-1.3	+3.0
Polymer Solutions	0.4	**3.6**	+3.2	-0.9	+4.1	+0.0	
Others	0.6	**0.7**	+0.1	+0.1	-	-	
Total	2.3	**11.0**	+8.7	+0.2	+7.5	-2.0	+3.0

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See page nine. Here is a variance analysis of sales and operating income by segment.

Sales of AI-related products and products for power infrastructure in the Electronics & Innovative Products segment continued to perform well.

Profit increased for both the Elastomers & Infrastructure Solutions segment, due to the effects of the suspension of operations at DPE, and the Polymer Solutions segment, due to the inventory impact, resulting in a significant overall increase in profit.

FY2026 1Q Results (4) Change Factors by Segment (vs. FY2025 4Q)

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■ **Overall profit increased due to a significant increase in profit in Polymer Solutions**

(¥ billions)

Sales	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 4Q	FY2025 1Q	FY2025 2Q	FY2025 3Q	FY2025 4Q	FY2026 1Q	vs. 4Q (Incr. Decr.)
Electronics & Innovative Products	21.9	23.2	22.5	24.7	23.6	26.5	25.8	28.5	**26.4**	-2.1
Life Innovation	7.8	14.6	12.7	8.2	6.6	14.8	13.5	5.6	**7.0**	+1.4
Elastomers & Infrastructure Solutions	29.2	27.2	28.0	27.2	25.8	24.1	22.9	24.8	**23.7**	-1.1
Polymer Solutions	32.6	34.9	34.9	33.0	33.8	31.6	27.8	30.9	**36.1**	+5.2
Others	3.8	4.0	4.4	5.6	4.3	5.6	4.0	3.7	**3.9**	+0.2
Total	95.2	103.8	102.5	98.7	94.1	102.6	94.1	93.5	**97.0**	+3.5

Operating income	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 4Q	FY2025 1Q	FY2025 2Q	FY2025 3Q	FY2025 4Q	FY2026 1Q	vs. 4Q (Incr. Decr.)
Electronics & Innovative Products	2.3	2.7	2.0	2.2	2.5	3.8	3.4	4.1	**3.7**	-0.5
Life Innovation	1.7	4.0	1.9	2.0	0.2	3.6	2.8	-0.4	**0.2**	+0.6
Elastomers & Infrastructure Solutions	-0.2	-2.9	-2.6	-2.3	-1.4	-2.0	1.1	2.4	**2.7**	+0.4
Polymer Solutions	0.3	0.4	0.4	0.1	0.4	1.1	0.5	1.6	**3.6**	+2.0
Others	0.7	0.5	0.7	0.5	0.6	0.9	0.6	0.3	**0.7**	+0.5
Total	4.7	4.7	2.4	2.6	2.3	7.4	8.5	8.0	**11.0**	+3.0

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See page 10. This slide shows the quarterly trends for each segment and a comparison with the previous quarter.

In Q1, overall profit increased, driven by a significant profit growth in Polymer Solutions.

Next, starting with the following slide, I will explain the details of the segment-by-segment analysis.

FY2026 1Q Results (5) Electronics & Innovative Products (Year on Year)

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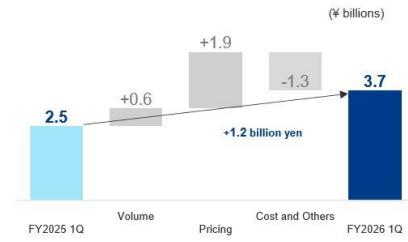
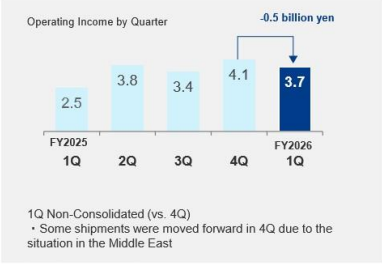
■ **Profit increased, driven by stronger demand for AI-related and power infrastructure applications**

Operating Income Variance Analysis (Year on Year)





Reason for Variance (Year on Year)	Volume	By Application: AI-Related and power infrastructure	By Application: Semiconductor and Electronic Components (non-AI)	By Application: Others	Pricing	Cost and Others
SNECTON	→	**For resin substrate** Sales for AI-related products to be in full swing from 2H	-	-	→ Level year on year	↘ Rising raw material and fuel prices; Increase in depreciation expenses -0.2
Spherical fused silica	↗	**For resin substrate** Ongoing strong sales for AI applications **For optical ferrule** Expansion continued	**For semiconductor sealants** Gradual recovery in demand continued	-	↗ Price increase due to rising raw material and fuel prices	
Spherical alumina	→	**For thermal conductive molding compound** Ongoing strong sales for AI applications	**For TIM *** Gradual recovery in demand continued	**For xEV** Sluggish sales in Europe		
High-performance film	↗	-	Gradual recovery	-		
Acetylene Black	↗	**For power infrastructure** Strong demand for high-voltage cables (Impact from Middle East situation: minor in 1Q), rapid increase for ESS	-	**For xEV** Sluggish sales in Europe		
ALSINK	↗	**For power infrastructure** Continued strong performance		**For electric railway** Level year on year	↗ Sales composition differences	
Silicon nitride (powder)	→	-	-	**For heat dissipation substrates and bearing balls** Level year on year due to replacement demand, despite sluggish EV market	→ Level year on year	
Ceramic Substrates (silicon nitride substrates, aluminum nitride substrates)	→	-		**For xEV** Sluggish sales in Europe **For electric railway** Continued steady performance	↗ Progress in increasing prices as planned	* TIM (Thermal Interface Materials)

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See page 11.

Electronic & Innovative Products posted a profit increase, driven by expanding demand for AI-related applications and power infrastructure.

By application, demand continued to expand for spherical fused silica in resin substrate applications and optical ferrules, as well as spherical alumina in thermal conductive molding compound. SNECTON is expected to see its AI-related sales take off in earnest starting in H2 of the fiscal year. Regarding acetylene black, demand for high-voltage cables in power infrastructure applications remained steady.

The negative impact of the situation in the Middle East was minimal in Q1.

Regarding price increases for products to offset the negative impact of the situation in the Middle East, we are currently conducting negotiations that take into account not only the increase in variable costs, but also the increase in fixed costs.

Sales of acetylene black for data center applications and ESS grew rapidly.

On the other hand, demand for xEVs remained sluggish in Europe and North America, leaving sales volumes for spherical alumina, acetylene black, silicon nitride, and ceramic substrates flat YoY.

Pricing increases for ceramic substrates proceeded as planned, resulting in a YoY increase.

Overall cost variance for the segment was negative YoY, reflecting higher raw material and energy costs and increased depreciation.

A comparison with the previous quarter is shown on the lower left of the slide. Due to the impact of the situation in the Middle East, some shipments were brought forward in Q4. As a result, profit in Q1 was slightly lower compared to Q4.

FY2026 1Q Results (5) Life Innovation (Year on Year)

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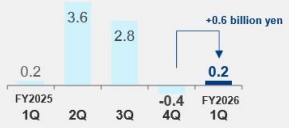
■ **Profit decreased significantly for rapid antigen test kits due to lower testing demand as infectious diseases are not prevalent**

Operating Income Variance Analysis (Year on Year)

(¥ billions)

Operating Income by Quarter



1Q Non-Consolidated (vs. 4Q)
・Includes increase due to the consolidation of Kainos

Reason for Variance (Year on Year)

	Volume		Pricing		Cost and Others
Influenza Vaccines	→	Manufacturing toward September shipments	→	Level year on year	↗ Decrease in research expenses, etc.
Rapid antigen test kits	↓	Infectious diseases are not prevalent, and shipments decreased due to lower testing demand	→	Same as above	
IVD reagents (inflammation markers, etc.)	↗	Includes increase due to the consolidation of Kainos	→	Same as above	

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Page 12 describes Life Innovation.

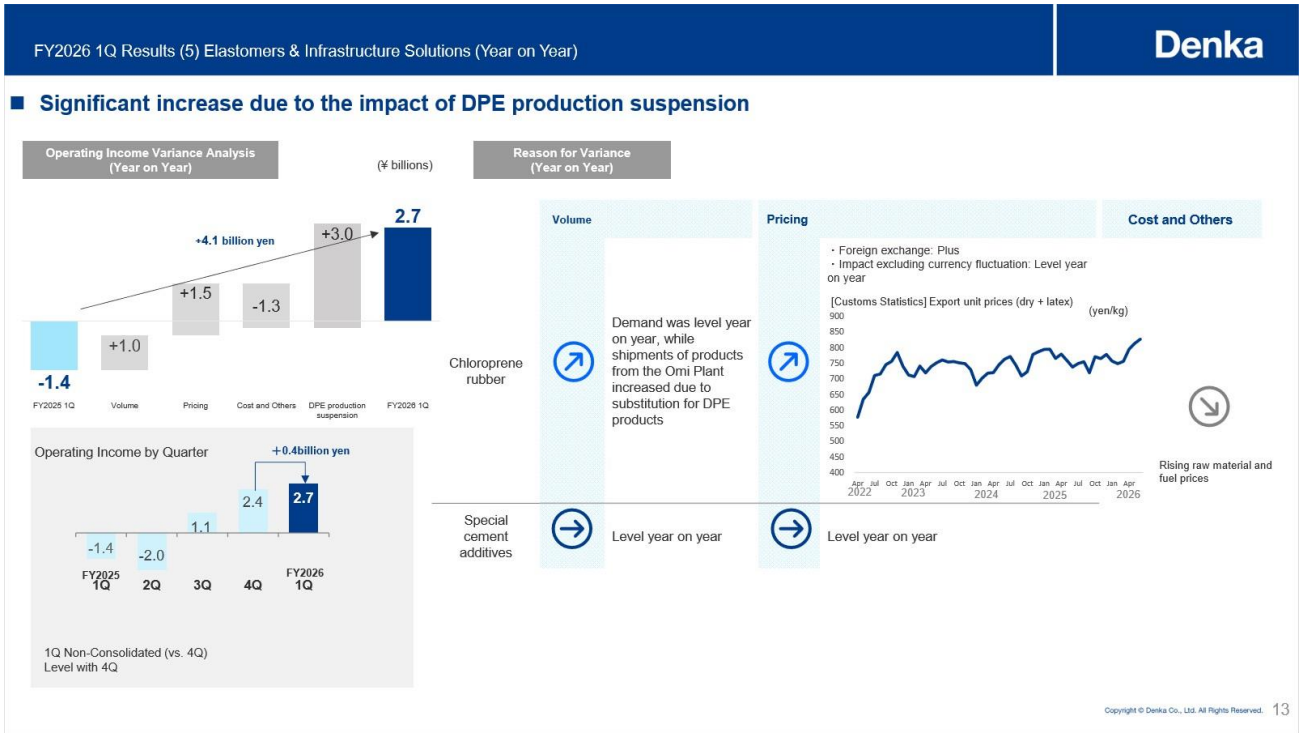
Although Life Innovation saw a significant decline in shipments of antigen test kits, its costs, including research expenses, decreased, resulting in flat YoY performance.

As for the status by product, the influenza vaccine is currently being manufactured for shipment in September.

Shipments of antigen test kits decreased significantly, as there are no current outbreaks of infectious diseases, and demand for testing declined. In addition, the reduction of inventory in the distribution channel did not progress as much as expected, and sales from Q2 onward are expected to remain challenging.

Sales of IVD reagents exceeded the previous year's level, including the increase resulting from the consolidation of Kainos.

Compared to Q4, profit increased due to factors such as the incremental contribution from the consolidation of Kainos.

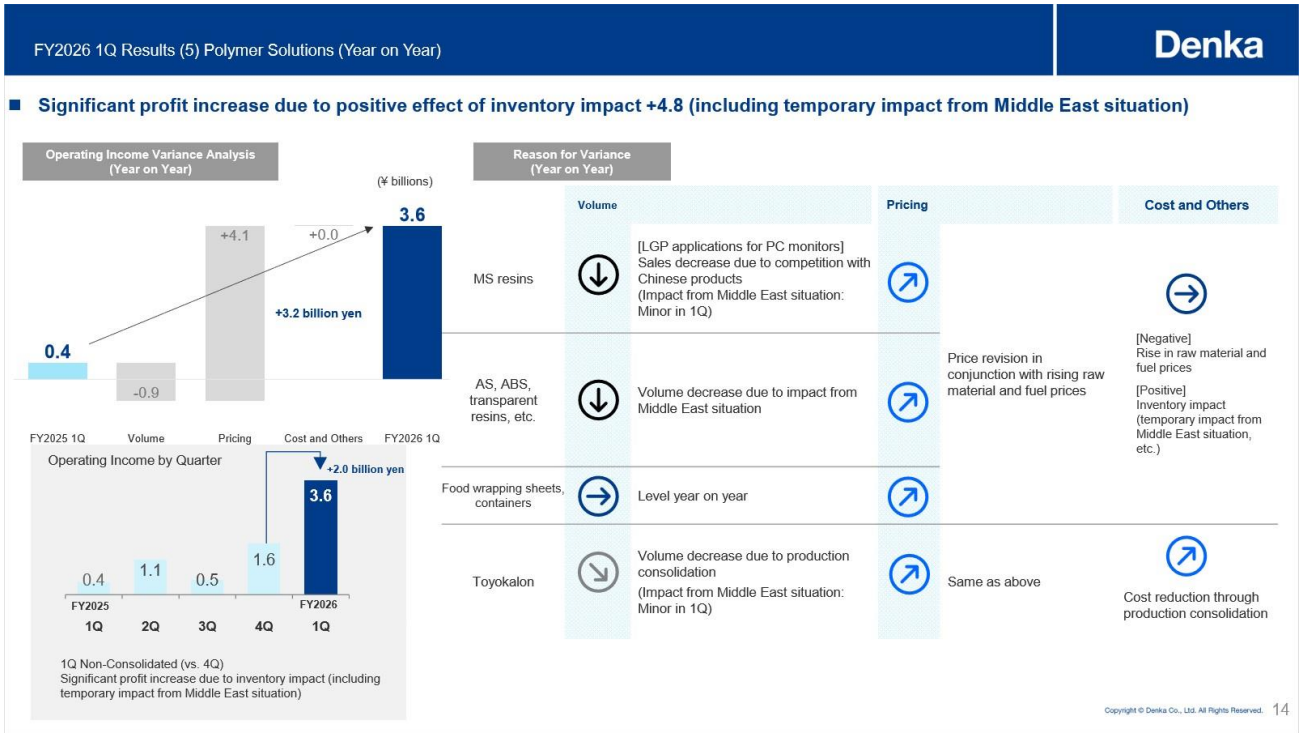


Page 13 describes Elastomers & Infrastructure Solutions.

In Elastomers & Infrastructure Solutions, while overall demand for chloroprene rubber remained flat YoY, shipments from Omi Plant increased due to a shift from DPE products.

In addition, the suspension of DPE operations resulted in a positive impact of JPY3 billion, leading to a significant increase in profit for the segment as a whole.

It should be noted that the comparison with Q4 is on par with the previous quarter.



Page 14 describes Polymer Solutions.

The Polymer Solutions segment posted a significant increase in profit, driven largely by a positive inventory impact of JPY4.8 billion.

In terms of performance by product, sales volume of MS resins declined due to competition from Chinese products.

In addition, sales of styrene-based resins, such as AS, ABS, and transparent resins, were slightly lower than the previous year due to the situation in the Middle East.

Compared with Q4, earnings expanded significantly due to inventory impacts.

FY2026 Earnings Forecast (1) Consolidated Summary (Year on Year)

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- **[1H] Reflecting solid progress in Electronics & Innovative Products, lower sales in Life Innovation, and the remaining positive inventory effects**
- **[Full-Year] As the outlook for the situation in the Middle East and for raw material and fuel prices remains uncertain, the inventory effect may turn negative. Therefore, no revision has been made at this time, and it will be reviewed in 2Q**

(billion yen)	FY2025 1H Actual	FY2026 1H Initial Forecast	**FY2026 1H Revised Forecast**	(vs Initial Forecast)	(Reference) Full-Year Initial Forecast
Sales	196.7	210.0	**205.0**	-5.0	450.0
Operating income	9.7	12.0	**17.0**	+5.0	30.0
Operating Margin	5.0%	5.7%	**8.3%**	+2.6%	6.7%
Ordinary Income	6.8	7.0	**11.0**	+4.0	20.0
Net income	3.9	0.0	**0.0**	±0.0	16.0
Forex (yen/$)	146.2	158.0	**160.4**		
Japan Naphtha (yen/kl)	65,000	121,100	**99,300**		

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Now, starting on page 16, I will explain our revised earnings forecast for H1 of the fiscal year.

We have revised upward our earnings forecast for H1 of FY2026, taking into account steady progress in the Electronics & Innovative Products segment, a decline in sales in the Life Innovation segment, and the continued positive inventory impact.

On the other hand, regarding our full-year earnings forecast, given the uncertainty surrounding the situation in the Middle East and trends in raw material prices, we believe there is a possibility that the impact of inventory could shift to a negative. For this reason, we will not be making any revisions at this time but plan to do so when we announce our Q2 financial results.

FY2026 Earnings Forecast (2) Breakdown by Segment

Denka

- **[1H] Reflecting solid progress in Electronics & Innovative Products, lower sales in Life Innovation, and the remaining positive inventory effects**
- **[Full-Year] As the outlook for the situation in the Middle East and for raw material and fuel prices remains uncertain, the inventory effect may turn negative. Therefore, no revision has been made at this time, and it will be reviewed in 2Q.**

Operating income (¥ billions)	1Q Actual	2Q Forecast (Difference)	**1H Revised Forecast**	(vs Initial Forecast)	**Full-Year Outlook**	Main factors for revision of earnings forecast
Electronics & Innovative Products	3.7	2.3	**6.0**	+2.0	◎ (Higher than projected)	Demand for AI-related products, including SNECTON, spherical fused silica and spherical alumina, continues to expand (Sales of SNECTON are expected to enter full swing in 2H) The impact of reduced acetylene black production due to the situation in the Middle East is expected to become significant from 2Q onward. Meanwhile, the impact of the situation in the Middle East on other products has been less than expected
Life Innovation	0.2	0.8	**1.0**	-2.0	△ (Lower than projected)	Demand for rapid antigen diagnostic kits associated with infectious disease outbreaks was significantly lower than initially expected (As market inventories are being consumed more slowly than expected, demand may fall below the 2H forecast)
Elastomer Infrastructure Solutions	2.7	2.3	**5.0**	+1.0	○ (In line with projections)	Demand for chloroprene rubber is in line with expectations Incorporating the remaining positive effects of inventory impact
Polymer Solutions	3.6	0.4	**4.0**	+4.0	○ (In line with projections)	Incorporating the remaining positive effects of inventory impact The negative impact of the situation in the Middle East is less than expected
Others	0.7	0.3	**1.0**	±0.0		
Total	11.0	6.0	**17.0**	+5.0		

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On page 17, we will present our revised H1 earnings forecasts by segment and—though this is purely qualitative—outline our outlook for the full year.

Demand for Electronics & Innovative Products continues to grow in the AI sector and is exceeding our initial projections for the fiscal year. SNECTON will begin in earnest starting in H2. The impact of reduced acetylene black production due to the situation in the Middle East is expected to become fully apparent starting in Q2. On the other hand, the impact of the situation in the Middle East on other products is expected to be less severe than anticipated. Based on the above, we have revised our H1 forecast upward by JPY2 billion to JPY6 billion, and we expect the full-year results to exceed our initial projections as well.

At Life Innovation, because demand for testing has fallen significantly short of expectations, the Company has revised its H1 forecast downward by JPY2 billion to JPY1 billion. Furthermore, since the pace at which market inventory is being depleted has slowed more than expected, we believe sales in H2 of the fiscal year may also fall short of projections.

At Elastomer & Infrastructure Solutions, while demand for chloroprene rubber is in line with expectations, the Company revised its forecast for H1 upward by JPY1 billion to JPY5 billion, factoring in the continued positive impact of inventory levels. We expect progress for the full fiscal year to be generally in line with our plans.

Polymer Solutions revised its forecast upward by JPY4 billion, reflecting the continued positive impact of inventory effects and the fact that the negative impact of the situation in the Middle East was less severe than anticipated. For the full fiscal year, it remains unclear whether the positive impact on inventory levels resulting from trends in raw material and fuel prices will persist. However, excluding that factor, performance is generally solid.

FY2026 Earnings Forecast (6) Investments, Depreciation and R&D Expenses by Segment

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■ **Investment in the new acetylene black production facility in Thailand is progressing, and capital expenditures are declining after peaking in the previous fiscal year**

(¥ billions)

	Investment & Lending*1				Depreciation				R&D			
	FY2025		FY2026		FY2025		FY2026		FY2025		FY2026	
	1Q Actual	Full-Year Actual	1Q Actual	Full-Year Forecast (No change)	1Q Actual	Full-Year Actual	1Q Actual	Full-Year Forecast (No change)	1Q Actual	Full-Year Actual	1Q Actual	Full-Year Forecast (No change)
Electronics & Innovative Products	4.4	**37.9**	6.5	**25.0**	2.7	**11.2**	2.9	**12.0**	1.5	**5.8**	1.7	**7.0**
Life Innovation	0.8	**6.1**	2.5	**4.0**	1.0	**4.2**	1.1	**4.2**	1.3	**4.5**	0.9	**4.0**
Elastomers & Infrastructure Solutions	1.8	**11.1**	2.9	**10.0**	2.1	**8.3**[*2]	2.1	**9.0**	0.6	**2.5**	0.7	**3.0**
Polymer Solutions	1.1	**5.2**	2.3	**7.0**	1.3	**5.2**	1.6	**6.4**	0.5	**1.9**	0.6	**2.0**
Others	0.0	**0.4**	0.3	**1.0**	0.1	**0.3**	0.1	**0.4**	-			
Total	8.2	**60.8**	14.4	**47.0**	7.2	**29.2**	7.8	**32.0**	3.9	**14.8**	3.9	**16.0**

*1 "Others" includes CVC, etc.

*2 Includes decrease in DPE depreciation

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Page 18 shows investment, depreciation, and R&D expenses by segment.

Investment for FY2026 is projected to be JPY47 billion.

There is no change to the forecast that the figure will gradually decline after peaking last fiscal year.

FY2026 Earnings Forecast (7) Shareholder Returns and ROE

Denka

■ **Unchanged from the previous year dividend of 100 yen per share in anticipation of improved cash flow (maintained from the initial forecast)**

		FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Forecast
Net Income	(¥ billions)	22.7	22.8	26.0	12.8	11.9	-12.3	15.7	16.0
Dividends per Share	(yen/share)	125.0	125.0	145.0	100.0	100.0	100.0	100.0	100.0
								Mid-term 50.0 End 50.0	Mid-term 50.0 End
Dividend	(¥ billions)	10.8	10.8	12.5	8.6	8.6	8.6	8.6	8.6
Shareholders Return		48%	47%	48%	68%	72%	-	55%	54%
Stock Purchase	(¥ billions)	-	-	-	-	-	-	-	-
Total Return	(¥ billions)	10.8	10.8	12.5	8.6	8.6	8.6	8.6	8.6
Total return ratio		48%	47%	48%	68%	72%	-	55%	54%
Depreciation	(¥ billions)	22.5	22.9	23.9	27.0	26.9	27.9	29.2	32.0
Investment & Lending*	(¥ billions)	36.9	42.3	35.6	39.4	44.0	70.0	60.8	47.0
Interest Bearing Debt	(¥ billions)	134.3	138.2	137.0	169.7	174.4	217.7	221.7	245.0
Net D/E Ratio		0.42x	0.42x	0.40x	0.50x	0.45x	0.61x	0.60x	0.69x
ROIC		**6.6%**	**6.8%**	**7.3%**	**6.7%**	**2.5%**	**2.5%**	**4.2%**	**4.5%**
ROE		**9.1%**	**8.8%**	**9.4%**	**4.4%**	**4.0%**	**-4.1%**	**5.2%**	**5.1%**
DOE		**4.3%**	**4.2%**	**4.5%**	**2.9%**	**2.9%**	**2.9%**	**2.8%**	**2.7%**

*Including CVC, etc.

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On page 19, I will explain about shareholder return and ROE.

Our FY2026 return policy remains unchanged, targeting a cumulative total return ratio of around 50% over the eight-year management plan while seeking to maintain or raise dividends per share.

The dividend forecast remains unchanged from JPY100 per share.

That concludes my explanation.