

FY2026 1Q Financial Results Presentation
Summary of Q&A Session
(August 7, 2026)

Overall

Q1: In the first quarter, Denka recorded extraordinary losses totaling ¥4.7 billion in connection with DPE. Although the Company expects to record extraordinary losses in the second quarter and later, do you think these losses will again be offset by extraordinary gains as was the case in fiscal 2025?

A1: Yes. We plan to offset DPE-related extraordinary losses by posting extraordinary gains, such as gain on sale of strategically held shares.

Q2: Inventory effects amounted to a positive ¥6.0 billion in the first quarter. What is your outlook for these effects for the first half of fiscal 2026?

A2: We anticipate that the total for these effects will be approximately ¥6.0 billion for the first half. In its second quarter, our Singapore-based subsidiary, whose fiscal year ends in December, will record positive inventory effects in connection with its resin products. On the other hand, lower raw material prices may lead to the recording of negative inventory effects for certain products. Thus, these positive and negative inventory effects are likely to offset each other.

Q3: In its initial forecast for fiscal 2026, Denka estimates a negative impact of ¥5.0 billion on operating income from reduced production volumes due to restrictions on raw material procurement caused by the situation in the Middle East. What is your current outlook for this impact?

A3: Initially, we anticipated that acetylene black manufactured in Singapore would continue to be negatively impacted until the end of September. And, with the present outlook remaining uncertain, the negative impact could exceed our initial forecast. On the other hand, other products have not been significantly affected. Taking these factors into account, we currently expect around a half of this ¥5.0 billion impact to materialize.

Electronics & Innovative Products

Q4: What is your future outlook for soft-type SNECTON?

A4: The shortage of low-dielectric glass cloth, which is a raw material for copper clad laminates (CCL), now constitutes a risk for certain users who are planning to launch next-generation grades. However, glass cloth produced by Taiwanese and Chinese manufacturers is being adopted by a growing number of users. Accordingly, we expect that the production of CCL incorporating this glass cloth will launch at around the end of 2026. Based on this expectation, we believe that soft-type SNECTON will be adopted by users in a phased manner in 2027 and beyond.

Q5: With regard to hard-type SNECTON, Denka has stated that the Company is “considering high-value-added applications that can best leverage the advantages of SNECTON.” Please share the status of discussions now under way.

A5: There are a number of competing products in the field of hard-type resin. Therefore, instead of targeting the entire market, we are planning to narrow our marketing focus on specific applications that allow SNECTON to leverage its advantages, such as low CTE and superior dimensional stability.

Q6: Please describe Denka's goal for low dielectric organic filler, which is under development.

A6: We expect this product to serve as an alternative to PTFE filler, which is used in modified polyimide (MPI)-based flexible copper clad laminate (FCCL), due to its PFAS-free characteristics.

In addition, this filler can be used in combination with inorganic fillers for rigid CCL applications. This combination makes it possible to reduce Dk,* which is difficult to control using inorganic fillers alone.

Thus, Denka's low dielectric organic filler boasts strength unique to the Company thanks to Denka's capability to produce both organic and inorganic fillers. Looking ahead, we will make further improvements and expand their applications to include, for example, the use in the manufacture of resin-based interposers.

* Dielektrizitätskonstante: Dielectric constant

Q7: Looking at the impact of decreased production as the result of raw material supply restrictions arising from the Middle Eastern situation, Denka anticipates that acetylene black produced at its Singapore plant will continue to be negatively impacted in the second half of fiscal 2026. Has the Company prepared any countermeasures to minimize this impact? What is your outlook for recovery?

A7: Our acetylene black manufactured in Singapore is mainly used in high-voltage cables. Accordingly, this acetylene black can be substituted with the supply from the Omuta Plant. Although the Omuta Plant's production capacity is limited, our policy is to supplement the supply of acetylene black to the best of our ability.

At present, we have yet to confirm whether supplier factories are back in operation.

Life Innovation

Q8: Due to the lower sales of rapid antigen test kits, Denka has downwardly revised its operating income forecast for the first half of fiscal 2026 to ¥1.0 billion, a decrease of ¥2.0 billion from the initial forecast of ¥3.0 billion announced at the beginning of the fiscal year. What is your operating income forecast for the second half?

A8: With regard to sales of rapid antigen test kits in the second half, we recognize the possibility of their falling short of forecasts, as seen in the first half, due to lower testing demand as infectious diseases are not prevalent. However, our current outlook is unclear. We intend to review our operating results forecasts at the time of first-half results announcement by taking into account various factors.

Elastomers & Infrastructure Solutions

Q9: Please share your views regarding chloroprene rubber (CR) demand in fiscal 2026.

A9: Our CR enjoyed an upturn in sales due to upfront demand in the first quarter, but in the second quarter recoil from this upturn is resulting in weaker demand. Nevertheless, our full-year forecasts suggest that our CR sales volume will meet planned targets.

Polymer Solutions

Q10: Please describe progress Denka has made thus far in spinning off its styrenics business, which is scheduled for April 2027.

A10: As announced in February 2026, discussions are now under way to complete the spin-off in April 2027.