

**FY2022 3Q Financial Results Presentation**  
**Summary of Q&A Session**  
**(February 7, 2023)**

**Revision to Dividend Forecasts**

Q1: Denka's announcement of a downward revision to its dividend forecasts for fiscal 2022 must have profoundly affected its stock price. Was this revision really necessary? Considering the outlook for fiscal 2023, might not this decision have been avoidable?

A1: In addition to downwardly revising our fiscal 2022 profit forecast to a considerable extent, in light of such factors as the investment plan stipulated under "Mission 2030," a new management plan to be launched in fiscal 2023, we have decided to downwardly revise our dividend forecasts. The new plan's investment budget will be twice as large as that of the current "Denka Value-Up" management plan. Despite this decision, we will remain committed to achieving a total shareholder return ratio of 50%, the target set for the five-year period of "Denka Value-Up."

In fiscal 2023, we intend to restore our business performance to a growth track and are aiming for yet another record-high profit while also strictly maintaining our total shareholder return ratio at 50%.

**Electronics & Innovative Products**

Q2: Please describe the sales status of acetylene black, spherical alumina and spherical fused silica for fiscal 2022 as well as the demand outlook for these products for fiscal 2023.

A2: With regard to acetylene black, demand for EV-related products declined in the first quarter but returned to a recovery track from July 2022. Demand for acetylene black for use in high-voltage transmission cables remains robust.

As for spherical alumina, demand for EV-related products similarly declined in the first quarter but began recovering from July 2022. Demand for spherical alumina for use in consumer-sector products, however, has been declining since October 2022 and the outlook for the fourth quarter remains harsh.

Although demand for spherical fused silica for use as semiconductor encapsulant fillers remained strong in the first half, it has been dropping since October 2022. The outlook for these offerings for the fourth quarter remains harsh.

However, demand for both EV-related and consumer-sector products is expected to gradually recover over the first half of fiscal 2023. In terms of the full-year forecast, we anticipate that the demand environment will be more favorable than in fiscal 2022.

Q3: Looking at three key applications for silicon nitride (heat-dissipating substrates for EV inverters, bearing balls for offshore wind power generators and bearing balls for EV traction motors), which do you think is the most promising field in terms of future growth in demand?

A3: Among these applications, we have greatest expectations for heat-dissipating substrates for EV inverters. Demand has grown in step with the expansion of the EV market. In this field, Denka commands a strong market share of 90%. We also consider bearing balls for EV traction motors to be another promising field. Demand is on a growth track due to a switchover now under way from steel bearings to ceramic bearings.

Q4: With regard to applications for emitters, in what fields do you currently see growth in demand?

A4: Although our emitters' original application was as electron beam emitting components in electron microscopes, demand has been expanding with the use of multi beams in semiconductor device manufacturing in recent years.

### **Life Innovation**

Q5: It was reported that the usage of influenza vaccines marketed thus far remains sluggish. What is your outlook for fiscal 2023?

A5: Influenza infections have been widespread in fiscal 2022. In fiscal 2023, we expect to be able to deliver vaccine supplies to the market earlier than in fiscal 2022 so that we can secure an even larger market share. Taking these and other factors into account, we anticipate that the usage rate of Denka's influenza vaccines will improve.

Q6: Please describe your fiscal 2023 outlook for rapid test kits for COVID-19 antigens.

A6: We anticipate that the sales volume of these test kits will decline somewhat in fiscal 2023. At the current moment, however, it is hard to assume that COVID-19 will disappear. We expect demand associated with COVID-19 testing undertaken by medical institutions to remain ongoing.

Q7: Could you provide rationales for Denka's projection that the sales volume of the DELYTACT (G47Δ) Oncolytic Virus can be increased in fiscal 2023?

A7: Although our supply capacity has yet to catch up with growing demand, we are planning to strengthen our DELYTACT supply structure.

## **Elastomers & Infrastructure Solutions**

Q8: We have just been updated about a considerable decline in demand for chloroprene rubber (CR). As a top-tier CR maker, what strategies Denka has in mind to balance sales prices and sales volumes?

A8: While there remains a scarcity of CR suppliers, a growing volume of CR is being held up in the form of inventory at user companies due mainly to the recent disruption of logistics networks. Now, although said disruption has largely subsided, the deceleration of global economic growth caused CR demand to decline in step. This, in turn, resulted in a radical decrease in CR sales volumes starting from October 2022. Thus, even though inventory adjustment will require a certain period of time, we expect CR demand to gradually recover from June 2023. With regard to CR sales prices, we have been acting as a price leader and thus promoted upward price revisions. Despite this, Denka's CR market share has not declined. Accordingly, we intend to maintain CR sales prices at a level commensurate with product value.

## **Polymer Solutions**

Q9: Denka's full-year operating income forecast amounts to ¥1.0 billion. To meet this forecast, the Company must secure a significantly larger volume of profit than before in the fourth quarter. Do you think it's possible?

A9: Denka's Singapore-based subsidiary, which plays a large role in Polymer Solutions, closes its fiscal year on December 31. With this in mind, the aforementioned forecast factors in a certain amount of profit that has already been realized by this subsidiary. In addition, demand for MS resin for use in light guiding substrates for televisions and monitors has rapidly recovered since December 2022. Furthermore, we anticipate fourth-quarter recovery in demand for resin products manufactured by the Chiba Plant.