



Denka

Possibility
of
chemistry

Results Presentation of FY2023

(Fiscal Year Ended March 2024)

Securities code: 4061

Denka Co., Ltd

May 10, 2024

- The EPA emission regulations will have a significant impact on whether Denka Performance Elastomer (DPE) will be able to continue operations in the U.S. DPE is considering all possible responses, including taking legal actions seeking a revision of the regulations.

(Press release) • April 17 2024: Announcement of New Regulations set by the U.S. Environmental Protection Agency that apply to Chloroprene Rubber Manufacturing Facilities in the U.S.
https://www.denka.co.jp/eng/storage/news/pdf/490/20240417_denka_dpe_en.pdf

Details and Company Response

- | | |
|------------------|--|
| Details | <ul style="list-style-type: none">• April 9, 2024 (local time)
U.S. Environmental Protection Agency (EPA) announces new chemical air emission regulations applicable to chloroprene rubber manufacturing facilities in the U.S., including facilities operated by DPE• Details of the rules call for significant reductions in chloroprene monomer emissions• The rules take effect 60 days from publication of the rules in the federal register, and the grace period for compliance is 90 days from the date of effect
(Date of publication in the federal register: Not published as of now) |
| Company Response | <ul style="list-style-type: none">• The Company is considering all possible measures to have the new regulations revised, including taking the matter to the U.S. Court of Appeals• We are carefully investigating the impact the regulations will have on DPE chloroprene rubber manufacturing operations and financial results |

FY2023 Results
(P4-P13)

- Operating income: 13.4 billion yen -18.9 billion yen year on year
 - Net income: 11.9 billion yen -0.8 billion yen year on year
- Gain on sale of strategic cross-shareholdings +12.5 billion yen (FY2022 +5.0 billion yen → FY2023 +17.4 billion yen)
 Portfolio transformation +10.9 billion yen (FY2022 -17.7 billion yen → FY2023 -6.8 billion yen)
- *FY2022: Recorded an extraordinary loss due to the withdrawal from the cement business;
 FY2023: Recorded an impairment loss on goodwill, etc., related to Icon Genetics due to termination of norovirus vaccine development

FY2024
Earnings Forecast
(P14-P25)

- Operating income: 18.0 billion yen +4.6 billion yen year on year
 - Net income: 9.0 billion yen -2.9 billion yen year on year
- We have not factored in the impact of drastic measures for the chloroprene rubber business planned for announcement during 2024

Shareholder
Returns
(P26)

- Maintain 100 yen per share dividend, the same as the previous year, taking into account the impact drastic measures in the chloroprene rubber business to be announced during 2024, cash flow improvement for FY2025 and beyond, etc. (total return ratio of 96%)
- Future dividend policy: Aiming 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)

Response to
Changed
Assumptions Under
Mission 2030
Management Plan
(P27-P32)

- A positive shareholder return policy, carefully selected strategic investments (reduce investment plan by 100 billion yen cumulatively over eight years), portfolio transformation, and best practice project
- Return performance to a growth trajectory in the second half of FY2024, while maintaining a steady D/E ratio of 0.6x to 0.8x

FY2023 Results

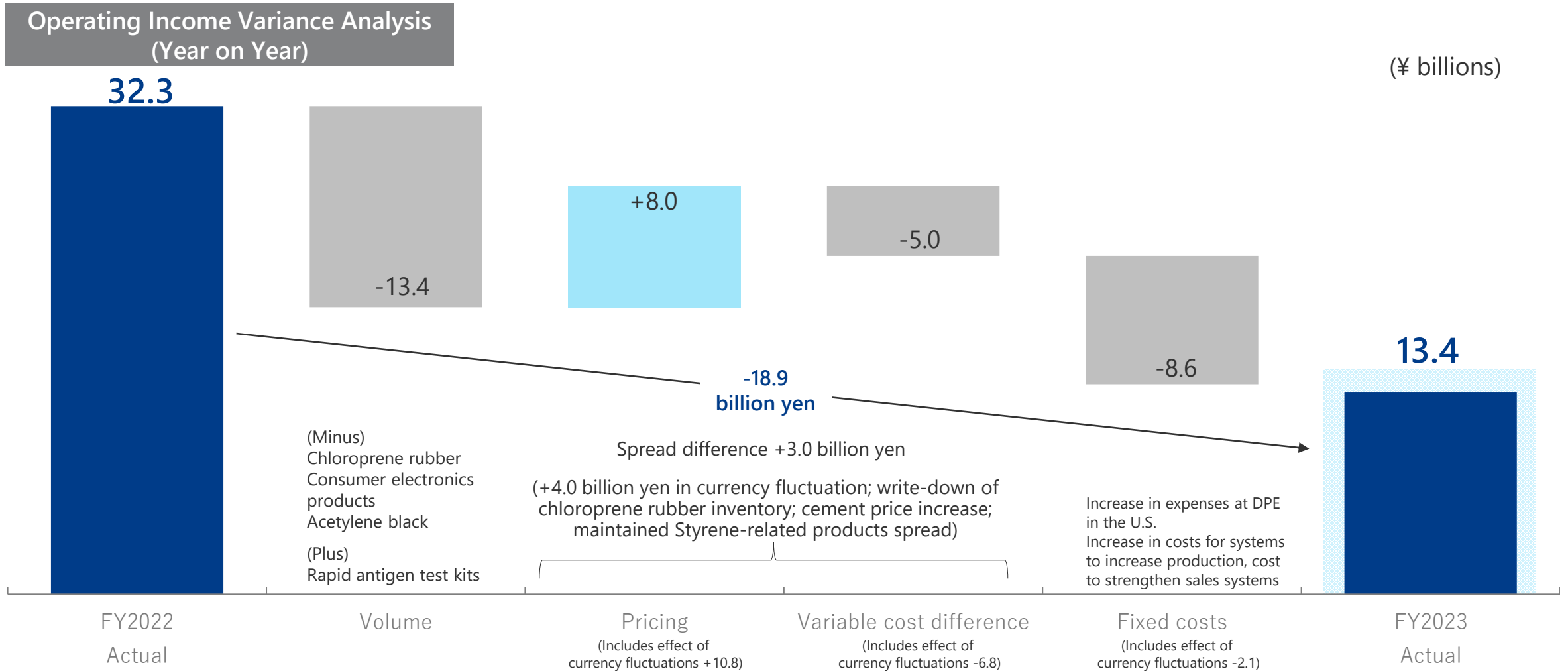
- Operating income decreased year on year due to slowing demand and other factors, net income was impacted by the posting of a 17.4 billion yen gain on the sale of strategic cross-shareholdings and a 6.8 billion yen impairment loss due to the termination of norovirus vaccine development

(¥ billions)	FY2022 Actual	FY2023 Actual	(Year on Year)		FY2023 Forecast as of February	(vs Forecast as of February)	
Sales	407.6	389.3	-	18.3	380.0	+	9.3
Operating Income	32.3	13.4	-	18.9	11.0	+	2.4
Operating Margin	7.9%	3.4%	-	4.5%	2.9%	+	0.5%
Ordinary Income	28.0	5.5	-	22.6	3.0	+	2.5
Net Income Attributable to Owners of Parent	12.8 ^{*1}	11.9^{*2}	-	0.8	11.0	+	0.9
Forex (¥/\$)	135.1 (1H: 131.6 2H: 138.6)	143.8 (1H: 139.9 2H: 147.7)			142.8		
Japan Naphtha (¥/KI)	76,500 (1H: 82,850 2H: 69,400)	69,000 (1H: 65,450 2H: 72,550)			68,500		

^{*1} Extraordinary Losses due to withdrawal from cement business -17.7 billion yen
Gain on sale of strategic cross-shareholdings +5.0 billion yen

^{*2} Gain on sale of strategic cross-shareholdings: +17.4 billion yen
Impairment loss on goodwill, etc., related to Icon Genetics due to termination of norovirus vaccine development -6.8 billion yen
Restoration costs for facilities, etc., due to the Noto Peninsula earthquake -0.9 billion yen

- Significantly lower profits due to lower sales volumes with lower demand, as well as higher fixed costs



■ Profit declined significantly year on year for Electronics & Innovative Products, as well as Elastomers & Infrastructure Solutions

Sales	FY2022	FY2023	Incr. Decr.	Volume		Pricing		(¥ billions)
Electronics & Innovative Products	93.5	87.8	- 5.7	-	9.2	+	3.5	
Life Innovation	47.5	47.1	- 0.4	-	0.5	+	0.0	
Elastomers & Infrastructure Solutions	123.8	111.4	- 12.5	-	19.1	+	6.6	
Polymer Solutions	127.6	124.2	- 3.3	-	1.3	-	2.1	
Others	15.1	18.8	+ 3.7	+	3.7		-	
Total	407.6	389.3	- 18.3	-	26.3	+	8.0	

Operating Income	FY2022	FY2023	Incr. Decr.	Volume		Pricing		Cost and Other
Electronics & Innovative Products	18.0	9.0	- 9.0	-	5.1	+	3.5	- 7.4
Life Innovation	14.4	11.7	- 2.6	-	0.1	+	0.0	- 2.6
Elastomers & Infrastructure Solutions	- 1.1	-9.3	- 8.2	-	6.9	+	6.6	- 7.8
Polymer Solutions	-1.2	-0.1	+ 1.1	-	1.0	-	2.1	+ 4.2
Others	2.3	2.0	- 0.3	-	0.3		-	+ 0.0
Total	32.3	13.4	- 18.9	-	13.4	+	8.0	- 13.6

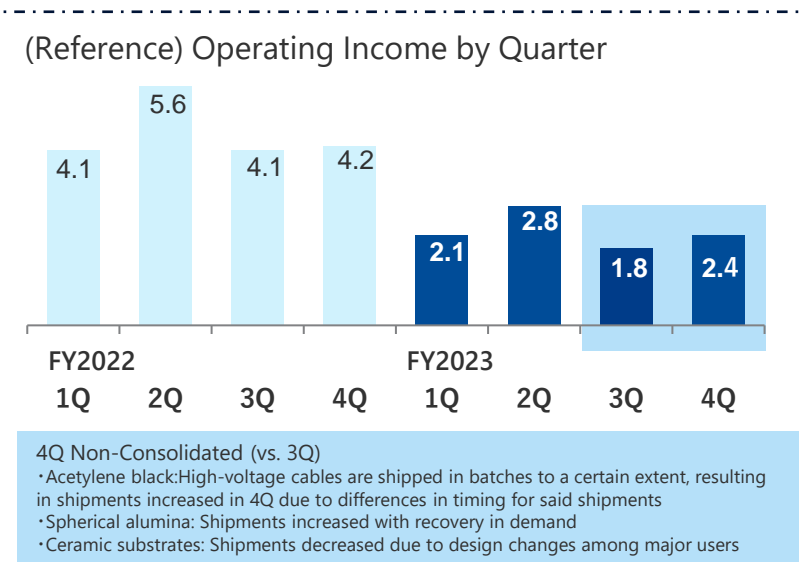
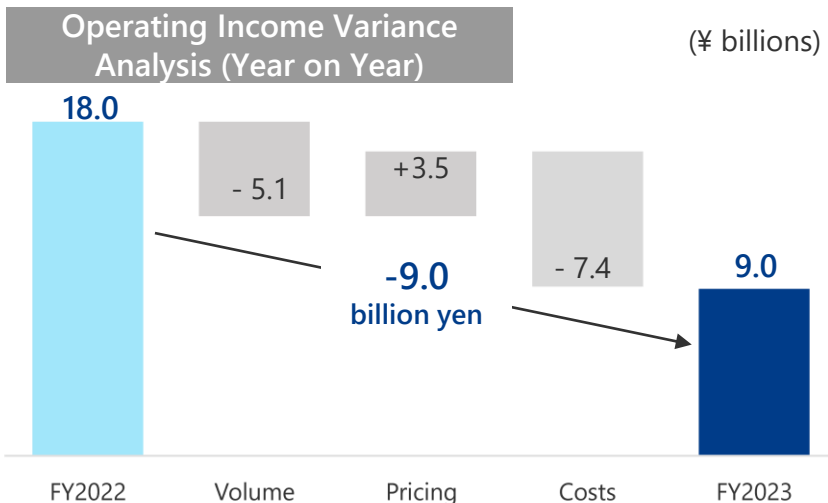
■ Lower Life Innovation and Polymer Solutions profit compared to 3Q, profit decreased overall

(¥ billions)

Sales	FY2022				FY2023				Vs. 3Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Electronics & Innovative Products	21.9	25.6	22.3	23.8	19.2	22.5	21.7	24.5	+ 2.9
Life Innovation	6.4	15.5	16.9	8.8	7.2	15.0	15.8	9.0	- 6.8
Elastomers & Infrastructure Solutions	30.4	32.5	31.6	29.3	28.0	29.2	28.6	25.6	- 3.0
Polymer Solutions	31.6	32.0	30.3	33.7	29.8	31.7	30.9	31.9	+ 1.0
Others	4.1	2.9	4.7	3.4	3.7	5.1	4.5	5.4	+ 0.9
Total	94.4	108.6	105.8	98.8	87.8	103.5	101.5	96.4	- 5.1

Operating Income	FY2022				FY2023				Vs. 3Q
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Electronics & Innovative Products	4.1	5.6	4.1	4.2	2.1	2.8	1.8	2.4	+ 0.6
Life Innovation	0.5	6.0	5.0	2.8	0.9	5.7	3.1	2.0	- 1.1
Elastomers & Infrastructure Solutions	-0.2	1.5	-1.3	-1.1	-0.7	-0.9	-3.9	-3.7	+ 0.2
Polymer Solutions	-0.1	-0.0	-0.9	-0.1	-0.0	-0.2	0.6	-0.4	- 1.1
Others	0.6	0.4	0.9	0.4	0.5	0.5	0.4	0.6	+ 0.2
Total	4.9	13.4	7.8	6.3	2.8	7.7	2.0	0.8	- 1.2

Profit declined significantly due to major decrease in demand for consumer electronics (smartphones, PCs) in FY2022 3Q, weak demand for high-voltage cables, and cost increases beginning

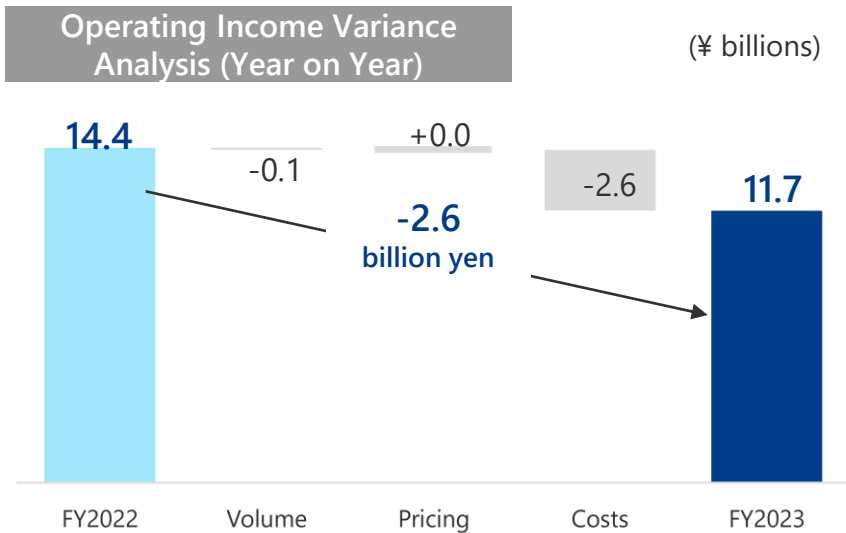


Reason for Variance (Year on Year)

Material	Sales	Volume	By Application			Pricing
			Semiconductor and Electronic Components	xEV	Other	
Spherical Alumina	↓	↓	(TIM* applications) • Lower YoY as demand for consumer electronics, which had plummeted in FY2022 3Q, continued to decline in FY2023	• Level YoY with a slowdown in European and U.S. EV market growth, which account for a high percentage of total sales, and other factors		↗ Currency fluctuation : Plus
Spherical Fused Silica	↓	↓	(Semiconductor sealants) Same as above			↗ Same as above
High-Performance Film	→	→	• For semiconductors, same as above. • For electronic component applications, gradual recovery as inventories in the market are worked down • Overall, sales largely in line with the previous year			↗ Same as above
Acetylene Black	↓	↓		Same as above	• Demand for high-voltage cables in Europe declined due to construction delays; demand for high-voltage cables in China also weakened	↗ Same as above
Ceramic Substrates (silicon nitride, aluminum nitride)	→	→		• Demand recovered and shipments were higher YoY	• Sales for electric railway applications were on a par with the previous year	↗ Same as above
Cost and Other		↓	Increase in costs for systems to raise production, and costs to strengthen sales systems			

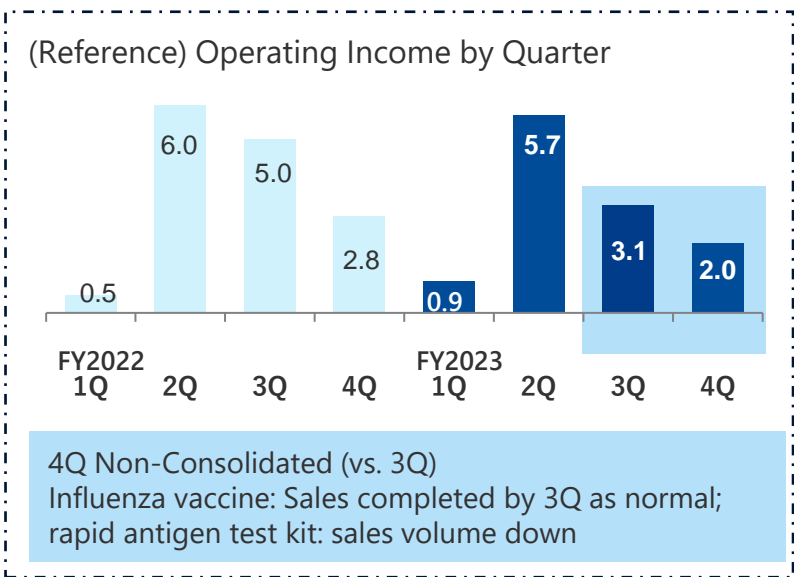
*TIM (Thermal Interface Materials)

Profit decreased, despite an increase in demand for simultaneous test kits for COVID 19 and influenza (combo kits), due to cost increases, etc.



Reason for Variance (Year on Year)

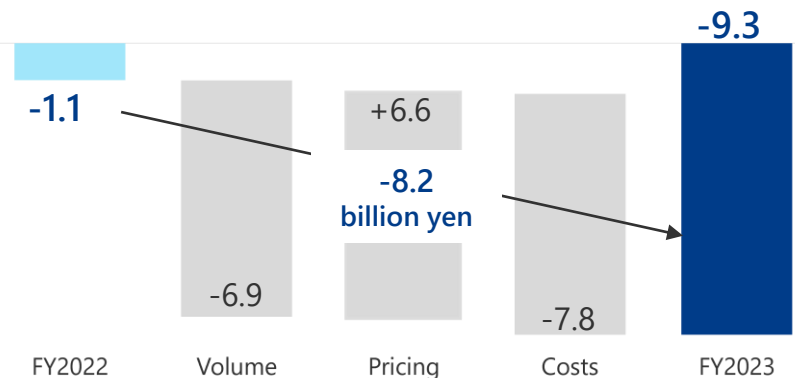
	Sales	Volume	Pricing
Influenza Vaccine	→	→ • Assuming that the number of vaccinations would return to normal, we manufactured 10 million vaccines, an increase from the previous year, but the vaccination rate did not increase and remained at the same level as the previous year	→
Rapid Antigen Test Kits	↗	↗ • Higher shipments of simultaneous test kits for COVID 19 and influenza (combo kits) due to the spread of influenza	→ • Maintained prices after the downgrade of COVID-19 to a Class 5 infectious disease
IVD Reagents (Inflammation markers, etc.)	→	→ • Largely unchanged from last year	→
Cost and Other	↘	Soaring prices of raw materials for influenza vaccines, R&D expenses, etc.	



Profit decreased significantly with weak demand for chloroprene rubber, cost increases, including repairs and labor costs at DPE in the U.S., and inventory valuation write-downs

Operating Income Variance Analysis (Year on Year)

(¥ billions)



Reason for Variance (Year on Year)

	Sales	Volume	Pricing
Chloroprene Rubber	↘	⬇	↗
Special Cement Additives	→	→	→
Cement	→	→	↗
Cost and Other			⬇

• Shipments falling below the previous year due to lower demand from FY2022 3Q for applications in industry and adhesives, as well as ongoing adjustments to market inventories in automobiles despite recovery in demand

• Currency fluctuation: Plus
• Impact excluding currency fluctuations: Flat year on year
Flat YoY, as, despite gradual price hikes in FY2022, sales prices fell in FY2023 due to intensified competition from products of other companies

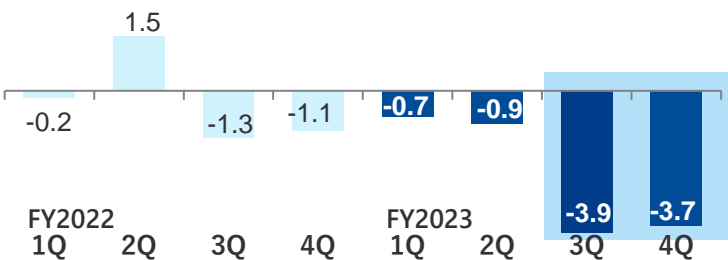
[Customs Statistics] Export unit prices (dry + latex) (Yen/Kg)

• Despite delays, the 3,000 yen/ton additional price hike, was essentially complete as of July 31, 2023

Increase in repair, labor, and other costs at DPE in the U.S.*1, write-down on valuation of chloroprene rubber inventory*2
*1 DPE: Denka Performance Elastomer LLC, a U.S. chloroprene rubber manufacturing subsidiary
*2 Posted write-down due to lower utilization capacity caused by a decrease in demand, as well as higher costs at DPE in the U.S.

Coal prices fell (FY2022: \$392/t ⇒ FY2023: \$161/t)

(Reference) Operating Income by Quarter



4Q Non-Consolidated (vs. 3Q):

• Posted chloroprene rubber inventory write-down in 3Q.

Chloroprene rubber in the 4Q:

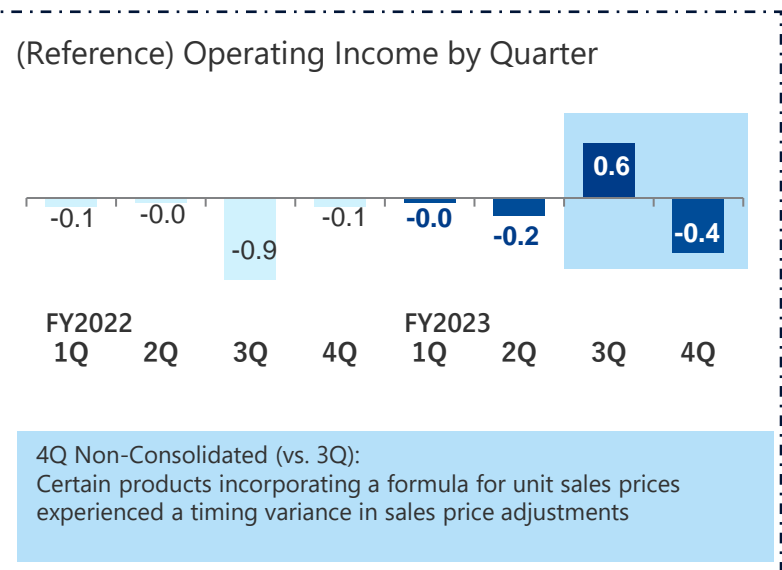
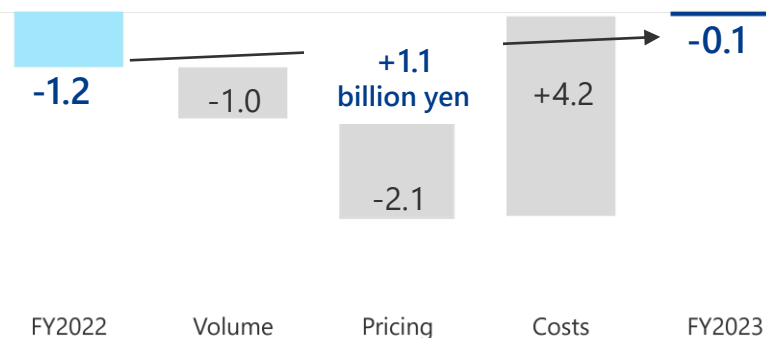
Impact of Noto Peninsula earthquake on sales: -1.1 billion yen

Profit improved, despite weak demand, since we maintained spreads and fixed costs decreased due to a non-scheduled maintenance year for the styrene monomer plant

Operating Income Variance Analysis (Year on Year)

(¥ billions)

Reason for Variance (Year on Year)



	Sales	Volume	Pricing
MS Resin	↗	↗ Higher YoY as demand for LGP applications for PC monitors, which had been weak in FY2022, recovered gradually	↘
AS, ABS, Transparent Resins, Etc.	→	→ Level YoY, as demand for consumer electronics, cosmetics containers, general merchandise, etc., which began weakening in FY2022, continued to decline in FY2023 due to overall sluggishness in the global economy	↘ Styrene Related Product: Price revision in conjunction with falling raw materials and fuel prices
Food Wrapping Sheets and Containers	↘	↘ Lower YoY, with declining demand for ready-made meals due to food price hikes	↘
Toyokalon	→	→ Largely unchanged YoY due to continuing weakness in purchasing power in African and U.S. markets due to inflation, which began in FY2022	↘
Cost and Other	↗	Variable costs: Improved due to lower raw material and fuel prices (spread maintained) Fixed costs: Improved due to a non-scheduled maintenance year for the styrene monomer plant	

- Elastomers & Infrastructure Solutions performance exceeded the February forecast, as we maintained chloroprene rubber sales prices and recorded a smaller inventory write-down as a result

(¥ billions)

Sales	FY2023 Forecast as of February	FY2023 Actual	Incr. Decr.	Volume		Pricing	
Electronics & Innovative Products	85.0	87.8	+ 2.8	+ 2.6	+ 0.3		
Life Innovation	45.0	47.1	+ 2.1	+ 2.3	- 0.2		
Elastomers & Infrastructure Solutions	110.0	111.4	+ 1.4	+ 0.8	+ 0.5		
Polymer Solutions	125.0	124.2	- 0.8	- 1.6	+ 0.8		
Others	15.0	18.8	+ 3.8	+ 3.8	-		
Total	380.0	389.3	+ 9.3	+ 7.9	+ 1.4		

Operating Income	FY2023 Forecast as of February	FY2023 Actual	Incr. Decr.	Volume		Pricing		Cost and Other
Electronics & Innovative Products	8.5	9.0	+ 0.5	+ 0.1	+ 0.3	+ 0.2		
Life Innovation	12.0	11.7	- 0.3	+ 0.1	- 0.2	- 0.1		
Elastomers & Infrastructure Solutions	-10.5	-9.3	+ 1.2	- 0.2	+ 0.5	+ 0.9		
Polymer Solutions	-0.5	-0.1	+ 0.4	+ 0.1	+ 0.8	- 0.5		
Others	1.5	2.0	+ 0.5	+ 0.5	-	- 0.0		
Total	11.0	13.4	+ 2.4	+ 0.5	+ 1.4	+ 0.5		

FY2024 Earnings Forecast






- The first half will continued sluggishness from FY2023, operating profit is expected to increase as a gradual recovery is factored in from the second half

(¥ billions)	FY2023 Actual	FY2024 Forecast	Incr. Decr.		FY2024 1H Forecast (Apr-Sep)	FY2024 2H Forecast (Oct-Mar)
Sales	389.3	420.0	+	30.7	200.0	220.0
Operating Income	13.4	18.0	+	4.6	8.5	9.5
Operating Margin	3.4%	4.3%	+	0.8%	4.3%	4.3%
Ordinary Income	5.5	12.0	+	6.5	5.0	7.0
Net Income Attributable to Owners of Parent	11.9*	9.0	-	2.9	4.0	5.0
Forex (¥/\$)	143.8 (1H: 139.9 2H: 147.7)	148.0			148.0	148.0
Japan Naphtha (¥/kl)	69,000 (1H: 65,450 2H: 72,550)	77,600			77,600	77,600






*Impairment loss on goodwill, etc., of -6.8 billion yen related to Icon Genetics due to termination of norovirus vaccine development
Restoration costs for facilities, etc., due to the Noto Peninsula earthquake -0.9 billion yen
Gain on sale of strategic cross-shareholdings +17.4 billion yen

Demand for consumer electronics and xEV should recover gradually beginning in the second half of the year

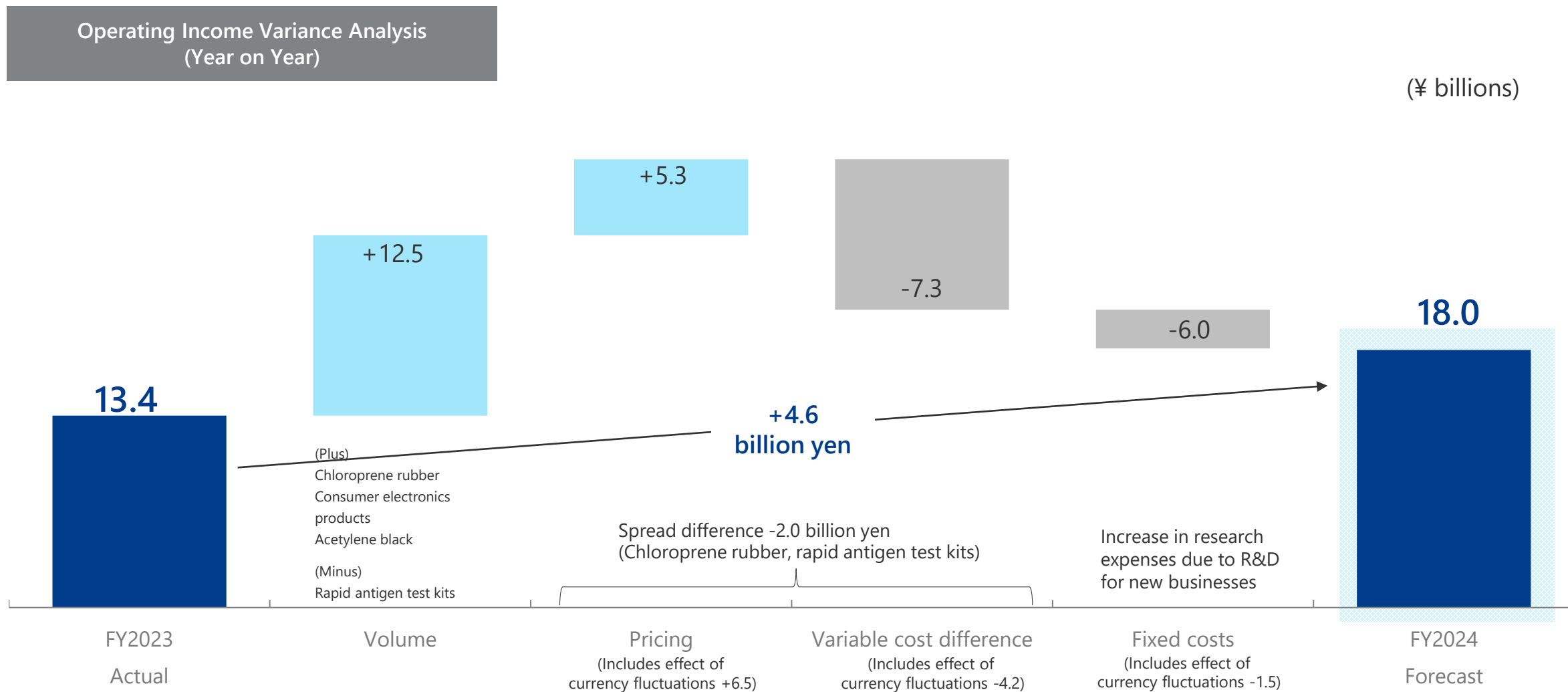
Weather Symbols

(Good)      (Bad)

FY2024 Forecast

	(Market Trends)	FY2023 Actual	FY2024 Forecast
Electronics & Innovative Products	Semiconductor and Electronic Components (including automotive) 	Automotive-Related: Gradual recovery Consumer Electronics: Electronic components and semiconductors for other than memory should see a moderate recovery beginning in the second half; recovery likely to lag for memory-related	Automotive-Related: Moderate recovery continuing from 2023 Consumer Electronics: Electronic components and semiconductors for other than memory should see a moderate recovery; demand to recover in the second half for memory and expand further for generative AI
	xEV 	<ul style="list-style-type: none"> Recovery trajectory since FY2022 However, the growth rate of EV in Europe and the U.S. is slower than EV in China (our products account for a high percentage of sales in Europe and the U.S.) 	<ul style="list-style-type: none"> Growth slower than expected due to reduced EV subsidies in Europe, etc., but the market growth trend itself should continue However, the growth rate of EV in Europe and the U.S. is slower than EV in China (our products account for a high percentage of sales in Europe and the U.S.)
Life Innovation	Infectious Disease Testing (e.g., COVID-19, influenza) 	<ul style="list-style-type: none"> An influenza pandemic continued throughout the year, as did COVID-19, increasing the demand for testing in Japan No revisions to COVID-19 insurance points 	<ul style="list-style-type: none"> Influenza infections to return to normal levels Assuming FY2023 levels for COVID-19 COVID-19 insurance point reduction (revised June 1, 2024) COVID-19 alone: 300 points → 150 points Combo: 420 points → 225 points
Elastomers & Infrastructure Solutions	Chloroprene Rubber 	<ul style="list-style-type: none"> Global chloroprene rubber demand was 220,000 tons Ongoing weakness in demand for applications in industry and adhesives as well as ongoing adjustments to market inventories in automobiles despite recovery in demand Sales prices lower gradually due to intensifying competition with the products of other companies beginning during the current fiscal year 	<ul style="list-style-type: none"> Global demand for chloroprene rubber expected to be 230,000 tons Gradual recovery in demand beginning in the second half Further decline in sales prices continuing from FY2023
Polymer Solutions	Resin 	Demand for LGP applications for PCs and home electronics on a recovery trajectory; however, demand for other applications remained sluggish General Merch.: Demand remained sluggish Food Containers: Decreased in demand in the ready-made meal market with further rising food prices	Steady demand for LGP applications for PCs and home appliances, moderate recovery in other applications General Merch.: Demand to remain sluggish Food Containers: Wage increases have not kept pace with higher prices, and demand likely to remain weak in the ready-made market

- Recovery in sales volume likely to be limited as demand will not recover until the second half of the fiscal year. In addition, we do not expect a recovery to FY2021 profit levels (record-high levels) yet due to worsening spreads and increased fixed costs



- Despite expectations for decreased profits in Life Innovation, we expect profits to improve in Electronics & Innovative Products and Elastomers & Infrastructure Solutions.

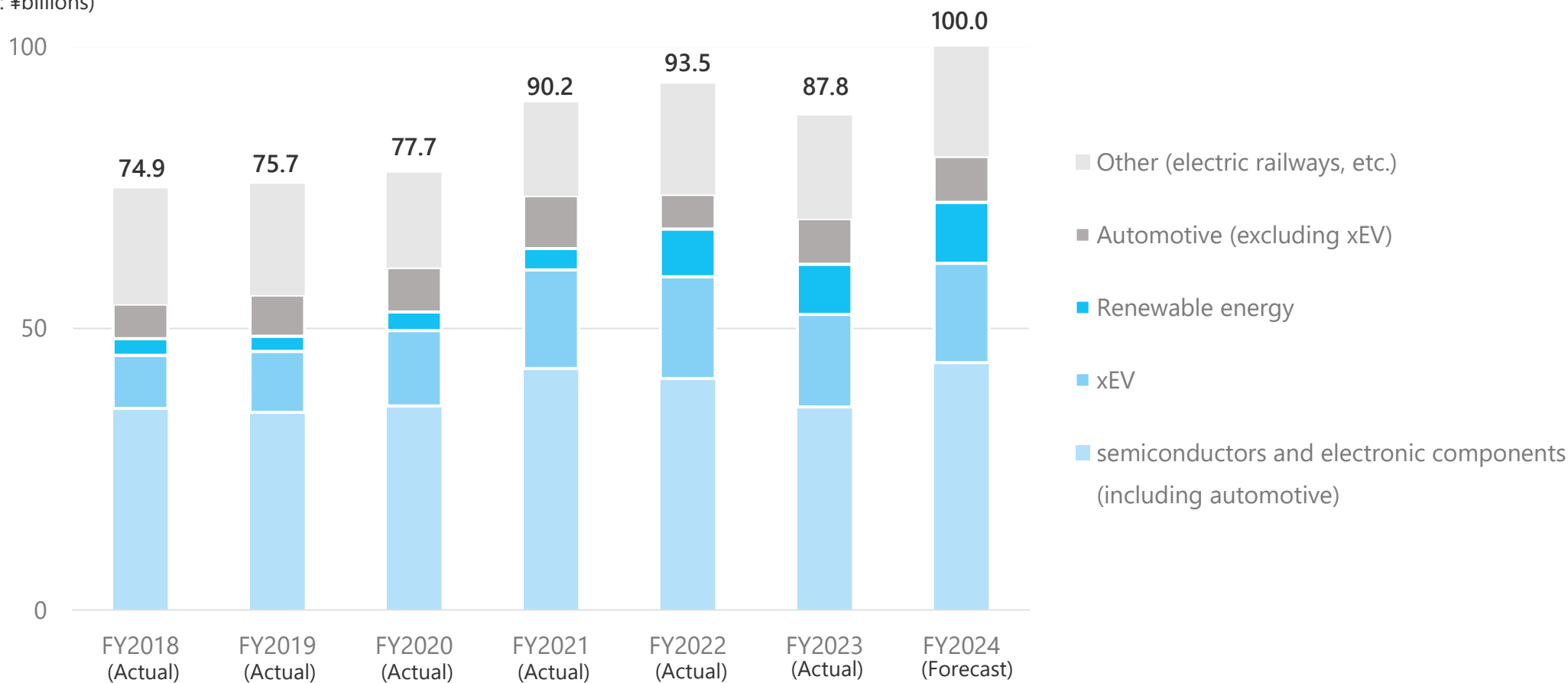
(¥ billions)

Sales	FY2023 Actual	FY2024 Forecast	Incr. Decr.	Volume		Pricing		
Electronics & Innovative Products	87.8	100.0	+ 12.2	+ 11.1	+ 1.1			
Life Innovation	47.1	45.0	- 2.1	- 0.4	- 1.7			
Elastomers & Infrastructure Solutions	111.4	120.0	+ 8.6	+ 12.5	- 3.8			
Polymer Solutions	124.2	135.0	+ 10.8	+ 1.0	+ 9.8			
Others	18.8	20.0	+ 1.2	+ 1.2	-			
Total	389.3	420.0	+ 30.7	+ 25.4	+ 5.3			
Operating Income	FY2023 Actual	FY2024 Forecast	Incr. Decr.	Volume		Pricing		Cost and Other
Electronics & Innovative Products	9.0	12.0	+ 3.0	+ 6.2	+ 1.1	- 4.2		
Life Innovation	11.7	9.0	- 2.7	- 0.5	- 1.7	- 0.5		
Elastomers & Infrastructure Solutions	-9.3	-5.5	+ 3.8	+ 5.5	- 3.8	+ 2.1		
Polymer Solutions	-0.1	0.5	+ 0.6	+ 1.4	+ 9.8	- 10.6		
Others	2.0	2.0	- 0.0	- 0.0	-	+ 0.0		
Total	13.4	18.0	+ 4.6	+ 12.5	+ 5.3	- 13.2		

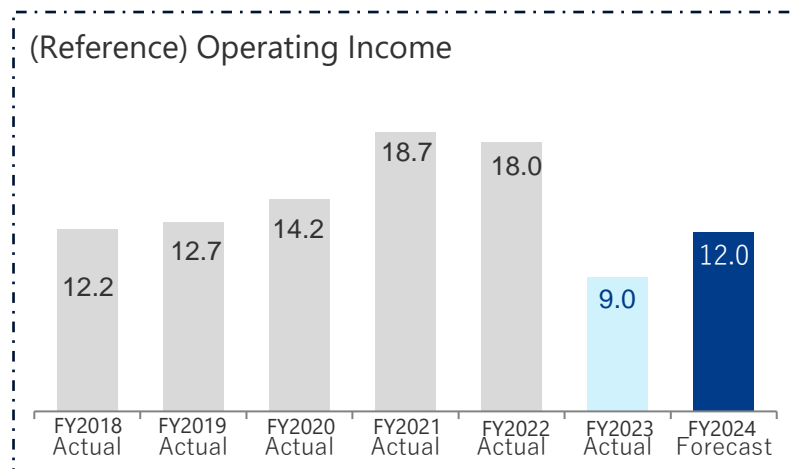
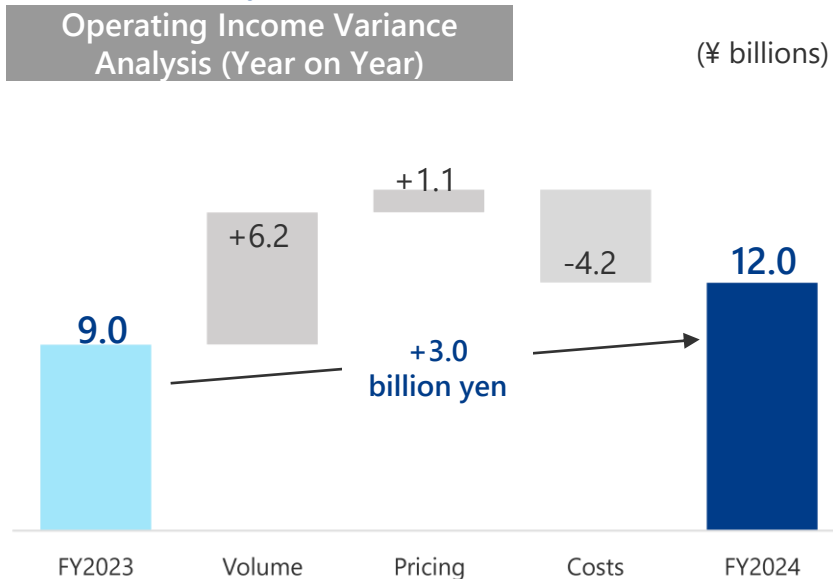
■ Recovery is likely to be delayed;
 however, business growth in megatrending semiconductors, xEV, and renewable energy

Sales Composition by Application

(Sales: ¥billions)



■ We expect demand recovery for both consumer electronic and xEV applications to be limited. In addition, we do not expect a recovery to FY2021 profit levels yet due to increased costs.



Reason for Variance (Year on Year)

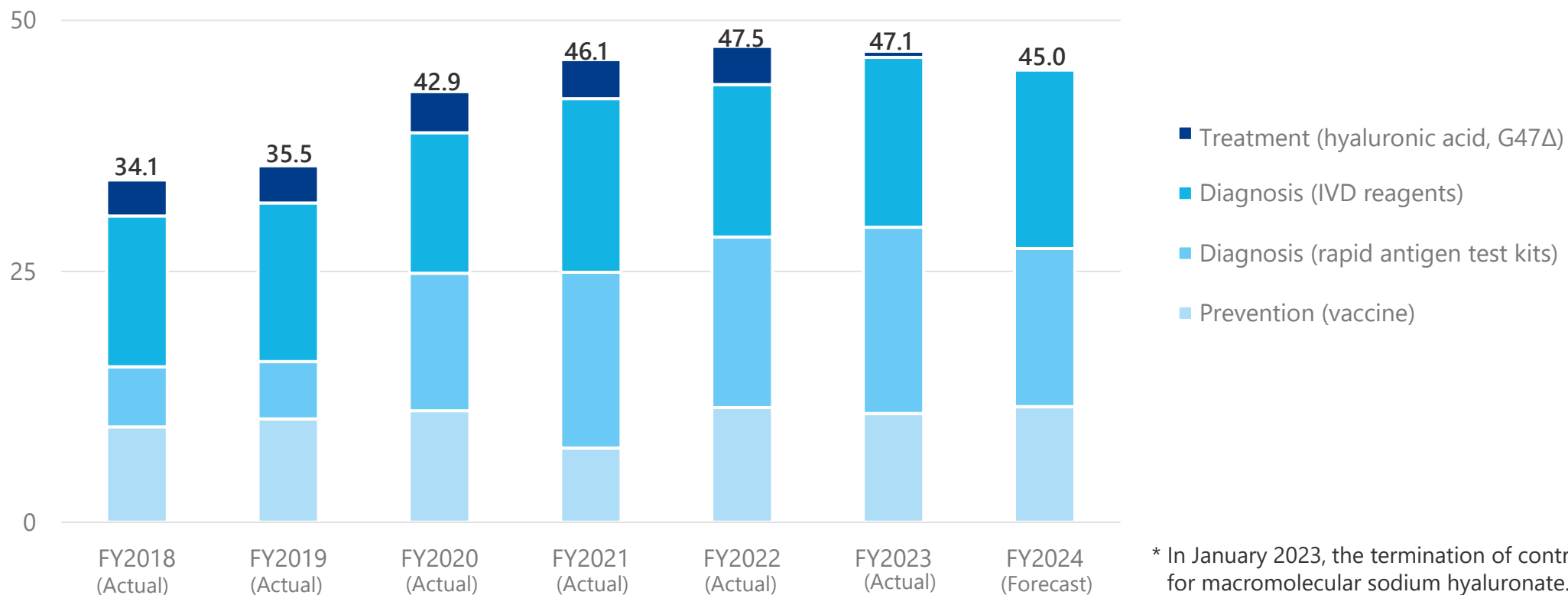
Product	Sales	Volume	Reason for Variance (By Application)			Pricing
			Semiconductor and Electronic Components	xEV	Other	
Spherical Alumina	↗	↗	(TIM applications) • Demand recovery (semiconductor sealants) • Demand for generative AI likely to increase	• Increased demand accompanying the expansion of the market, despite a slowdown in the growth rate of EV in Europe and the U.S., which account for a high percentage of total sales		→
Spherical Fused Silica	↗	↗	(semiconductor sealants) • Demand recovery beginning in 2H			→
High-Performance Film	↗	↗	Same as above			→
Acetylene Black	↗	↗		Same as above	• Increased demand for high-voltage cables, despite construction delays for Europe, as demand in North America is likely to increase in response to inflation control laws	→
Ceramic Substrates (silicon nitride, aluminum nitride)	↘	↘		• Lower YoY due to design changes among major users	• Sales for electric railway applications were on a par with the previous year	→
Cost and Other		↘	Inventory impact (impact of fixed cost per unit on beginning inventory balances) Increase in depreciation, labor costs, etc., due to establishment of increased production system			

*TIM (Thermal Interface Materials)

- Demand for testing expanded due to changes in the environment for infectious diseases after COVID-19, driving growth in the diagnostic field (IVD reagents, rapid antigen test kits) in FY2024 and beyond

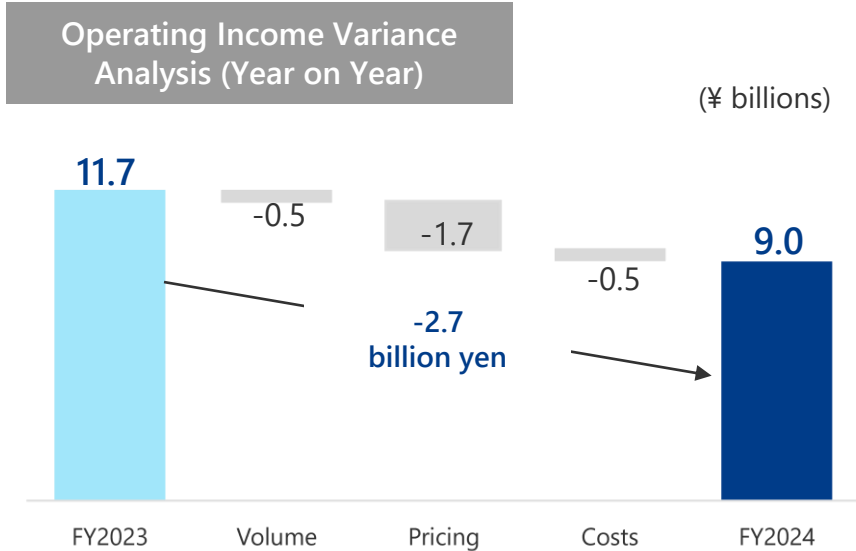
Sales Composition by Application

(Sales: ¥billions)



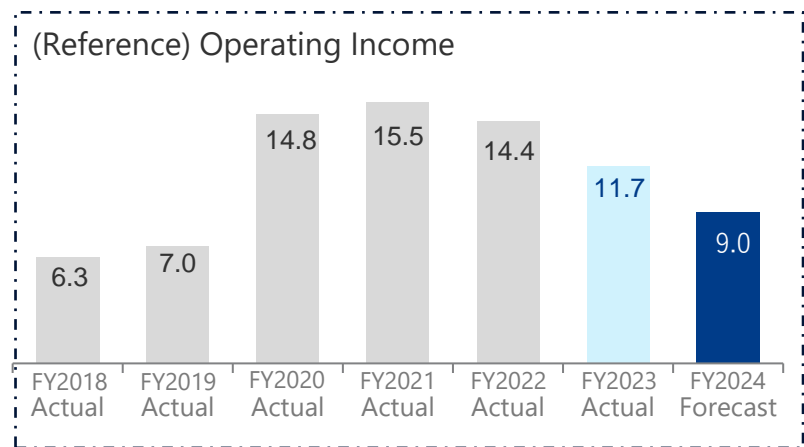
* In January 2023, the termination of contract manufacturing for macromolecular sodium hyaluronate.

■ We forecast a decrease in profit due to lower profits from rapid antigen test kits (impact of lower sales prices and lower sales volume), higher research expenses, etc.

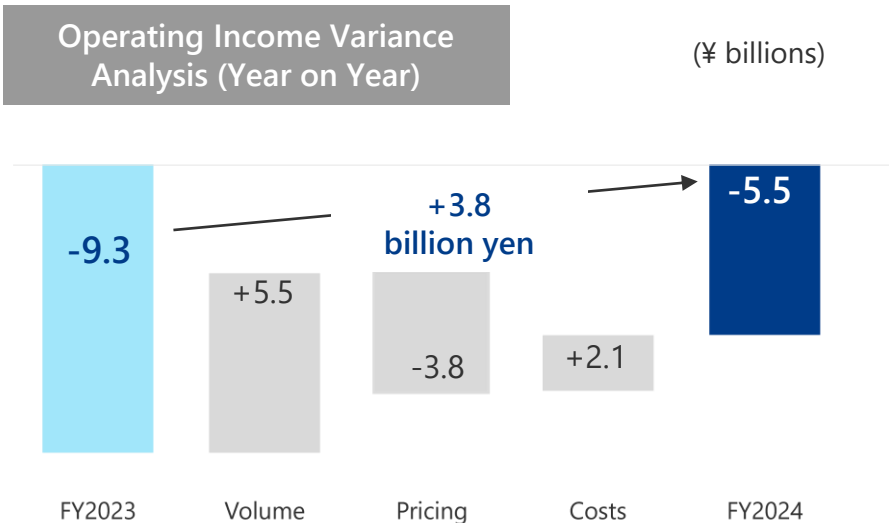


Reason for Variance (Year on Year)

	Sales	Volume	Pricing
Influenza Vaccine	↗	↗ • Productivity for manufactured strains expected to be on par with the previous year • We expect sales to increase with early shipments (9 million vaccines produced)	→
Rapid Antigen Test Kits	↘	↘ • We expect the normalization of influenza infections to result in fewer simultaneous test kits for COVID 19 and influenza (combo kits)	↘ • Factored in the risk of lower sales prices due to reductions in insurance points
IVD Reagents (inflammation markers, etc.)	→	↗ • We expect to see a broader base in the Chinese market and rising demand for testing as the market shifts from concentration among large hospitals to decentralization among smaller regional hospitals	↘ • Selling prices likely to fall in conjunction with the implementation of the centralized purchasing policy in China, a measure to counter rising medical costs
Cost and Other	↘	Increase in research expenses due to R&D for new businesses	

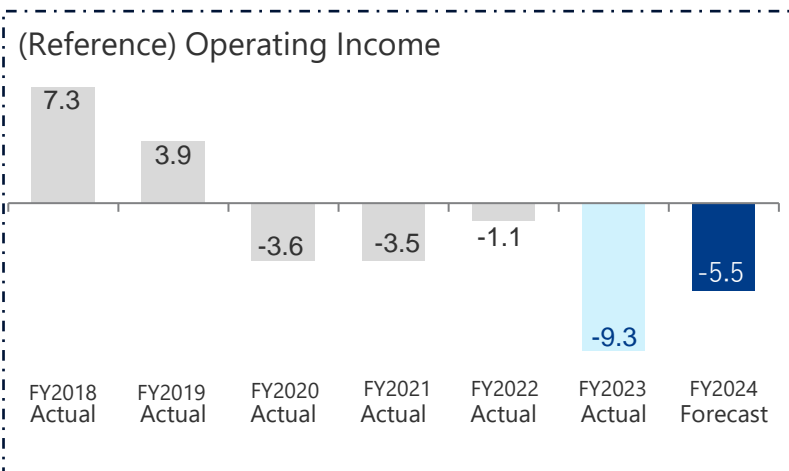


- Despite lower sales prices, chloroprene rubber should see narrower losses with an increase in sales volume and a decrease in the amount of inventory write-downs; as a whole, segment loss should also narrow

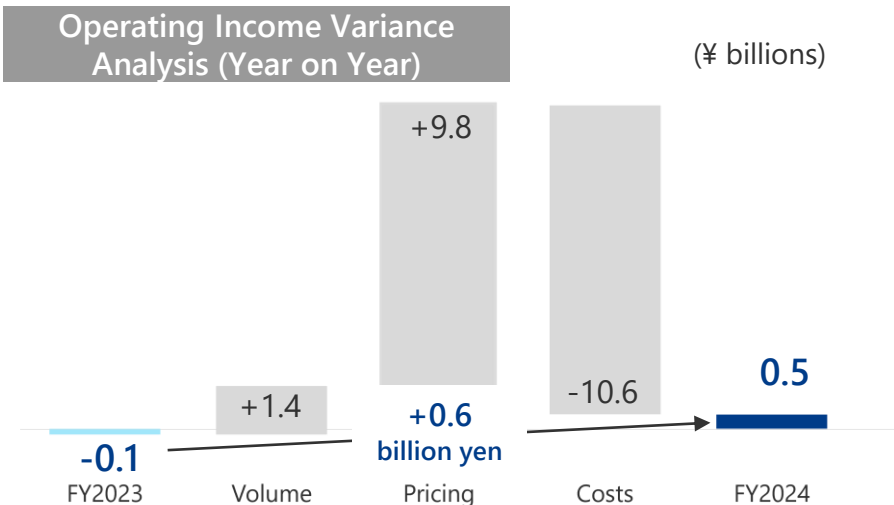


Reason for Variance (Year on Year)

	Sales	Volume	Pricing
Chloroprene Rubber	↗	↗ • Higher YoY, as demand recovers	↘ • We expect sales prices to decrease significantly due to intensifying competition with the products of other companies
Special Cement Additives	→	→ Largely unchanged from last year	→
Cement	→	→ Largely unchanged from last year	↗ • Price hikes in the previous fiscal year will contribute to an increase
Cost and Other	↗	Decrease in write-downs of chloroprene rubber inventory* Coal prices fell (FY2023: \$161/t ⇒ FY2024: \$129/t)	



■ Demand for PCs, home appliances, and other products should experience a moderate recovery, but we do not expect to reach FY2021 profit levels yet



Reason for Variance (Year on Year)

	Sales	Volume	Pricing
MS Resin	↗	↗	↗
AS, ABS, Transparent Resins, Etc.	↗	↗	↗
Food Wrapping Sheets and Containers	→	→	↗
Toyokalon	↗	↗	↗
Cost and Other	↓		

Volume

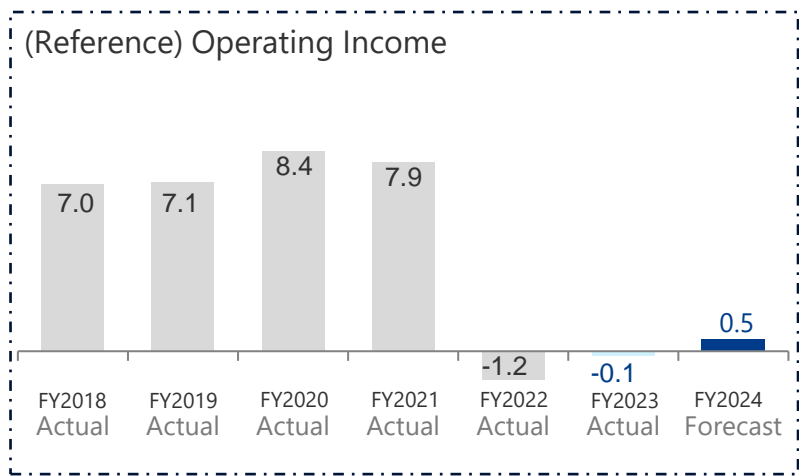
- MS Resin: Higher YoY, as demand for LGP applications for PCs recover
- AS, ABS, Transparent Resins, Etc.: Higher YoY, as we expect a recovery in demand for consumer electronics, cosmetics containers, general merchandise, etc.
- Food Wrapping Sheets and Containers: Largely unchanged YoY, as demand will likely remain weak
- Toyokalon: Higher YoY, as demand in the African market likely to experience a moderate recovery

Pricing

- Styrene Related Product: Price revision in response to soaring raw materials and fuel prices

Cost and Other

- Variable costs: Higher raw materials and fuel prices (spread maintained)
- Fixed costs: Increase due to labor costs, etc.



- We will pursue further selectivity in investments, while we expect to make important strategic investments in FY2024, including a new manufacturing hub for acetylene black in Thailand and construction to increase production of IVD reagents and rapid antigen test kits

(¥ billions)

	Investment				Depreciation				R&D			
	FY2023		FY2024		FY2023		FY2024		FY2023		FY2024	
	1H Actual	FY2023 Actual	1H Forecast	FY2024 Forecast	1H Actual	FY2023 Actual	1H Forecast	FY2024 Forecast	1H Actual	FY2023 Actual	1H Forecast	FY2024 Forecast
Electronics & Innovative Products	8.2	23.2	23.0	48.0	4.4	8.8	4.8	9.6	2.7	5.3	3.0	6.0
Life Innovation	1.4	3.9	2.0	10.0	1.9	3.7	1.5	3.0	2.3	4.5	3.0	6.0
Elastomers & Infrastructure Solutions	4.6	11.8	3.0	8.0	4.3	8.9	4.5	9.0	1.4	2.8	1.5	2.5
Polymer Solutions	2.3	4.7	2.0	4.0	2.5	5.1	2.5	5.0	1.2	2.2	1.0	2.5
Others	-	0.2	-	-	0.2	0.4	0.2	0.4	0.2	0.5	-	-
Total	16.5	43.7	30.0	70.0	13.4	26.9	13.5	27.0	7.8	15.2	8.5	17.0

- We expect to maintain the same level as the previous year at 100 yen per share (96% total return ratio), after taking into account the impact of the drastic measures for the chloroprene rubber business to be announced in 2024, as well as expectations for cash flow improvement in FY2025 and beyond, and other factors

		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
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	70.0
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%

Response to Changed Assumptions Under Mission 2030 Management Plan

In response to changing assumptions related to our management plan, we intend to return performance to a growth trajectory beginning in the second half of FY2024, controlling financial status to a D/E ratio of between 0.6x and 0.8x

Progress in Key Financial KPIs

	KPIs for FY2030	FY2021 Actual (record-high profit)	FY2023 Actual	FY2024 Forecast
Operating Income	100 billion yen or more	40.1 billion yen	13.4 billion yen	18.0 billion yen
Operating Margin	15% or higher	10.4%	3.4%	4.3%
ROE	15% or higher	9.4%	4.0%	2.9%
ROIC	10% or higher	7.3%	2.5%	3.0%
Approved Investment Amount	FY23 to FY30 (8 Yrs) 540 billion yen	35.6 billion yen	116.7 billion yen	42.0 billion yen

Environmental Changes Alter Management Plan Assumptions

(Result)
Upfront investments prevent us from achieving sales volume growth commensurate with increased costs

FY2023 Operating Income Variance Analysis (vs. FY2021)
 •Volume difference: -10.0 billion yen
 •Fixed cost difference: -15.0 billion yen

Response

Results: Return to growth trajectory beginning in the second half of FY2024

Financial: Target a D/E ratio of between 0.6x and 0.8x

- We will return our performance to a growth trajectory in the second half of fiscal 2024 and control our D/E ratio to 0.6-0.8times by maintaining an aggressive shareholder return policy, carefully selected strategic investments, portfolio transformation and promotion of the best-practice project



Positive Shareholder Return Policy

Total return ratio of 50% (cumulative eight-year total for plan)

Aiming to maintain or increase dividends per share, taking into account future cash flows, etc.



Revise Investment Plans

Careful Selection of Investment Projects
Aiming to reduce investment cash flow by 100 billion yen over eight years



Portfolio Transformation

Top priority: Drastic measures in the chloroprene rubber business (to be determined by the end of 2024)



Best Practice Project

Cost Reduction
10.0 billion yen or more per year by FY2026
Business Streamlining
Individual employee growth

Revise Investment Plans

- Concentrate management resources on carefully selected investment projects, aiming to reduce investment cash flow by 100 billion yen over eight years



• Clarify investment priorities and exercise even greater care in selecting investment plans

• Revise schedules for non-urgent projects

		FY2024	FY2025	FY2026-	
Carefully Selected Investment Projects	ICT & Energy	Increase Spherical Fused Silica (launch in 1H)	Increase Silicon Nitride Powder (launch in 1H)	Acetylene black New manufacturing base in Thailand (launch in 2026 2H) Investment: 0.4 billion USD	
		Relocate to New Facility for Thermally Conductive Sheets (launch in 1H) Investment: 1.7 billion yen	Operate LCP Film Facility	M to A investments Introduce in Omuta Plant (launch in 2026 1H) Investment: 6.7 billion yen	
		Launch Manufacturing and Marketing of SNECTON (begin in 2H)	Operate TBM Facility	Planned investment in SNECTON	
		Increase Emitters (launch in 2H) Investment: 1.0 billion yen			
	Healthcare	Increase IVD Reagents and Antigen Test Kits (launch in 2H) Investment: 11.0 billion yen	Increase G47Δ pharmaceutical Investment: 12.0 billion yen		
	Sustainable Living		Relocate to New Facility for TOYODRAIN Polyethylene Drainpipes (launch in 1H) Investment: 2.3 billion yen	M to A investments Deploy in Omi Plant	
				Carbonation Admixture LEAF Planned investment	

Details for each area provided on pages 33-35

Portfolio Transformation

- Pursue business restructuring, including divestitures and withdrawals, to concentrate management resources on growth areas, improve business performance, and bolster finances

Progress

• Plans to implement final measures over a defined period of time for six businesses

1-star and loss-making businesses discussed in FY2023; policies to be determined by the end of FY2024. Six of these businesses to implement final measures over a defined period of time.

Six businesses: Total operating loss of -15.0 billion yen

Highest Priority:

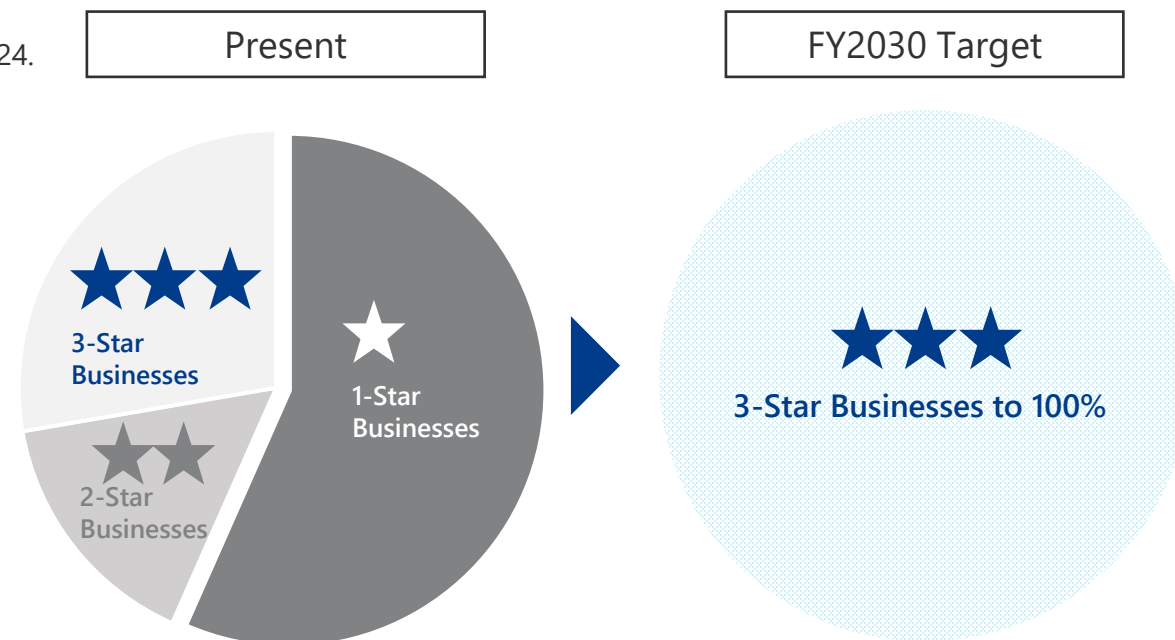
Drastic measures for the chloroprene rubber business (to be decided by the end of 2024)

- (1) Examine demand trends for signs of recovery to the pre-COVID-19 level of 270,000 tons to 290,000 tons
- (2) Examine optimal production capacity for chloroprene rubber for the Denka Group in the Omi Plant and DPE in the U.S. in light of perspectives including exchange rate trends, raw material market conditions, and BCP measures, based on the assumption of future demand trends

Accelerate considerations related to styrene related product business

Accelerate considerations of sales and production optimization for the styrene related product business, which is neither a 1-star nor a loss-making business, considering how to address the ongoing slump in polymer solutions and trends in industry restructuring

Unit: No. of businesses



See page 37 for the definition of a 3-star business

Best Practice Project

- In addition to achieving results of 5 billion yen per year by FY2025 and 10 billion yen per year by FY2026, we intend to improve the efficiency of human capital for operational efficiencies and the individual growth of each employee

To Date

Cost reductions based on in-house knowledge

Make full use of external benchmarking and best practice

Zero-based review

- Conduct thorough review of needs, cost justifications

Global optimization

- Engage in consistent cross-departmental coordination and pursue overall optimization

Scientific approach

- Engage in rational cost management based on facts and data

System

- President personally committed as overall leader
- Establish the Best Practice Promoting Department to act as a dedicated organization
- Appoint an owner with numerical accountability for each team

Governance

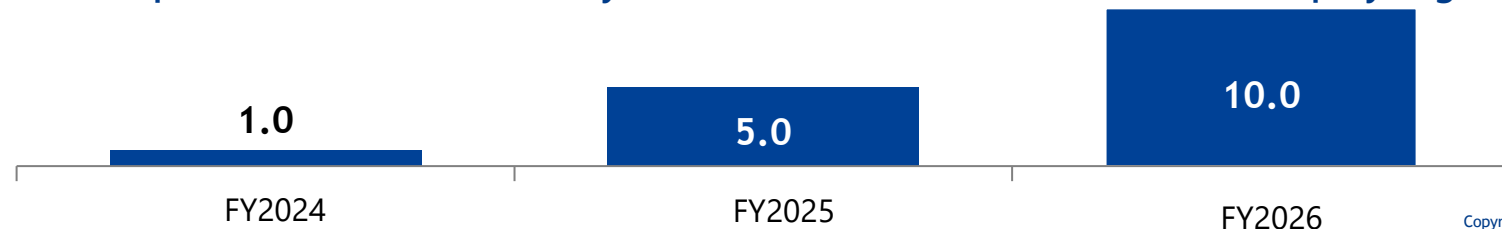
- Conduct rigorous progress management and timely visualization of results
- Use monthly policy-making meetings to receive top approvals for goals and measures

Engagement

- Involve all employees in detailed management-employee dialogues
- Share a portion of successful results with employees

Pursue best practice to achieve not only numerical results, but also individual employee growth

(¥ billions)



Target

ICT & Energy (1)

Acetylene black
New manufacturing
base in Thailand
(launch in 2026 2H)
Investment: 0.4 billion USD

- Applications: LiBs for xEV, high voltage transmission line cables for offshore wind power generation
- In response to the rapidly growing demand for acetylene black, we established a joint venture with SCG Chemicals Public Company for the manufacturing and sale of acetylene black, and will construct a plant with an annual production capacity of 11,000 tons
- Operation launch: 2026 2H Investment amount: US\$400 million Investment ratio: DENKA Group 60%, SCG 40%
https://www.denka.co.jp/eng/storage/news/pdf/463/20231010_denka_abjv_en.pdf

Increase Silicon Nitride
Powder
(launch in 2025 1H)

- Applications: insulating substrates for xEV inverters in power modules, bearing balls for traction motors
- Reliable quality and cost-effective performance that meet requirements in the xEV (automotive) market: heat dissipation, light weight, high rigidity, and long useful life
- Expand further to meet the strong xEV market demand (Operation launch: FY2025)

Increase Spherical Fused
Silica
(launch in 2024 1H)

- Decision to Expand Spherical Fused Silica Manufacturing Facilities in Singapore -Increasing manufacturing capacity by approximately 30% for further growth in the environment and energy fields-
https://www.denka.co.jp/eng/storage/news/pdf/470/20220511_denka_silica_en.pdf

Relocate to New Facility
for Thermally
Conductive Sheets
(launched in 2024 1H)
Investment: 1.7 billion yen

- Denka Introduces New Production Facility for Thermally Conductive Sheet for 5G/xEV to Shibukawa Plant and Doubles Production Capacity
-Positioning as One of the Core Production Plants of Electronic Materials to Enhance Specialty Business-
https://www.denka.co.jp/eng/storage/news/pdf/376/20211125_denka_shibukawa_en.pdf

ICT & Energy (2)

Increase Emitters
(launch in 2024 2H)
Investment: 1.0 billion yen

- Applications: Surface observation application for semiconductor materials and devices (wafer inspection, mask inspection, etc.) and circuit patterning application in semiconductor manufacturing lithography processes, etc.
- Demand for emitters capable of emitting electronic wires only a few micrometers thick due to miniaturization and microminiaturization of semiconductors. Enhance to meet growing demand

SNECTON
(Low Dielectric
Macromonomer/LDM)

- Applications: Substrates for copper clad laminates (CCL) and interlayer dielectric materials
- We resolve issues faced by soft materials in heat resistance and dielectric properties. Evaluation is progressing steadily as a base material for rigid substrates for high speed communications and an interlayer dielectric material. As the only manufacturer of both resin materials and inorganic fillers, we are able to offer our own unique proposals by Varnish, a resin filler mixture.

LCP Film
(Liquid Crystal Polymer Film)

- Applications: Substrates for flexible copper clad laminates (FCCL)
- LCP is a extremely difficult resin to make into film, and few manufacturers can provide a stable supply of LCP. By applying the film deposition technology for organic materials cultivated in the electronic packaging and food packaging sheet businesses, we have established a technology for manufacturing LCP using the T-die method (T die extrusion method) , which offers superiority in mass production and film thickness control. LCP is expected to be a base material for flexible circuits of high speed communications.

TBM
(Temporary Bonding Material
for use in Semiconductor
Manufacturing Processes)

- Applications: Temporary fixing heat-resistant adhesive used in back-grinding process to thin wafers in the semiconductor manufacturing process
- The most common method of protecting wafer circuit surfaces and fixing wafers to equipment is through temporary fixing with tape, such as our Elegrid, due to its cost and simplicity. However, using adhesives to temporarily fix wafers is common when processing difficult-to-grind wafers, such as ultra-thin films or hard and brittle wafers, to improve handling. In addition, the polished surfaces after back grinding are subjected to high temperature treatment in the manufacturing of next-generation semiconductors, such as power devices. As tapes cannot be used on these surfaces due to insufficient heat resistance, the market for heat-resistant adhesives is expected to expand.

(Reference) Upfront Investments to Achieve Mission 2030 Targets

Healthcare

Increase G47Δ
pharmaceutical
Investment: 12.0 billion yen

- G47Δ is the world's first approved oncolytic therapeutic virus for malignant glioma (brain tumors)
- We decided to increase G47Δ in preparation for a rapid increase in future demand, such as in overseas expansion and clinical research in other types of cancers
- Investment: Approximately 12 billion yen
https://www.denka.co.jp/eng/storage/news/pdf/456/20230412_denka_g47_en.pdf

Increase IVD Reagents
and Antigen Test Kits
(launch in 2024 2H)
Investment: 11.0 billion yen

- Denka Announces Expansion of Reagent Production Capacity Including Antigen Test Kits through Strategic Investment of Approximately 11 Billion Yen -Strengthening Health Care Business and Commitment to Control Infectious Diseases Worldwide-
[_https://www.denka.co.jp/eng/storage/news/pdf/409/20220414_denka_gosen_en.pdf](https://www.denka.co.jp/eng/storage/news/pdf/409/20220414_denka_gosen_en.pdf)

Sustainable Living

M to A
(Methane to Acetylene)
Investment
Introduce in Omuta Plant
(launch in 2026 1H)
Investment: 6.7 billion yen
⇒ Deploy in Omi Plant

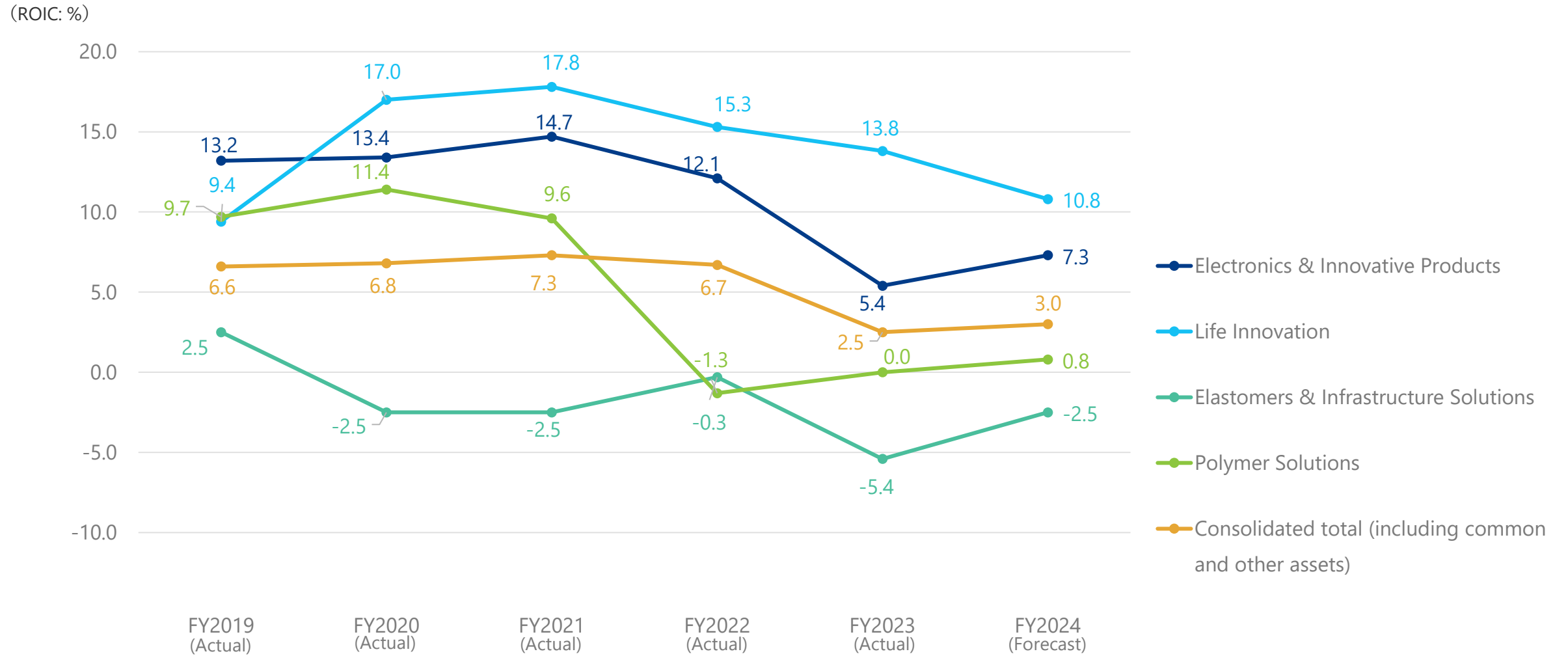
- To reduce CO₂ emissions, we introduced equipment to the Omuta plant for a new process to produce acetylene from methane developed by Transform Materials, a venture company in the U.S.
We demonstrate this technology and conduct joint research on technological improvements toward large scale mass production of acetylene.
- We deploy M to A, which established mass production technology at Omuta plant, to the carbide chain at the Omi Plant, which has our unique hydroelectric power generation system. This enabled us to achieve low carbon chloroprene rubber and utilize hydrogen energy obtained as a byproduct of the manufacturing process.
- We expect to reduce 300,000 ton of CO₂ through the conversion of our current manufacturing method (the carbide method) and the utilization of hydrogen
- Operation launch: FY2026 1H
https://www.denka.co.jp/eng/storage/news/pdf/468/20230809_mtoa_en.pdf

Carbonation Admixture
LEAF

- This is the key material for CO₂-SUICOM, the world's only carbon-negative concrete in used in practical application
- A consortium of 55 companies, led by Kajima Corporation, Takenaka Corporation, and our Company, made a joint proposal to the NEDO Green Innovation Fund Projects, aiming for the full-scale diffusion of LEAF. The proposal was adopted.
- The consortium developed CUCO, a precast component for construction, which was used as a foundational component in temporary buildings for the Expo 2025 Osaka, Kansai, Japan. This is the first time the component has been applied to an actual building since its use in civil engineering structures in FY2022.
*Released by Takenaka Corporation <https://www.takenaka.co.jp/news/2023/10/04/>

Relocate to New Facility for
TOYODRAIN Polyethylene
Drainpipes
(launch in 2025 1H)
Investment: 2.3 billion yen

- Denka Increases Capacity to Produce TOYODRAIN Polyethylene Drainpipes Through Strategic Investment of Approximately 2.3 Billion Yen
https://www.denka.co.jp/eng/storage/news/pdf/432/20221011_toyodrain_en.pdf



Three Elements	Definition	Objective
Specialty	ROIC by Product >10% (Past Three-Year Avg.)	To emphasize capital efficiency, in addition to profits resulting from market share, uniqueness, and technological capabilities (number of patents)
Megatrend	Three Applicable Focus Areas (ICT & Energy, Healthcare, and Sustainable Living)	Businesses judged to have growth potential if said business corresponds to the three focus areas derived from identified megatrends
Sustainability	Less Than 10,000 Tons of CO₂ Emissions by Product and Labor Productivity by Product (Op. Inc./Person) > 5 million Yen	CO ₂ emissions must be included, as emissions represent clear KPIs toward a 60% reduction in 2030 and carbon neutrality in 2050 In addition, businesses having low labor productivity will find it difficult to continue operations due to the future decline in the working population

2030 KPI Targets

2030 KPI Targets				
Financial	Operating income	100 billion yen or more	Operating margin	15% or higher
	ROE	15% or higher	ROIC	10% or higher
	Approved investment amount	540 billion yen (8 years from FY2023 to FY2030)	Total return ratio	50% level
Non-Financial	CO ₂ emissions	60% reduction compared with FY2013 (1 million tons)	Maximum output of renewable energy power	150MW
	Rate of lost-worktime injuries: (Number of deaths and injuries ÷ Total hours worked × 1 million)	0.2 or less	Managerial positions occupied by women, foreign nationals, and experienced hires	50%

Business Segments and *Mission 2030* Megatrends (Breakdown of Operating Income Targets)

Segment	FY2026		FY2030		Management Plan: Three Megatrend Areas	FY2026		FY2030	
						FY2026		FY2030	
Electronics & Innovative Products	30	45	→	→	ICT & Energy	30	45		
Life Innovation	20	40	→	→	Healthcare	20	40		
Elastomers & Infrastructure Solutions	3	5	} →	} →	Sustainable Living	10	15		
Polymer Solutions	7	10							
Total	60	100			Total	60	100		

(¥ billions)

Sales (¥ billions)	FY2022				FY2023				FY2024 Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1H	2H
Electronics & Innovative Products	21.9	25.6	22.3	23.8	19.2	22.5	21.7	24.5	45.0	55.0
Life Innovation	6.4	15.5	16.9	8.8	7.2	15.0	15.8	9.0	20.0	25.0
Elastomers & Infrastructure Solutions	30.4	32.5	31.6	29.3	28.0	29.2	28.6	25.6	60.0	60.0
Polymer Solutions	31.6	32.0	30.3	33.7	29.8	31.7	30.9	31.9	65.0	70.0
Others	4.1	2.9	4.7	3.4	3.7	5.1	4.5	5.4	10.0	10.0
Total	94.4	108.6	105.8	98.8	87.8	103.5	101.5	96.4	200.0	220.0

Operating Income (¥ billions)	FY2022				FY2023				FY2024 Forecast	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1H	2H
Electronics & Innovative Products	4.1	5.6	4.1	4.2	2.1	2.8	1.8	2.4	5.0	7.0
Life Innovation	0.5	6.0	5.0	2.8	0.9	5.7	3.1	2.0	4.0	5.0
Elastomers & Infrastructure Solutions	-0.2	1.5	-1.3	-1.1	-0.7	-0.9	-3.9	-3.7	-1.5	-4.0
Polymer Solutions	-0.1	-0.0	-0.9	-0.1	-0.0	-0.2	0.6	-0.4	0.0	0.5
Others	0.6	0.4	0.9	0.4	0.5	0.5	0.4	0.6	1.0	1.0
Total	4.9	13.4	7.8	6.3	2.8	7.7	2.0	0.8	8.5	9.5

Cautionary statement regarding forward-looking information

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/>