

Denka

Possibility
of
chemistry

Results Presentation of FY2024 2Q

(The 1st Half of the Fiscal year ending March 2025)

Securities code: 4061

Denka Co., Ltd

November 8, 2024

Note: This slide deck 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.

- **Grace period for DPE compliance with new regulations extended until after October 15**
- **Planning to determine fundamental measures for the chloroprene rubber business by the end of the current fiscal year**

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(Press release)

• Grace period for the application of new regulations by the U.S. Environmental Protection Agency to a U.S. subsidiary of Denka, published on October 2, 2024

https://www.denka.co.jp/eng/storage/news/pdf/513/20241002_denka_dpe_en.pdf

Overview of New Regulations

- 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
- Grace period: Until October 15 ⇒ Extended (*)
- Details of the rules call for significant reductions in chloroprene monomer emissions

Fundamental measures in the chloroprene rubber business

- **Direction of considerations**
No change (decision based on business feasibility, including environmental regulations)
- **Planned period of consideration**
Through December 2024 →
Change to March 2025

DPE Response

Petition for review of the new regulations

- Filed with the U.S. Court of Appeals for the District of Columbia Circuit (no decision issued as of November 8)

Motion for stay of the 90-day grace period

- Washington D.C. Court of Appeals rejected the emergency motion for stay pending review
Meanwhile, the Louisiana Department of Environmental Quality (LDEQ) granted a two-year grace period
- DPE filed two cases with the U.S. 5th Circuit Court of Appeals
 - Petition for confirmation of the legal validity of LDEQ's approval of the extension of grace period
 - Emergency motion for stay pending review to enjoin the EPA from applying the new regulations during the hearing of petitions

(*) Grace period (until October 15) extended for the duration of the hearing

* DPE: Denka Performance Elastomer LLC, a U.S. chloroprene rubber manufacturing subsidiary

FY2024 1H
Results
(P4-P13)

- Operating income: 9.4 billion yen (-1.1 billion yen YoY; +0.9 billion yen vs. initial forecast)
 - Net income: 3.4 billion yen (-3.2 billion yen YoY; -0.6 billion yen vs. initial forecast)
- Gain on sale of strategic cross-shareholdings: FY2023 1H +1.2 billion yen → FY2024 1H +0.3 billion yen

FY2024
Earnings Forecast
(P14-P17)

- Operating income: 18.0 billion yen (unchanged from initial forecast)
 - Net income: 9.0 billion yen (unchanged from initial forecast)
- Electronic & Innovative Products: Underperformed forecast due to delay in recovery of demand for semiconductors and xEVs; however, other segments expected to outperform
 - Carefully investigating the impact of new regulations on DPE chloroprene rubber manufacturing operations and financial results
 - We have not factored in the impact of fundamental measures in the chloroprene rubber business planned for announcement during FY2024

Shareholder
Returns
(P18)

- Dividend forecast: No change from 100 yen/share (96% total return ratio)
Expecting improved cash flow next year and beyond, considering the impact of the fundamental measures in the chloroprene rubber business to be announced by the end of FY2024
- Future dividend policy: Maintain or increase dividend per share based on a total return ratio of 50%
(cumulative total for the eight years of the management plan)

Key Points for
Recovering
Earnings
(P19-P24)

- Business strategies to respond to changes in the environment for Electronics & Innovative Products
- Cost Reductions Under the Best Practices Project

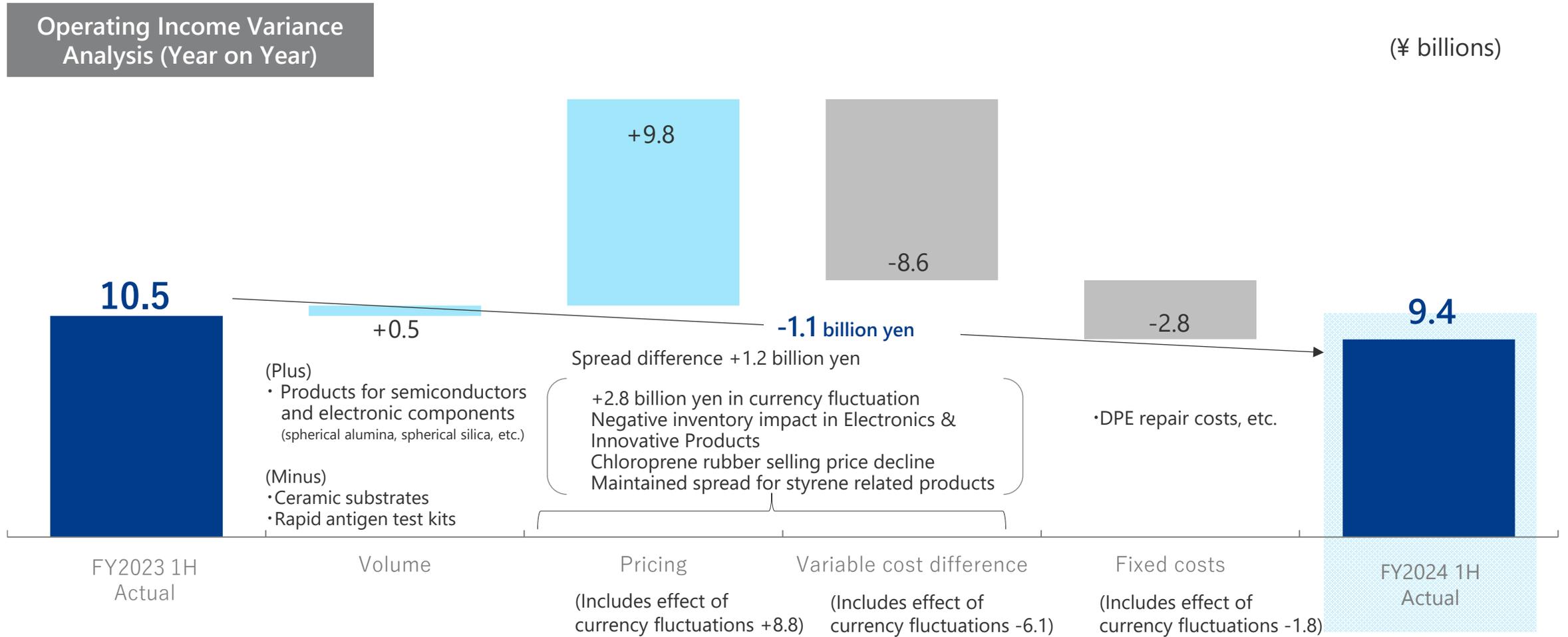
FY2024 1st Half Results

■ Operating income lower year on year, but outperformed initial forecast

(¥ billions)	FY2023 1H Actual	FY2024 1H Actual	(Year on Year)		FY2024 1H Initial Forecast	(vs Initial Forecast)	
Sales	191.4	199.1	+	7.7	200.0	-	0.9
Operating Income	10.5	9.4	-	1.1	8.5	+	0.9
Operating Margin	5.5%	4.7%	-	0.8%	4.3%	+	0.4%
Ordinary Income	8.1	5.6	-	2.5	5.0	+	0.6
Net Income Attributable to Owners of Parent	6.6*	3.4*	-	3.2	4.0	-	0.6
Forex (¥/\$)	139.9	153.9			148.0		
Japan Naphtha (¥/kl)	65,450	77,700			77,600		

※ Gain on sale of strategic cross-shareholdings: FY2023 1H + 1.2billion yen ⇒ FY2024 1H + 0.3billion yen

■ Decrease due to increase in fixed costs for DPE in the U.S., despite increase in volume for semiconductors and electronic components



■ Decline in profit for Life Innovation and Elastomers & Infrastructure Solutions

(¥ billions)

Sales	FY2023	FY2024	Incr. Decr.	Volume		Pricing	
	1H Actual	1H Actual					
Electronics & Innovative Products	41.7	45.1	+ 3.4	+ 1.6	+ 1.8		
Life Innovation	22.2	22.4	+ 0.2	+ 0.3	- 0.1		
Elastomers & Infrastructure Solutions	57.2	56.4	- 0.8	- 1.2	+ 0.4		
Polymer Solutions	61.5	67.4	+ 6.0	- 1.7	+ 7.7		
Others	8.8	7.7	- 1.1	- 1.1	-		
Total	191.4	199.1	+ 7.7	- 2.1	+ 9.8		

Operating Income	FY2023	FY2024	Incr. Decr.	Volume		Pricing		Cost and Other
	1H Actual	1H Actual						
Electronics & Innovative Products	4.9	4.9	+ 0.0	+ 1.2	+ 1.8	- 2.9		
Life Innovation	6.6	5.7	- 0.9	- 0.6	- 0.1	- 0.3		
Elastomers & Infrastructure Solutions	-1.6	-3.0	- 1.4	- 0.8	+ 0.4	- 1.0		
Polymer Solutions	-0.3	0.6	+ 0.9	+ 0.4	+ 7.7	- 7.2		
Others	1.0	1.2	+ 0.2	+ 0.2	-	- 0.0		
Total	10.5	9.4	- 1.1	+ 0.5	+ 9.8	- 11.4		

Higher profit for Life Innovation, lower profit for Elastomers & Infrastructure Solutions

(¥ billions)

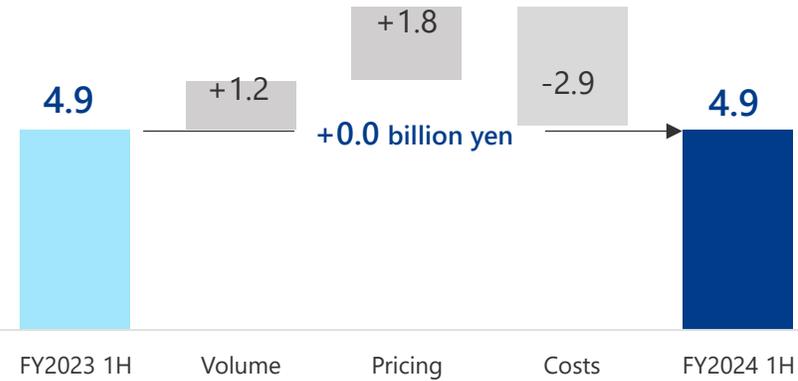
Sales	FY2022				FY2023				FY2024		Vs.	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	FY2024 1Q	
Electronics & Innovative Products	21.9	25.6	22.3	23.8	19.2	22.5	21.7	24.5	21.9	23.2	+	1.3
Life Innovation	6.4	15.5	16.9	8.8	7.2	15.0	15.8	9.0	7.8	14.6	+	6.8
Elastomers & Infrastructure Solutions	30.4	32.5	31.6	29.3	28.0	29.2	28.6	25.6	29.2	27.2	-	2.0
Polymer Solutions	31.6	32.0	30.3	33.7	29.8	31.7	30.9	31.9	32.6	34.9	+	2.3
Others	4.1	2.9	4.7	3.4	3.7	5.1	4.5	5.4	3.8	4.0	+	0.2
Total	94.4	108.6	105.8	98.8	87.8	103.5	101.5	96.4	95.2	103.8	+	8.6

Operating Income	FY2022				FY2023				FY2024		Vs.	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	FY2024 1Q	
Electronics & Innovative Products	4.1	5.6	4.1	4.2	2.1	2.8	1.8	2.4	2.3	2.7	+	0.4
Life Innovation	0.5	6.0	5.0	2.8	0.9	5.7	3.1	2.0	1.7	4.0	+	2.3
Elastomers & Infrastructure Solutions	-0.2	1.5	-1.3	-1.1	-0.7	-0.9	-3.9	-3.7	-0.2	-2.9	-	2.7
Polymer Solutions	-0.1	-0.0	-0.9	-0.1	-0.0	-0.2	0.6	-0.4	0.3	0.4	+	0.1
Others	0.6	0.4	0.9	0.4	0.5	0.5	0.4	0.6	0.7	0.5	-	0.1
Total	4.9	13.4	7.8	6.3	2.8	7.7	2.0	0.8	4.7	4.7	-	0.0

Recovery in demand for semiconductor and electronic components; however, sales of ceramic substrates decreased, while costs increased (foreign exchange, inventory impact), resulting in level sales year on year

Operating Income Variance Analysis (Year on Year)

(¥ billions)

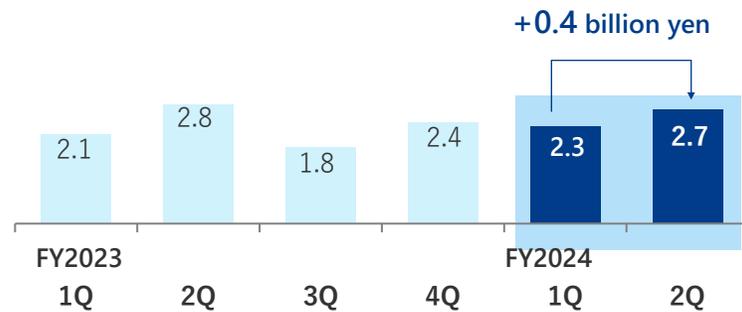


Reason for Variance (Year on Year)

*TIM (thermal interface materials)

Material	Sales	Volume	(By Application)			Pricing
			Semiconductor and Electronic Components (TIM* applications)	xEV	Other	
Spherical alumina	↗	↗	Increased sales due to demand recovery (thermal conductive molding compound applications) Expanding adoption of next-generation memory in high-speed communications (generative AI, etc.)	Flat year on year due to weak demand for EVs in Europe and the U.S.		↗ Currency fluctuation: Plus
Spherical silica	↗	↗	(Semiconductor sealants) Moderate recovery in semiconductors other than memory (resin substrate applications) Increased demand for high-speed communications related (generative AI, etc.)			↗ Same as above
High-performance film	↗	↗	Moderate recovery in semiconductors and electronic components other than memory			↗ Same as above
Acetylene black	↗	↗		Same as above	(For high-voltage cables) Sales higher with recovery trend for Europe	↗ Same as above
Ceramic substrates (silicon nitride, aluminum nitride)	↘	↘		Sales lower year on year due to design changes among major users	(For electric railway) Level year on year	↘ Sales composition difference

(Reference) Operating Income by Quarter



2Q Non-Consolidated (vs. 1Q)
• Gradual recovery in demand

Costs and other

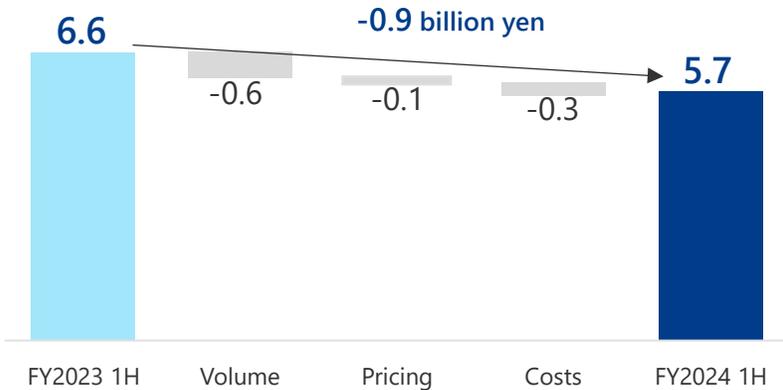


Foreign exchange effects, inventory effects (effects of high unit cost beginning inventory), etc.

Profit lower due to decrease in sales volume of combo kits compared to the previous year, during the simultaneous epidemic (influenza and COVID-19)

Operating Income Variance Analysis (Year on Year)

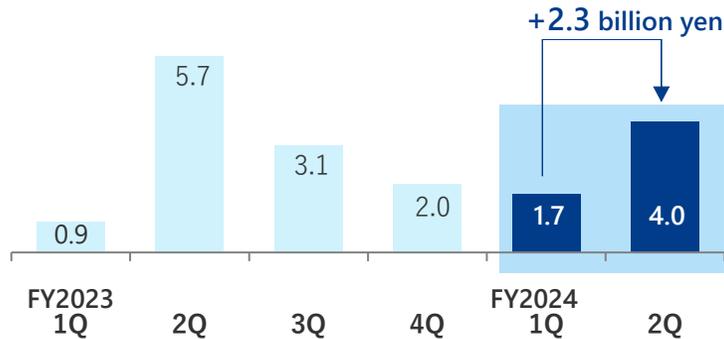
(¥ billions)



Reason for Variance (Year on Year)

	Sales	Volume	Pricing
Influenza vaccine	↗	↗ Shipments increased in 1H compared with the previous year (timing difference with 2H)	→
Rapid antigen test kits	↘	↘ Decrease in sales volume of combo kits compared to the previous year, during the simultaneous epidemic (influenza and COVID-19) Maintaining full capacity with ongoing strong demand for testing, including influenza and COVID-19	→ Impact of insurance point reductions was minimal
IVD reagents (inflammation markers, etc.)	→	→ Level year on year	→ Level year on year
Costs and other	→	→ Level year on year	→

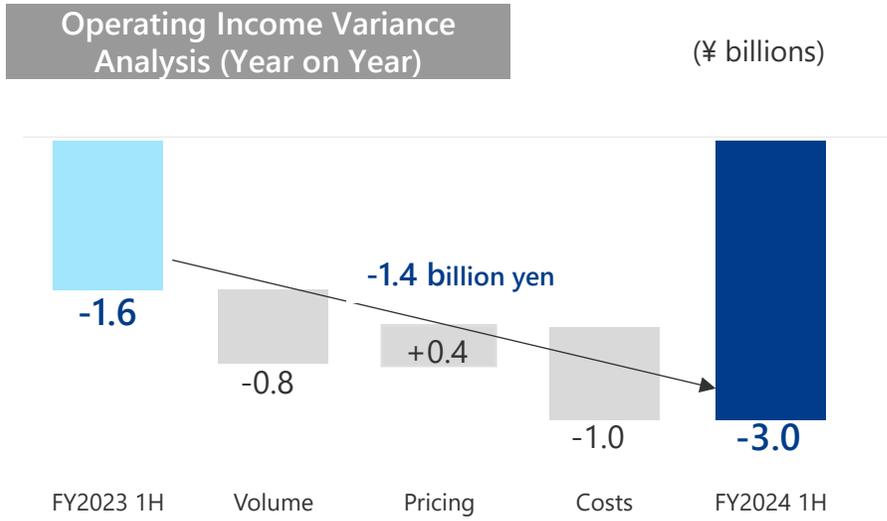
(Reference) Operating Income by Quarter



2Q Non-Consolidated (vs. 1Q)

Influenza vaccine: Shipments began in September as planned
Rapid Antigen Test Kits: Increase in shipments

■ Cost variance worsened due to higher fixed costs and negative foreign exchange impact at DPE



Reason for Variance (Year on Year)

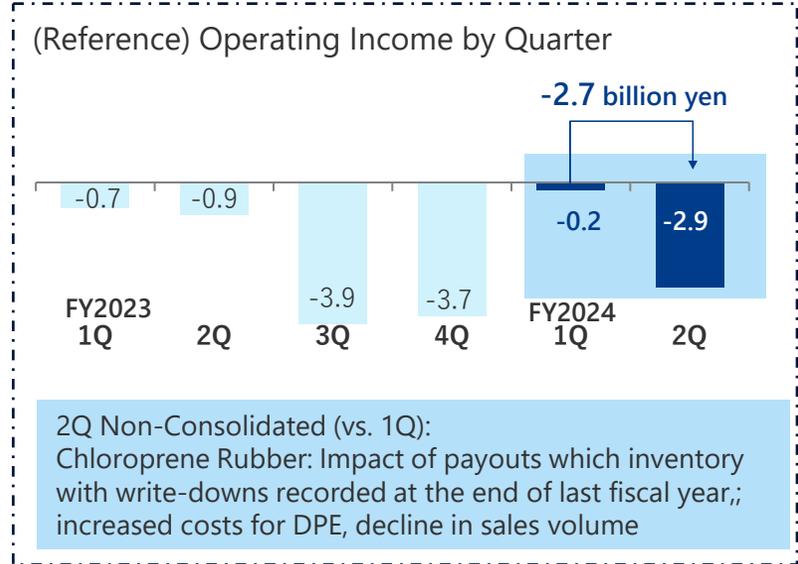
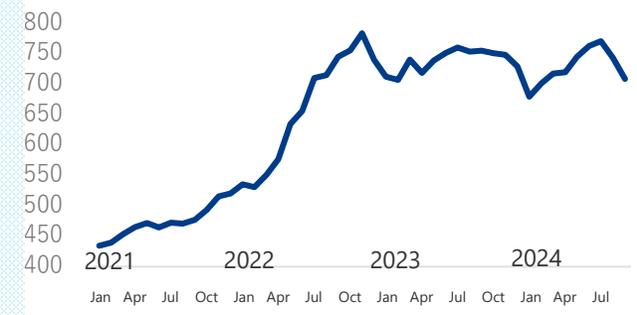
	Sales	Volume	Pricing
Chloroprene rubber	→	→	→
Special cement additives	↘	↘	→
Cement	→	→	→
Costs and other	↘		

Reasons for Variance:

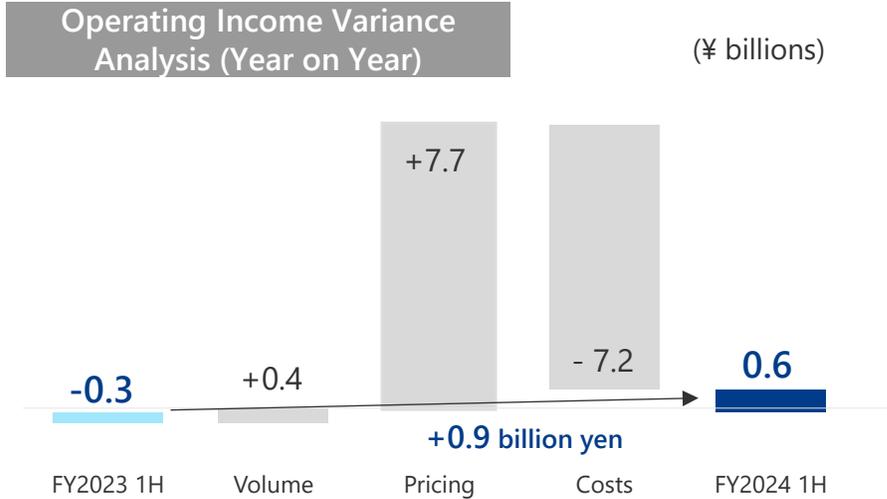
- Chloroprene rubber: Continued weak demand
- Special cement additives: Lower sales due to construction delays, etc.
- Cement: Level year on year
- Costs and other: DPE: Worsening due to increase in fixed costs (repair costs, etc.) and foreign exchange impact; Cement: Coal prices fell (FY2023 1H: \$154/t ⇒ FY2024 1H: \$138/t)

• Currency fluctuation: Plus
 • Impact excluding foreign exchange: Negative
 Sales prices fell due to stronger competition; we began to raise prices in September

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

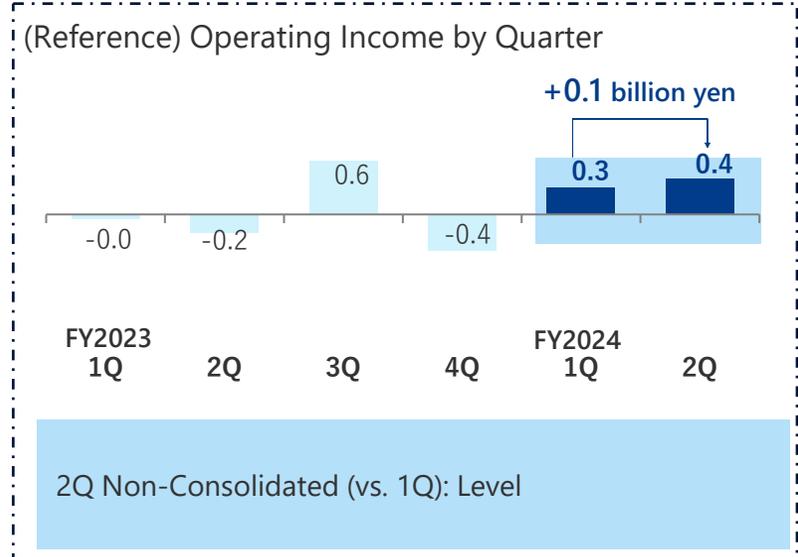


Swung to profit with demand recovery for consumer electronics



Reason for Variance (Year on Year)

Category	Sales	Volume	Pricing
MS resin	↗	↗ (LGP applications) Steady sales for PC monitor products as well	↗
AS, ABS, transparent resins, etc.	↗	↗ (Consumer electronics applications) Progress in inventory adjustments among users in China	↗ Styrene Related Product: Price revision with rising raw materials and fuel prices (spread maintained)
Food wrapping sheets and containers	→	→ Level year on year	↗
Toyokalon	→	→ Level year on year	→ Level year on year
Costs and other	↓	Worsened due to rising raw material and fuel prices (spread maintained)	



■ Elastomers & Infrastructure Solutions fell short of expectations; however, Life Innovation and Polymer Solutions outperformed expectations, with overall results exceeding initial forecasts

Sales	FY2024 1H Initial Forecast	FY2024 1H Actual	Incr. Decr.		Volume		Pricing		(¥ billions)
Electronics & Innovative Products	45.0	45.1	+	0.1	-	0.4	+	0.4	
Life Innovation	20.0	22.4	+	2.4	+	1.8	+	0.6	
Elastomers & Infrastructure Solutions	60.0	56.4	-	3.6	-	5.5	+	1.9	
Polymer Solutions	65.0	67.4	+	2.4	+	0.9	+	1.6	
Others	10.0	7.7	-	2.3	-	2.3		-	
Total	200.0	199.1	-	0.9	-	5.4	+	4.5	

Operating Income	FY2024 1H Initial Forecast	FY2024 1H Actual	Incr. Decr.		Volume		Pricing		Cost and Other	
Electronics & Innovative Products	5.0	4.9	-	0.1	-	1.1	+	0.4	+	0.5
Life Innovation	4.0	5.7	+	1.7	+	0.1	+	0.6	+	1.0
Elastomers & Infrastructure Solutions	-1.5	-3.0	-	1.5	-	1.9	+	1.9	-	1.5
Polymer Solutions	0.0	0.6	+	0.6	-	0.1	+	1.6	-	0.9
Others	1.0	1.2	+	0.2	+	0.2		-	-	0.0
Total	8.5	9.4	+	0.9	-	2.7	+	4.5	-	0.8

FY2024 Earnings Forecast

■ Initial forecast unchanged

(¥ billions)	FY2023 1H Actual	FY2023 2H Actual	FY2023 Actual	FY2024 1H Actual	FY2024 2H Forecast	FY2024 Revised Forecast (initial forecast unchanged)	(Year on Year)
Sales	191.4	197.9	389.3	199.1	220.9	420.0	+ 30.7
Operating Income	10.5	2.8	13.4	9.4	8.6	18.0	+ 4.6
Operating Margin	5.5%	1.4%	3.4%	4.7%	3.8%	4.3%	+ 0.8%
Ordinary Income	8.1	-2.6	5.5	5.6	6.4	12.0	+ 6.5
Net Income Attributable to Owners of Parent	6.6	5.4	11.9 ^{*1}	3.4	5.6	9.0 ^{*2}	- 2.9
Forex (¥/\$)	139.9	147.7	143.8	153.9	147.0	150.5	
Japan Naphtha (¥/kl)	65,450	72,550	69,000	77,700	73,700	75,700	

*1: FY2023 gain on sale of strategic cross-shareholdings +17.4 billion yen
 Impairment loss on goodwill, etc., related to Icon Genetics -6.8 billion yen

*2: FY2024 gain on sale of strategic cross-shareholdings +0.3 billion yen

- Electronics & Innovative Products expected to underperform forecast due to delay in demand recovery; other segments expected to outperform
- We are carefully investigating the impact of new regulations on DPE chloroprene rubber manufacturing operations and financial results
- We have not factored in the impact of fundamental measures in the chloroprene rubber business planned for announcement during FY2024

Operating Income (¥ billions)	1H Actual	2H Forecast	Forecast	vs Initial Forecast	Progress
Electronics & Innovative Products	4.9	5.1	10.0	-2.0	Semiconductors, xEV-related products: Expected a recovery in demand in 2H; however, recovery likely to be delayed Ceramic substrates: Forecasting sales to be lower than projected
Life Innovation	5.7	4.3	10.0	+ 1.0	Antigen test kits: Expecting results to outperform projections due to the minimal impact of the reduction in insurance points
Elastomers & Infrastructure Solutions	-3.0	-2.5	-5.5	±0.0	Grace period for DPE compliance with new regulations extended until after October 15 Fundamental measures for the chloroprene rubber business to be announced by the end of the current fiscal year (see P.2)
Polymer Solutions	0.6	0.9	1.5	+ 1.0	Expecting to outperform projections due to recovery in demand for consumer electronics and cost reductions
Others	1.2	0.8	2.0	±0.0	
Total	9.4	8.6	18.0	±0.0	

■ Initial forecast unchanged

(¥ billions)

	Investment & Lending				Depreciation				R&D			
	1H (YoY)		Full Year (vs Initial Forecast)		1H (YoY)		Full Year (vs Initial Forecast)		1H (YoY)		Full Year (vs Initial Forecast)	
	FY2023	FY2024	FY2024		FY2023	FY2024	FY2024		FY2023	FY2024	FY2024	
	1H Actual	1H Actual	Initial Forecast	Revised Forecast	1H Actual	1H Actual	Initial Forecast	Revised Forecast	1H Actual	1H Actual	Initial Forecast	Revised Forecast
Electronics & Innovative Products	8.2	15.0	48.0		4.4	4.7	9.6		2.7	2.8	6.0	
Life Innovation	1.4	4.8	10.0		1.9	1.6	3.0		2.3	2.1	6.0	
Elastomers & Infrastructure Solutions	4.6	4.8	8.0	No change	4.3	4.6	9.0	No change	1.4	1.3	2.5	No change
Polymer Solutions	2.3	3.4	4.0		2.5	2.6	5.0		1.2	1.2	2.5	
Others	-	0.0	-		0.2	0.2	0.4		0.2		-	
Total	16.5	28.0	70.0		13.4	13.7	27.0		7.8	7.4	17.0	

■ Dividend forecast unchanged from 100 yen/share

Expecting improved cash flow next year and beyond, considering the impact of the fundamental measures in the chloroprene rubber business to be announced by the end of this fiscal year

		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
								Mid-term 50.0 End 50.0
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%

- Three key points for recovering earnings: (1) Fundamental measures in the chloroprene rubber business; (2) Business strategies responding to changes in the environment for Electronics & Innovative Products; and (3) Best Practices Project. We will tie these measures to recovery and further growth in FY2025 and beyond.

(1) Fundamental measures in the chloroprene rubber business

- To be announced by the end of FY2024

(2) Business strategies to respond to changes in the environment for Electronics & Innovative Products

- Semiconductors: Maintain top share for current applications and establish a de facto position as a key material in the advanced semiconductor market
- xEV: Secure top share in the market leveraging our strengths in heat dissipation, conductivity, and insulation
- High-voltage cables: Establish a stable production system using four bases, optimized in terms of environment and costs in an ongoing growth market

(3) Reduce costs under the Best Practices Project

- Cost reductions: 10.0 billion yen per year in FY2026

Business Strategy: Maintain top share for current applications and establish a de facto position as a key material in the advanced semiconductor market

Strategy by Product

Future Policies and Strategies

Current

Spherical silica

Maintain the top share in semiconductor sealant applications and **pursue de facto status for circuit board applications for next-generation and high-speed communications**
(Ratio of sales for circuit boards: 50% target)

- (1) Semiconductor sealant applications:
Lead the market through a focus on high-specification fields
Maintain top market share (30%) by being the first point of contact for customers in materials consultation
- (2) Circuit board applications (for high-speed communications):
Currently expanding adoption of low dielectric loss tangent grade material

Spherical alumina

Maintain top share in TIM applications and **establish de facto presence in advanced packaging and next-generation telecommunications base stations, focusing on thermal conductive molding compound applications** (Ratio of sales for thermal conductive molding compound : 30% target)

- (1) TIM applications (for communication base stations, servers, etc.):
Top share (60%) for products satisfying high thermal conductive requirements
- (2) thermal conductive molding compound applications:
Currently expanding adoption of next-generation memory for high-speed communications

SNECTON
(low-dielectric organic insulating material)
[New Product]

Expand adoption as a key material to respond to increasing communications-related volume; develop and launch next-generation grades
Sales target for low-dielectric-related materials: 20 billion yen (2030 and beyond)

Adoption in progress for copper clad laminates (CCL) for high-speed communication and interlayer insulating materials
(approved by several companies; January 2025 launch planned)

TBM
(Temporary adhesive for semiconductor manufacturing processes)
[New Product]

Expand sales for power semiconductors; develop grades for advanced packaging

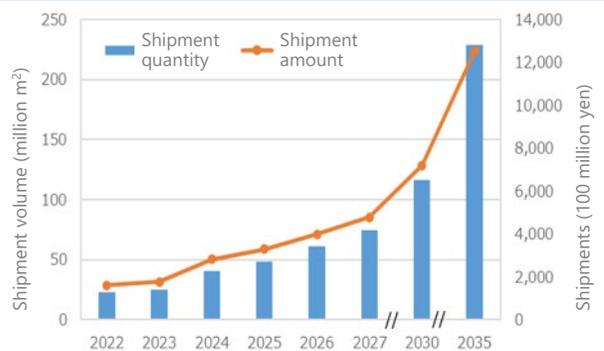
Confirmed adoption by various companies as a temporary adhesive used in the manufacture of power semiconductors (January 2025 launch planned)

Market Outlook

Environmental Changes

- Rapid market expansion for advanced semiconductors with to the spread of generative AI, etc., and increasing sophistication in quality requirements
- Moderate recovery in the general-purpose semiconductor market

Multilayer Low Dielectric CCL Market



Source: Fuji Chimera Research Institute, November 6, 2023

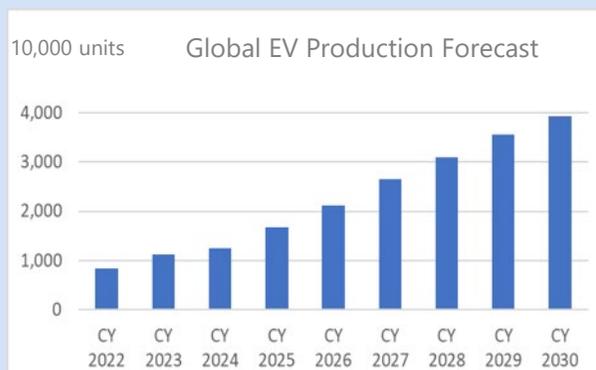
Business Strategy: Secure top share in the market leveraging our strengths in thermal conductivity, electrical conductivity, and insulation

Market Outlook

Environmental Changes

- Expanding EV market share in China
- Slowing growth in the BEV market

EV Market



Strategy by Product

Future Policies and Strategies

Acetylene black

Respond to EV market growth and expand market share (30%-plus) for conductive agents for LiB cathode materials using new manufacturing base (Thailand)

- Strengthen sales expansion for EV products in China
- Expand sales of acetylene black and CNT(*) in mixed specifications
- Use in next-generation batteries (all-solid-state batteries, etc.)

(*) CNT: Carbon nanotubes

Spherical alumina

Maintain market share of heat dissipation materials for LiB and establish de facto position for thermal conductive applications for automotive electronics (OBC(*), etc.)

(*)OBC: On-board charger

Silicon nitride (powder)

Responding to the expanding market for thermal conductive substrates for xEVs and bearings; maintain position as No.1 supplier (additional investment is under consideration)

Ceramic substrates (Silicon nitride substrates)

Focus on new features (high thermal conductivity, etc.) Establish market position by leveraging cost competitiveness

Current

Maintain a certain share of the market for conductive agents for cathode materials (30%)

- Mainly for EVs in Japan, Europe, US, and Korea
- Evaluation spreading for acetylene black and CNT in mixed specification

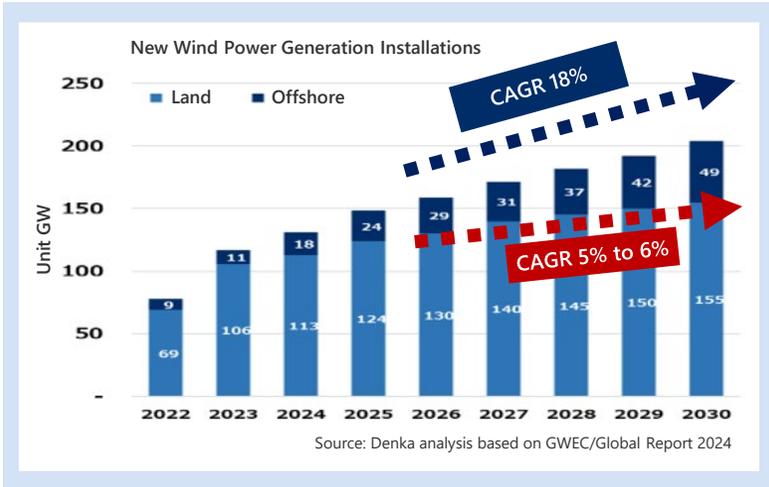
- (1) Maintain a certain share of the market for thermal conductive materials for LiBs (competing with low-cost materials)
- (2) Top market share for OBCs (for fast-charging applications)

Market expanding for thermal conductive substrates for xEVs and bearings; continuing position as No.1 supplier

Intensifying competition in circuit board sales

Business Strategy: Establish a stable production system using four bases, optimized for the environment and costs in ongoing growth markets

Market Outlook



Acetylene black

Future Policies and Strategies

Establish a stable supply system using new manufacturing base (Thailand) and maintain de facto position in high-voltage cable applications

Current

Maintaining de facto status for high-voltage cables
 Growing demand for offshore wind power and long-distance power grids (demand recovering after construction delays in Europe)

Acetylene black: Validity of New Manufacturing Base in Thailand (4th Base)

Best-Case Scenario

For xEVs:
 Full-scale demand expansion for EVs at Thai plant production launch in 2026
 For high-voltage cables:
 Growing demand due to direct current and high-voltage trends

Response:
 Maximize production by optimizing four bases (including new base)
 Considering increases to production capacity

Worst-Case Scenario

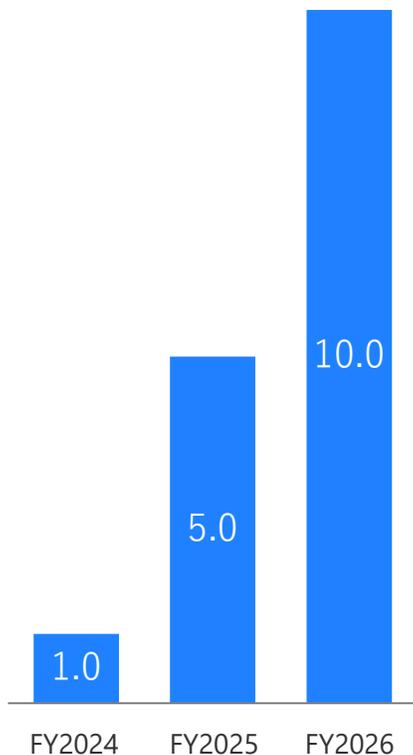
For xEVs:
 Demand growth continues to stagnate
 For high-voltage cables:
 Delayed plans for ground power transmission project

Response:
 Optimize production in light of CO₂ emissions and production costs

Possible to plan for business growth (profit growth), even in worst-case scenarios

- Best Practice Project currently underway to achieve 10 billion yen/year cost reductions in FY2026
- We expect cost reductions of 1 billion yen in FY2024 by fostering a competitive environment, reviewing utility contracts, etc.

Target



10.0 Billion Yen by FY2026

Measure	Summary	Target
Reduce costs	<ul style="list-style-type: none"> • Optimize raw material costs through design changes and parts standardization • Strengthen procurement system by reinforcing and digitizing purchasing organization • Take scientific approach to shift TBM maintenance operations to CBM¹ 	3.0 billion yen
Reform supply chain	<ul style="list-style-type: none"> • Optimize logistics network (SP² integration, collaborations with other companies) • Optimize logistics service level 	2.0 billion yen
Reduce selling expenses	<ul style="list-style-type: none"> • Reduce unit costs through consolidation and by fostering a competitive environment • Optimize volume and cost per unit through new/ revised company-wide rules 	1.5 billion yen
Improve labor productivity	<ul style="list-style-type: none"> • Conduct zero-base reviews of operations, division of roles, internal and external production; optimize rank hierarchy • Reassign personnel freed above to reinforcement-designated areas 	1.5 billion yen
Optimize investment costs	<ul style="list-style-type: none"> • Optimize costs based on a close examination of necessity, consolidation, fostering a competitive environment, etc. 	1.0 billion yen
Extend to group companies	<ul style="list-style-type: none"> • Extend measures in parent company for full implementation at subsidiaries • Expand group-wide knowledge of cost reduction methods 	1.0 billion yen

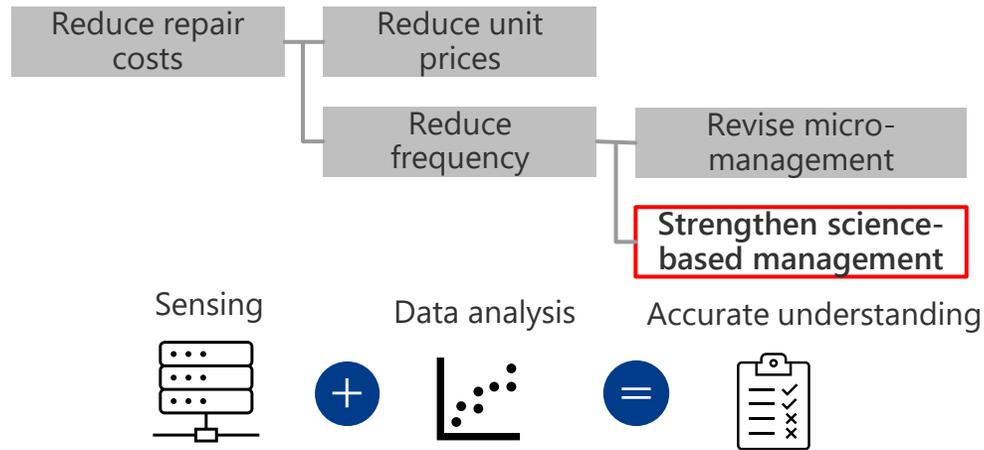
10 billion yen

1. TBM: Time-based maintenance; CBM: Condition-based maintenance
 2. SP: Stock point

■ Utilizing the knowledge of outside consultants, each will learn to control costs and work through the process with a sense of speed and honesty

Case 1: Reduce repair costs

Room for improvement Lack of measurement data on the degree of wear and tear of equipment means equipment integrity maintained through periodic maintenance, leaving room for improvement

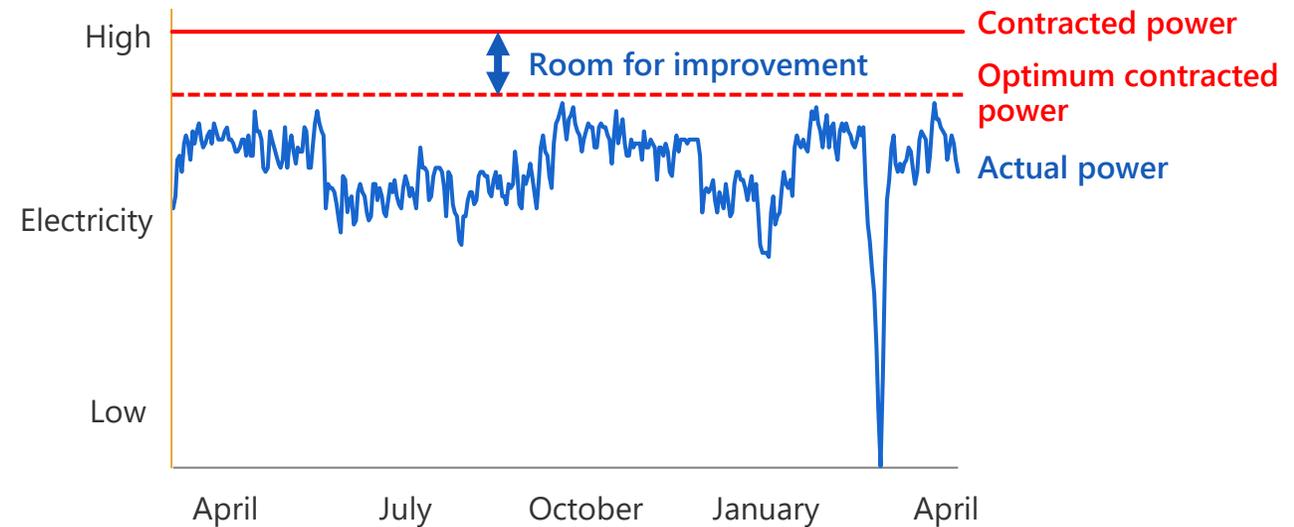


- Understand equipment condition using sensing and data analysis
- Shift from periodic maintenance (TBM) to condition-based maintenance (CBM)

Reduce costs by optimizing the number of maintenance cycles

Case 2: Optimize contracted power (upper limit)

Room for improvement Gap exists between contracted power and actual power; room for improvement in accuracy of power consumption forecasts



- Reflect previous year's production volume, equipment changes, and forecasted changes in outside temperatures
- Conduct real-time monitoring of electricity consumption and establish procedures for responding to power shortages

Reduce costs by optimizing contracted power

(¥ billions)

Sales	FY2023 Actual	FY2024 Revised Forecast (change in breakdown only)	Incr. Decr.	Volume		Pricing	
Electronics & Innovative Products	87.8	95.0	+ 7.2	+ 5.0	+ 2.2		
Life Innovation	47.1	45.0	- 2.1	- 1.3	- 0.8		
Elastomers & Infrastructure Solutions	111.4	120.0	+ 8.6	+ 12.5	- 3.8		
Polymer Solutions	124.2	140.0	+ 15.8	+ 4.2	+ 11.6		
Others	18.8	20.0	+ 1.2	+ 1.2	-		
Total	389.3	420.0	+ 30.7	+ 21.6	+ 9.1		

Operating Income	FY2023 Actual	FY2024 Revised Forecast (change in breakdown only)	Incr. Decr.	Volume		Pricing		Cost and Other
Electronics & Innovative Products	9.0	10.0	+ 1.0	+ 3.4	+ 2.2	- 4.6		
Life Innovation	11.7	10.0	- 1.7	- 1.5	- 0.8	+ 0.6		
Elastomers & Infrastructure Solutions	-9.3	-5.5	+ 3.8	+ 5.5	- 3.8	+ 2.1		
Polymer Solutions	-0.1	1.5	+ 1.6	+ 0.8	+ 11.6	- 10.7		
Others	2.0	2.0	- 0.0	- 0.0	-	- 0.0		
Total	13.4	18.0	+ 4.6	+ 8.1	+ 9.1	- 12.6		

(Reference) Forecast (By Segment) (vs Initial Forecast)

(¥ billions)

Sales	FY2024 Initial Forecast	FY2024 Revised Forecast (change in breakdown only)	Incr. Decr.	Volume		Pricing	
Electronics & Innovative Products	100.0	95.0	- 5.0	- 5.5	+ 0.5		
Life Innovation	45.0	45.0	± 0.0	- 0.7	+ 0.7		
Elastomers & Infrastructure Solutions	120.0	120.0	± 0.0	± 0.0	± 0.0		
Polymer Solutions	135.0	140.0	+ 5.0	+ 3.5	+ 1.5		
Others	20.0	20.0	± 0.0	± 0.0			
Total	420.0	420.0	±0.0	- 2.7	+ 2.7		

Operating Income	FY2024 Initial Forecast	FY2024 Revised Forecast (change in breakdown only)	Incr. Decr.	Volume		Pricing		Cost and Other	
Electronics & Innovative Products	12.0	10.0	- 2.0	- 2.4	+ 0.5	- 0.1			
Life Innovation	9.0	10.0	+ 1.0	- 0.9	+ 0.7	+ 1.2			
Elastomers & Infrastructure Solutions	-5.5	-5.5	± 0.0	± 0.0	± 0.0	± 0.0			
Polymer Solutions	0.5	1.5	+ 1.0	- 0.4	+ 1.5	- 0.1			
Others	2.0	2.0	± 0.0	+ 0.0		- 0.0			
Total	18.0	18.0	± 0.0	- 3.7	+ 2.7	+ 1.0			

Sales (¥ billions)	FY2022				FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	2H Forecast (3Q·4Q)
Electronics & Innovative Products	21.9	25.6	22.3	23.8	19.2	22.5	21.7	24.5	21.9	23.2	49.9
Life Innovation	6.4	15.5	16.9	8.8	7.2	15.0	15.8	9.0	7.8	14.6	22.6
Elastomers & Infrastructure Solutions	30.4	32.5	31.6	29.3	28.0	29.2	28.6	25.6	29.2	27.2	63.6
Polymer Solutions	31.6	32.0	30.3	33.7	29.8	31.7	30.9	31.9	32.6	34.9	72.6
Others	4.1	2.9	4.7	3.4	3.7	5.1	4.5	5.4	3.8	4.0	12.3
Total	94.4	108.6	105.8	98.8	87.8	103.5	101.5	96.4	95.2	103.8	220.9

Operating Income (¥ billions)	FY2022				FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	2H Forecast (3Q·4Q)
Electronics & Innovative Products	4.1	5.6	4.1	4.2	2.1	2.8	1.8	2.4	2.3	2.7	5.1
Life Innovation	0.5	6.0	5.0	2.8	0.9	5.7	3.1	2.0	1.7	4.0	4.3
Elastomers & Infrastructure Solutions	-0.2	1.5	-1.3	-1.1	-0.7	-0.9	-3.9	-3.7	-0.2	-2.9	-2.5
Polymer Solutions	-0.1	-0.0	-0.9	-0.1	-0.0	-0.2	0.6	-0.4	0.3	0.4	0.9
Others	0.6	0.4	0.9	0.4	0.5	0.5	0.4	0.6	0.7	0.5	0.8
Total	4.9	13.4	7.8	6.3	2.8	7.7	2.0	0.8	4.7	4.7	8.6

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.

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Possibility of chemistry

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