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FY2024 2Q Financial Results Presentation

Summary of Q&A Session

(November 8, 2024)

Electronics & Innovative Products

Q1: Overall recovery in demand seems to be slower than estimated at the beginning of the fiscal year. Given this, what are your forecasts for the next fiscal year?

A1: Recovery in demand for products used in semiconductor and electronic components has indeed been modest and less robust than we had anticipated. However, demand is steadily heading along a recovery track. The expansion of the market for xEV-related products has similarly turned out to be slower than expected, but our projection regarding an ongoing megatrend toward expansion in the xEV-related market remains unchanged. On the other hand, we are struggling in the area of silicon nitride circuit substrates due to intensified competition. To counter this situation, we are focused on differentiating ourselves by enhancing the thermal conductivity of bare substrates—the pre-processing state of circuit substrates—in order to take full advantage of our strength as a manufacturer of silicon nitride powder. Our plan thus aims to secure a stronger market presence, with the goal of yielding positive financial effects from fiscal 2025 onward. Taking these factors into account, we expect operating results to recover in the next fiscal year and beyond.

Life Innovation

Q2: Please describe first-half demand for rapid antigen test kits as well as your forecast for second-half operating results related to these products.

A2: We have seen demand associated with influenza testing already in the first quarter. Moreover, even though COVID-19 infections subsided, demand for COVID-19 antigen test kits remained robust in the second quarter. As a result, first-half sales exceeded our forecasts at the beginning of the fiscal year. For the second half, we expect sales of rapid antigen test kits to remain strong as we are currently seeing the spread of other infectious diseases while anticipating seasonal epidemics of influenza and COVID-19 infections. Accordingly, we will continue manufacturing these kits at full capacity, with the annual volume of shipments expected to be in line with our estimates at the beginning of the fiscal year.

Elastomers & Infrastructure Solutions

Q3: Operating loss expanded from ¥0.2 billion in the first quarter to ¥2.9 billion in the second quarter. Please describe factors behind this worsening of ¥2.7 billion.

A3: At the end of the previous fiscal year, we recorded valuation losses on inventories of chloroprene rubber. In the first quarter of fiscal 2024, we recorded an approximately ¥2.0 billion reversal in said valuation losses calculated using an evaluation method called the reversal method, while DPE recorded higher costs in the second quarter in addition to seeing a decrease in sales

volumes. All these factors have contributed to the higher operating loss.

Q4: Why did you alter the deadline for formulating fundamental measures for the chloroprene rubber business from December 31, 2024 to March 31, 2025?

A4: With regard to how we determine fundamental measures for this business, our stance remains the same. We continue to engage in discussions focused on the feasibility of this business while paying attention to trends in environmental regulations. Although the direction we aim to take has not changed substantially, the rescheduling was due to the emergence of additional issues that require due consideration in connection with stakeholder relations.

Polymer Solutions

Q5: In the chemical industry, the reorganization of petrochemicals businesses has been progressing. What impact do you expect to see due to this reorganization?

A5: We are considering the optimization of sales and production structures for Denka's styrene chain business while paying attention to trends in the reorganization taking place in the upstream portions of supply chains. Currently, we anticipate no major negative impact.