

## **Management Presentation**

### **Summary of Q&A Session**

#### **(May 30, 2025)**

#### **Electronics & Innovative Products**

Q1: SNECTON and low dielectric loss tangent spherical silica are expected to benefit from growing demand in the generative AI-related field. Where are you seeing a faster adoption rate—the motherboard-related or semiconductor packaging substrate-related fields? (Cf. page 19 of the presentation material)

A1: Currently, we are seeing greater progress in the adoption of these products in the motherboard-related field, in which manufacturers can better leverage the strength of these products arising from their low dielectric loss. In the area of packaging substrates, both products are steadily progressing through customer evaluations, and we expect them to be adopted going forward.

Q2: In connection with how Denka will recover its investment associated with the construction of a new acetylene black production facility in Thailand, do you believe that the cash outflows associated with this project will be fully recovered as demand is expected to grow in the high-voltage cable-related application, even though EV market growth has been decelerating? (Cf. page 20 of the presentation material)

A2: Acetylene black for use in high-voltage cables accounts for approximately 50% of overall sales of this product. In this area, we anticipate a steady expansion in demand in step with growing energy demand. On the other hand, although market growth is stagnant in the xEV-related application right now, we expect the market to expand over the medium to long term. In addition, the planning of measures to expand sales of China-bound products is now under way.

#### **Elastomers & Infrastructure Solutions**

Q3: On May 13, 2025, Denka decided not to restart production at chloroprene rubber manufacturing facilities at DPE\* for an indefinite period. Please fill us in on DPE's status since then.

A3: There has been no substantial progress. DPE is engaged in ongoing negotiations with stakeholders.

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

#### **Polymer Solutions**

Q4: What direction is Denka intending to take with regard to downsizing and other measures aimed at optimizing production? (Cf. page 28 of the presentation material)

A4: With regard to styrene-based products, we have seen the loosening of the demand-supply balance due mainly to lower demand in the food packaging compared with the pre-COVID-19 era. This calls for an optimization of the production system. We will begin by pushing ahead with measures that can be undertaken by Denka alone. While doing so, we will pay close attention to industry reorganization trends and act accordingly to promote various reforms, including those involving collaboration with industry peers.

#### **Organizational Development**

Q5: Denka's workforce seems to have a shared sense of urgency and be on the same page about the need for change. Could you elaborate on CEO's views in this regard? (Cf. page 47 of the

presentation material)

A5: I believe that our decision to suspension of production at DPE enabled us to alleviate, to a certain degree, a sense of anxiety among employees. However, we recorded stagnant operating income in both fiscal 2023 and fiscal 2024. This prompted an ongoing sense of urgency to spread throughout our workforce. Currently, all members of our workforce are striving in unison to achieve our fiscal 2025 operating income target of ¥25.0 billion.

### **Financial Strategy**

Q6: What are your forecasts for investment to be undertaken in fiscal 2025 and fiscal 2026? (Cf. page 53 of the presentation material)

A6: Looking at prospective investment projects currently undergoing the management screening and greenlighting processes, we have already switched to a strict selective investment approach, and the capital investment has peaked out. Going forward, we will execute major investment projects that have already been greenlit, such as the construction of a new acetylene black production facility in Thailand. These projects will result in a constant stream of substantial cash outflows until fiscal 2026. From fiscal 2027 onward, however, the effect of switching to a strict selective investment approach will contribute to reducing the cash outflows.