Denka Company Limited

Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

November 10, 2025

Event Summary

[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2026
[Fiscal Period]	FY2025 Q2
[Date]	November 10, 2025
[Venue]	Webcast

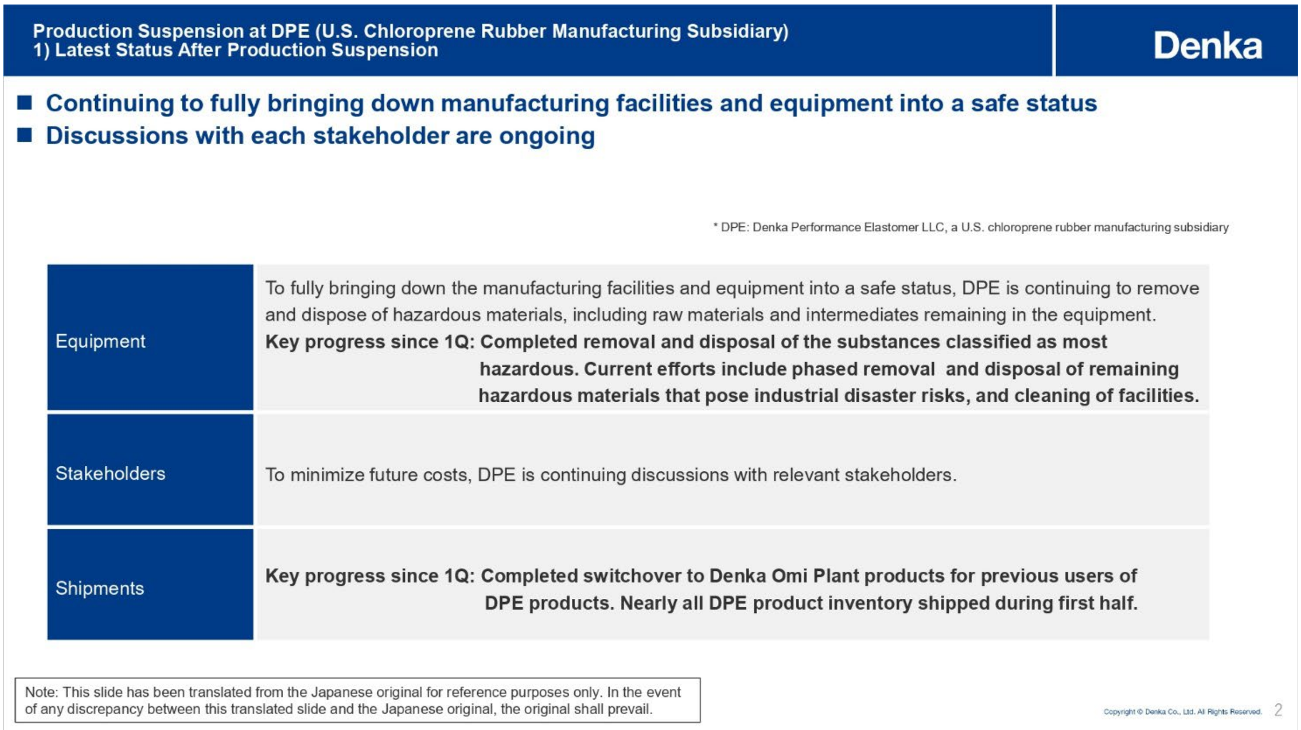
[Number of Speakers]

Ikuo Ishida	Representative Director, President
Rimiru Hayashida	Senior Managing Executive Officer, CFO

Presentation

Ishida: My name is Ishida. Thank you.

Thank you very much for attending Denka Co., Ltd.’s Q2 financial results briefing for FY2025.



First, please see page two for an explanation of the latest situation at DPE, our US chloroprene rubber manufacturing subsidiary, following its production suspension.

In order to bring the DPE manufacturing facilities to a complete shutdown in a safe condition, we are still in the process of extracting and disposing of hazardous materials including raw materials and intermediate products that remain in the manufacturing facilities.

As for progress, we have completed the extraction and treatment of several substances classified as the most hazardous with the highest priority. However, there are still some hazardous materials in the facilities that pose a risk of disaster, so these materials are being extracted and disposed of, and the facilities are being cleaned in turn.

Discussions with stakeholders are ongoing to minimize future costs. Unfortunately, we do not have any details that we can disclose at this time, but we will steadily proceed with the discussions.

As for shipments to users, the switchover from DPE to Denka's Omi Plant products has been completed, and most of the DPE inventory has been shipped out during H1 of the fiscal year.

Production Suspension at DPE (U.S. Chloroprene Rubber Manufacturing Subsidiary)
2) Impact on FY2025 Earnings

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- **Operating income: Fundamental measures had a +1.8 billion yen impact in 1H in line with the plan; expecting a +8.6 billion yen impact for the full year (vs. FY2024)**
- **Extraordinary losses: -8.4 billion yen in 1H due to the write-down of raw materials and intermediate goods, as well as labor and other costs associated with material removal costs and related expenses**
  We expect additional extraordinary losses in 2H, including labor and other costs associated with material removal costs and related expenses; however, we plan to offset these as much as possible, such as extraordinary gains

(¥ billions)

		1Q	2Q	2H	Full-Year	
Operating income	Impact of fundamental measures	+0.9	+0.9	+6.8	+8.6	Full benefit from 2H due to plans to ship all DPE inventory by the end of 1H
Extraordinary gains and losses	DPE-related losses	-2.1 (only includes write-downs of raw materials and intermediate goods, etc.)	-6.3 (Labor and other costs associated with material removal costs and related expenses)	Labor and other costs associated with material removal and related expenses to continue as extraordinary losses from 2H		
	Gain on sale of land for Ofuna Plant	+8.2	0.0	Compensate		
	Gain on sale of strategic cross-shareholdings, etc.	0.0	0.0	Consider as needed		

Note: This slide 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.

Next, please see page three for an explanation of the impact on the FY2025 results.

The impact of fundamental measures on operating income was plus JPY1.8 billion in H1 compared to FY2024. The full-year impact is estimated to be plus JPY8.6 billion, on par with the plan. As we mentioned earlier, since the shipment of DPE product inventory was largely completed during H1, the benefits have been fully contributed from H2.

On the other hand, extraordinary losses amounted to minus JPY8.4 billion in H1 due to the write-down of raw materials and intermediate products recorded in Q1, as well as labor and other expenses incurred in Q2 in connection with the removal of raw materials and other items.

We expect to incur extraordinary losses in H2 and beyond, including labor and other costs associated with the extraction of raw materials and other materials.

In addition to the gain on the sale of the Ofuna Plant site in Q1, we aim to compensate for this to the extent possible through extraordinary gains, such as the sale of shares held in the Company's strategic holding.

Presentation Highlights | **Denka**

FY2025 1H Results (P5-P14)	■ **Operating income: 9.7 billion yen +0.4 billion yen YoY** Electronics & Innovative Products volume +3.4: Moderate demand recovery for general-purpose semiconductors and expanding demand for generative AI-related semiconductors and power infrastructure Fixed costs -1.1 (depreciation -0.7, other), currency fluctuations -1.1 ■ **Net income: 3.9 billion yen +0.5 billion yen YoY** DPE-related losses 1H FY2024: None → 1H FY2025: -8.4 billion yen (write-down of raw materials in equipment, costs associated with material removal, etc.) Gain on sale of land for Ofuna Plant 1H FY2024: None → 1H FY2025: +8.2 billion yen
FY2025 Earnings Forecast (P15-P19)	■ **Operating income: 25.0 billion yen** (unchanged from initial forecast) ■ **Net income: 15.0 billion yen** (unchanged from initial forecast) Operating income: In line with overall forecast, despite mixed results by segment V-shaped recovery including the +8.6 billion yen impact of fundamental measures related to the chloroprene rubber business Net income : We expect to post extraordinary losses as we build on the fundamental in the chloroprene rubber business; however, we expect extraordinary gains (gain on sale of land for Ofuna Plant, gain on sale of stock, etc.) to compensate
Shareholder Returns (P20)	■ **Dividend forecast: No change from 100 yen per share** (57% total return ratio) ■ **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)**
Direction of Management Plan Mission 2030 Revision (P24-32)	■ **Revised Mission 2030 to be announced in February 2026** ■ **Phase 2 (FY2026–FY2028): Target ROE of 8% or higher as a highly achievable goal** ■ **Phase 3 (FY2029–FY2030): Aim for the best mix of ICT & Energy and Healthcare (operating income: 100 billion yen, 15% ROE); streamline Sustainable Living to focus on competitive businesses only**

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Please see next page, page four. Here are today's presentation highlights.

In Q2 of FY2025, the electronics & innovative products division was plus JPY3.4 billion in volume, reflecting the expansion of demand for generative-AI-related products and power infrastructure and a gradual recovery in demand for general-purpose semiconductors, while fixed costs, mainly depreciation expenses, were minus JPY1.1 billion and the impact of foreign exchange rates was also minus JPY1.1 billion. As a result, overall sales increased slightly by JPY0.4 billion from the previous year.

Net income attributable to owners of parent also increased slightly by JPY 0.5 billion YoY due to a DPE-related loss of JPY8.4 billion and a gain of JPY8.2 billion on the sale of the Ofuna plant site.

Although H1 saw an upward swing in the electronics & innovative products division, resulting in an overall increase over the initial forecast, we expect a downward swing in the life innovation division in H2; therefore, we have left the forecast for FY2025 unchanged.

The dividend forecast remains unchanged from the initial forecast of JPY100 per share. The Company aims to maintain or increase the dividend per share based on a total return ratio of 50% over the eight-year period of the "Mission 2030" management plan.

Lastly, as a topic of this financial results presentation, I will explain the direction of the review of the "Mission 2030" management plan. The revised version of the plan is scheduled to be released in February 2026.

As a major direction in the formulation of the plan, we have positioned the period from FY2026 to FY2028 as Phase 2, aiming to achieve a highly probable numerical target of ROE of 8.0% or more. In addition, we have pushed back our targets for operating income of JPY100 billion and ROE of 15% for FY2030 to a more realistic time frame, and we will continue to pursue our ideal of the best mix of ICT & energy and healthcare.

In this briefing, CFO Hayashida will provide a detailed explanation of the financial results. I will explain the direction of the review of the "Mission 2030" management plan.

We will now begin the presentation of the Q2 financial results for FY2025. Mr. Hayashida, please.

FY2025 1st Half Results 1) Summary (Year on Year, vs Initial Forecast)

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■ **Operating profit rose slightly year on year and exceeded the initial forecast**

(¥ billions)	FY2024 1H Actual	**FY2025 1H Actual**	(Year on Year)	FY2025 1H Initial Forecast	(vs Initial Forecast)
Sales	199.1	**196.7**	-2.4	195.0	+1.7
Operating Income	9.4	**9.7**	+0.4	7.0	+2.7
Operating Margin	4.7%	**5.0%**	+0.3%	3.6%	+1.4%
Ordinary Income	5.6	**6.8**	+1.2	4.5	+2.3
Net Income Attributable to Owners of Parent	3.4	**3.9***	+0.5	2.5	+1.4
Forex (¥/$)	153.9	**146.2**		145.0	
Japan Naphtha (¥/Kl)	77,700	**65,000**		69,000	

*DPE-related losses 1H FY2024: None ⇒ 1H FY2025: - 8.4 billion yen (costs associated with material removal, etc.)
Gains on sale of land for Ofuna Plant 1H FY2024: None ⇒ 1H FY2025: +8.2 billion yen

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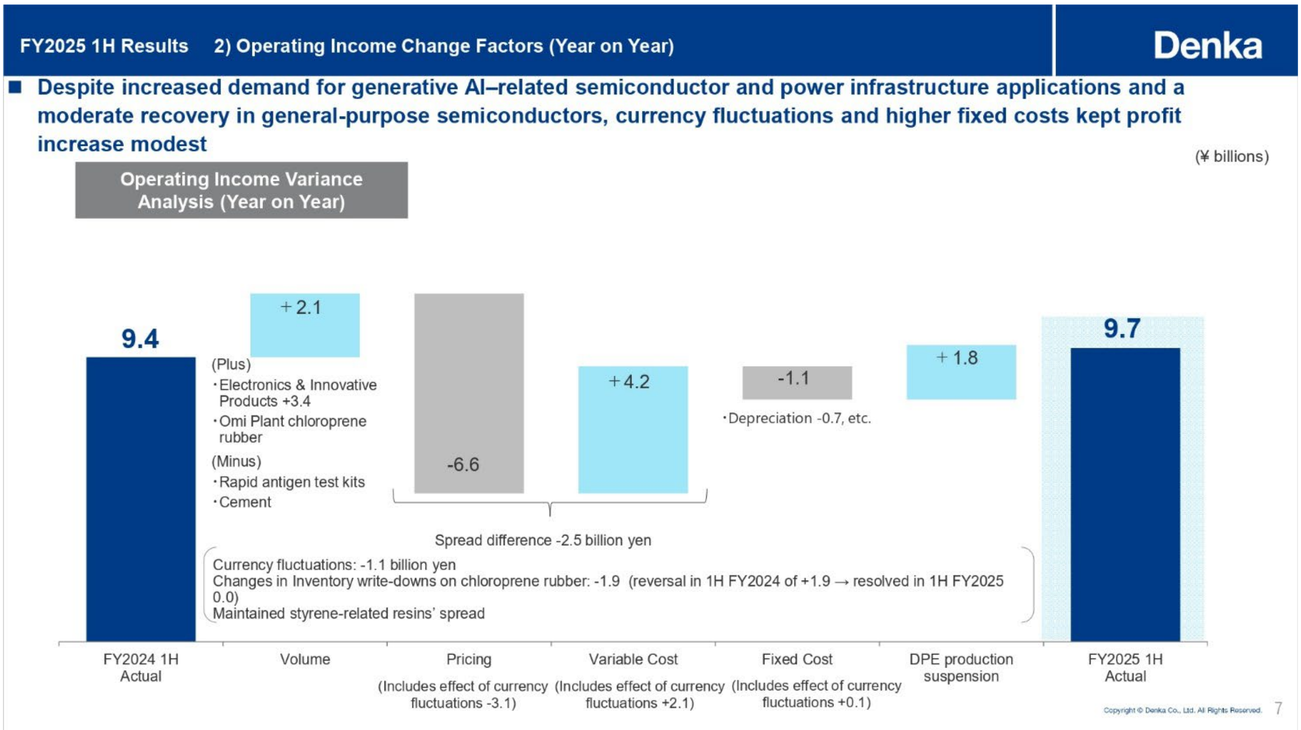
Hayashida: My name is Hayashida. First, let me explain the financial results.

For Q2 of FY2025, sales were JPY196.7 billion, a decrease YoY. Meanwhile, operating income, ordinary income, and net income attributable to owners of parent increased to JPY9.7 billion, JPY6.8 billion, and JPY3.9 billion, respectively.

As for extraordinary gains and losses, DPE recorded an extraordinary loss of JPY8.4 billion for write-downs of raw materials and intermediate products in its facilities and expenses for extraction work, while an extraordinary gain of JPY8.2 billion from the sale of the Ofuna Plant site was recorded as an extraordinary gain.



On the next page, I will explain the factors behind the change in operating income from the previous year.

The volume difference was a positive JPY2.1 billion overall due to the large positive impact of electronics & innovative products. The spread difference, which is the net of pricing and variable cost difference, was minus JPY2.5 billion, due to factors such as the impact of foreign exchange rates and the changes in inventory valuation adjustments for chloroprene rubber.

Fixed assets were minus JPY1.1 billion due to increased depreciation and other factors, while the impact of DPE production suspension was positive JPY1.8 billion.

FY2025 1H Results 3) Change Factors by Segment By Segment (Year on Year)

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■ **While profit increased in Electronics & Innovative Products and Polymer Solutions, profit declined in Life Innovation. As a result, overall performance improved slightly.**

(¥ billions)

Sales	FY2024 1H Actual	**FY2025 1H Actual**	Incr. Decr.	Volume	Pricing	DPE production suspension
Electronics & Innovative Products	45.1	**50.1**	+5.1	+5.8	-0.7	
Life Innovation	22.4	**21.4**	-1.0	-1.1	+0.1	
Elastomers & Infrastructure Solutions	56.4	**49.9**	-6.6	-4.1	+1.0	-3.5
Polymer Solutions	67.4	**65.4**	-2.0	+5.1	-7.1	
Others	7.7	**9.8**	+2.1	+2.1	+0.0	
Total	199.1	**196.7**	-2.4	+7.8	-6.6	-3.5

Operating Income	FY2024 1H Actual	**FY2025 1H Actual**	Incr. Decr.	Volume	Pricing	Cost and Others	DPE production suspension
Electronics & Innovative Products	4.9	**6.3**	+1.4	+3.4	-0.7	-1.3	
Life Innovation	5.7	**3.8**	-1.9	-0.9	+0.1	-1.1	
Elastomers & Infrastructure Solutions	-3.0	**-3.4**	-0.4	-1.0	+1.0	-2.2	+1.8
Polymer Solutions	0.6	**1.5**	+0.9	+0.3	-7.1	+7.7	
Others	1.2	**1.5**	+0.3	+0.4	+0.0	+0.0	
Total	9.4	**9.7**	+0.4	+2.1	-6.6	+3.1	+1.8

On page eight, here is an analysis of the YoY differences in sales and operating income by segment.

Although profits increased in electronics & innovative products and polymer solutions, overall profits increased only slightly due to lower profits in life innovation.

FY2025 1H Results 4) Change Factors by Segment (vs. FY2025 1Q)

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■ **Increase in profit for Electronics & Innovative Products and Life Innovation**

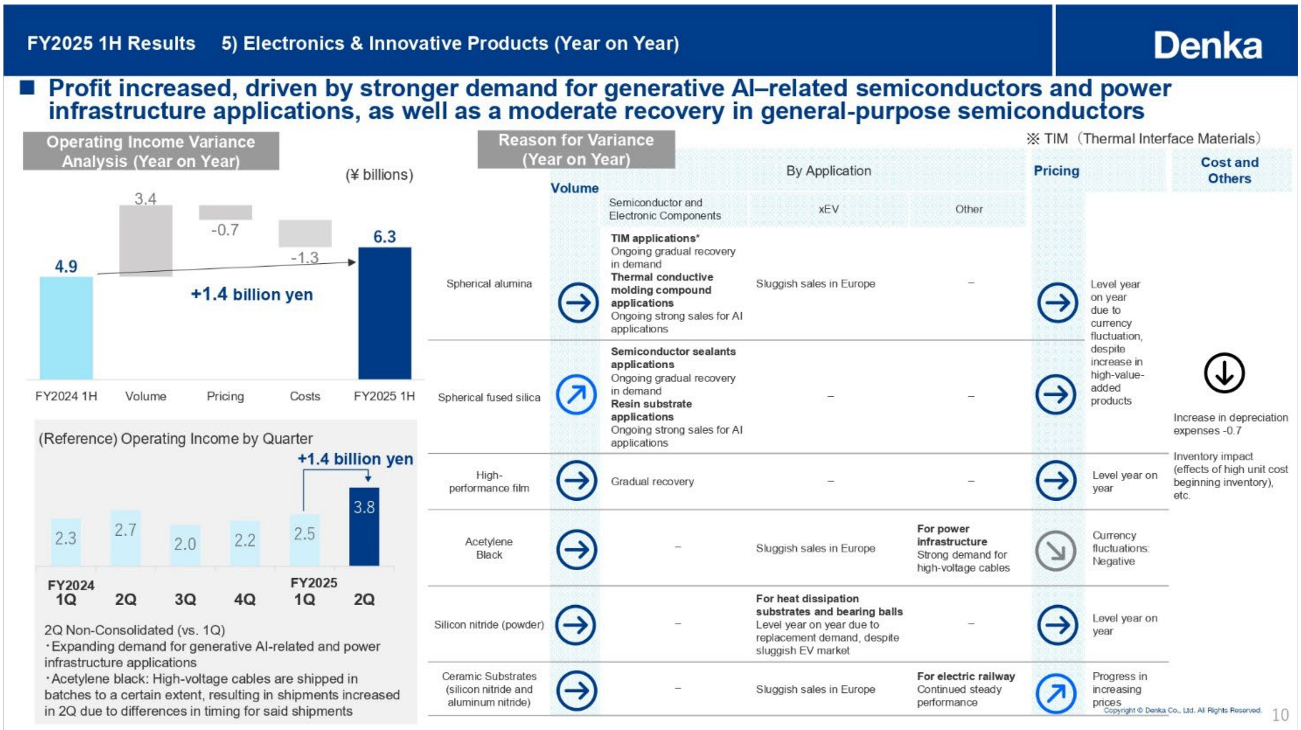
(¥ billions)

Sales	FY2023 1Q	2Q	3Q	4Q	FY2024 1Q	2Q	3Q	4Q	FY2025 1Q	**2Q**	Vs. FY2025 1Q
Electronics & Innovative Products	19.2	22.5	21.7	24.5	21.9	23.2	22.5	24.7	23.6	**26.5**	+ 2.9
Life Innovation	7.2	15.0	15.8	9.0	7.8	14.6	12.7	8.2	6.6	**14.8**	+ 8.3
Elastomers & Infrastructure Solutions	28.0	29.2	28.6	25.6	29.2	27.2	28.0	27.2	25.8	**24.1**	- 1.7
Polymer Solutions	29.8	31.7	30.9	31.9	32.6	34.9	34.9	33.0	33.8	**31.6**	- 2.2
Others	3.7	5.1	4.5	5.4	3.8	4.0	4.4	5.6	4.3	**5.6**	+ 1.3
Total	87.8	103.5	101.5	96.4	95.2	103.8	102.5	98.7	94.1	**102.6**	+ 8.6

Operating Income	FY2023 1Q	2Q	3Q	4Q	FY2024 1Q	2Q	3Q	4Q	FY2025 1Q	**2Q**	Vs. FY2025 1Q
Electronics & Innovative Products	2.1	2.8	1.8	2.4	2.3	2.7	2.0	2.2	2.5	**3.8**	+1.4
Life Innovation	0.9	5.7	3.1	2.0	1.7	4.0	1.9	2.0	0.2	**3.6**	+3.4
Elastomers & Infrastructure Solutions	-0.7	-0.9	-3.9	-3.7	-0.2	-2.9	-2.6	-2.3	-1.4	**-2.0**	-0.6
Polymer Solutions	-0.0	-0.2	0.6	-0.4	0.3	0.4	0.4	0.1	0.4	**1.1**	+0.7
Others	0.5	0.5	0.4	0.6	0.7	0.5	0.7	0.5	0.6	**0.9**	+0.3
Total	2.8	7.7	2.0	0.8	4.7	4.7	2.4	2.6	2.3	**7.4**	+ 5.1

Page nine, shows quarterly changes and comparisons with the previous quarter in each segment.

Compared to Q1, Q2 saw an increase in profits in electronics & innovative products and life innovation, and an overall increase in profits.



From the next slide, I will explain the details of the analysis of differences from the previous year by segment. See page 10.

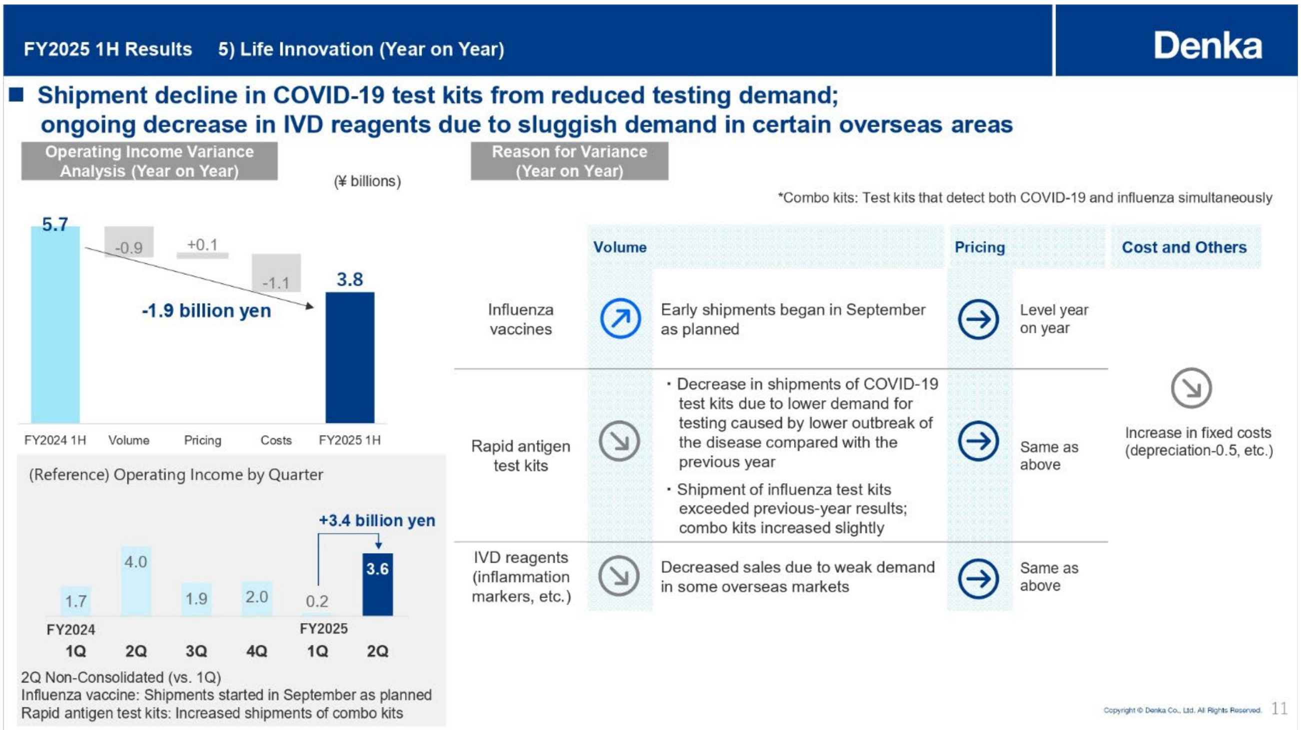
Electronics & innovative products reported an increase due to a gradual recovery in demand for general-purpose semiconductors, in addition to increased demand for generative-AI-related and power infrastructure applications. As for sales trends by application, demand continued to grow for spherical alumina for use in thermal conductive molding compound and spherical silica for use in resin substrates in the area of generative AI.

Demand for general-purpose semiconductors also continued to recover moderately. Demand for acetylene black for use in high-voltage cables also remained strong, exceeding the previous year's level.

On the other hand, sales volumes of spherical alumina, acetylene black, and ceramic substrates for xEVs decreased due to weak demand for EVs in Europe and the US.

The cost variance for the segment as a whole deteriorated from the previous year due to an increase in depreciation and the inventory impact.

A comparison with the previous quarter is shown on the lower left of the slide. The increase was mainly due to the contribution of increased demand for generative-AI-related products and power infrastructure products compared to Q1.



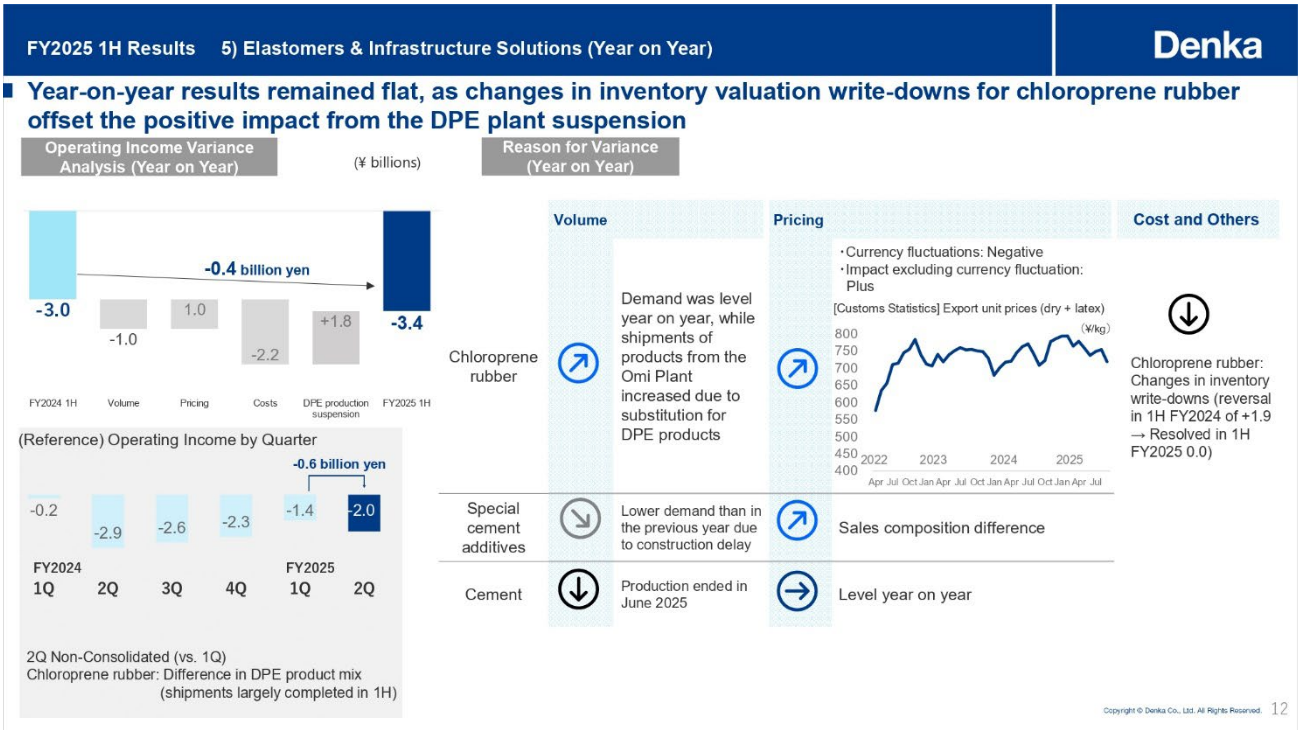
Page 11 describes life innovation.

Early shipments of influenza vaccines began in September as planned. In antigen test kits, shipments of COVID-19 test kits declined as COVID-19 was not as prevalent as last year, but influenza test kits increased from the previous year. However, the volume was negative due to the difference in product mix.

In addition, sales of IVD reagents declined due to sluggish sales to some overseas customers.

On the cost front, fixed costs increased due to the start of depreciation associated with the operation of the new plant.

As a result of the above, overall segment income decreased due to a negative volume and increased costs. In comparison with Q1, the influenza vaccines began shipping in September as planned, and sales of combo kits increased, resulting in a significant increase in profit.

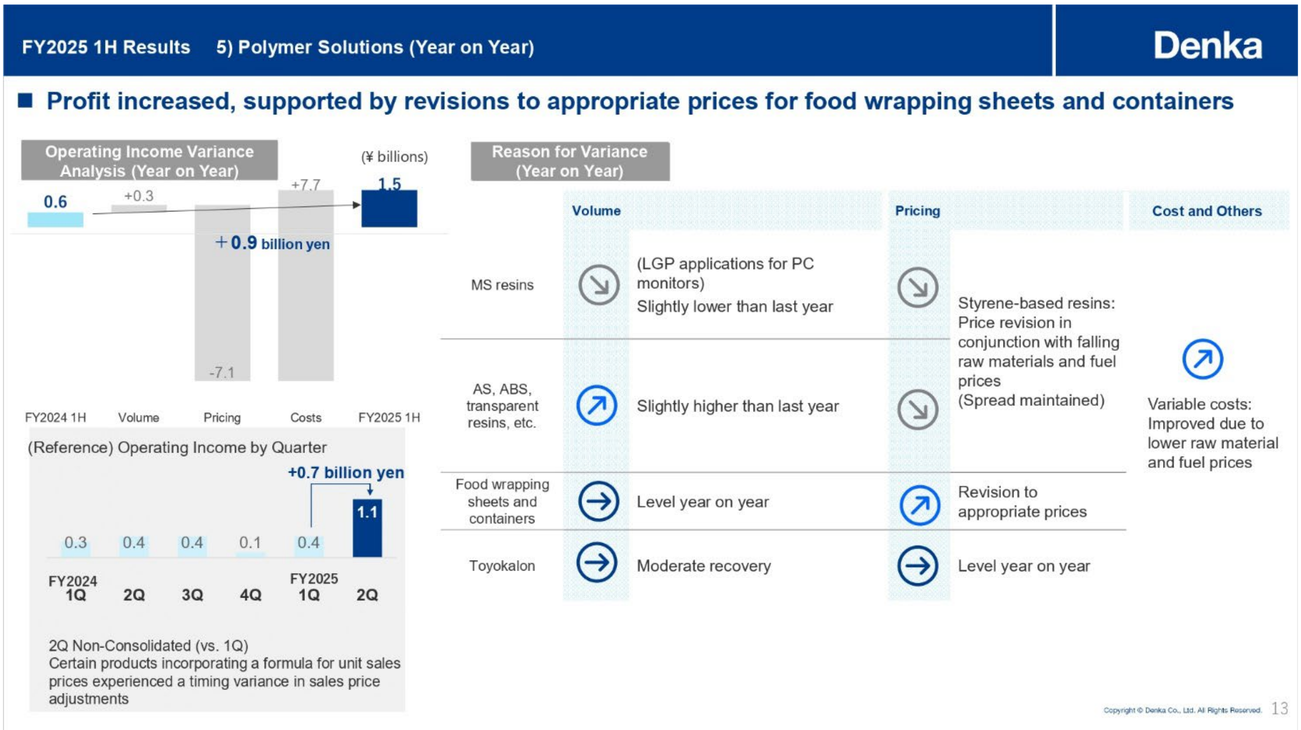


On page 12, we will discuss elastomers & infrastructure solutions.

Demand for chloroprene rubber leveled year on year in demand but shipments of products from the Omi plant increased due to the switch from DPE. On the other hand, demand for special cement additives fell below the previous year's level due to construction delays, resulting in a decline in volume. Production of cement was terminated in June as planned.

In terms of cost difference, the previous year's profit was negative because the previous year's profit was boosted by the reversal of a JPY1.9 billion chloroprene rubber inventory write-off. The impact of the DPE production suspension was a positive JPY1.8 billion.

Compared to Q1, the result was minus JPY0.6 billion, mainly due to a difference in the product mix of chloroprene rubber DPE products. DPE inventories were generally shipped out during H1.



On page 13, I would like to explain about polymer solutions.

Shipments of MS resins for light guide plate applications for PC monitors were slightly lower than the previous year, while shipments of AS, ABS, and transparent resins were higher than the previous year. Spreads for food wrapping sheets and containers improved as a result of revision to appropriate prices.

In addition, compared to Q1, the profit increased due to the periodic shift in the sales price of some products that are included in the sales unit price formula.

FY2025 1H Results 6) By Segment (vs Initial Forecast)

Denka

■ **Electronics & Innovative Products exceeded initial forecast**

(¥ billions)

Sales	FY2025 1H Initial Forecast	FY2025 1H Actual	Incr. Decr.	Volume	Pricing	DPE production suspension
Electronics & Innovative Products	50.0	**50.1**	+0.1	+0.5	-0.3	
Life Innovation	20.0	**21.4**	+1.4	+0.7	+0.7	
Elastomers & Infrastructure Solutions	50.0	**49.9**	-0.1	-0.9	+0.7	+0.1
Polymer Solutions	65.0	**65.4**	+0.4	+3.4	-3.0	
Others	10.0	**9.8**	-0.2	-0.2	-	
Total	195.0	**196.7**	+1.7	+3.5	-1.9	+0.1

Operating Income	FY2025 1H Initial Forecast	FY2025 1H Actual	Incr. Decr.	Volume	Pricing	Cost and Others	DPE production suspension
Electronics & Innovative Products	4.0	**6.3**	+2.3	+1.3	-0.3	+1.4	
Life Innovation	4.5	**3.8**	-0.7	-1.9	+0.7	+0.5	
Elastomers & Infrastructure Solutions	-3.5	**-3.4**	+0.1	-0.7	+0.7	+0.3	-0.2
Polymer Solutions	1.0	**1.5**	+0.5	-0.1	-3.0	+3.5	
Others	1.0	**1.5**	+0.5	+0.5	-	- 0.0	
Total	7.0	**9.7**	+2.7	-0.8	-1.9	+5.7	-0.2

On page 14, a comparison with the initial forecast is shown by segment.

Compared to the initial forecast, the life innovation business fell short due to less prevalence of infectious diseases than expected, but the electronics & innovative products business exceeded the initial forecast due to higher-than-expected demand.

FY2025 Earnings Forecast 1) Consolidated Summary (Year on Year)

Denka

■ **Only sales revised from the initial forecast**

■ **Net income: We expect to post extraordinary losses as we build on the fundamental in the chloroprene rubber business; however, we expect extraordinary gains to compensate**

(¥ billions)	FY2024 1H Actual	FY2024 2H Actual	FY2024 Actual	FY2025 1H Actual	FY2025 2H Forecast	FY2025 Revised Forecast	(YoY)	vs Initial Forecast
Sales	199.1	201.2	**400.3**	196.7	203.3	**400.0**	-0.3	-10.0
Operating Income	9.4	5.0	**14.4**	9.7	15.3	**25.0**	+ 10.6	±0.0
Operating Margin	4.7%	2.5%	**3.6%**	5.0%	7.5%	**6.3%**	+2.7%	+0.2%
Ordinary Income	5.6	2.0	**7.6**	6.8	12.2	**19.0**	+ 11.4	±0.0
Extraordinary gains	0.3	0	**0.4**	8.7		Compensate		
Extraordinary losses: DPE-related	-	-17.9	**-17.9 ***	-8.4	Losses			
Extraordinary loss: Other	-0.6	-6.5	**-7.1**	-1.0				
Net Income Attributable to Owners of Parent	3.4	-15.7	**-12.3**	3.9	11.1	**15.0**	+ 27.3	±0.0
Forex (¥/$)	153.9	151.6	**152.8**	146.2	148.0	**147.1**		
Japan Naphtha (¥/Kl)	77,700	73,700	**75,700**	65,000	58,400	**61,700**		

*Impairment loss -16.1,etc.

Please see page 16 for an explanation of the earnings forecast starting on the next page.

As noted here, the forecast for FY2025 has been revised only for sales. The operating income forecast has been changed since the beginning of the fiscal year due to differences in progress by segment, etc. However, overall operating income is expected to be in line with the initial forecast.

Net income attributable to owners of parent is also unchanged from the initial forecast. We expect to post extraordinary losses related to DPE in Q3 and beyond, but we intend to compensate for these losses with extraordinary gains.

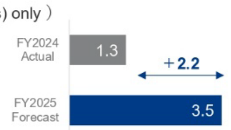
FY2025 Earnings Forecast Update on Major Differences From FY2024 (Operating Income Basis) Denka

■ **Progress is on par with the initial forecast, including the temporary suspension of production at DPE**

Major Differences From FY2024 (Operating Income Basis) (YoY, ¥ billions)

	Initial Forecast			Revised Forecast			
	1H	2H	Full-Year	1H	2H	Full-Year	
Suspension of production at DPE	+2.0	+7.0	+9.0	+1.8	+6.8	+8.6	Sales of DPE products mostly ended in 1H 2H results expected to be in line with the initial forecast
Withdrawal from cement business	-0.4	+1.3	+0.9	+0.2	+1.4	+1.6	Production suspended in 1H as planned
Electronics & Innovative Products Substrate Business Business Model Transformation	+1.0	+1.3	+2.3	+0.8	+1.0	+1.8	Price increases for ceramic substrates, higher ALSINK sales, and cost reductions for HITT PLATE progressing roughly in line with forecast
Cost reductions under the Best-Practice Project	+1.0	+0.2	+1.2	+1.5	+0.7	+2.2	Steady progress
U.S. tariffs Risk of lower sales price and volume	-2.0	-1.0	-3.0	-	-	-	Recognized indirect impact across various products

【Cost reductions under the Best-Practice Project】
（Direct impact on profit (loss) only）



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On page 17, we will explain the progress of the earnings improvement factors incorporated in our initial forecast. We would like to explain the situation regarding the main differences from FY2024.

The annual impact of the production suspension of DPE operations and the reform of the business model of the electronics & innovative products infrastructure business are approximately the same as the initial forecast.

The impact of the withdrawal from cement business is expected to be a positive JPY1.6 billion, and cost reductions under the best practices project is expected to be a positive JPY2.2 billion, and these are expected to exceed the forecast. We believe that each initiative is making steady progress.

On the other hand, regarding the impact of the US tariffs, it is difficult to accurately estimate the amount of impact at this time, but we feel that there is an indirect negative impact on a variety of products.

FY2025 Earnings Forecast 2) Progress Vs. Forecast

Denka

■ **We expect overall results to stay in line with the initial forecast, with Life Innovation likely to fall below plan due to the decline in infectious diseases, and demand in Electronics & Innovative Products exceeds expectations for generative AI-related semiconductors and power infrastructure applications**

Operating Income (¥ billions)	1H Actual	2H Forecast	Forecast	vs Initial Forecast	Progress
Electronics & Innovative Products	6.3	6.2	12.5	2.5	While we expect weaker-than-anticipated demand for general-purpose semiconductor and xEV applications, we project stronger-than-expected growth in demand for AI-related semiconductors and power infrastructure applications
Life Innovation	3.8	3.7	7.5	-2.5	Rapid antigen test kits: Weaker than expected demand due to fewer outbreaks of infectious diseases IVD reagents: Projecting a slow recovery from sluggish demand in certain overseas areas
Elastomers & Infrastructure Solutions	-3.4	3.9	0.5	-0.5	Despite initially projecting a recovery in chloroprene rubber demand, current demand remains sluggish, resulting in projections below the initial forecast
Polymer Solutions	1.5	1.0	2.5	0.5	Functional resins: Demand expected to exceed projections
Others	1.5	0.5	2.0	0.0	
Total	9.7	15.3	25.0	0.0	

On page 18, we explain the progress of the earnings forecast by segment.

In the electronics & innovative products segment, demands for general-purpose semiconductors and xEVs are expected to be weaker than expected, while demand for generative-AI-related products and power infrastructure is expected to grow faster than our initial forecast.

On the other hand, for life innovation, we expect demand for antigen diagnostic kits to be weaker than expected, as the outbreak of infectious diseases has calmed down. In addition, we expect IVD reagents to take time to recover from the slump in sales to some overseas customers, and therefore, we have revised our initial forecast downward.

In elastomers & infrastructure solutions, we had assumed a recovery in demand for chloroprene rubber in our initial forecast, but demand has not yet recovered and is expected to fall short of our initial forecast.

In the polymer solutions business, demand for functional resins was up in H1, and we expect to exceed our initial forecast for the full year.

Given the above, overall operating income remains unchanged from the initial forecast.

FY2025 Earnings Forecast 3) Investments, Depreciation and R&D Expenses by Segment

Denka

■ Depreciation changed from initial forecast

(¥ 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)	
	FY2024	FY2025	FY2025		FY2024	FY2025	FY2025		FY2024	FY2025	FY2025	
	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	15.0	**11.7**	**40.0**		4.7	**5.5**	**11.6**	**11.2**	2.8	**2.9**	**6.0**	
Life Innovation	4.8	**1.2**	**3.0**		1.6	**2.1**	**4.0**	**4.0**	2.1	**2.3**	**5.0**	
Elastomers & Infrastructure Solutions	4.8	**3.8**	**11.0**	No change	4.6	**4.2**	**9.0**	**8.4**	1.3	**1.3**	**2.5**	No change
Polymer Solutions	3.4	**2.3**	**6.0**		2.6	**2.5**	**5.0**	**5.0**	1.2	**1.0**	**2.0**	
Others	0.0	**0.0**			0.2	**0.2**	**0.4**	**0.4**				
Total	28.0	**19.0**	**60.0**		13.7	**14.4**	**30.0**	**29.0**	7.4	**7.5**	**15.5**	

Page 19 shows investment, depreciation, and R&D expenses by segment.

Investments and R&D expenses for FY2025 remain unchanged from the initial forecast. Regarding depreciation, we have changed our initial forecast from JPY30 billion to JPY29 billion, taking into account the progress of some investments.

FY2025 Earnings Forecast 4) Shareholder Returns and ROE

Denka

■ Unchanged from the previous year dividend of 100 yen per share in anticipation of improved cash flow

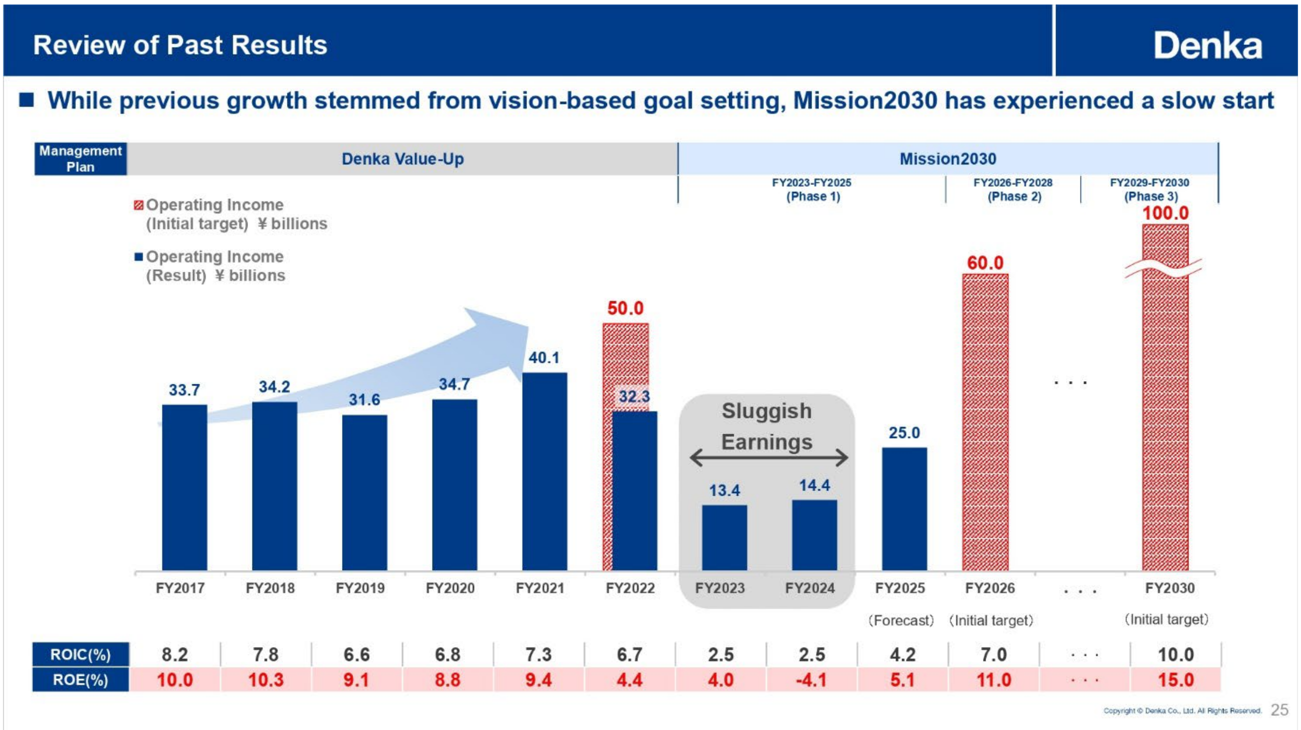
		FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Forecast
Net Income	(¥ billions)	25.0	22.7	22.8	26.0	12.8	11.9	-12.3	15.0
Dividends per Share	(¥/share)	120.0	125.0	125.0	145.0	100.0	100.0	100.0 Mid-term 50.0 End 50.0	100.0 Mid-term 50.0 End 50.0
Dividend	(¥ billions)	10.5	10.8	10.8	12.5	8.6	8.6	8.6	8.6
Shareholders Return		42%	48%	47%	48%	68%	72%	-	57%
Stock Purchase	(¥ billions)	2.1	-	-	-	-	-	-	-
Total Return	(¥ billions)	12.6	10.8	10.8	12.5	8.6	8.6	8.6	8.6
Total Return Ratio		50%	48%	47%	48%	68%	72%	-	57%
Depreciation	(¥ billions)	22.9	22.5	22.9	23.9	27.0	26.9	27.9	29.0
Investment & Lending	(¥ billions)	32.8	36.9	42.3	35.6	39.4	43.7	69.2	60.0
Interest Bearing Debt	(¥ billions)	112.1	134.3	138.2	137.0	169.7	174.4	217.7	215.0
Net D/E Ratio		0.40	0.42	0.42	0.40	0.50	0.45	0.61	0.66
ROIC		**7.8%**	**6.6%**	**6.8%**	**7.3%**	**6.7%**	**2.5%**	**2.5%**	**4.2%**
ROE		**10.3%**	**9.1%**	**8.8%**	**9.4%**	**4.4%**	**4.0%**	**-4.1%**	**5.1%**

On page 20, I will explain about shareholder return and ROE.

The dividend policy for FY2025 remains unchanged from the basic policy of aiming to maintain or increase the dividend per share, based on a total return ratio of 50% for the cumulative eight-year period. Therefore, the dividend forecast for the current fiscal year remains unchanged from the initial forecast at JPY100, the same amount as the previous year.

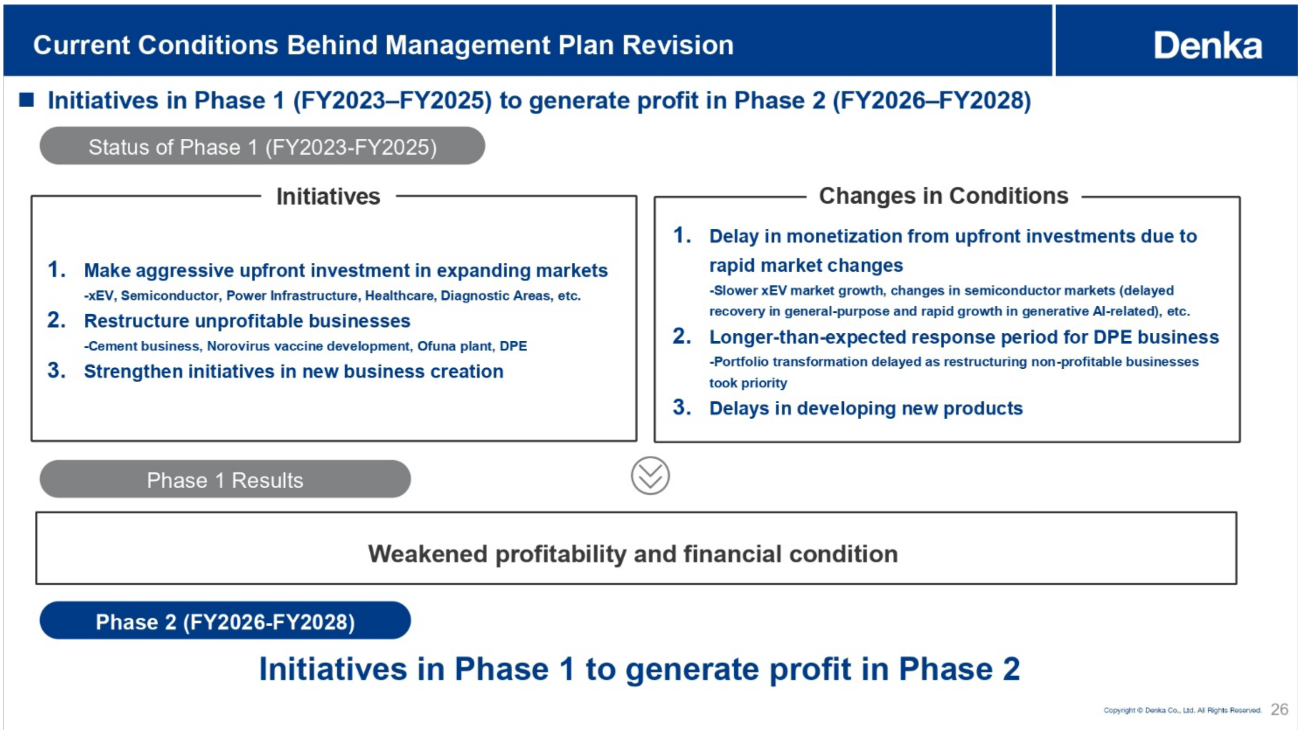
This concludes my explanation. Mr. Ishida, President, will now explain the Direction of Management Plan “Mission 2030” Revision.

Ishida: This is Ishida again. I would now like to explain the direction of the review of our management plan "Mission 2030," which is scheduled to be announced in February.



Please see page 25. First, I would like to review our accomplishments to date.

In the past, we have increased profits by setting targets based on our vision, but our performance has been sluggish since the start of the "Mission 2030" management plan. We are aware of changes in assumptions and deviations from our targets, and are currently reviewing our future plans.

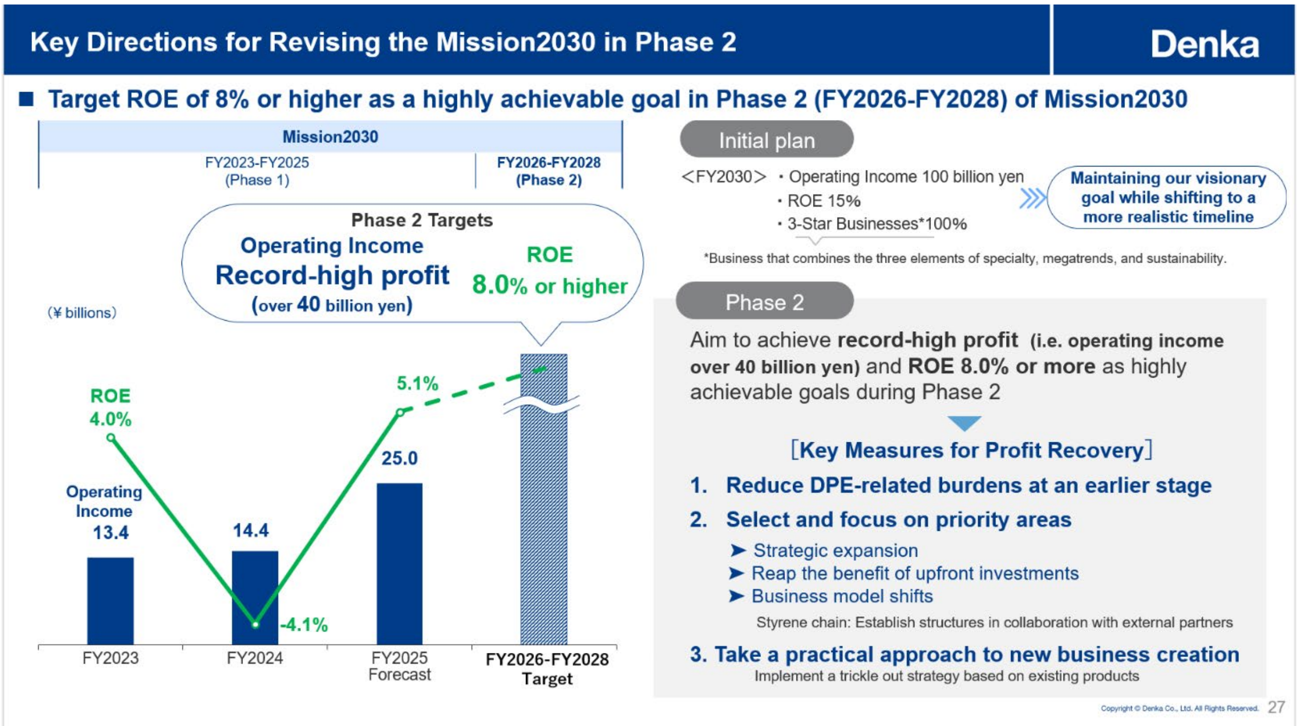


On page 26, in reviewing the management plan, we will first summarize the status of Phase 1 from FY2023 to FY2025.

In Phase 1, we have implemented the strategies necessary to achieve the vision-based goal, including aggressive upfront investment in expanding markets, restructuring of unprofitable businesses, and strengthening efforts to create new businesses in order to achieve the management plan.

However, the rapid changes in the xEV and semiconductor markets have caused delays in the monetization of prior investments, and in addition to the longer-than-expected response time for DPE, the development of new products has been slower than expected, resulting in a decline in profitability and a deteriorating financial situation.

In Phase 2 from FY2026 to FY2028, we are reviewing the planned values as a phase to ensure that the initiatives in Phase 1 will be profitable.



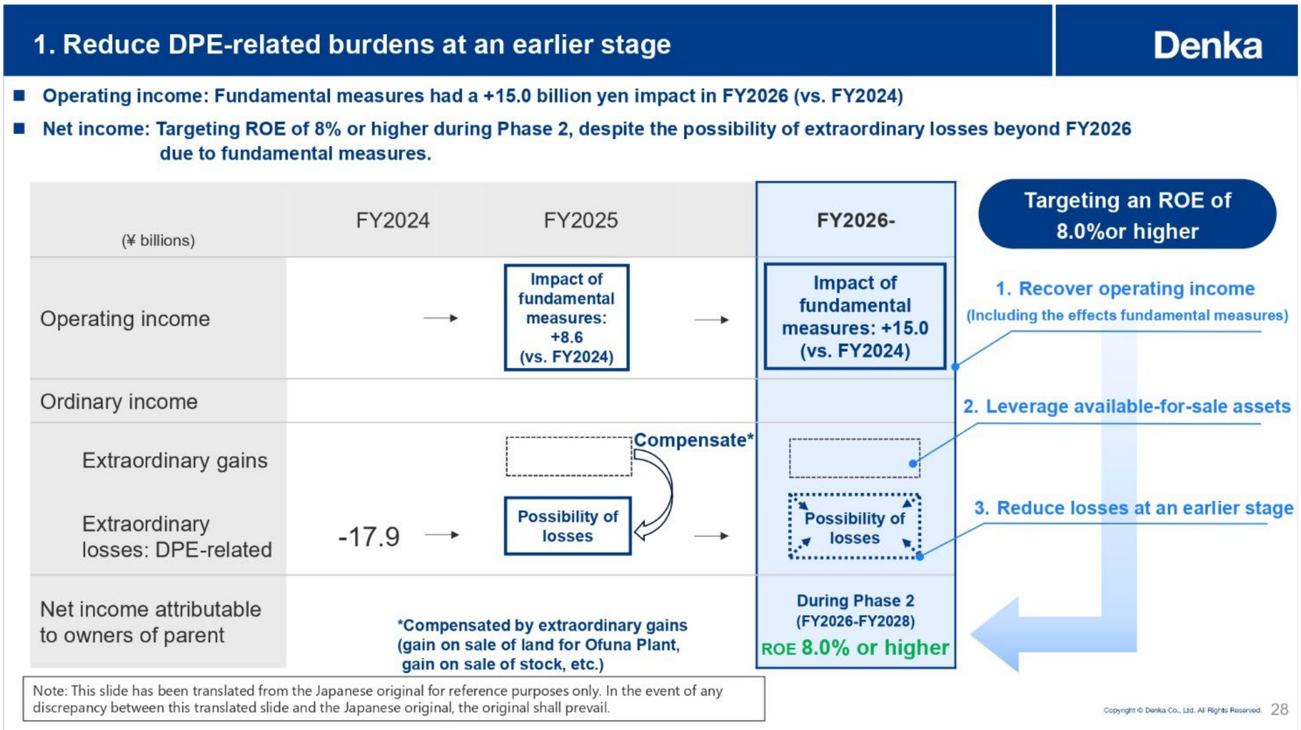
On page 27, I will explain the main direction of the review of the management plan.

Although we will maintain our targets of JPY100 billion in operating income, 15% ROE, and 100% 3-Star businesses in FY2030, we have shifted our focus to a more realistic time frame for achieving these targets and are considering postponing them.

At the same time, in Phase 2 from FY2026 to FY2028, we are emphasizing efforts to recover and revive profits as our top priority, and as highly probable numerical targets, we aim to achieve record-high operating income of over JPY40 billion and ROE of over 8% during the period.

The first major profit recovery measure is an effort to reduce DPE-related burdens at an earlier stage. The second measure is the selection and concentration of focus areas, and the third is a realistic approach to new business creation.

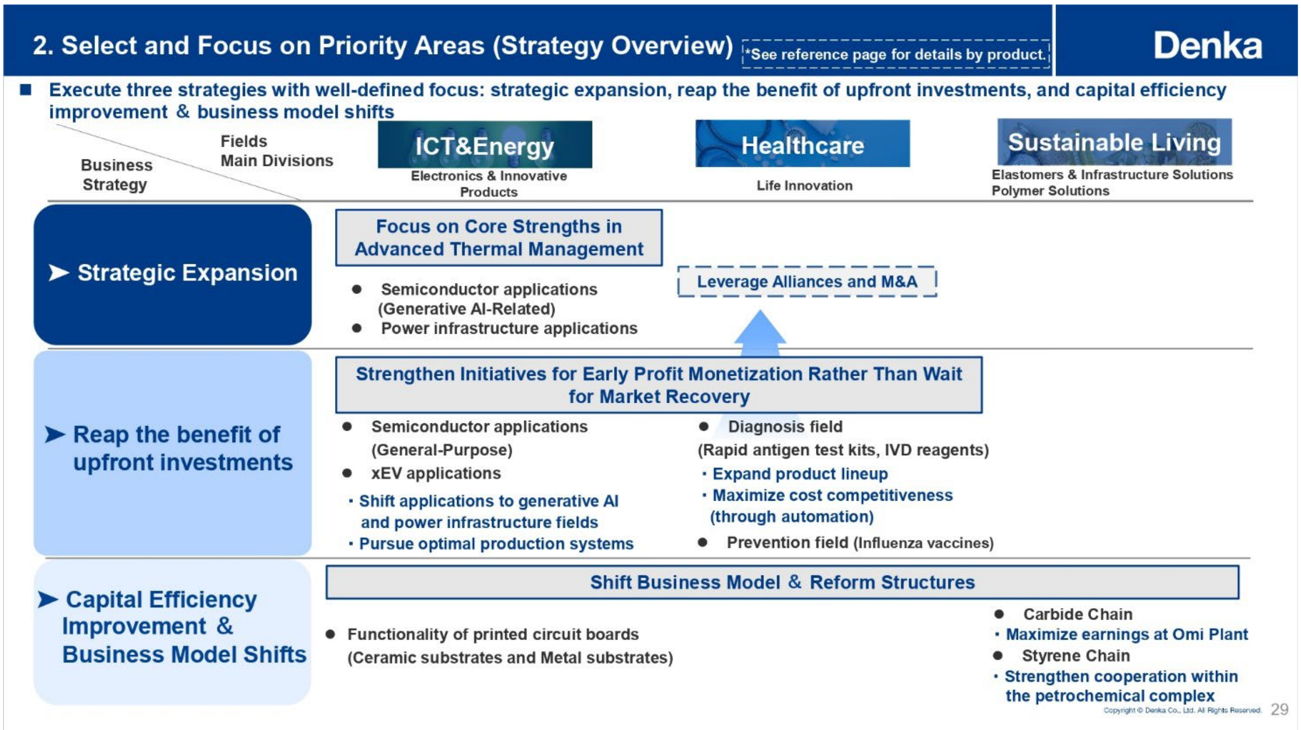
On the following pages, I will explain the first initiative regarding DPE and the second one regarding the selection and concentration of focus areas.



Please turn to page 28. As explained at the beginning of this presentation, we expect a significant improvement in the status of DPE-related initiatives in terms of operating income. From FY2026 onward, it will be JPY15 billion more than in FY2024.

On the other hand, we believe that there is a high possibility of recording a reasonable amount of extraordinary losses in FY2026 and beyond due to the progress of fundamental measures. In order to minimize the amount of losses recorded, we are using all possible means to coordinate and negotiate with our stakeholders.

In addition to improving operating income and minimizing losses, we will achieve our goal of ROE of 8% or more during Phase 2 by utilizing available-for-sale assets.



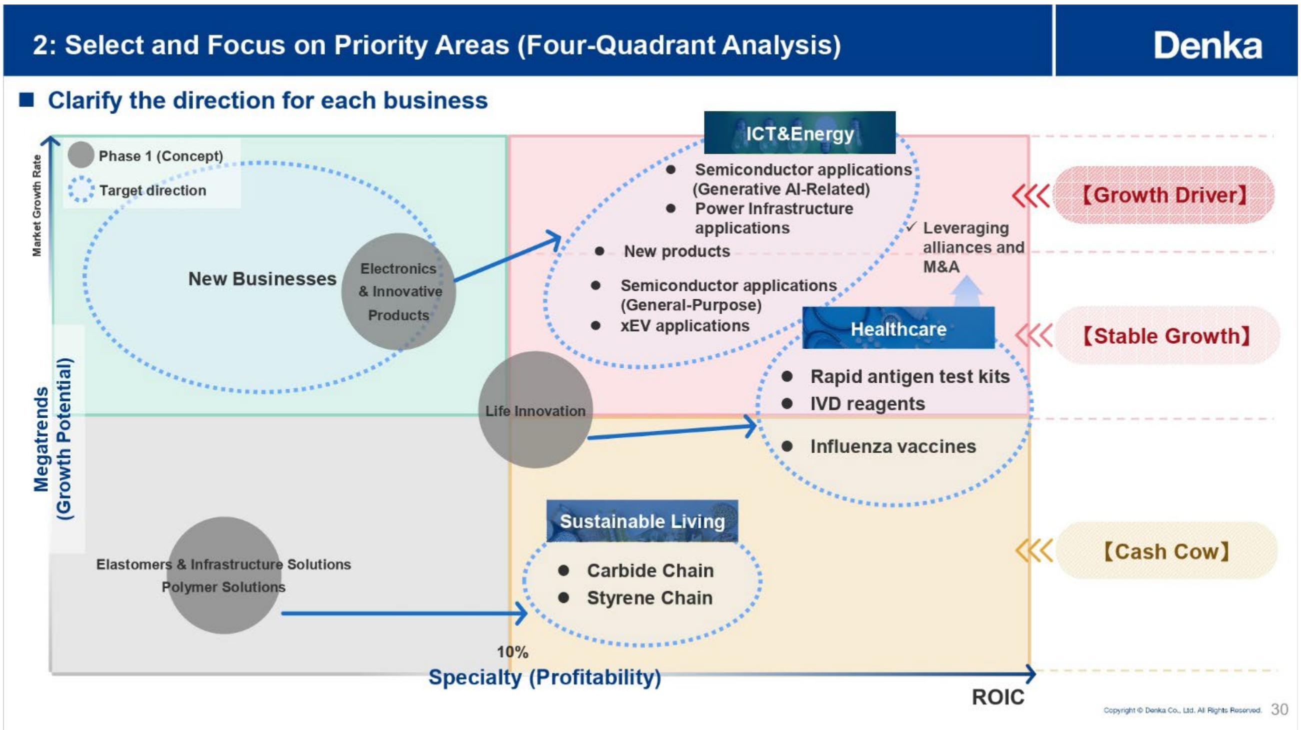
On page 29, regarding the second measure, "Selection and Concentration of Focus Areas," we have outlined the general direction of the strategy.

We have divided our business strategy into three areas: strategic expansion, reaping the benefits of investment, and business model transformation.

Strategic expansion is positioned in the area of cutting-edge thermal management, a field in which we excel. We will expand our business by firmly capturing expanding markets such as generative AI and power infrastructure. In healthcare, we will achieve business growth by leveraging alliances and M&A.

Next, what we have positioned as reaping the benefits of investments are the businesses that have made prior investments in Phase 1. We will not just wait for demand to recover or expand, but will take action on our own to achieve early monetization at any cost.

Finally, I will explain the business model shift. For businesses with low profitability, we will decisively implement structural reforms to first achieve a recovery in profitability. What we should do in each of these projects is clear. We believe that the only thing we can do is to execute it in a crisp and sure manner.



On page 30, we show the direction we will take in Phase 2, by business.

The vertical axis is the market growth rate and the horizontal axis is ROIC. The electronics & innovative products division, which has a high market growth rate, will drive the Company as a growth driver in the ICT & energy field, especially in the fields of generative AI and power infrastructure, which I have explained several times before.

Life innovation will aim for stable growth while maintaining high profitability in the healthcare field, and will also target further growth.

Meanwhile, in the sustainable living segment, which includes elastomers & infrastructure solutions and polymer solutions, we will implement structural reforms and other measures to achieve an early return to cash cow status.

As mentioned above, we will aim to improve profitability in Phase 2 by balancing growth drivers, stable growth and cash cow businesses.

Capital Allocation and Governance

Denka

■ **Strengthen governance by improving management decision-making speed and related areas**

Shareholder Returns	● 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)
Financial Strategy	● D/E ratio: Improve from the current level of approximately 0.7x ● Investment: Focus on strategic expansion ● Improve capital efficiency through the sale of non-operational assets Basic policy: Plan to reduce strategic cross-shareholdings (listed shares) to zero
Governance	● Improve management decision-making speed, including business restructuring ● Strengthen oversight of management (screening and monitoring) by the Board of Directors and other bodies ● Reinforce investment management (Tighten investment decision standards, scrutinize strategic investments, and enhance supervision of investment discipline) ● Strengthen the operational framework of the Nomination & Remuneration Advisory Committee

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Page 31, the main policies of capital allocation and governance are described.

With regard to capital allocation, there are no major changes from the original plan, and we will maintain financial discipline and control the balance sheet while focusing on shareholder returns.

Meanwhile, governance will be further strengthened. We will create a stronger organization and structure in Phase 2, including greater management oversight and control of investments.

On page 32, finally, I would like to explain the direction we are aiming for in the medium to long term after Phase 3, i.e., FY2029 and beyond.

In Phase 1, we made intensive upfront investments, restructured unprofitable businesses, and implemented other initiatives necessary to achieve the visionary goal.

Phase 2 is the phase to ensure that the initiatives in Phase 1 are profitable. We will clearly position our growth and cash cow businesses and implement a well-defined strategy to rebuild our earning power.

In Phase 3 and beyond, we would like to achieve our medium- to long-term aspirations.

To achieve this, it is essential to rebuild earning power in Phase 2, but it is not enough. In order to transform into a corporate structure that can generate sustainable earnings and continue to grow, we will first decisively transform our sustainable living portfolio.

By determining whether Denka is truly the best owner, not because it generates profits or cash, but because Denka is the best owner, we will carefully select only those businesses that are sure to win and transform them into businesses with a competitive advantage.

We will continue to enhance our corporate value through the best mix of ICT & energy, which will drive our company as a growth driver, and healthcare, which will pursue stable growth.

ICT & energy is our strongest area of expertise, where we can demonstrate our strengths at the forefront of an expanding market. We are confident that Denka has been and will continue to be a source of corporate value as it continues to gain competitive advantage.

Healthcare is an area that is not easily affected by the economic environment and is expected to grow steadily. In the diagnostic field, we will achieve solid and stable growth by further expanding the categories in which we excel.

We hope to realize Denka's vision of what we want to be with these specialties of ICT & energy and healthcare. These are the directions for the review of “Mission 2030”.

I intend to continue to thoroughly instill my motto of Initiative and Execution within the Company to enhance corporate value.

That is all. Thank you very much for your attention.

(Note about this transcript)

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. This transcript was edited for clarity and brevity at the Company's discretion. Additionally, forward-looking statements, including plans and targets, contained herein, like those in the briefing's presentation materials, are judgments based on information in the Company's possession as of the briefing's date and certain assumptions deemed reasonable by the Company. Forward-looking statements involve uncertainty. Actual outcomes may differ substantially from such forward-looking statements as a result of various factors.