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May 15, 2025

News Release

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price(Update)

Kanto Denka Kogyo Co., Ltd. hereby announces that its Board of Directors, on 15 May 2025, resolved to update the status of initiatives for improvement regarding the action to implement management that is conscious of cost of capital and stock price. This update is based on analysis and evaluation of the current situation, aiming for sustainable growth and enhancement of corporate value.

For more details, please refer to the attached document entitled “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

May 15, 2025

(Tokyo Stock Exchange Prime Market, Securities Code: 4047)



関東電化工業株式会社
KANTO DENKA KOGYO

Recognition of the Current Situation

(Progress of Medium-Term Management Plan)

- ❑ Net Sales and operating profits did not reach targets in FY2024
- ❑ Specialty gases progressed generally as planned
- ❑ Battery materials deviated significantly from plan
 - ▶ Main reasons are delay of the market recovery and postponement of implementation of the U.S. IRA, and no improvement is expected in FY2025
 - ▶ In FY2026, the external environment is expected to gradually reach the preconditions when we revised 12th medium-term management plan, but there is still a lot of uncertainty

(Billions of Yen)

	FY2023		FY2024		FY2025		FY2026
	Plan*	Results	Plan*	Results	Plan*	Forecast	Plan*
Net Sales	63.8	64.7	78.0	62.3	93.0	68.0	100.0
Operating Profit(loss)	(2.0)	(1.9)	7.0	4.2	8.0	5.0	15.0
ROE	-	-7.0%	-	5.0%	-	-	12.0% or more
ROIC	-	-1.3%	-	2.8%	-	-	8.0% or more

* Revised mid-term management plan(announced on November 22, 2023)

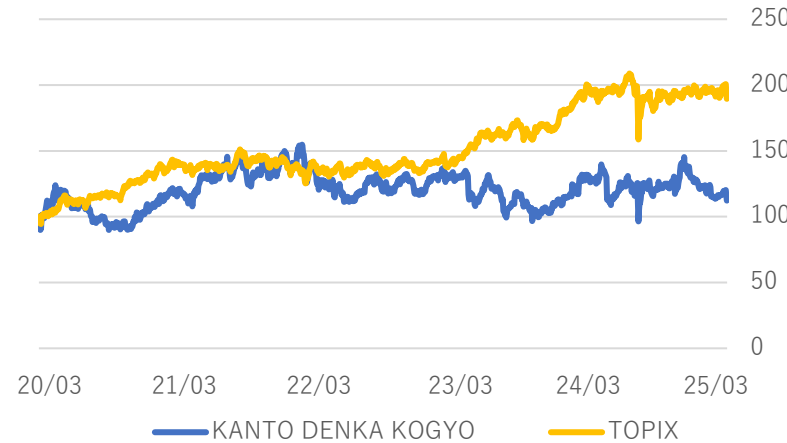
Recognition of the Current Situation (PBR)

Although we have been working to improve our PBR, our PBR has continued to be below 1x

<Trend in PBR>



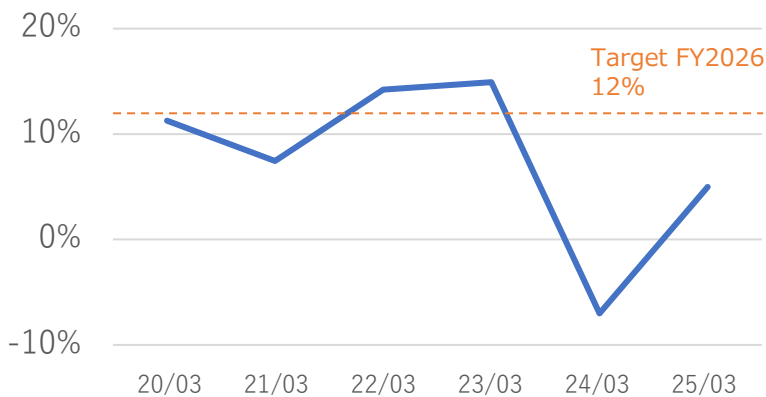
<Trend in Stock Price> stock price index using the closing price as of the end of March 2020 as 100



Factors for PBR of less than 1x

- ❑ Uncertainty over investment efficiency
- ❑ Business structure in which performance is affected by trends in the semiconductor and EV markets
- ❑ Uncertainty regarding future growth

<Trend in ROE>



<Trend in PER>



Policy

- ❑ Promote ROIC management
- ❑ Building a solid base to respond to major changes in the external environment
- ❑ Strengthening dialogue with stock markets

Main Efforts to Enhance Corporate Value

Promote ROIC management

- ❑ Understanding and reporting ROIC by business and using ROIC for management decisions
 - ▶ Working on expanding to ROIC by product and instilling ROIC into employee
- ❑ Investment and financing decisions based on clear and appropriate criteria
- ❑ Reduce cross-shareholdings
 - ▶ Sold 13 brands* from FY2023 to FY2024, Progressing as planned
 - ▶ The ratio of cross-shareholdings to net assets is around 11.0% (as of March 31, 2025)

* Four of which were only partially sold

Building a solid base to respond to major changes in the external environment

- ❑ Expand business, mainly in fine chemicals
- ❑ Expand business by utilizing intellectual property
- ❑ Portfolio reform

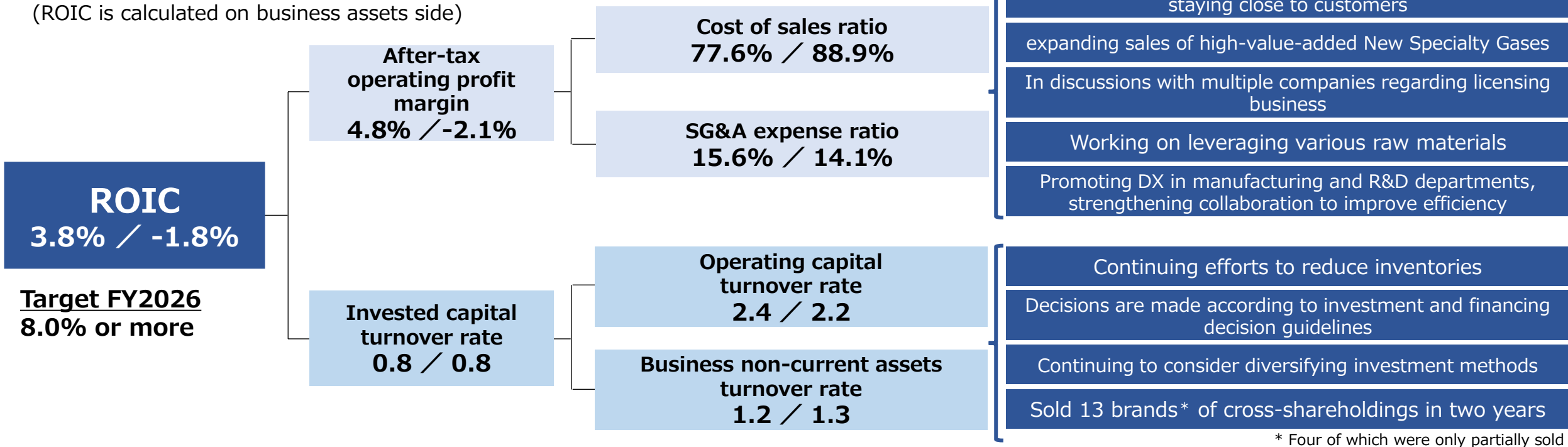
Strengthening dialogue with stock markets

- ❑ Continuing dialogue with the stock market and strengthening information dissemination
 - ▶ The number of conversations with investors increased compared to the previous year
 - ▶ Showed the performance of specialty gases, which is expected to grow, individually
 - ▶ Held IR briefings for institutional investors online

Promote ROIC Management

<Analysis of ROIC Tree>

FY2024 Results / FY2023 Results
(ROIC is calculated on business assets side)



- ❑ Aim for a structure that will sustainably generate returns that exceed the weighted average cost of capital (WACC)
- ❑ WACC is recognized to be around 7%

Analysis of ROIC (by Segment)

ROIC	FY2023	FY2024	FY2026
	Results	Results	Target
Fine Chemicals	-2.6%	3.2%	10% or more
(Specialty Gases)	2.0%	4.1%	10% or more
(Battery Materials)	-33.1%	-12.3%	0% or more
Fundamental Chemicals	-1.3%	-5.4%	4~6%
Ferrochemicals	4.7%	8.1%	6~8%
Company-wide ROIC	-1.8%	3.8%	10% or more

<Overview by Segment in FY2024>

Specialty Gases	<ul style="list-style-type: none"> Although fixed assets increased due to investments in C₄F₆, KSG series and the Xuancheng plant in China, ROIC improved due to increased net sales.
Battery Materials	<ul style="list-style-type: none"> Although there were improving factors such as an impairment loss on fixed assets and a loss on valuation of inventories at the end of March 2024, the invested capital turnover ratio decreased due to the decrease in net sales.
Fundamental Chemicals	<ul style="list-style-type: none"> Although inventories were reduced, ROIC declined due to the decline in net sales.
Ferrochemicals	<ul style="list-style-type: none"> Achieved stable ROIC compared to other segments

Direction of Each Business

Expand Business, Mainly in Fine Chemicals

Specialty gases

- ❑ Xuancheng KDK Technology Co., Ltd. Phase II construction : commenced trial operation in October 2024 (WF₆, CF₄, C₄F₆) , Working towards full-scale operation
- ❑ Aim to expand sales in the Chinese market by collaborating with Chinese partner companies
- ❑ Aim to expand market share by completing the construction of expansion in C₄F₆ production capacity by the end of FY2025
- ❑ Focus on improving profit margins by expanding KSG series sales and developing new grades
- ❑ Preparations are underway to convert the former carrier facility site at the Shibukawa plant into specialty gases
- ❑ At Kanto Denka Fine Products Korea Co., Ltd., currently conducting the joint development with customers

Battery Materials

- ❑ Decided to build a lithium-ion rechargeable battery recycling plant (It is scheduled to be completed in October 2027)
- ❑ Completed raw material procurement, equipment adaptation, and evaluation to meet the needs of the U.S., European, and Japanese markets
As the only Japanese LiPF₆ manufacturer, aim to achieve profitability by capturing this demand
- ❑ Continue and expand licensing business, improve invested capital turnover ratio
Accelerate advance technology development and expand business by utilizing intellectual property

Portfolio Reform

Fundamental Chemicals

- ❑ Although we planed for restructuring business scale such as specializing in supplying raw materials for internal use, we determined that generating a certain profit is necessary at current situation to maintain this function
 - ▶ Aim for stable profit by price increases for inorganic products, labor-saving, and thorough cost reduction
- ❑ In the future, we will aim to improve profitability through structural reforms such as shifting to inorganic products and expanding into the fine chemicals business (synergy with specialty gases)

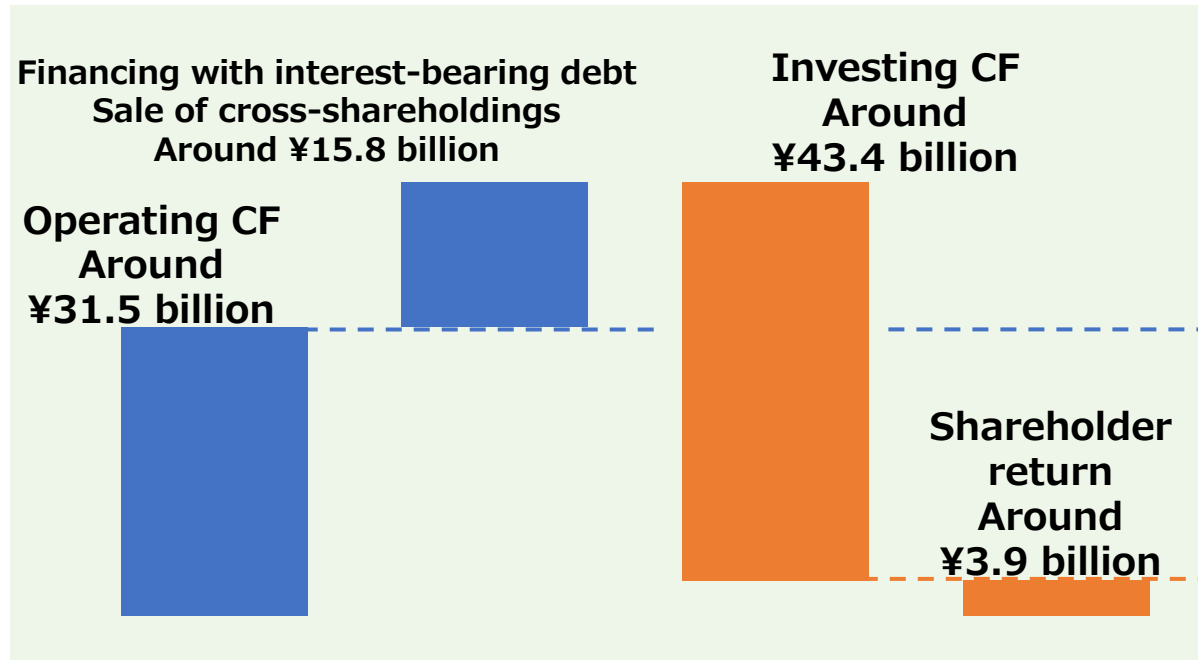
Ferrochemicals

- ❑ Integrating the business into a group company to improve efficiency
 - ▶ Finished production of carriers at the Shibukawa plant in November 2024
 - ▶ Construction work to transfer production to Kanto Denka Finetech Co.,Ltd. is almost complete
 - ▶ Trial operation scheduled to begin in June 2025
Progressing as planned



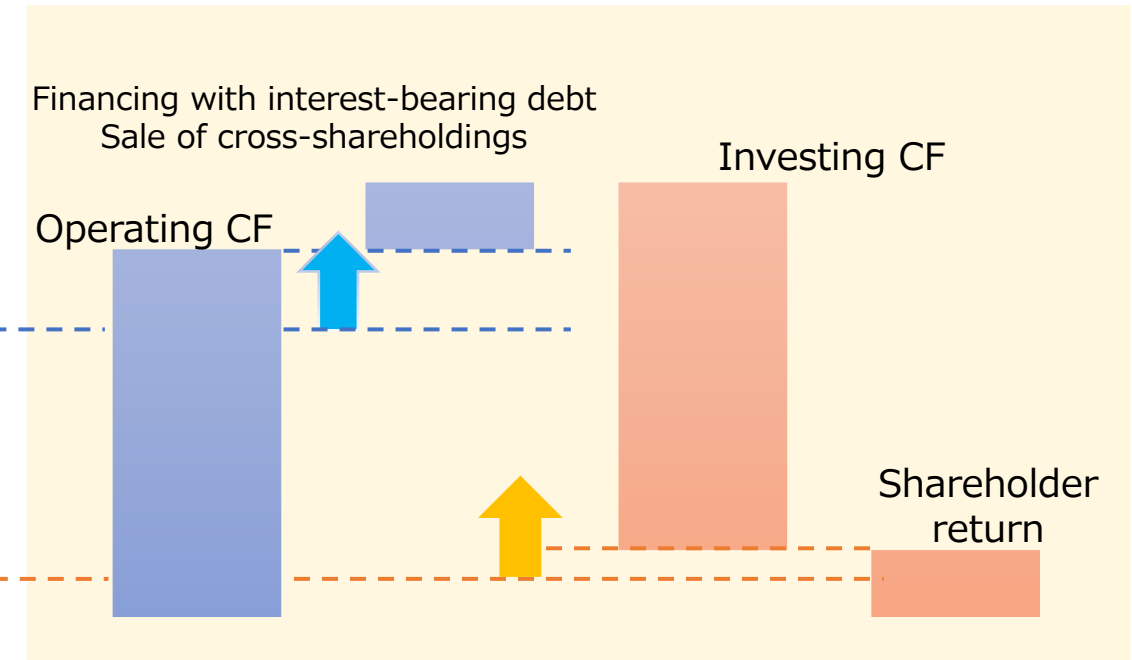
Cash Allocation

【Results FY2022-2024】



- ❑ Equity ratio as of the end of March 2025 is 53.4%, which we recognize to be an approximately appropriate level
- ❑ From the previous medium-term management plan period through to FY2022-24, large-scale investments were concentrated, and investments continued to exceed operating cash flow

【Image FY2025-2026】



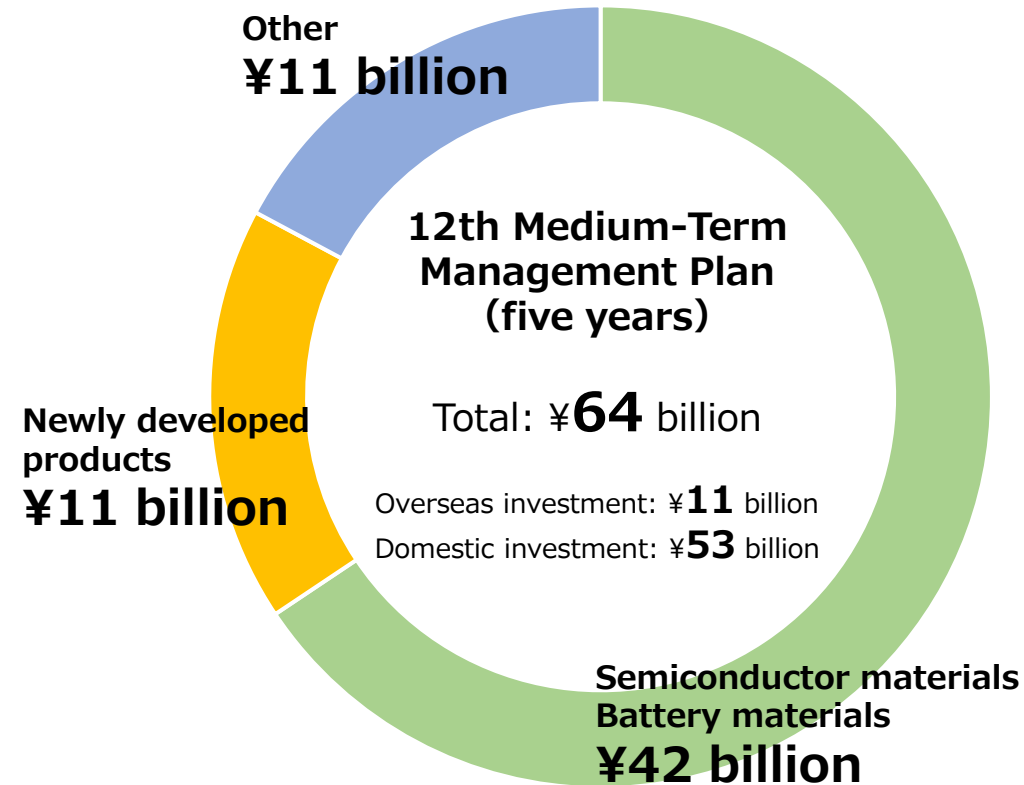
- ❑ After FY2025, when investments will be completed, the balance between operating and investing CF is expected to improve, so we will strive to improve shareholder returns

Current dividend policy
Consolidated dividend payout ratio of 30% or more

Progress of Investment

- ❑ Growth investments aimed at achieving net sales of ¥100 billion in FY2026 completed by FY2024
- ❑ Invest steadily in newly developed products
- ❑ The total investment amount is expected to decrease due to a review of the investment content and timing
- ❑ Utilize ROIC to continue priority investments in growth business

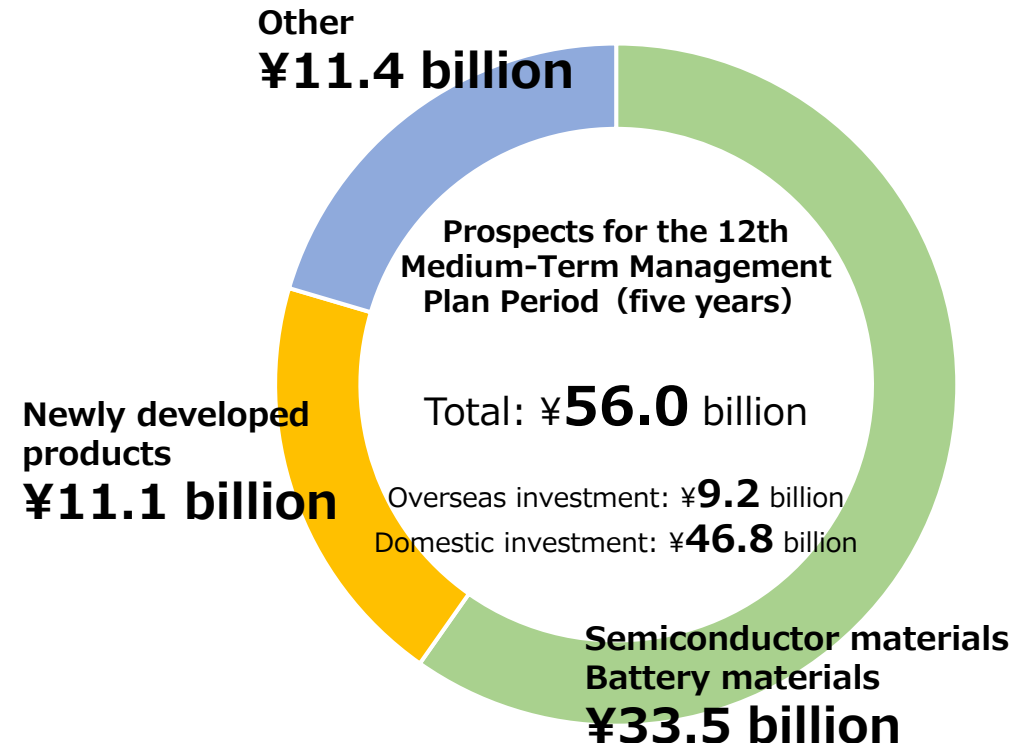
Revised mid-term management plan
(announced on November 22, 2023)



➔

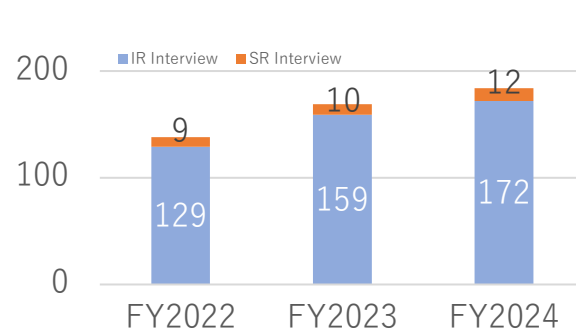
¥-8.0 billion

Current prospects (five years)



Status of Dialogue with Stock Markets

No. of conversations with institutional investors and securities analysts



Type	The Number of Times and Companies (FY2024)	Main Representative
IR Briefing for Institutional Investors	Twice	President, Director and Managing Executive Officer
IR Individual Interview	A Total of 172 Companies	Managing Executive Officer, Public Relations & Investor Relations Dept.
SR Individual Interview	12 Companies	Managing Executive Officer, Public Relations & Investor Relations Dept.

- The number of conversations increased
- Considering holding briefings for individual investors

Examples of dialogue topics with shareholders and investors

- Future prospects for specialty gases
- Future prospects for battery materials and impact of the U.S. IRA
- Sales outlook for new specialty gases (KSG Series)
- Performance of fundamental chemicals business

Feedback System to Management

- Feedback from investors/analysts is shared in a timely manner with Directors and others
- Comments made during dialogue is shared quarterly with the Board of Directors and the Management Committee

Future Challenges

Promote ROIC management

- ❑ Strengthen balance sheet management based on optimal capital structure policy
- ❑ Recognize our cost of capital regarding the stock market's perspective
 - ▶ Compare and analyze with our own understanding and use it to set medium- to long-term goals
- ❑ Reduce cross-shareholdings by 30% by the end of March 2027 (compared to the end of March 2023)

Building a solid base to respond to major changes in the external environment

- ❑ Improve profitability by expand business and reduce costs
- ❑ Steadily implement portfolio reform
 - ▶ Work on reviewing the business structure of the fundamental chemicals business
- ❑ Utilize intangible assets such as licensing business

Strengthening dialogue with stock markets

- ❑ Increase recognition among new shareholders
 - ▶ Hold briefings for individual investors
- ❑ Further strengthen information dissemination
 - ▶ Timely and appropriate disclosure, enriching disclosure documents, conducting corporate recognition improvement activities

Increasing capital efficiency

Stabilizing profits

Raising the expected growth rate

Enhancement of corporate value