

Financial Results Briefing for the Fiscal Year Ended March 31, 2022



Kanto Denka Kogyo Co., Ltd.
(Tokyo Stock Exchange Prime Market,
Securities Code: 4047)
May 23, 2022

Briefing Content

1. Overview of Financial Results for the Fiscal Year Ended March 31 2022
2. Business Outlook and Future Trends
3. Supplementary Materials

Note: With the exception of change percentages, figures are rounded down to the nearest unit.

Key Earnings Data

- **Sales continue strong performance. Sales volume increased for fluorochemicals. Battery materials enjoyed increased sales volume and price revisions. The Fundamental Chemicals Division and Ferrochemicals Division also recovered to pre-COVID levels.**
- **For costs, prices of raw materials and fuels such as lithium compounds, anhydrous hydrofluoric acid, and electricity soared.**
- **The conflict between Russia and Ukraine has not affected our product manufacturing at this time, but we will continue to monitor developments closely.**

Statement of Income

	(Billions of yen)		
	FY2020	FY2021	Difference
Net sales	51.9	62.2	10.3
Operating profit	5.6	11.1	5.4
Profit attributable to owners of parent	3.6	7.7	4.1

Net sales (+¥10.3 billion)

- Sales increased in the Fundamental Chemicals Division (+¥2.19 billion) due to higher sales volume and effects from accounting standard changes
- Sales increased in the Fine Chemicals Division (+¥8.66 billion) due to higher sales volume and effects from price revisions for some products
- Ferrochemicals Division (+¥0.75 billion), Commercial Business Division (-¥1.57 billion), Facilities Division (+¥0.32 billion)

Operating profit (+¥5.4 billion)

Fundamental Chemicals Division (+¥0.17 billion), Fine Chemicals Division (+¥4.67 billion)

Ferrochemicals Division (+¥0.33 billion), Commercial Business Division (+¥0.04 billion), Facilities Division (+¥0.13 billion)

Balance Sheet

(Billions of yen)

	FY2020	FY2021	Change
Assets	92.3	109.9	17.5
Cash and deposits	23.6	26.7	3.0
Trade receivables	14.8	18.0	3.2
Inventories	10.5	13.1	2.5
Non-current assets (tangible + intangible)	32.1	38.9	6.8
Liabilities	39.9	49.9	10.0
Interest-bearing debt	26.9	30.9	3.9
Trade payables	6.6	8.9	2.3
Income taxes payable	0.5	2.6	2.0
Net assets	52.4	59.9	7.4
(Equity ratio)	55.2%	53.0%	-2.2%

Fundamental Chemicals Division

(Billions of yen)

	FY2020	FY2021	Difference
Net sales	5.7	7.9	2.1
Operating loss	-0.24	-0.06	0.17

Net sales

- **Caustic soda:** Sales increased due to higher sales volumes, despite lower sales prices
- **Hydrochloric acid:** Sales increased due to higher sales volumes, despite lower sales prices
- **Trichloroethylene:** Sales increased due to effects from price revisions
- **Perchloroethylene:** Sales increased due to effects from price revisions, despite lower sales volumes

Operating loss

- **Affected by rising raw material and fuel prices despite contributions from increased sales**

Fine Chemicals Division

(Billions of yen)

	FY2020	FY2021	Difference
Net sales	40.3	49.0	8.6
Operating profit	5.3	10.0	4.6

Net sales

- **Nitrogen trifluoride:** Sales increased due to effects from price revisions, despite lower sales volumes
- **Tungsten hexafluoride:** Sales decreased due to lower sales prices, despite higher sales volumes
- **Hexafluoro-1,3-butadiene:** Sales increased due to higher sales volumes, despite lower sales prices
- **Lithium hexafluorophosphate:** Sales increased due to higher sales volumes and effects from price revisions

Operating profit

- **Higher profit thanks to contributions from increased sales, despite being affected by rising raw material and fuel prices**

Ferrochemicals, Commercial Business, Facilities Divisions

(Billions of yen)

	FY2020	FY2021	Difference
Net sales	5.8	5.3	-0.4
Operating profit	0.5	1.1	0.6

Ferrochemicals

Sales increased due to more sales of carriers and iron oxide

Commercial Business

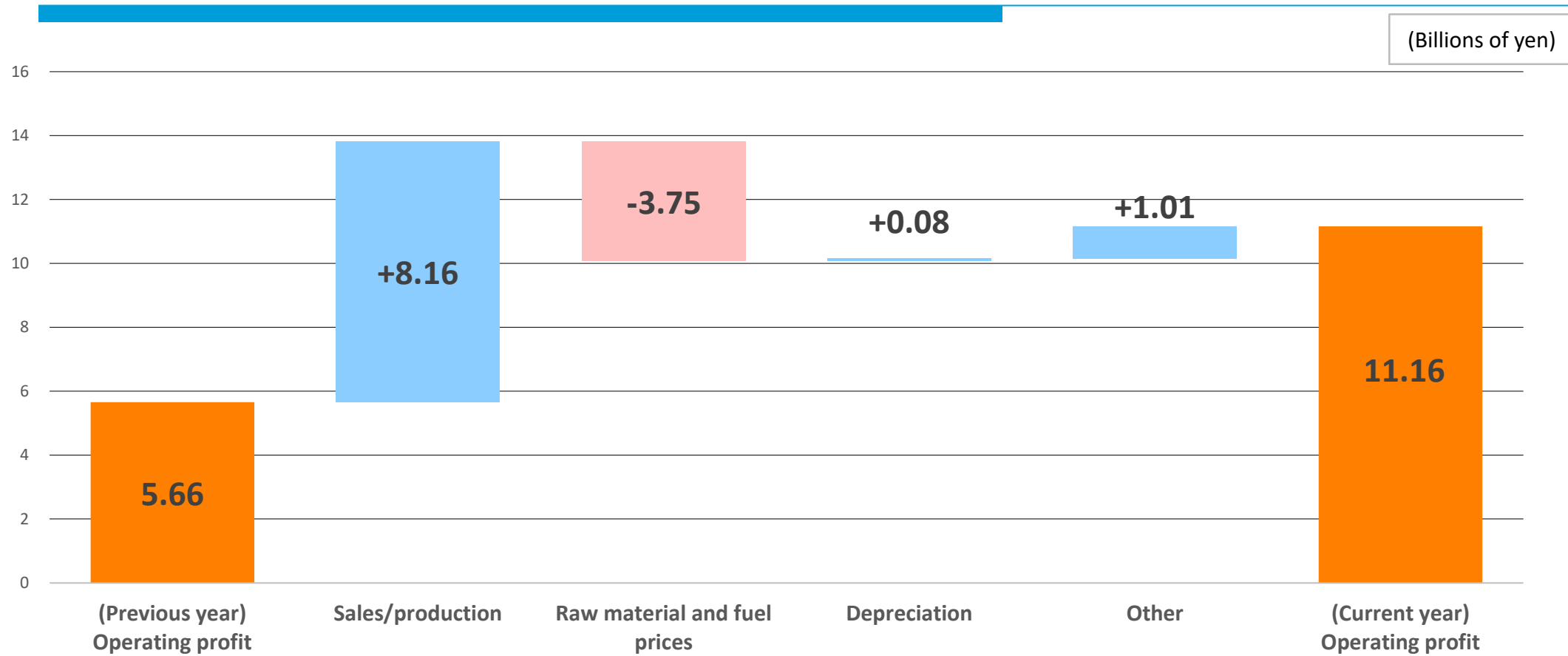
Sales decreased due to effects from adoption of the Accounting Standard for Revenue Recognition

Facilities

Sales increased due to more contract work at Jobi Engineering, a consolidated subsidiary

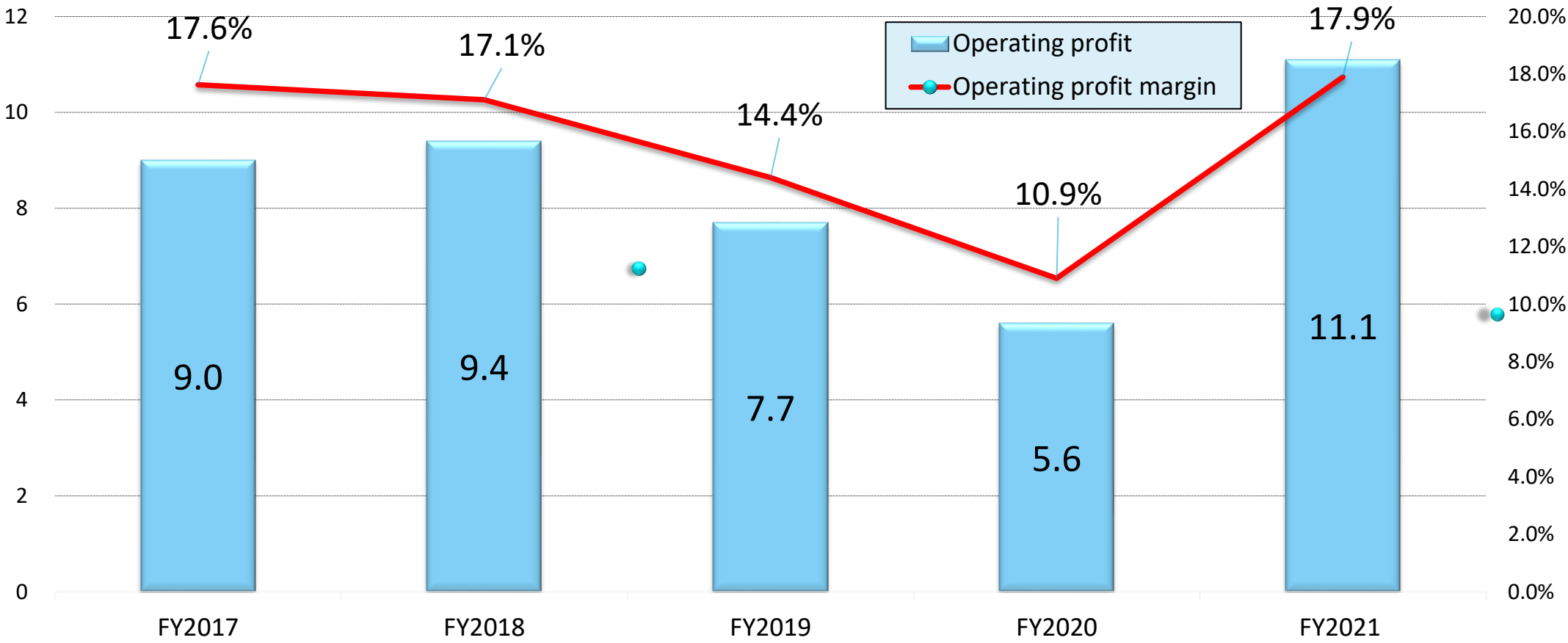
Consolidated Operating Profit: Difference Analysis

(FY2020 vs. FY2021)



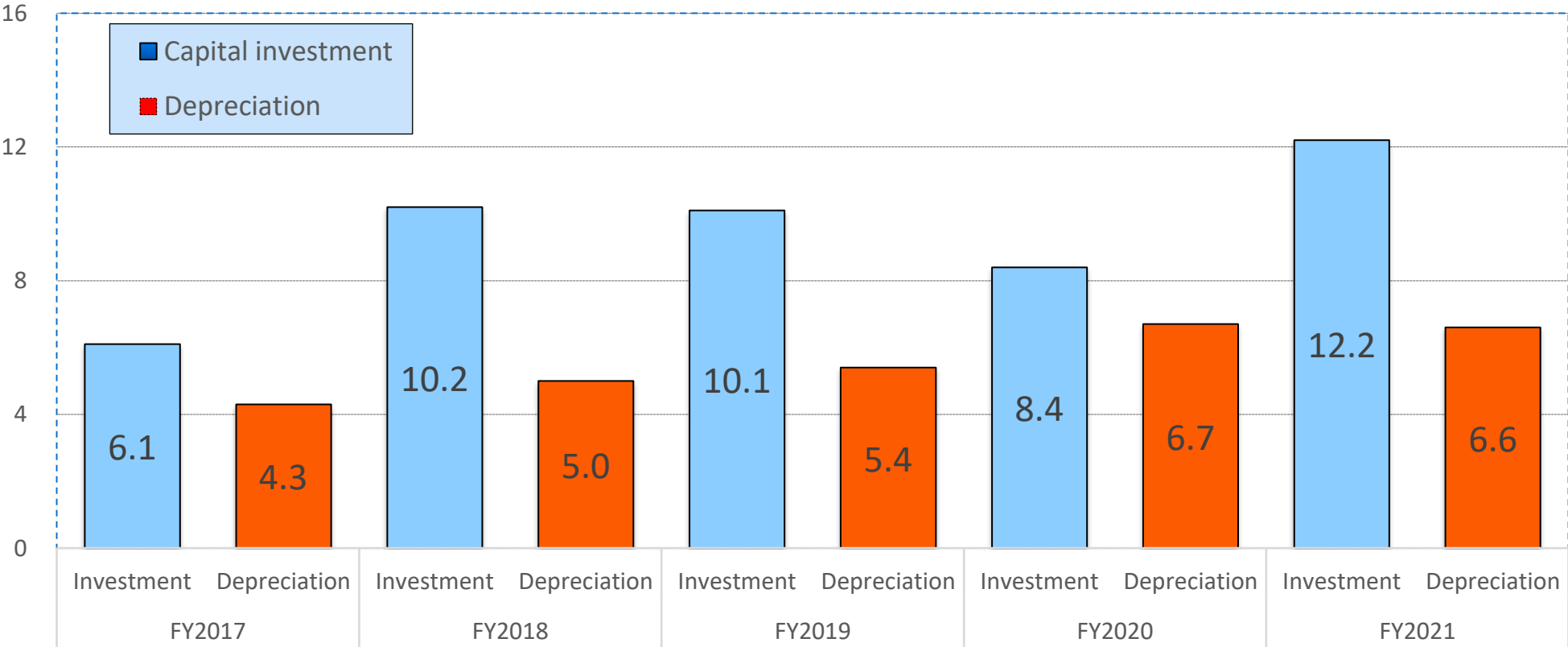
Operating Profit and Operating Profit Margin Over Time (Consolidated)

(Billions of yen)



Capital Investment and Depreciation Over Time (Consolidated)

(Billions of yen)



The Kanto Denka Group (Consolidated Subsidiaries)

(Billions of yen)

	Capital	Share of investment (%)	Net sales: FY2021	Year-on-year change	Major business lines
Kanden Kosan Co., Ltd.	10 mil. yen	100.0	7.7	1.2	Sale of chemical products, maintenance of containers, insurance agency services
Jobi Engineering Co., Ltd.	120 mil. yen	49.4	4.3	0.3	Manufacture, processing, and repair of chemical industry equipment
Morishita Bengara Kogyo Co., Ltd.	27 mil. yen	99.9	0.7	0.0	Manufacture and sale of iron oxide
Kanto Denka Korea Co., Ltd.	300 mil. won	90.0	13.0	-0.4	Sale of fluorine products
Taiwan Kanto Denka Co., Ltd.	7 mil. NT dollars	100.0	4.9	0.7	Sale of fluorine products
Kanto Denka Fine Products Korea Co., Ltd.	42.0 bil. won	100.0	2.4	1.2	Manufacture and sale of fluorine products
Xuancheng KDK Technology Co., Ltd.	50 mil. U.S. dollars	98.3	—	—	Manufacture and sale of fluorine products
		Total	33.3	3.2	

Business Segments

Name		Products and services
Fundamental Chemicals	Inorganic products	Caustic soda, hydrochloric acid, sodium hypochlorite, aluminum chloride, etc.
	Organic products	Trichloroethylene, perchloroethylene, vinylidene chloride, cyclohexanol, etc.
Fine Chemicals	Fluorine products	Sulfur hexafluoride, carbon tetrafluoride, trifluoromethane, hexafluoroethane, nitrogen trifluoride, hexafluoro-1,3-butadiene, octafluoropropane, tungsten hexafluoride, silicon tetrafluoride, chlorine trifluoride, octafluorocyclobutane, monofluoromethane, carbonyl sulfide, iodine pentafluoride, lithium hexafluorophosphate, lithium tetrafluoroborate, etc.
Ferrochemicals	Ferrochemical products	Carriers, magnetite, pigments, iron oxide, etc.
Commercial Business	Kanden Kosan Co., Ltd.	Sale of chemical products, maintenance of containers, insurance agency services, etc.
Facilities	Jobi Engineering Co., Ltd.	Factory plant construction, plant facility maintenance work, etc.

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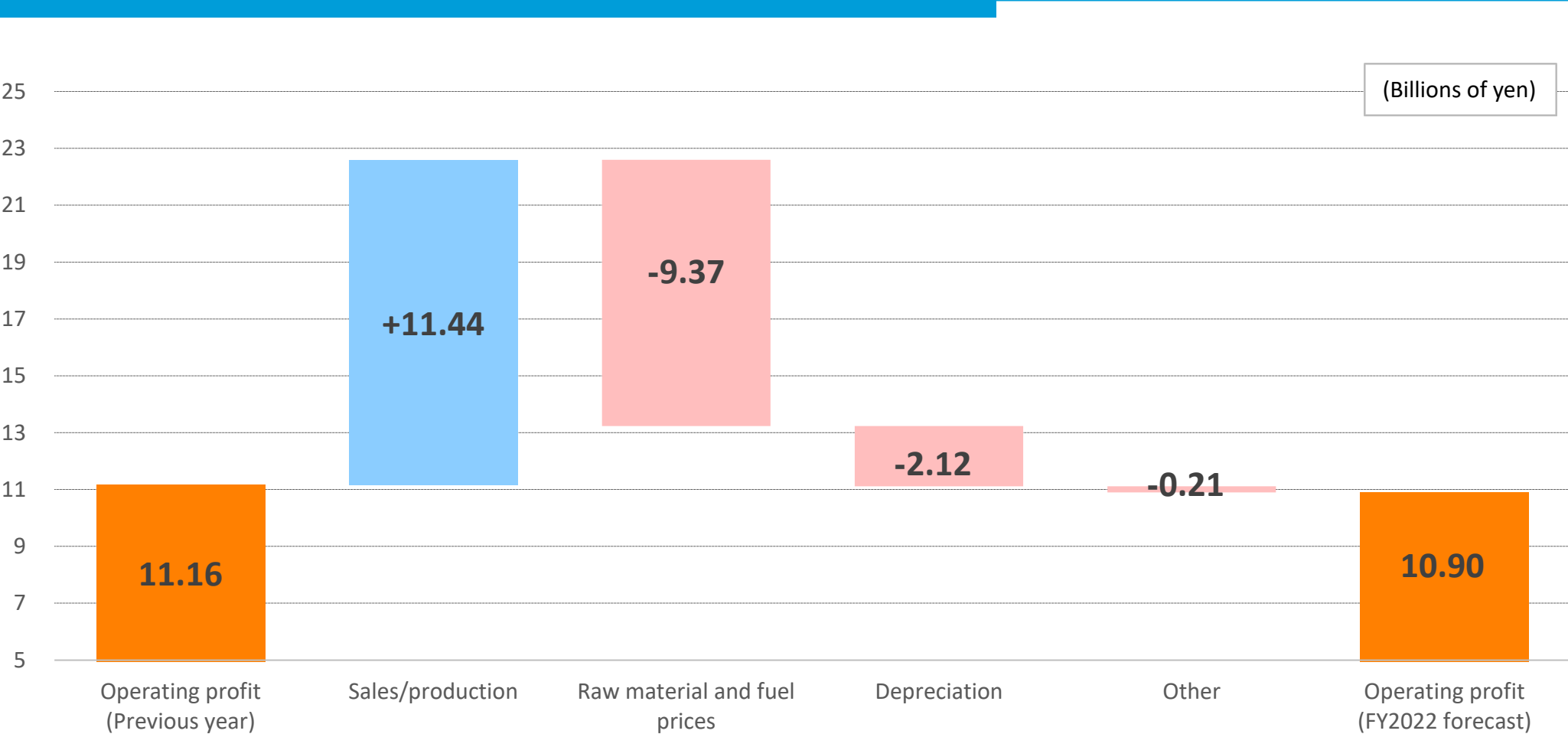
Performance Forecast By Segment (Consolidated)

(Billions of yen)

	Net sales			Operating profit		
	FY2021	FY2022	Difference	FY2021	FY2022	Difference
Fundamental Chemicals	7.9	8.1	0.1	-0.0	0.1	0.1
Fine Chemicals	49.0	61.9	12.9	10.0	9.7	-0.3
Other*	5.3	6.0	0.6	1.1	1.1	-0.0
Total	62.2	76.0	13.7	11.1	10.9	-0.2
Capital investment	12.2	15.8	3.5	Assumption for Performance Forecast USD/JPY Rate: ¥115 * “Other” includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
Depreciation	6.6	8.8	2.1			
R&D expenses	1.4	1.4	-0.0			

Consolidated Operating Profit: Difference Analysis

(FY2021 vs. FY2022)



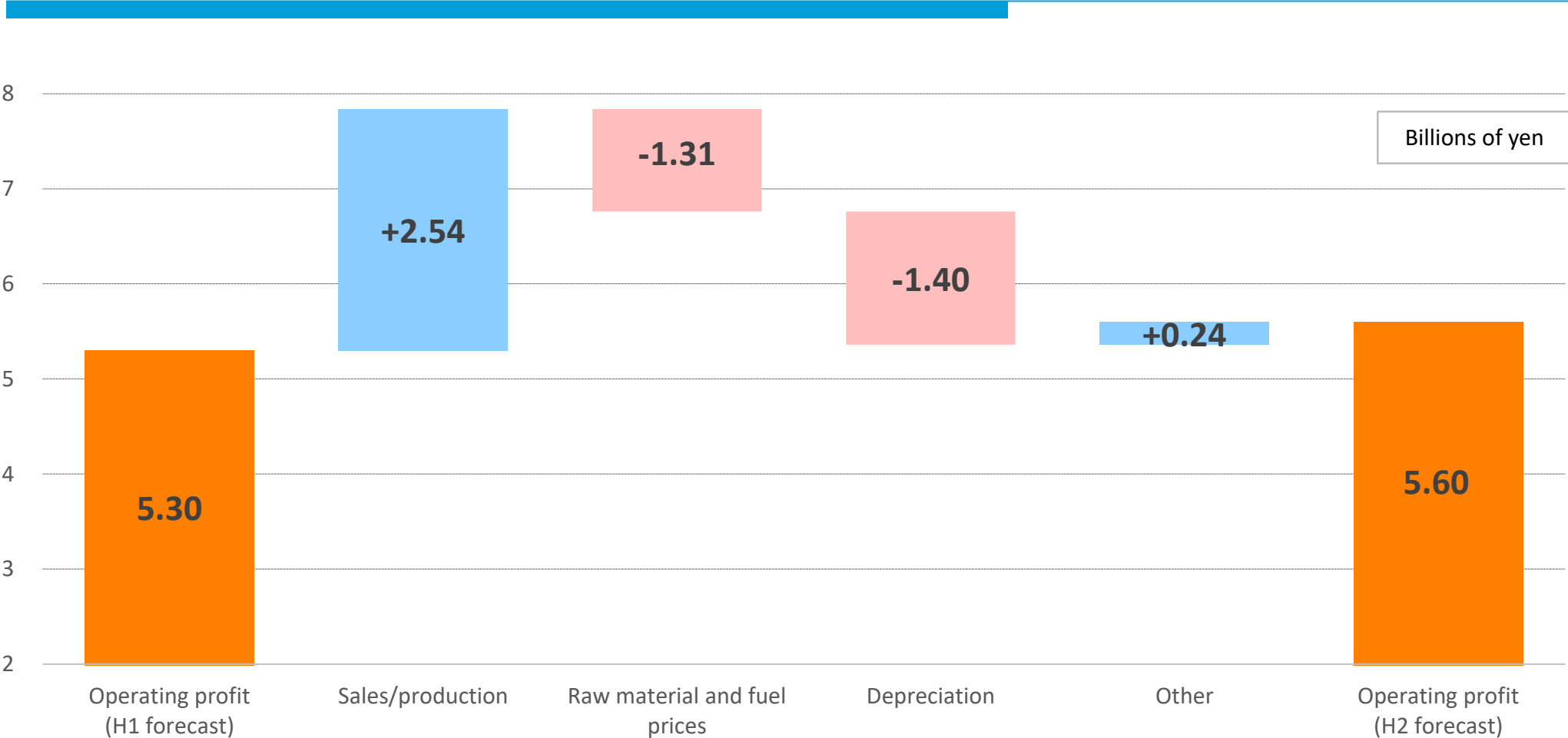
Performance Forecast By Segment (Consolidated): H1 vs. H2

(Billions of yen)

	Net sales			Operating profit		
	H1 (forecast)	H2 (forecast)	Difference	H1 (forecast)	H2 (forecast)	Difference
Fundamental Chemicals	4.1	4.0	-0.1	0.0	0.1	0.1
Fine Chemicals	29.0	32.9	3.9	4.6	5.1	0.5
Other*	3.1	2.9	-0.2	0.7	0.4	-0.3
Total	36.2	39.8	3.6	5.3	5.6	0.3
Capital investment	8.4	7.4	-1.0	*"Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
Depreciation	3.7	5.1	1.4			
R&D expenses	0.7	0.7	0.0			

Consolidated Operating Profit: Difference Analysis

(H1 FY2022 vs. H2 FY2022)

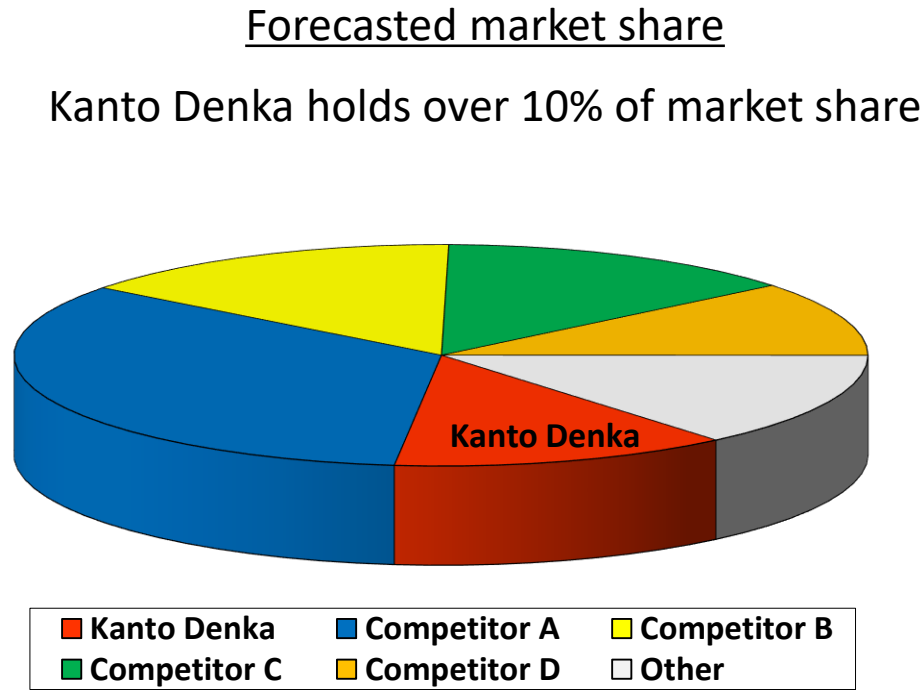
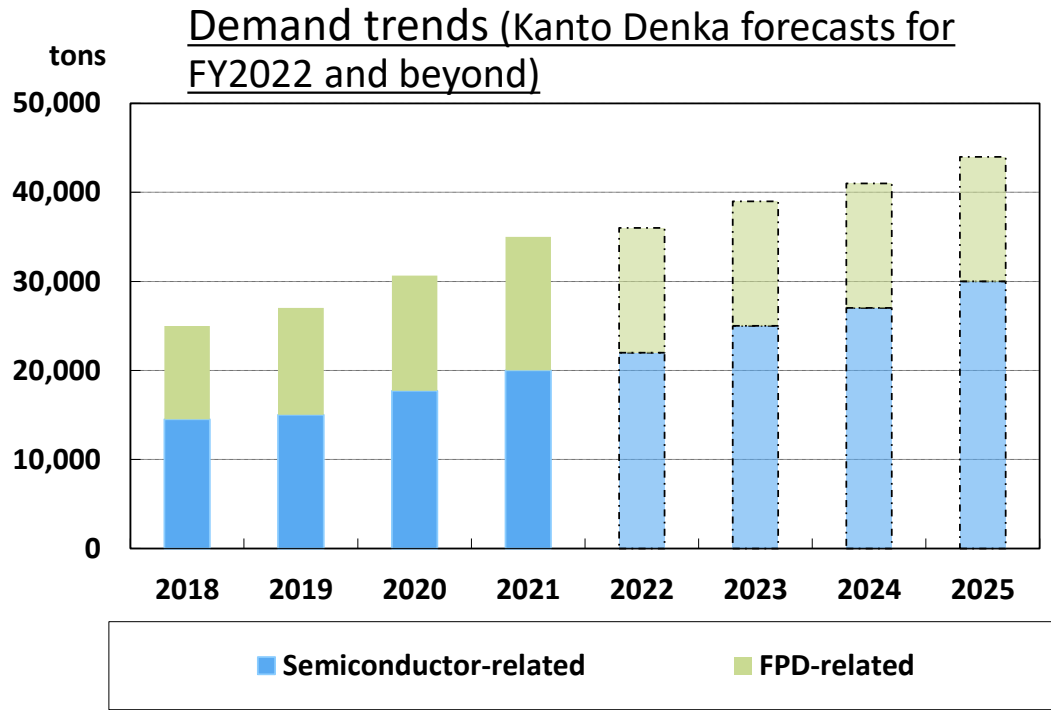


Briefing Content

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– Outlook for Major Products – Nitrogen Trifluoride (NF₃)

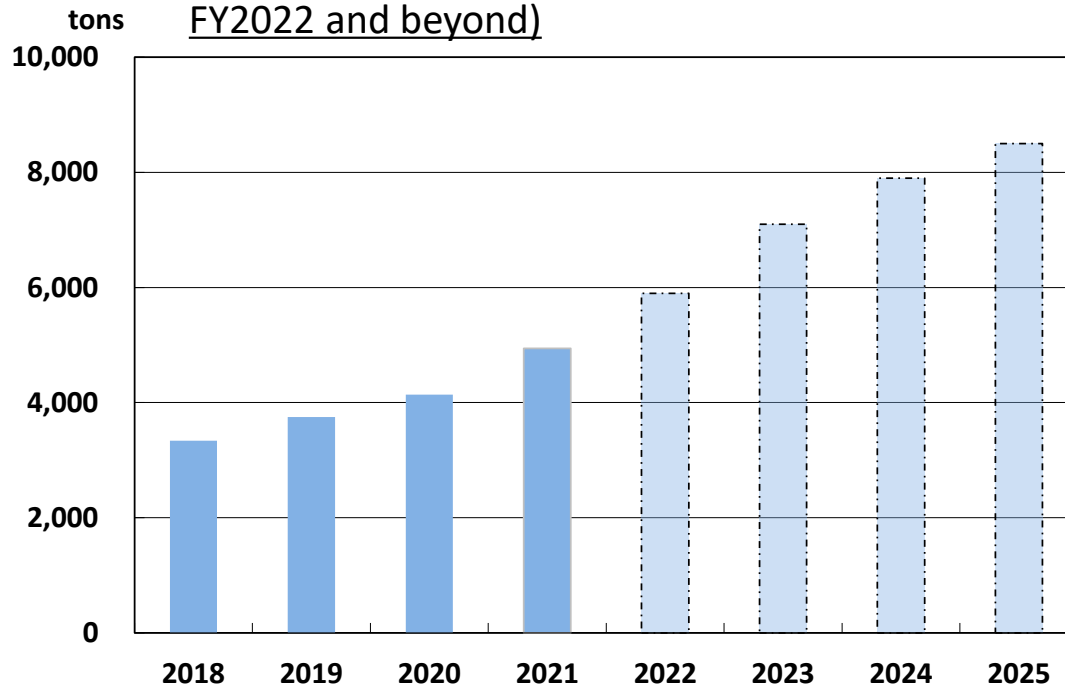
- Chamber cleaning gas for plasma CVD equipment for semiconductor and FPD manufacturing
- Production capacity: 3,700t/year



– Outlook for Major Products – Tungsten Hexafluoride (WF₆)

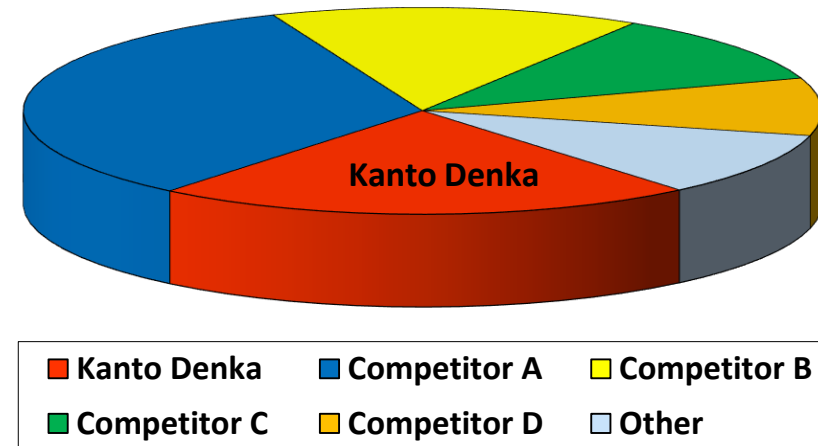
- Wiring material gas for semiconductors
- Production capacity: 720t/year (Nov. 2016) ➔ 910t/year (Aug. 2018) ➔ 1,400t/year (Oct. 2019)

Demand trends (Kanto Denka forecasts for FY2022 and beyond)



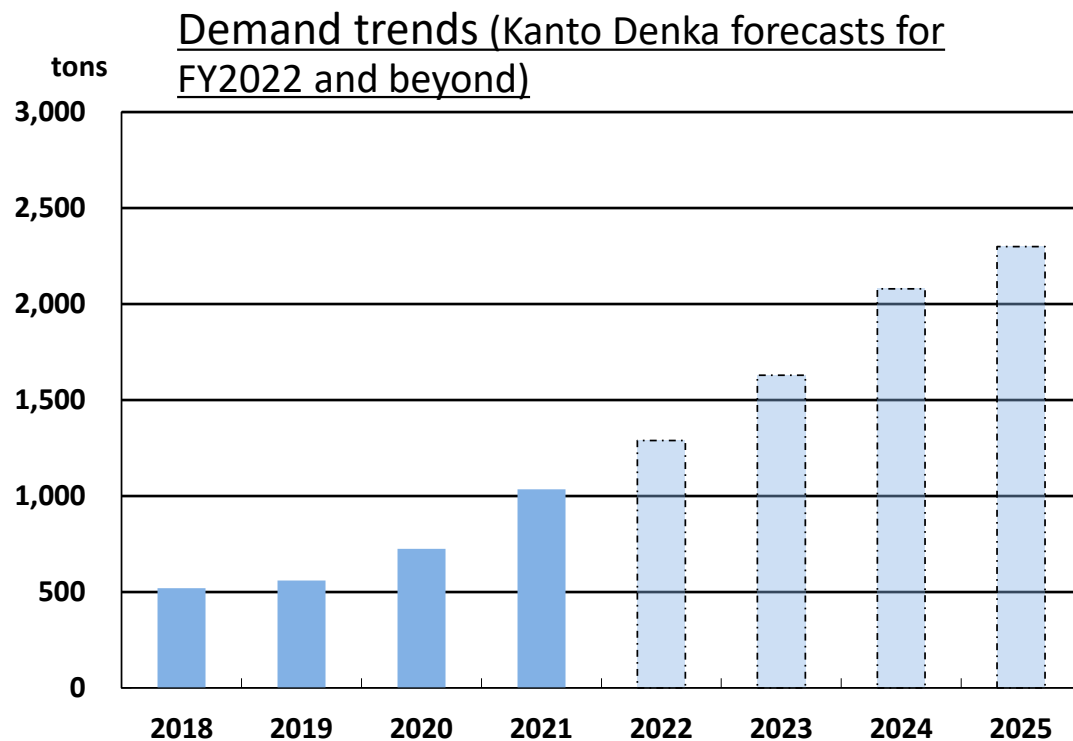
Forecasted market share

Kanto Denka holds nearly 30% of market share

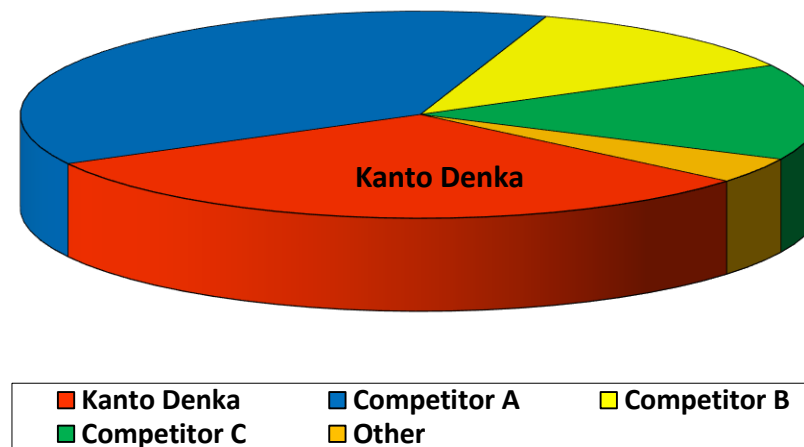


– Outlook for Major Products – Hexafluoro-1,3-butadiene (C₄F₆)

- Etching gas for semiconductors
- Production capacity: 125t/year ➔ 160t/year (Dec. 2018) ➔ 260t/year (Dec. 2019) ➔ 400t/year (Apr. 2022)

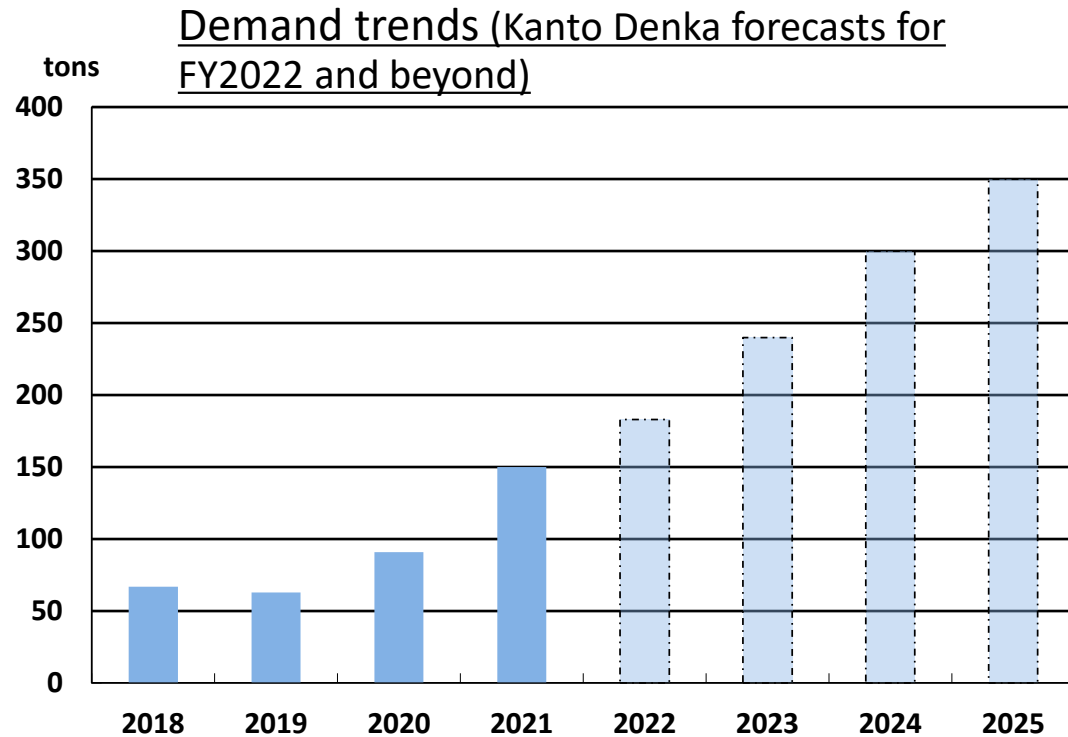


Forecasted market share
Kanto Denka holds around 30% of market share

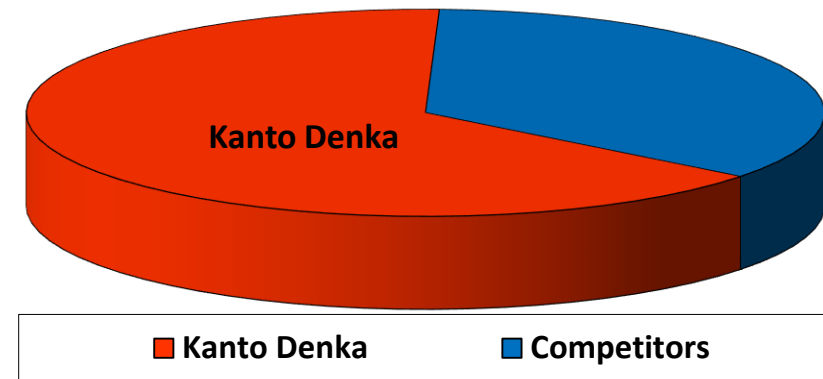


– Outlook for Major Products – Carbonyl Sulfide (COS)

- Etching gas for semiconductors
- Production capacity: 40t/year ➔ 80t/year (Oct. 2019) ➔ 150t/year (Jun. 2022)



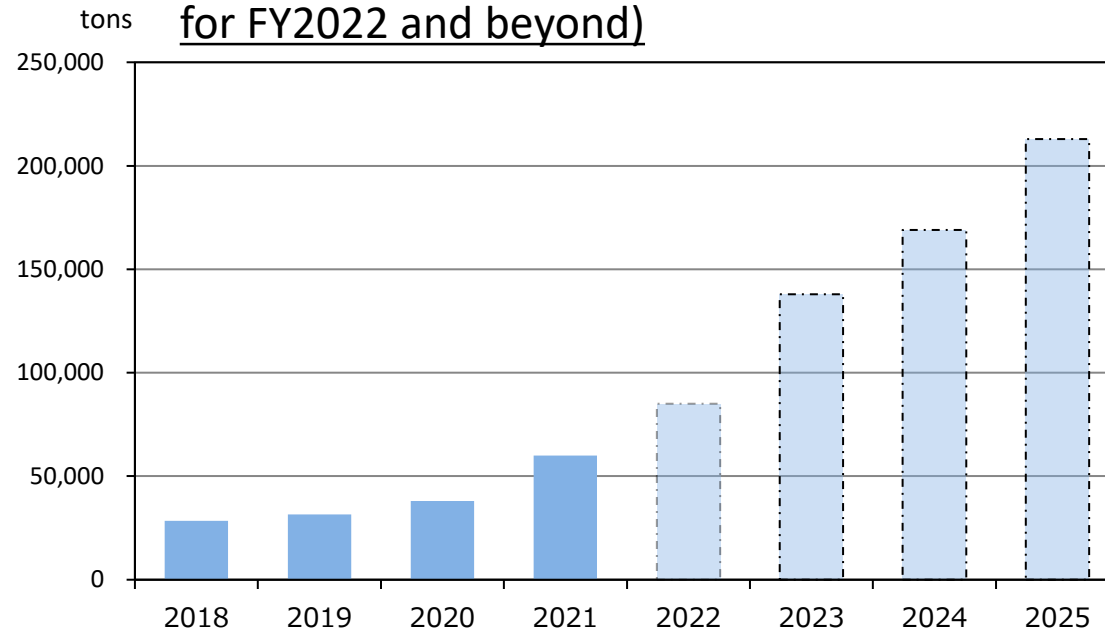
Forecasted market share
Kanto Denka holds 60% or more of market share



– Outlook for Major Products – Lithium Hexafluorophosphate (LiPF₆)

- Electrolyte materials for lithium-ion secondary batteries
- Demand reaches full-scale pace for EVs and other in-vehicle applications
- Production capacity: 5,400t/year ➔ 10,000t/year (Planned for 2023)

Demand trends (Kanto Denka forecasts for FY2022 and beyond)

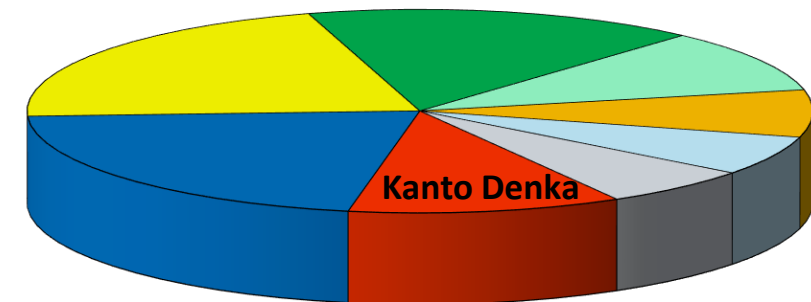


Forecasted market share

Kanto Denka holds around 10% of market share

Automotive batteries

Tough requirements for battery properties, safety, etc.
Essential to have high-quality LiPF₆



– Overseas Production Sites – Kanto Denka Fine Products Korea Co., Ltd.

□ Location

Cheonan City, South Chungcheong Province, Republic of Korea

□ Business Lines

Manufacture and sale of fluorochemicals for semiconductors and FPDs

□ Production Items

- Carbonyl sulfide (COS)
- Carbon tetrafluoride (CF₄)
- Chlorine trifluoride (ClF₃)



– Overseas Production Sites – Xuancheng KDK Technology Co., Ltd.

□ Location

Xuancheng City, Anhui Province, People's Republic of China

□ Business Lines

Manufacture and sale of fluorochemicals for semiconductors and FPDs

□ Production Items

Phase I construction*: Ammonium fluoride

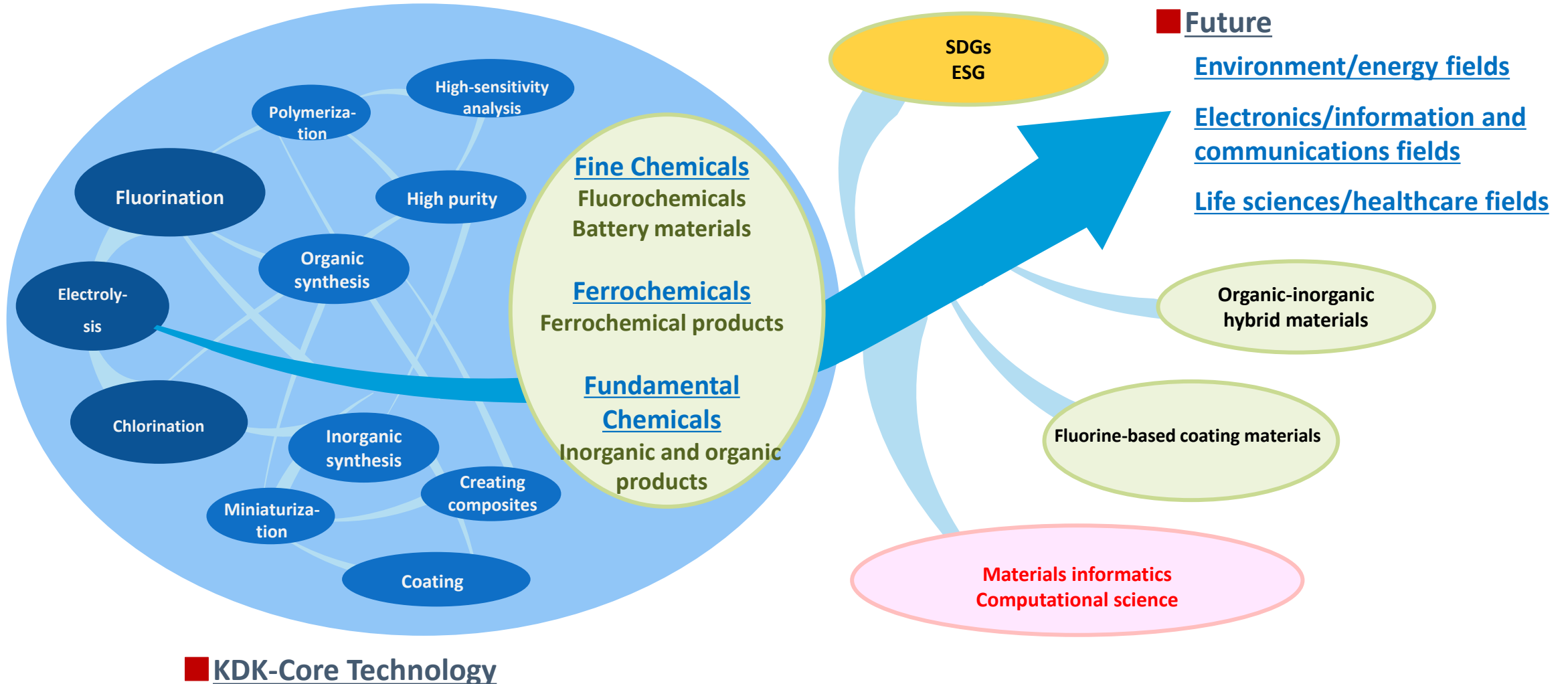
Phase II construction:

- Tungsten hexafluoride (WF_6)
- Carbon tetrafluoride (CF_4)
- Hexafluoro-1,3-butadiene (C_4F_6)

* Operations to launch in 2022



Kanto Denka's Technology and Business Direction



Notes

- This document does not constitute disclosure material as defined by the Financial Instruments and Exchange Act and other laws and regulations, and therefore the Company does not guarantee its accuracy or completeness.
- Performance forecasts in this document were created based on information available as of the date of this document's publishing, and actual results may differ versus forecasted figures due to a variety of factors arising in the future.



12th Medium-Term Management Plan

FY2022–FY2024

Dominate 1000

—Sustainable Growth and Fostering Competitiveness—

May 23, 2022

**Jun'ichi Hasegawa, President
Kanto Denka Kogyo Co., Ltd.**



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- 2. 12th Medium-Term Management Plan** **p.6**
- 3. Initiatives for Carbon Neutrality** **p.14**

Review of the 11th Medium-Term Management Plan



(Billions of yen)

Consolidated indicators	FY2021 Plan	FY2021 Results	Difference
Net sales	70.0	62.2	-7.7
Operating profit	12.0	11.1	-0.9
Equity ratio	50% or more	53.0%	+3.0%
ROE	15% or more	14.2%	-0.8%
Dividend payout ratio (non-consolidated)	20% or more	19%	-1.0%



○: Achievements

▲: Challenges

Promote expansion of the fine chemicals business

- ✓ Rapid launch of new fine chemical products
- ✓ Stable operation of overseas production sites
- ✓ Getting closer to customers and strengthening proposal capabilities

- Brought new products to market
- Stable operation of Kanto Denka Fine Products Korea Co., Ltd.
- ▲ Product development outside of etching gases

Raise the level of the production technology

- ✓ Improving basic technologies (electrolysis, fluorination, analysis)
- ✓ Improving quality assessment capability
- ✓ Promoting labor savings by utilizing IoT and AI

- ▲ Still improving analysis technology and quality assessment capability
- Achieved labor savings by promoting shift to DCS* and automation

Create new businesses promptly

- ✓ Cultivating Kanto Denka's original and superior technologies
- ✓ Strengthening market-oriented development
- ✓ Promoting commercialization narrative and strategizing
- ✓ New business proposals worth ¥3 billion

- ▲ Establishing original and superior technologies
- ▲ Creating new business that will become future pillars

Strengthen the Group's collective capabilities

- ✓ Entrenchment of three prime initiatives (safety, profit, and improvement)
- ✓ Cultivating human resources that will grow with the company
- ✓ Strengthening capital policy and shareholder return

- Entrenched and permeated the three prime initiatives
- ▲ Improving employees' skills and developing training systems
- ▲ Dividend payout ratio (non-consolidated): 19%

Shift to ESG-conscious management while increasing corporate value

- ✓ Cultivating environmentally-friendly recycling technology
- ✓ Governance enhancing social and economic value
- ✓ Building work environments with diversity and job satisfaction

- ▲ Promoting utilization of raw material recycling technology
- Established a sustainability system
- Promoted health management, taking paid leave, etc.

* DCS: Distributed control systems

2022–2024

12th Medium-Term Management Plan



Our vision of society in 2030

Science and technology will evolve toward realizing a low-carbon, recycling-oriented society, advancing the recycling of resources. With progress in the shift to digital technologies and changing lifestyles, people will emphasize diversity, including in values, and aim to create a society where they can experience happiness alongside sustainable and resilient companies.

Our vision for ourselves in 2030

With a stable management foundation, we will provide a safe work environment with job satisfaction, support technologies that are cutting-edge on a global stage with our superior, original products, and grow to become an innovative, development-driven company to contribute to a sustainable society.



12th medium-term management plan: Key strategies for the three-year period (fiscal 2022–2024), looking ahead to 2030 and targeting achievement of consolidated net sales of ¥100 billion in FY2024

Dominate 1000 —Sustainable Growth and Fostering Competitiveness—

- Implement measures to achieve net sales of ¥100 billion in FY2024
- Strengthen initiatives toward a 2030 society that is low-carbon and recycling-oriented
- Formulate and implement an investment plan to become carbon neutral by 2050
- Implement measures to expand the fluorinated gas and battery materials businesses
- Return the ferrochemicals business to a growth trajectory through refocusing management resources
- In the fundamental chemicals business, strengthen raw material supply function and maximize cash flow



Fine Chemicals (fluorochemicals)

Fluorochemical products are expected to see growth over the long term with advancements in the digital society. Here, we will address demand for cutting-edge etching and low GWP* value gases and stimulate continued growth by accelerating investment and development and taking the lead in technology.

In addition, as demand expands, we will promote decentralization of our manufacturing bases and BCP measures to meet customer needs.

*GWP: Global warming potential

Fine Chemicals (battery materials)

The rapid increase in demand for EVs has led to calls for significant expansion of supply volume. Along with investment in production boosts, we will develop high-productivity, cutting-edge technologies to further reduce costs and meet customer demand.

We will also contribute to a decarbonized and recycling-oriented society by realizing global-scale lithium recovery technology from used lithium-ion secondary batteries, a technology currently under development.

Ferrochemicals

We will focus management resources on regions and products with high growth rates to return the business to a growth trajectory.

Fundamental Chemicals

As a fundamental business, we will strengthen its raw material supply function and maximize cash flow.

(i) Promote expansion of the fine chemicals business

- Capacity expansion to address market growth (semiconductor gases and battery materials)
- Bringing fluorochemicals demanded by customers (cutting-edge, low GWP products) to market
- Organic collaboration with overseas sites
- Strengthening development capabilities for gas and battery material products
- Establishing an integrated production system within the Group, from raw materials to finished products



(ii) Raise the level of the production technology

- Improving productivity by promoting DX
- Improving quality assurance capability



(iii) Enhance human resource development

- Implementing human resource development and strategic education programs
- Pursuing employee well-being (including a sense of job satisfaction)
- Promoting gender and other diversity



(iv) Increase social value

- Promoting activities for sustainability
- Shrinking energy-intensive products and strengthening initiatives toward decarbonization
- Promoting recycling





Quantitative Targets

Consolidated basis	FY2021 (Results)	FY2022 (Plan)	FY2023 (Plan)	FY2024 (Plan)
Net sales (billions of yen)	62.2	76.0	92.0	100.0
Operating profit (billions of yen)	11.1	10.9	13.0	15.0
Operating profit margin (%)	17.9	14.3	14.1	15.0

■ Targets for FY2024 (consolidated basis)

- Net sales **¥100.0 billion**
- Operating profit **¥15.0 billion**
- Equity ratio **50% or more**
- ROE **12% or more**

■ Dividend policy

- Dividend payout ratio target: 20%



Areas for new business development: Materials supporting cutting-edge technology

- (i) New battery materials, semiconductor materials, fluorides, chlorides
- (ii) Medical materials
- (iii) Low dielectric constant materials for communications use

Development of production technologies: Technologies supporting existing and new businesses

- (i) Recycling
- (ii) Environmental improvement technology (use of electrolysis technology for energy conservation and sustainability)
- (iii) Use of materials informatics (MI) software for development support
- (iv) Peripheral technologies for existing businesses, fluorinated gas raw materials production, new production technologies

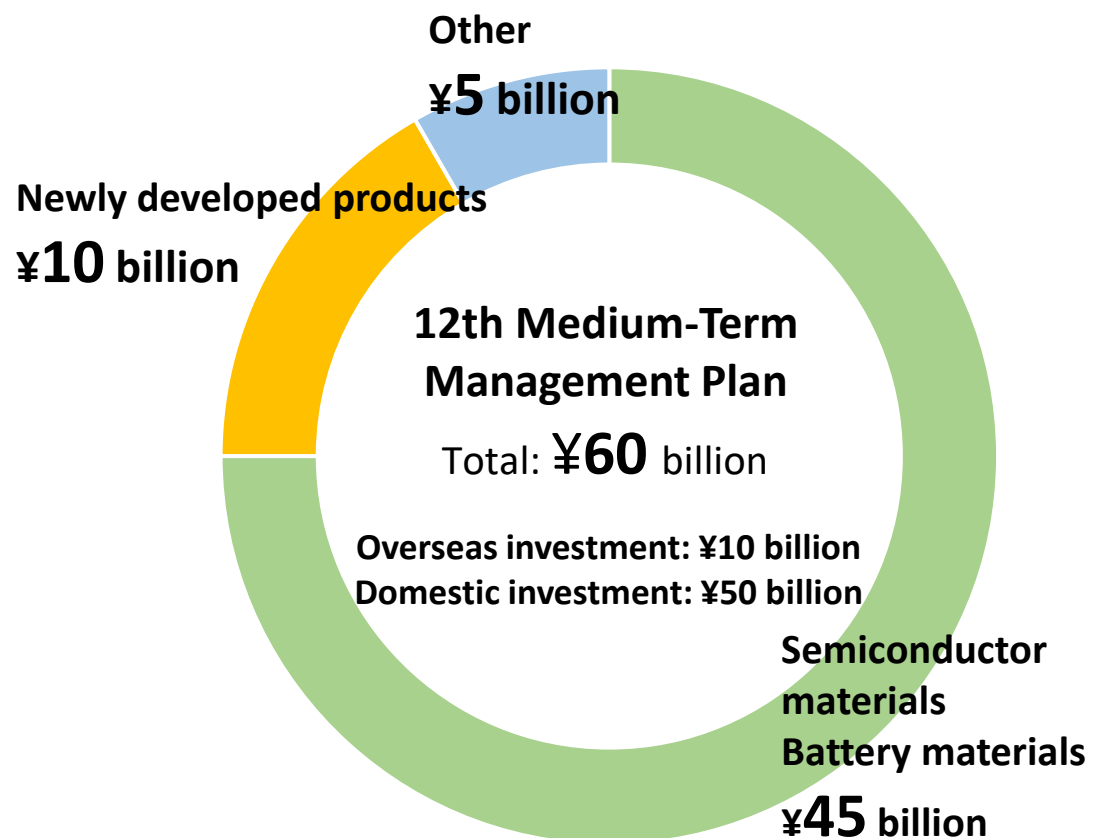
● Sales targets for developed products

	FY2022	FY2023	FY2024
Net sales	¥1 billion	¥2 billion	¥5 billion



Investment plan

- Total of ¥60 billion over three years. 90% of this is invested in the growth semiconductor and battery materials businesses and their development
- Newly developed products: Investment in development of environmentally-friendly products, construction of new research building, etc.
- Separately managing sustainability investments, such as securing renewable energy



Example investment projects	
Semiconductor materials	New semiconductor gas facilities Facility expansion for C ₄ F ₆ , COS, etc.
Battery materials	Facility expansion for LiPF ₆ New lithium recycling facilities
Newly developed products	Developing environmentally-friendly products Constructing new research building
Other	Enhancing raw material supply facilities

Initiatives for Carbon Neutrality



Vision for 2030

Accelerate growth by further expanding our fine chemicals products, develop technologies to reduce greenhouse gas emissions and decarbonize, and grow to become an innovative, development-driven company to contribute to a sustainable society

CO₂ emissions reduction target: 30% in FY2030

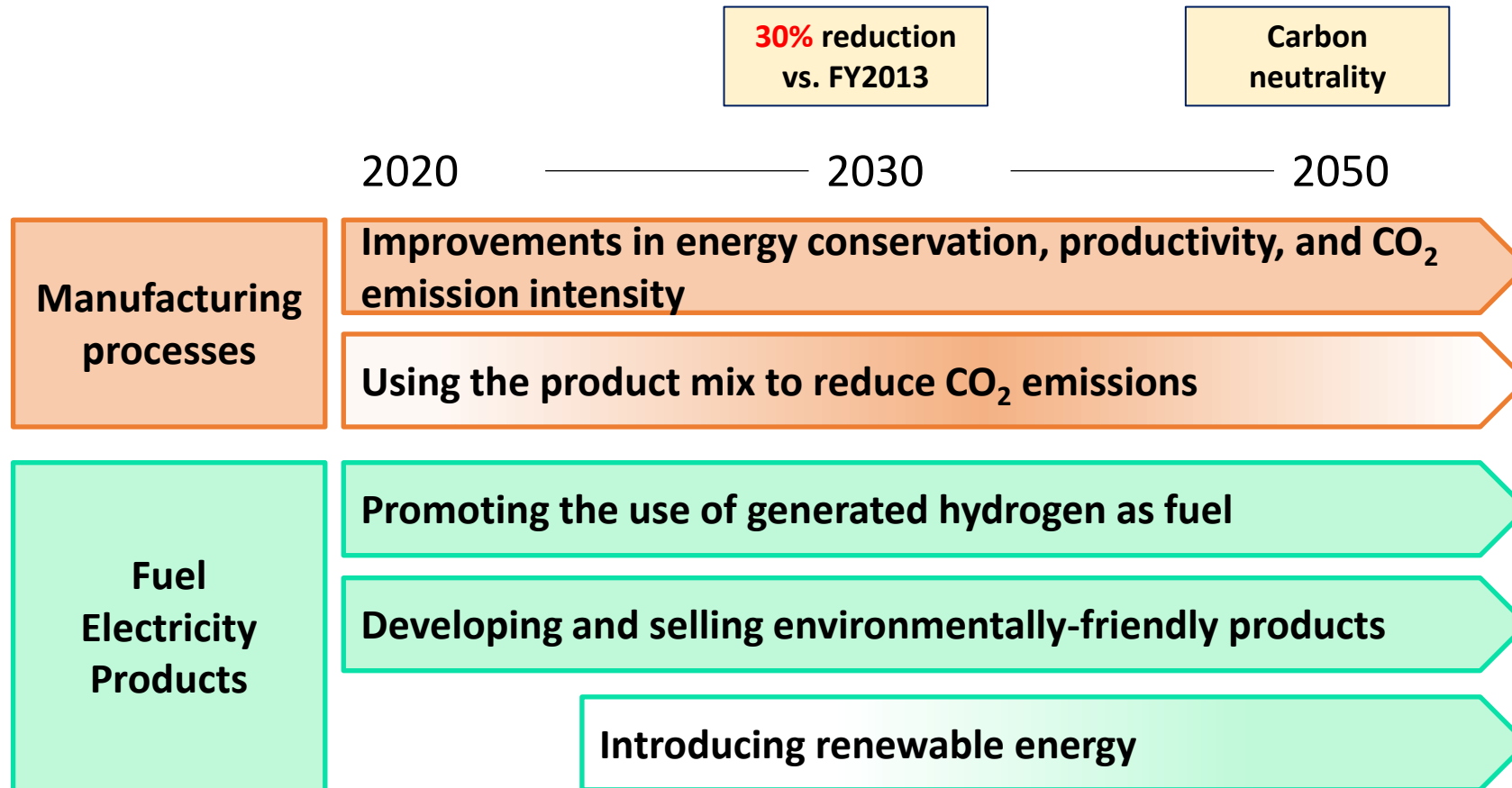
Vs. FY2013
For Scope 1 and Scope 2

Major initiative policies

- (i) Reducing CO₂ emissions intensity while achieving growth in the fine chemicals business
- (ii) Introducing renewable energy
- (iii) Using the product mix to reduce CO₂ emissions
- (iv) Promoting development of environmentally-friendly products



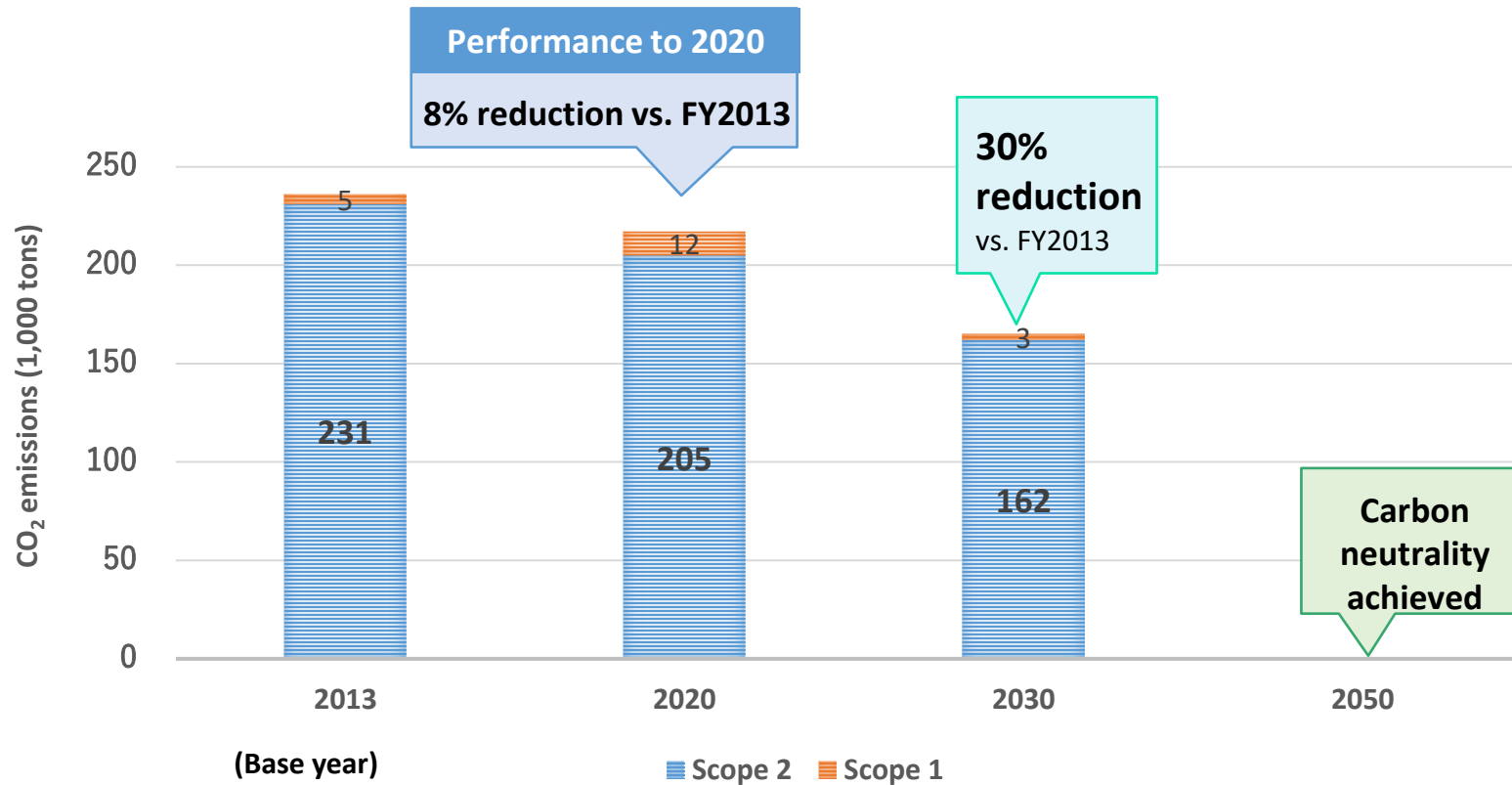
CO₂ Reduction Roadmap





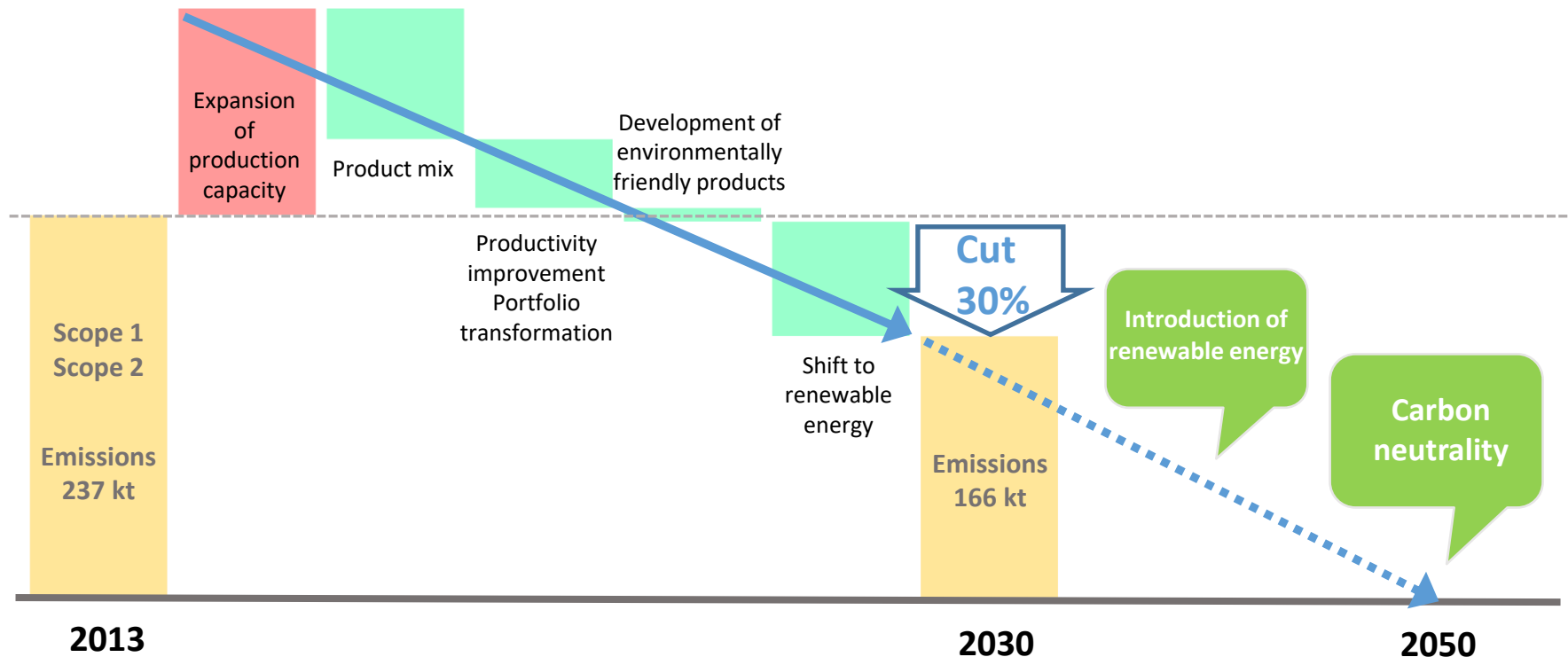
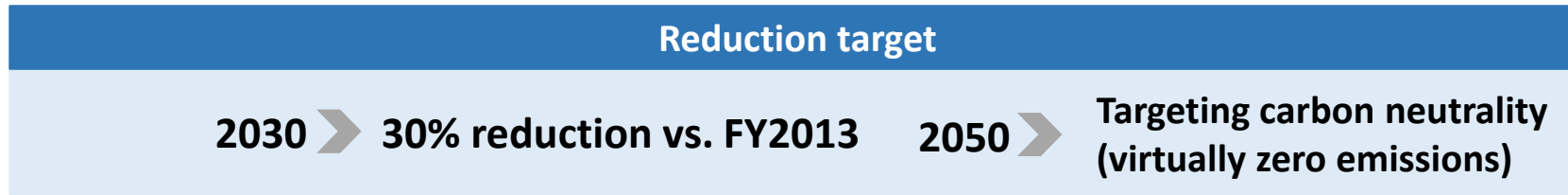
Reduction target

2030 ➤ **30% reduction vs. FY2013** **2050** ➤ **Targeting carbon neutrality (virtually zero emissions)**

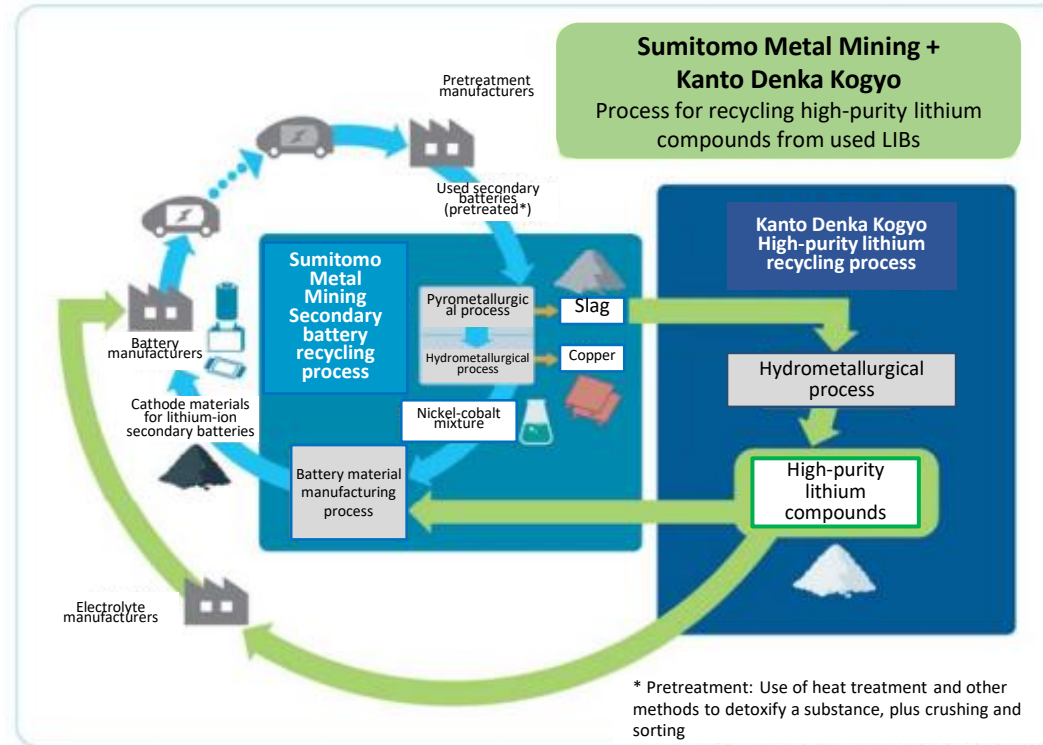




CO₂ Reduction Roadmap



Process for recycling high-purity lithium compounds from used LIBs



Using our hydrometallurgical method, recycling generated slag containing lithium into high-purity lithium that can be reused in LIBs

Enabling a recycling system for lithium resources and contributing to the realization of a resource-recycling society

Caution

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