

Financial Results Briefing for the Six Months Ended September 30, 2023 and Revision of the Medium-Term Management Plan



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

November 22, 2023

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I | Overview of Financial Results for the Six Months Ended September 30, 2023

Key Earnings Data

- **Rapid deterioration in the fine chemicals business environment**
 - Fluorochemicals for semiconductors: Impacted by production cuts due to inventory adjustments by semiconductor manufacturers
 - Battery materials: Deterioration in supply and demand environment due to slowing growth in the electric vehicle (EV) market
- **Recognition of impairment loss on inventories for battery materials**
- **Fees paid under licensing agreement posted to net sales**
- **Full-scale rebound of the semiconductor market next fiscal year**
- **No change in dividend forecast (Interim: ¥7; Year-end: ¥7; Annual: ¥14)**

Statement of Income

(Billions of yen)

	H1 FY2022	H1 FY2023	Difference	% change
Net sales	37.3	34.8	-2.4	-6.6
Operating profit	6.5	(0.4)	-7.0	—
Ordinary profit	7.3	0.1	-7.2	-98.1
Profit before income taxes	7.1	0.4	-6.7	-93.5
Profit attributable to owners of parent	5.1	0.2	-4.9	-95.0
Basic earnings per share (yen)	90.38	4.48	-85.90	

Balance Sheet

(Billions of yen)

	FY2022	H1 FY2023	Difference	% change
Assets	130.7	124.4	-6.2	-4.8
Cash and deposits	22.3	21.4	-0.8	-3.8
Trade receivables	21.6	17.4	-4.2	-19.8
Inventories	23.9	21.0	-2.8	-12.0
Non-current assets (tangible + intangible)	48.0	50.8	2.7	5.7
Liabilities	61.9	54.9	-7.0	-11.3
Interest-bearing debt	37.7	34.6	-3.1	-8.4
Trade payables	10.6	10.0	-0.5	-5.4
Income taxes payable	2.7	0.2	-2.4	-89.3
Net assets	68.7	69.5	0.7	1.1
Equity ratio (%)	51.6	54.7	3.1	

Fundamental Chemicals Division

(Billions of yen)

	H1 FY2022	H1 FY2023	Difference
Net sales	4.1	4.3	0.2
Operating profit (loss)	0.0	(0.0)	-0.0

Net sales

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

Operating profit

- **Operating profit** decreased due to an increase in fixed costs, despite the benefit from growth in sales

Fine Chemicals Division

(Billions of yen)

	H1 FY2022	H1 FY2023	Difference
Net sales	30.3	28.2	-2.1
Operating profit (loss)	6.0	(0.8)	-6.8

Net sales

- Nitrogen trifluoride: Sales decreased due to lower sales volume
- Tungsten hexafluoride: Sales decreased due to lower sales volume
- Hexafluoro-1,3-butadiene: Sales decreased due to lower sales volume and lower sales prices
- Lithium hexafluorophosphate: Sales decreased due to lower sales volume and lower sales prices
- Technical support fees: Fees paid under licensing agreement posted to net sales

Operating profit

- Operating profit decreased due to persistently high cost of sales and recognition of an impairment loss on inventories, in addition to lower sales volume for some products

Ferrochemicals, Commercial Business, Facilities Divisions

(Including consolidation adjustments)

(Billions of yen)

	H1 FY2022	H1 FY2023	Difference
Net sales	2.8	2.2	-0.6
Operating profit	0.4	0.4	-0.0

Ferrochemicals

Sales decreased due to lower sales volume of carriers

Commercial Business

Unchanged year on year

Facilities

Unchanged year on year

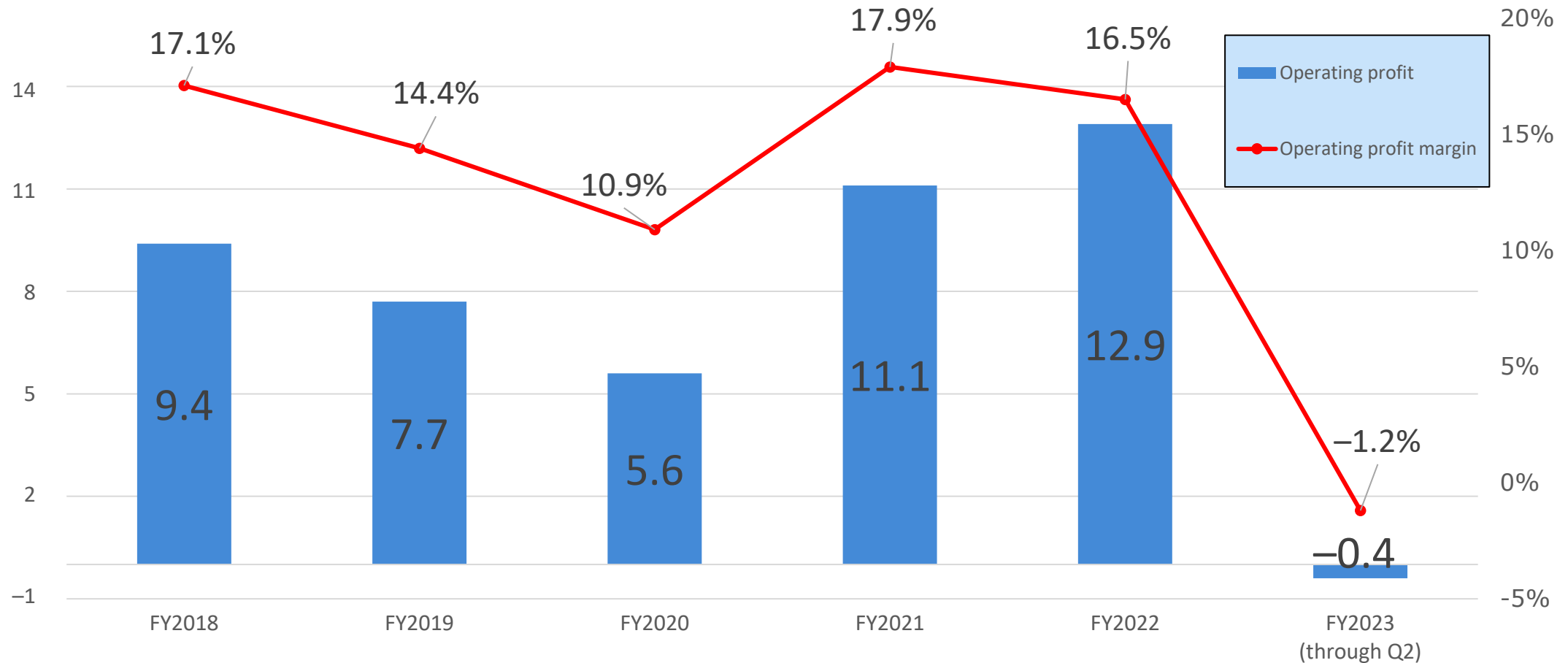
Consolidated Operating Profit: Difference Analysis (H1 FY2022 vs. H1 FY2023)

(Billions of yen)



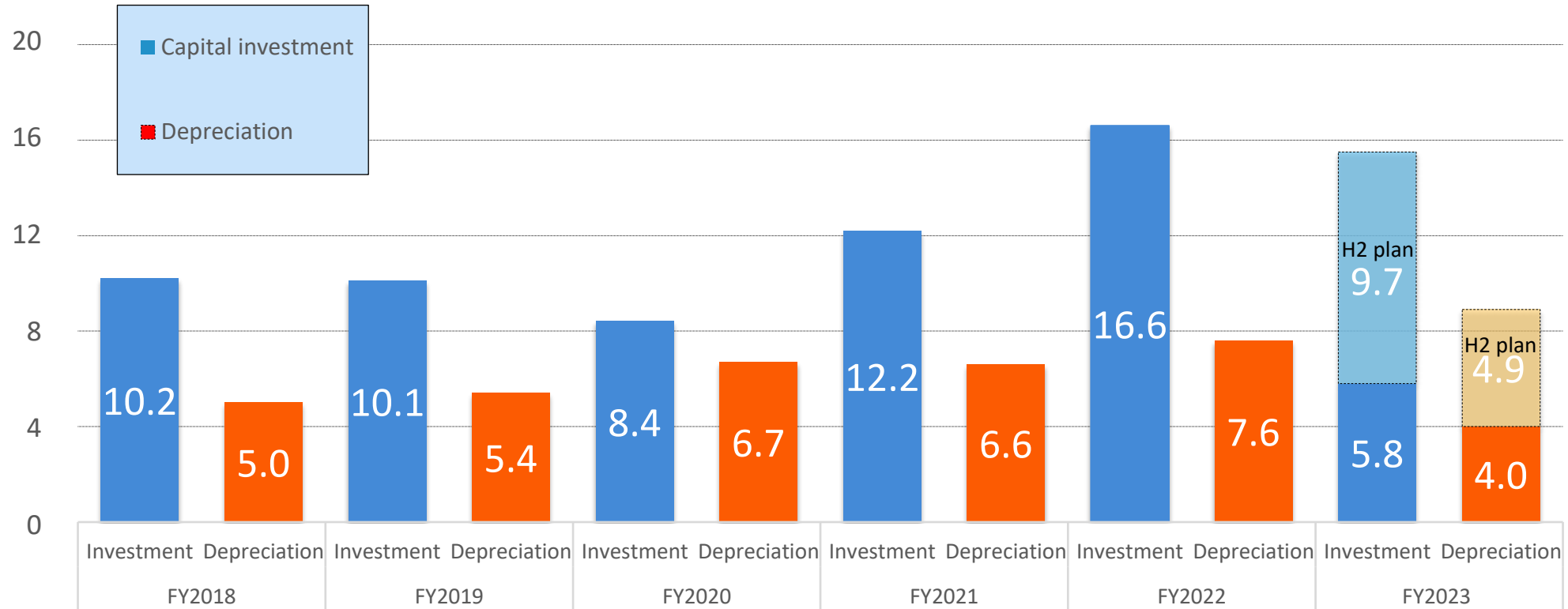
Operating Profit and Operating Profit Margin Over Time (Consolidated)

(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: H1 FY2023	Year-on-year change	Major business lines
Kanden Kosan Co., Ltd.	¥10 mil.	100.0	4.8	-0.0	Sale of chemical products, maintenance of containers, insurance agency services
Jobi Engineering Co., Ltd.	¥120 mil.	49.4	2.7	-0.3	Manufacture, processing, and repair of chemical industry equipment
Kanto Denka Finetech Co., Ltd.	¥27 mil.	100.0	0.2	-0.0	Manufacture and sale of iron oxide
Kanto Denka Korea Co., Ltd.	300 mil. won	100.0	7.8	0.7	Sale of fluorine products
Taiwan Kanto Denka Co., Ltd.	7 mil. NT dollars	100.0	2.8	-0.4	Sale of fluorine products
Kanto Denka Fine Products Korea Co., Ltd.	42.0 bil. won	100.0	1.9	0.4	Manufacture and sale of fluorine products
Xuancheng KDK Technology Co., Ltd.	50 mil. dollars	98.3	-	-	Manufacture and sale of fluorine products
		Total	20.5	0.1	

II | Business Outlook and Future Trends

Performance Forecast By Segment (Consolidated)

(Billions of yen)

	Net sales			Operating profit		
	FY2022 (results)	FY2023 (initial forecast)	FY2023 (revised forecast)	FY2022 (results)	FY2023 (initial forecast)	FY2023 (revised forecast)
Fundamental Chemicals	9.4	9.7	9.2	0.3	0.3	0.3
Fine Chemicals	63.9	62.7	50.0	11.4	4.6	(3.1)
Other*	5.3	5.9	4.6	1.1	1.1	0.8
Total	78.6	78.3	63.8	12.9	6.0	(2.0)
Capital investment	16.6	18.5	15.6			
Depreciation	7.6	9.5	9.0			
R&D expenses	1.1	1.5	1.5			

Assumption for Performance Forecast
USD/JPY Rate: ¥135

* "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.

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

(Billions of yen)

	Net sales			Operating profit		
	H1 (forecast)	H1 (results)	Difference	H1 (forecast)	H1 (results)	Difference
Fundamental Chemicals	4.5	4.3	-0.1	(0.1)	(0.0)	0.0
Fine Chemicals	28.9	28.2	-0.6	1.2	(0.8)	-2.0
Other*	2.9	2.2	-0.6	0.4	0.4	0.0
Total	36.3	34.8	-1.4	1.5	(0.4)	-1.9

* "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.

Consolidated Operating Profit: Difference Analysis (H1 Initial Forecast vs. H1 Results)

(Billions of yen)



Performance Forecast By Segment (Consolidated):

H1 vs. H2

(Billions of yen)

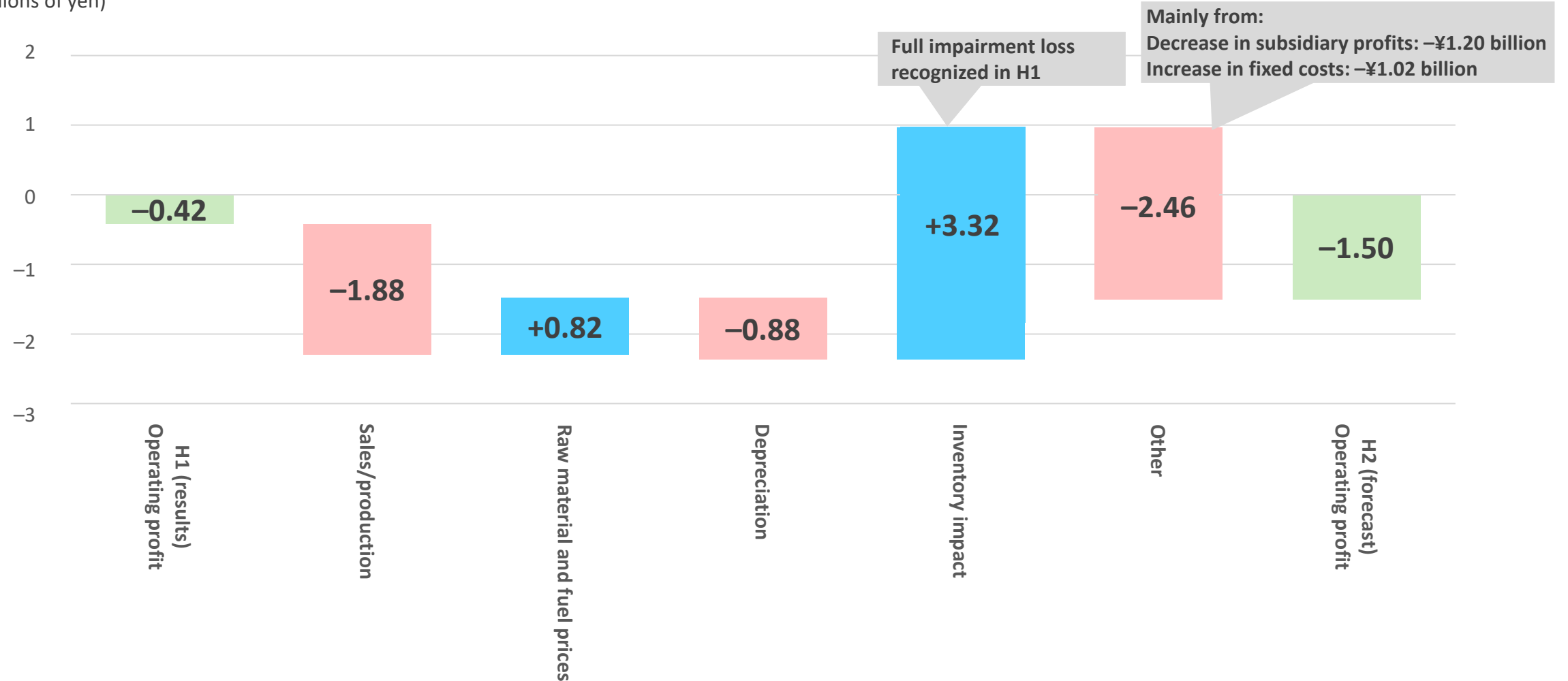
	Net sales			Operating profit		
	H1 (results)	H2 (forecast)	Difference	H1 (results)	H2 (forecast)	Difference
Fundamental Chemicals	4.3	4.8	0.4	(0.0)	0.3	0.3
Fine Chemicals	28.2	21.7	-6.4	(0.8)	(2.2)	-1.3
Other*	2.2	2.3	0.1	0.4	0.3	-0.1
Total	34.8	28.9	-5.8	(0.4)	(1.5)	-1.1
Capital investment	5.8	9.7	3.9			
Depreciation	4.0	4.9	0.8			
R&D expenses	0.6	0.8	0.2			

* "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.

Consolidated Operating Profit: Difference Analysis

(H1 Result vs. H2 Forecast)

(Billions of yen)



Topics (Status of Major Capital Investments)

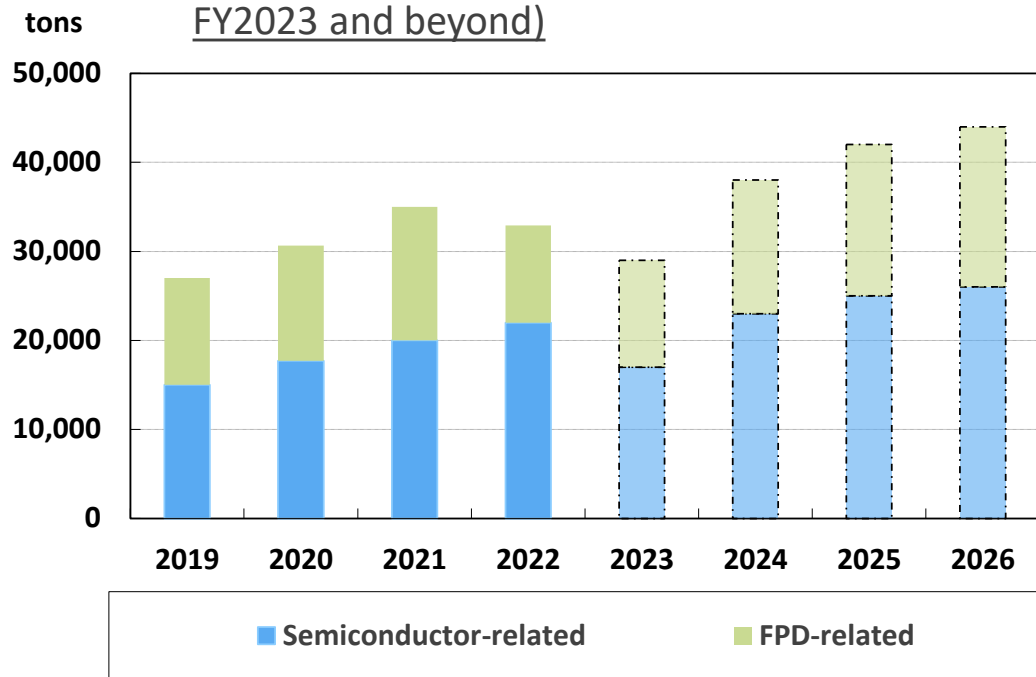
Investment	Details	Remarks
Hexafluoro-1,3-butadiene (C4F6)	400 t/yr ⇒ 600 t/yr	• Scheduled to commence operation in FY2024
Carbonyl sulfide (COS)	150 t/yr ⇒ 200 t/yr	• Scheduled to commence operation in FY2025
Lithium hexafluorophosphate (LiPF6)	5,400 t/yr ⇒ 8,000 t/yr	• Scheduled to commence operation in FY2024
New etching gas (KSG-14) mass production facilities	150 t/yr	• Scheduled to commence operation in FY2024
Xuancheng KDK Technology Co., Ltd.	Phase I construction: Ammonium fluoride Phase II construction: WF6, C4F6, CF4 Phase III construction: COS, pending	• Phase I construction: Currently operating • Phase II construction: Scheduled for completion by the end of 2023 • Phase III construction: Scheduled for completion in 2025

III | Supplementary Materials

Nitrogen Trifluoride (NF₃)

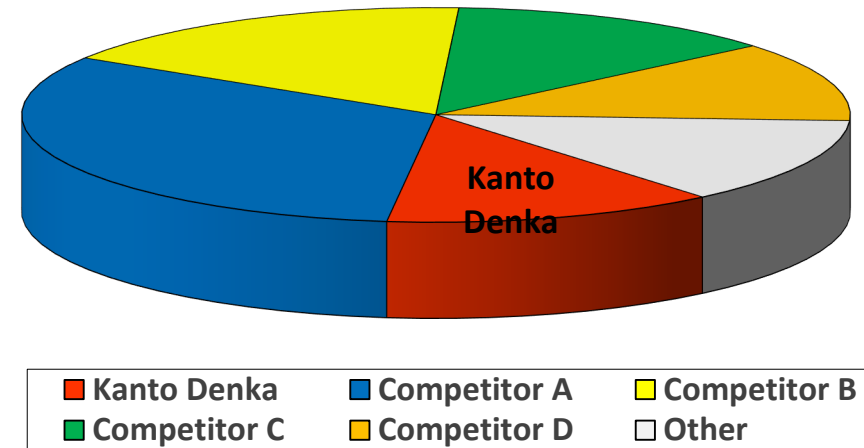
- Chamber cleaning gas for plasma CVD equipment for semiconductor and FPD manufacturing
- Production capacity: 3,700 t/yr.

Demand trends (Kanto Denka forecasts for FY2023 and beyond)



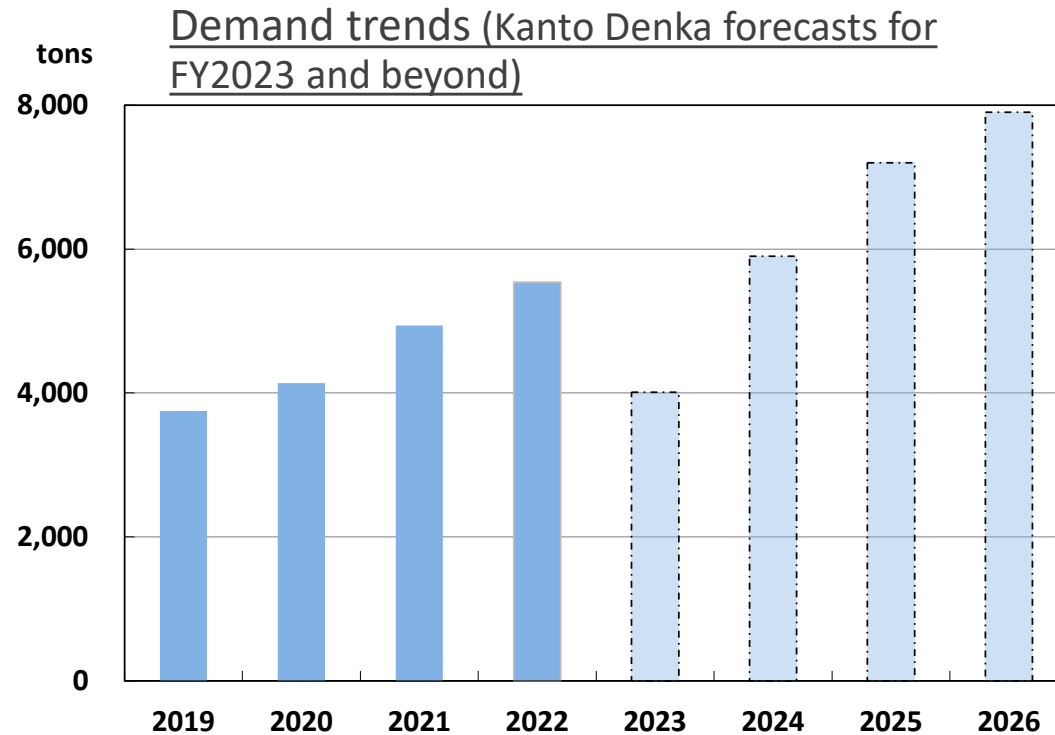
Forecasted market share

- Kanto Denka holds over 10% of market share
- Kanto Denka holds around a 20% share in the market for leading semiconductor manufacturers



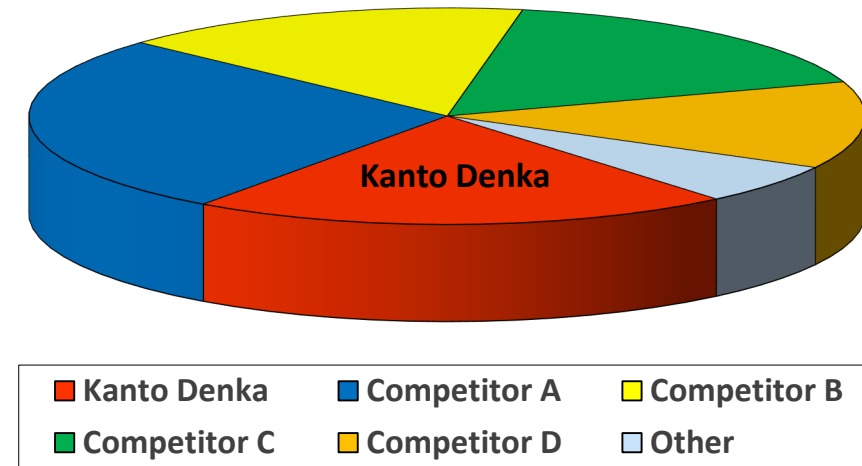
Tungsten Hexafluoride (WF₆)

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



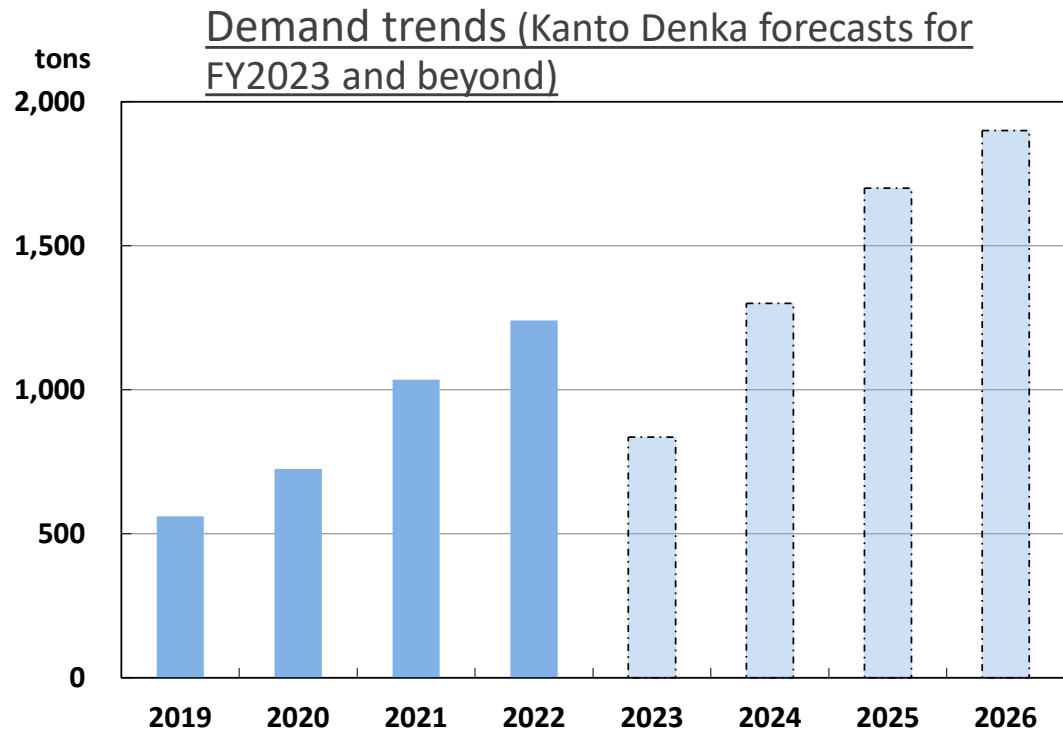
Forecasted market share

- Kanto Denka holds nearly 30% of market share

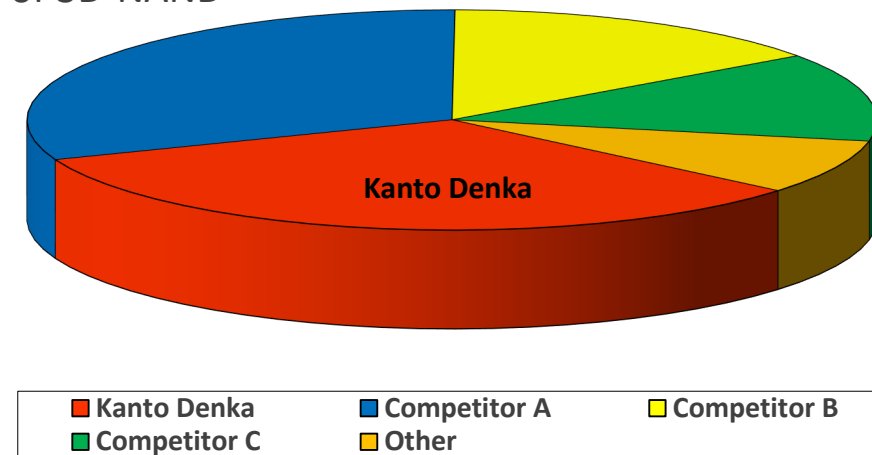


— Outlook for Major Products — Hexafluoro-1,3-butadiene (C₄F₆)

- Etching gas for semiconductors
- Production capacity: 260 t/yr. (Dec. 2019) → 400 t/yr. (Apr. 2022) → 600 t/yr. (Scheduled to commence operation in FY2024)



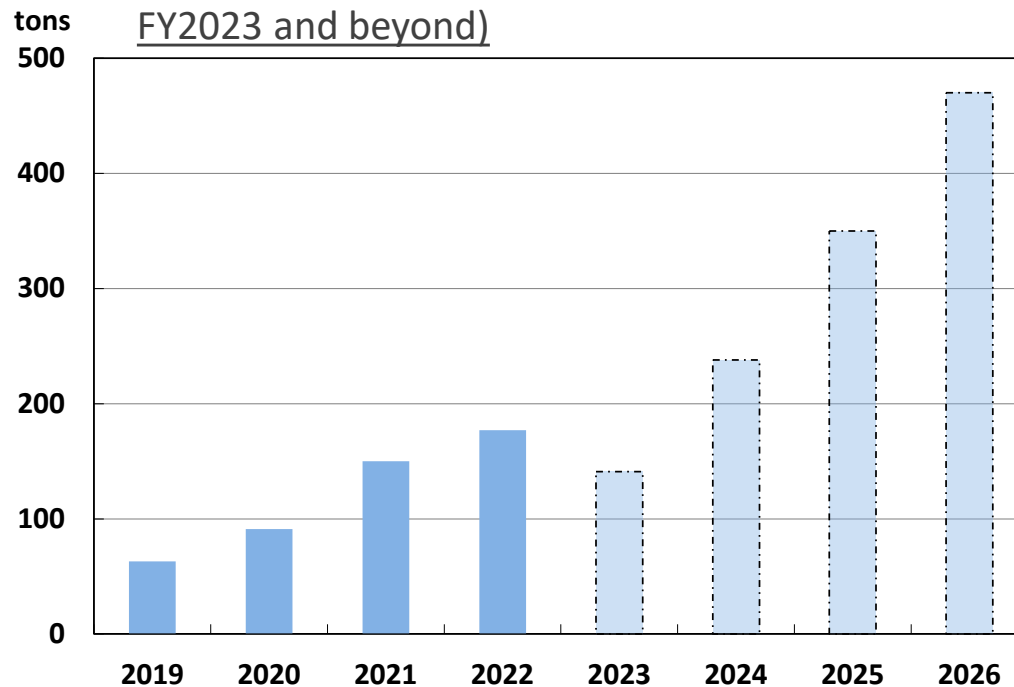
- Forecasted market share
- Kanto Denka holds around 30% of market share
 - Steady demand alongside progress in the multilayering of 3D-NAND



— Outlook for Major Products — Carbonyl Sulfide (COS)

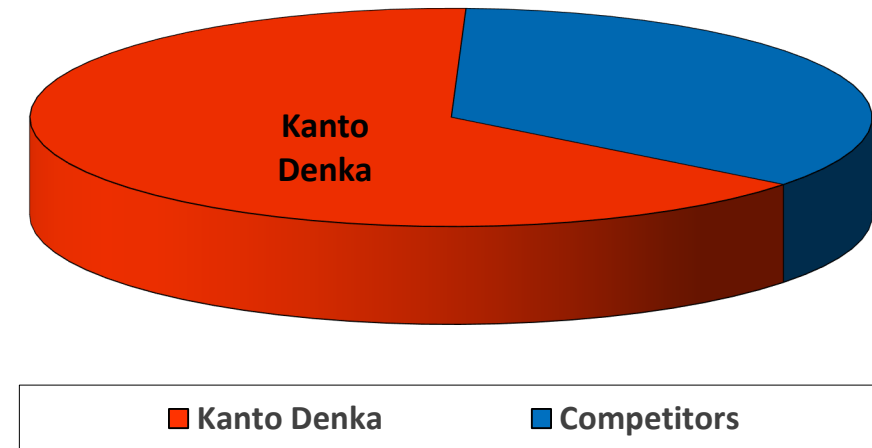
- Etching gas for semiconductors
- Production capacity: 80 t/yr. (Oct. 2019) → 150 t/yr. (June 2022) → 200 t/yr. (Scheduled to commence operation in FY2025)

Demand trends (Kanto Denka forecasts for FY2023 and beyond)



Forecasted market share

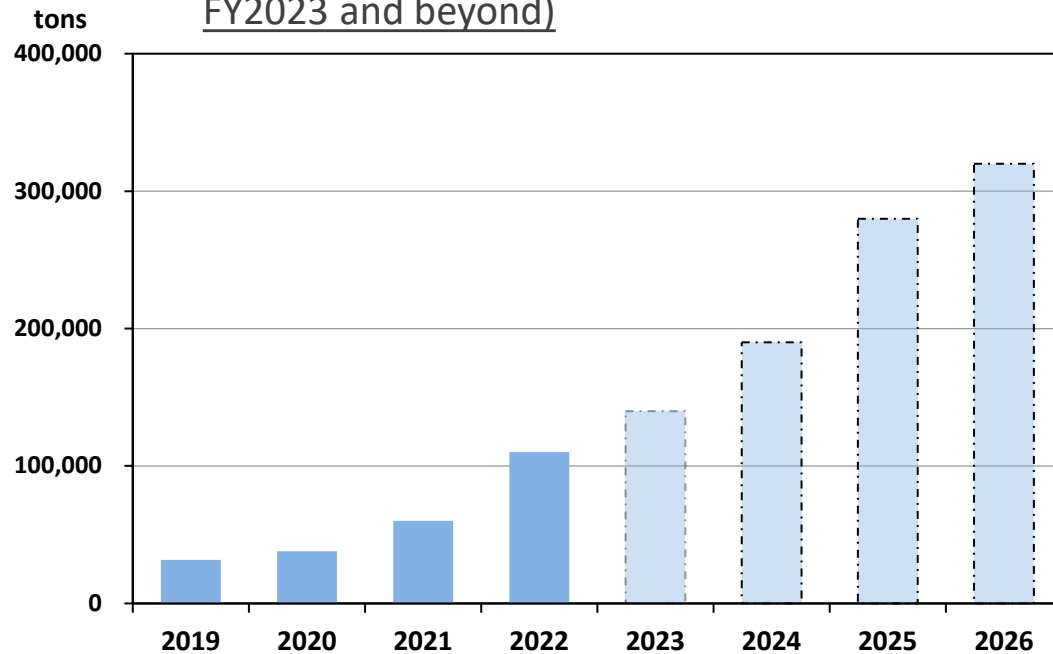
- Kanto Denka holds 60% or more of market share
- Steady demand alongside progress in the multilayering of 3D-NAND



— 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: 5,400 t/yr. → 8,000 t/yr. (Scheduled to commence operation in FY2024)

Demand trends (Kanto Denka forecasts for FY2023 and beyond)

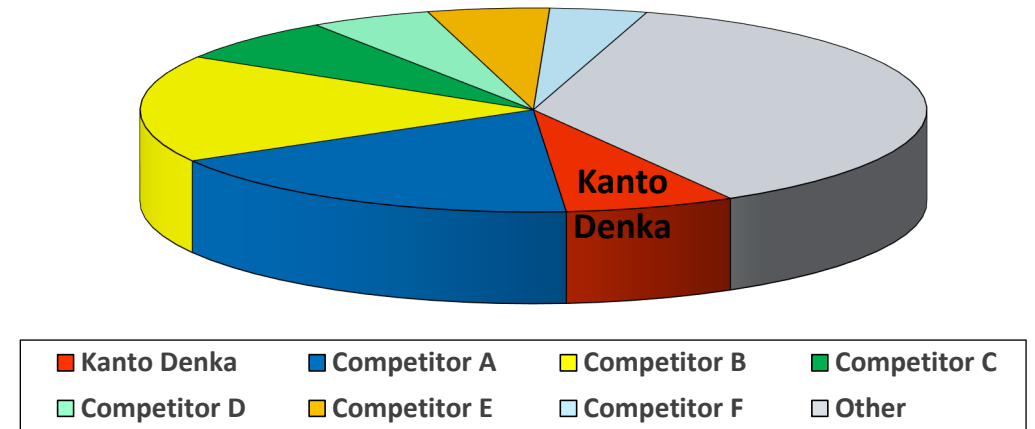


Forecasted market share

In the automotive battery market, Kanto Denka commands 70% share in Japan, 40% in the United States, and 10% in Europe.

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)

Phase III construction (pending)

- Carbonyl sulfide (COS)

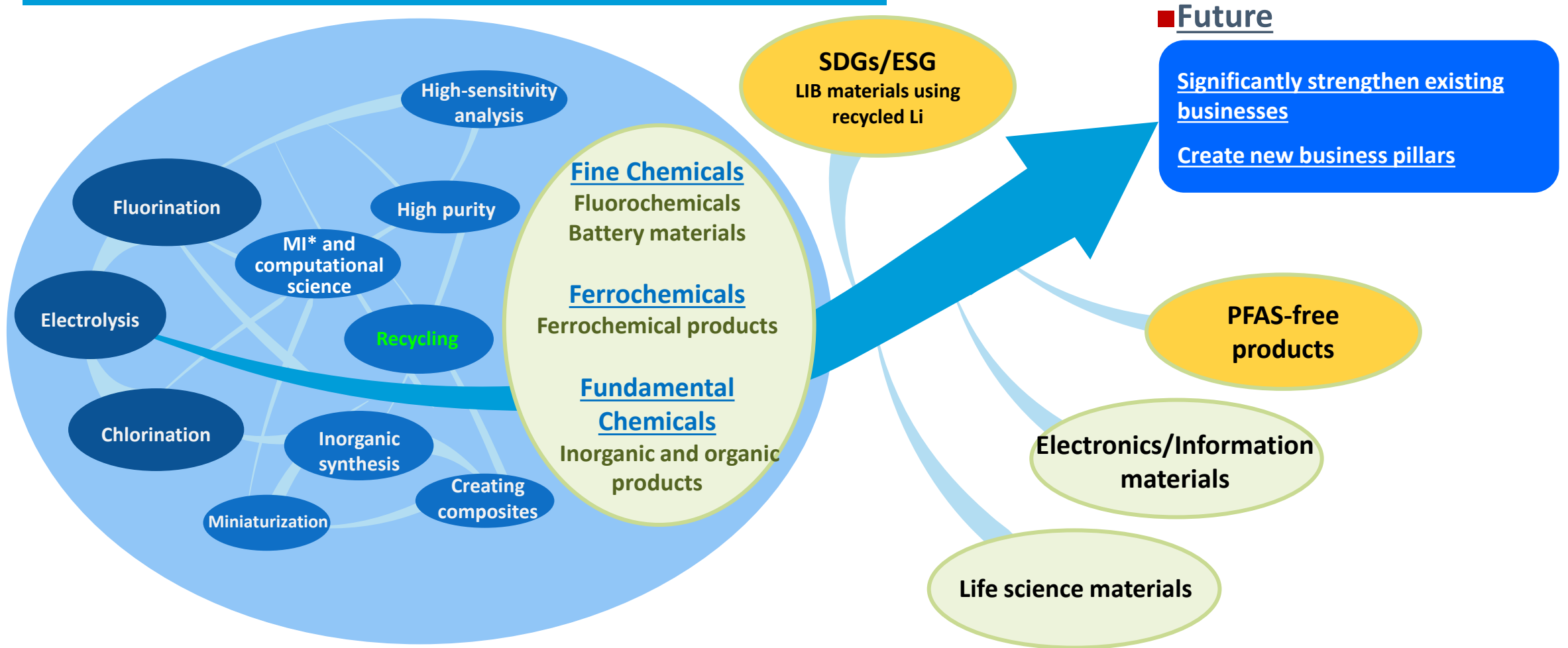


Exterior plant view



Rendering of completed plant

Kanto Denka's Technology and Business Direction



■ **KDK-Core Technology**

* MI: Material informatics

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, KSG-14, 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.

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.



Revision of the 12th Medium-Term Management Plan

November 22, 2023

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

1. Progress on the 12th Medium-Term Management Plan
2. Revision of the 12th Medium-Term Management Plan
 - Background
 - Measures
 - Numerical targets and investment plans
 - Dividend policy
3. Measures to correct a PBR of less than 1x
4. Initiatives for Carbon Neutrality

Progress on the 12th Medium-Term Management Plan



(Billions of yen)

Consolidated basis	FY2022 plan	FY2022 results	FY2023 plan	FY2023 announced Oct. 25
Net sales	76.0	78.6	92.0	63.8
Operating profit	10.9	12.9	13.0	-2.0
Operating profit margin	14.3%	16.5%	14.1%	-3.1%
Equity ratio	—	51.6%	—	—
ROE	—	14.9%	—	—

- ✓ Outperformed the plan in FY2022, the initial year of the plan
- ✓ Expect a substantial decrease in sales and profit compared to the plan in FY2023



Key Strategies

○: Achievements

▲: Challenges

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

- Increased COS capacity (Jun. 2022)
- Brought KSG-14 (low GWP gas) to market (Apr. 2023)
- Began R&D operations in South Korea (Nov. 2023)
- Established new Development Section and Prototype Manufacturing Section in the Semiconductor Materials Development Department (Jul. 2022)
- ▲ Procuring a stable supply of raw materials from the Xuancheng plant in China

Raise the level of production technology

- ✓ Improving productivity by promoting DX
- ✓ Improving quality assurance capability

- Used the results from an AI analysis of operations
Created a database of production management data
- Installed high-sensitivity analytical equipment

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

- Established a new Human Resource Development Department (Jun. 2023)
- Implemented a strategic education program
- ▲ Ratio of women hired for career-track positions: 14% (results for FY2022-FY2023)

Increase social value

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

- Opened a new sustainability webpage
- ▲ Continuing to introduce renewable energy
- Established basic technology for recycling lithium from discarded batteries

Revision of the 12th Medium-Term Management Plan



Assumptions at the time the Medium-Term Management Plan was formulated

- Expansion of semiconductor and EV markets
- Demands for supply from customers



Growth through active investment plans



Change in performance over time

- Entering a rapid market adjustment phase

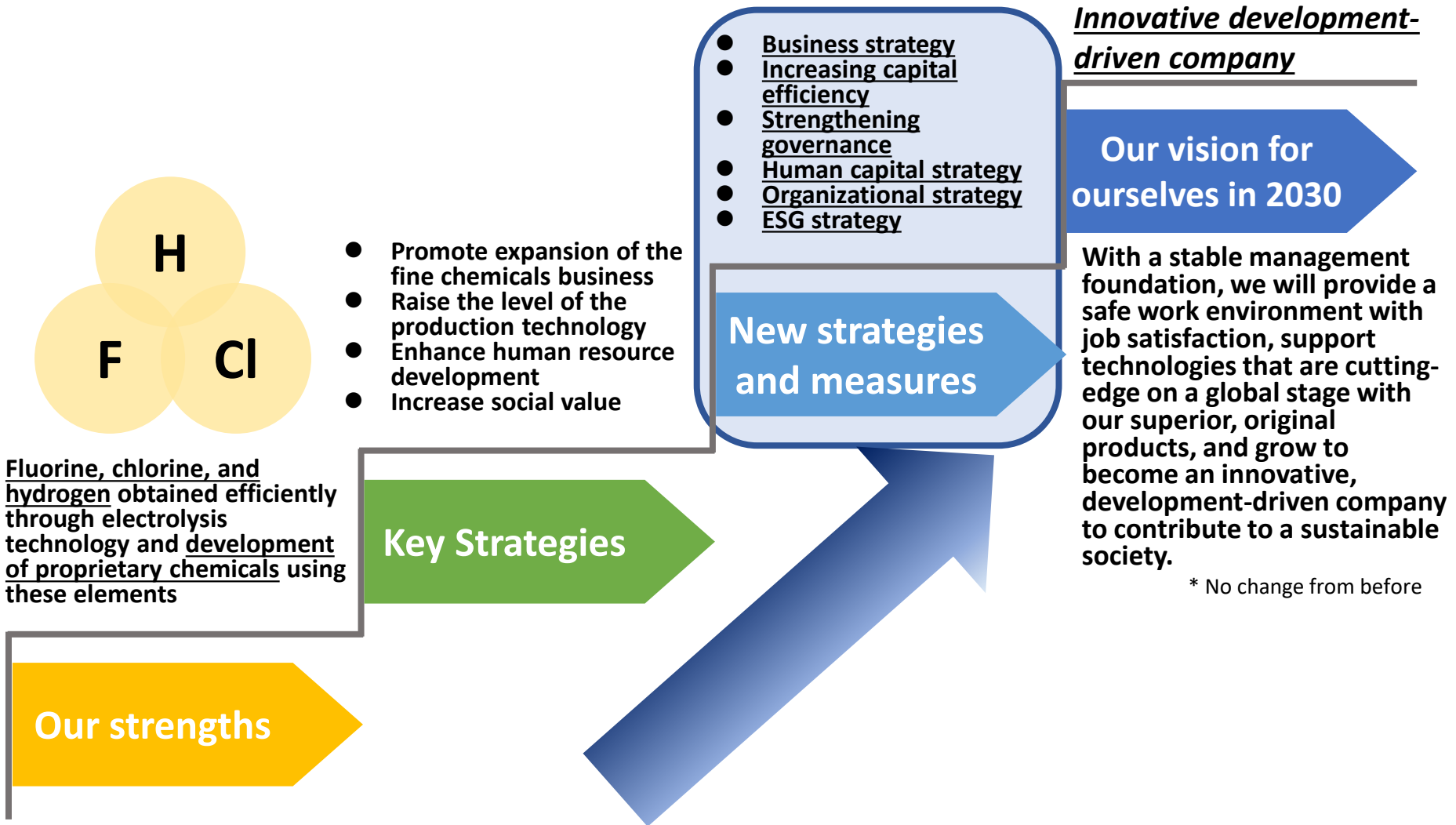
Change in business environment

- Ascertaining the cost of capital
- Increasing capital efficiency
- Promoting sustainability

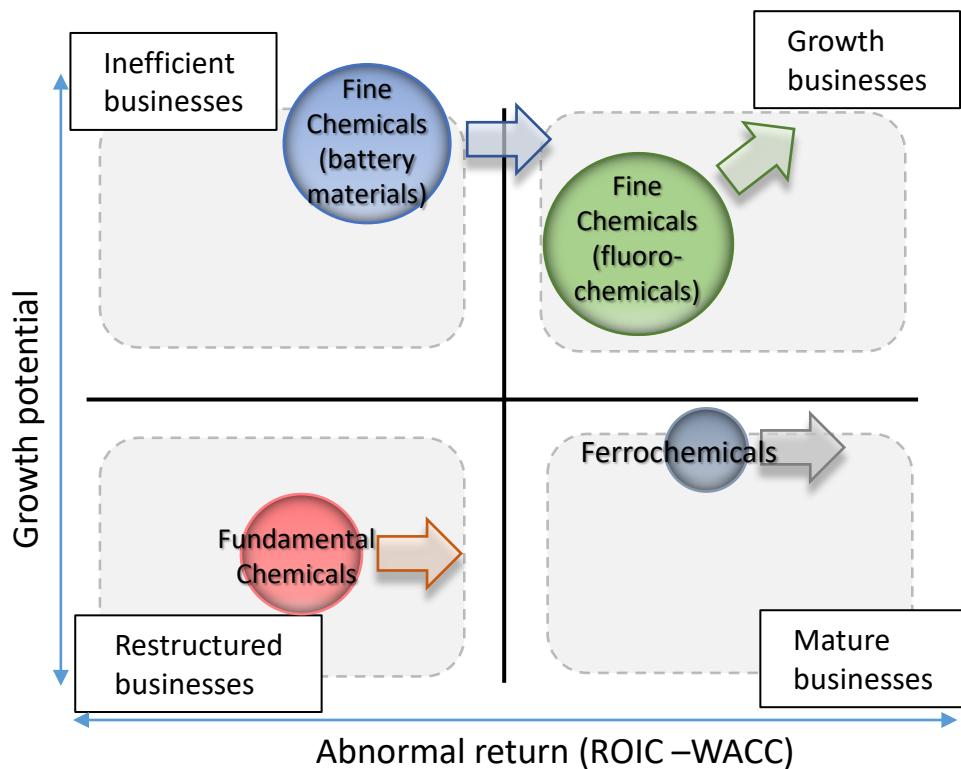
- ✓ Building a solid base to respond to major changes in the external environment is a challenge
- ✓ Extended the final fiscal year by two years and revised the plan



- ✓ Temper our strengths and implement measures to accelerate growth further
- ✓ Steadily capture medium and long-term market growth



Measures to Increase Corporate Value Considering Capital Costs



Direction of Each Segment

Fine Chemicals (fluorochemicals)

- Concentrate investment in development of and investment in growth products that are highly efficient investments, and expand business

Fine Chemicals (battery materials)

- Transform the business structure to create a highly capital-efficient structure
- Use technology transfers to capture rapid growth markets in Europe, the U.S., and Asia

Ferrochemicals

- Consolidate in a separate company within the Group and improve efficiency

Fundamental Chemicals

- Rebuild the business as a division that supplies raw materials

(from materials for our financial results briefing held on May 23, 2023)

- ✓ The policy of increasing corporate value while taking capital costs into consideration was presented at the financial results briefing on May 23, 2023
- ✓ Implement strategies tailored to opportunities, risks, and challenges, according to the direction of each segment



Opportunities
<ul style="list-style-type: none"> ● Height of market growth potential ● Active investment in semiconductors in various countries around the world ● Demand for development of new gases along with technological innovation
Risks
<ul style="list-style-type: none"> ● Trend toward unstable demand due to the “silicon cycle” ● Change in the types of gases used due to technological advances

Our strengths

- World-class fluorination technology
- Extensive experience and track record in the development of fluorochemicals

Mission

Use technologies that are cutting edge on a global stage to supply the specialty materials needed and contribute to a sustainable society

Strategy	Improving development capabilities	Strategy	Building a stable supply structure
Measures	<ul style="list-style-type: none"> ● Expand the range of development evaluation equipment ● Diversify to multiple development sites 	Measures	<ul style="list-style-type: none"> ● Diversify to multiple manufacturing sites





Opportunities

- Rapid market growth
- Expectations of our products and technologies due to heightened economic security
- Demands for development of new additives, etc. to improve the performance of lithium batteries

Our strengths

- Top quality in the industry
- Extensive expertise and technological capabilities

Mission

Use technologies that are cutting edge on a global stage to supply the specialty materials needed and contribute to a sustainable society

Risks

- Erratic fluctuations in the price of raw materials
- Heightened export restrictions on rare minerals

<p>Strategy</p>	<p>Capturing rapid market growth</p>	<p>Strategy</p>	<p>Building a business structure that is resilient to raw material prices</p>
<p>Measures</p>	<ul style="list-style-type: none"> ● Expand licensing business 	<p>Measures</p>	<ul style="list-style-type: none"> ● Commercialize lithium recycling ● Improve inventory turnover rate



Challenges in Ferrochemicals

- Market shrinkage due to going paperless and other trends
- Extremely high-mix, low-volume market
- Shift to business domains offering better growth



Strategy	Concentration and conversion of management resources
Measures	<ul style="list-style-type: none"> ● Transfer of control over manufacturing carriers to Kanto Denka Finetech Co., Ltd. and specialization in highly profitable products ● Concentrate management resources at existing carrier manufacturing sites in fluorochemicals with high growth potential

Challenges in Fundamental Chemicals

- Market shrinkage
- Low profitability
- Increasing cost of investment in maintenance and upgrades due to aging equipment



Strategy	Strengthening function for supplying raw materials to Fine Chemicals
Measures	<ul style="list-style-type: none"> ● Cease production of caustic soda flakes ● Optimize business scale for maintaining sustainable supply of raw materials

Theme Early creation of new products leveraging our core technologies



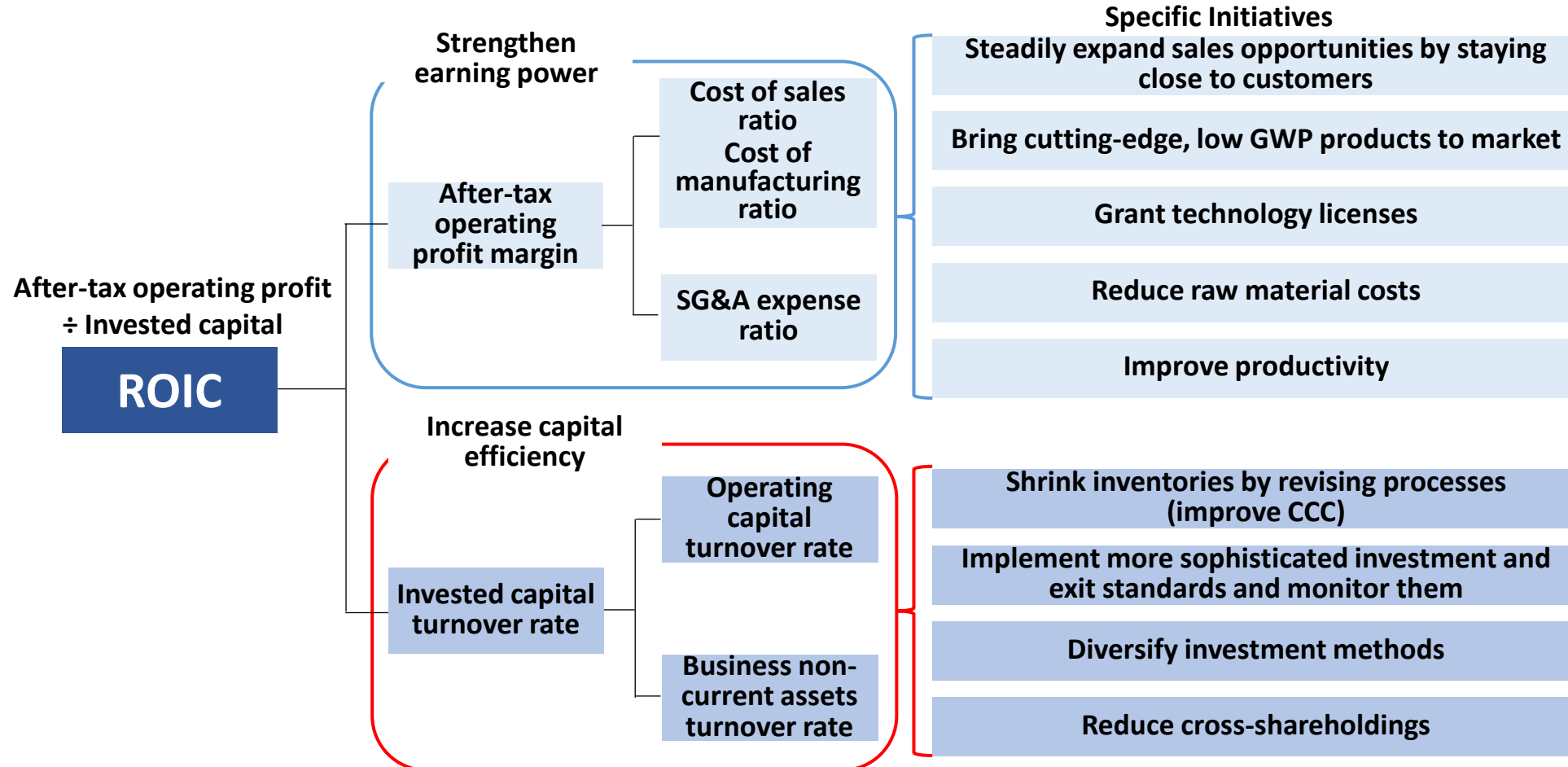
Strategy	<ul style="list-style-type: none"> ● Promoting customer-oriented R&D ● Strengthening the connection between the R&D and Manufacturing functions
Measures	<ul style="list-style-type: none"> ● Launch R&D operations within the manufacturing site in South Korea (Nov. 2023) ● Plan to build a new R&D building inside the Shibukawa Plant (construction scheduled for completion in FY2026)

Image of the new R&D building





✓ Add ROIC to the management indicators and aim for a structure that will sustainably generate returns that exceed the weighted average cost of capital (WACC)





Reduce cross-shareholdings

Challenges	Increase capital efficiency
Measures	<ul style="list-style-type: none"> ● Sell around 20% of cross-shareholdings by FY2024 and around another 10% by FY2026 for a cumulative reduction of around 30% ● Reduce cross-shareholdings from around 11% (as of March 31, 2023) to around 8% of net assets through sale

Revise the officer remuneration system

Challenges	Designing a system that leads to an increase in corporate value
Measures	<ul style="list-style-type: none"> ● Adopt total shareholder return (TSR) as an evaluation standard ● Increase percentage of share-based compensation <p style="text-align: right; font-size: small;">* General Meeting of Shareholders resolution</p>



Human resource development

Strategy	Human resource development linked to business strategy
Measures	<ul style="list-style-type: none"> ● Established a new Human Resource Development Department (Jun. 2023) ● Plan to introduce a new human resource training program (general and selective) from FY2024

Promotion of diversity and pursuit of employee well-being (creating a comfortable workplace)

Non-financial targets	Numerical targets
Percentage of women in managerial positions	2x the level in FY2020 (2%) by FY2030
Percentage of women hired for career-track positions	30% or more
Taking childcare leave	Women: Maintain at 90% or higher Men: One person a year or more
Percentage of employees taking paid vacation	80% or more

(from the Annual Securities Report for the 116th period)

- Introduced a system of mandatory retirement at age 65 with a system for extending employment up to age 70 (FY2022)



Strengthen IR

Strategy

Strategic and effective IR activities

Measures

- Established a new Public Relations & Investor Relations Department (Jun. 2023)
- Publish an Integrated Report (during FY2023)

Promote DX

Strategy

Improve productivity through the use of digital technology

Measures

- Considering establishment of a DX Promotion Department (tentative name)

Strengthen the legal and export trade management structure

Strategy

Strengthen the structure along with expansion of overseas business and the licensing business

Measures

- Develop and expand Legal human resources



(Billions of yen)

Consolidated basis	FY2026 Plan	Current FY2024 Target
Net sales	100.0	100.0
Operating profit	15.0	15.0
Operating profit margin	15.0%	15.0%
Equity ratio	—	50.0% or more
ROE	12.0% or more	12.0% or more
ROIC	8.0% or more	—

- ✓ Extended final fiscal year by two years
- ✓ Added ROIC to take shareholder return and capital efficiency into consideration
- ✓ Maintain the equity ratio and an appropriate level in light of business risk



(Billions of yen)

Before revision (three years)	Consolidated basis	FY2022	FY2023	FY2024
	Net sales	76.0	92.0	100.0
	Operating profit	10.9	13.0	15.0

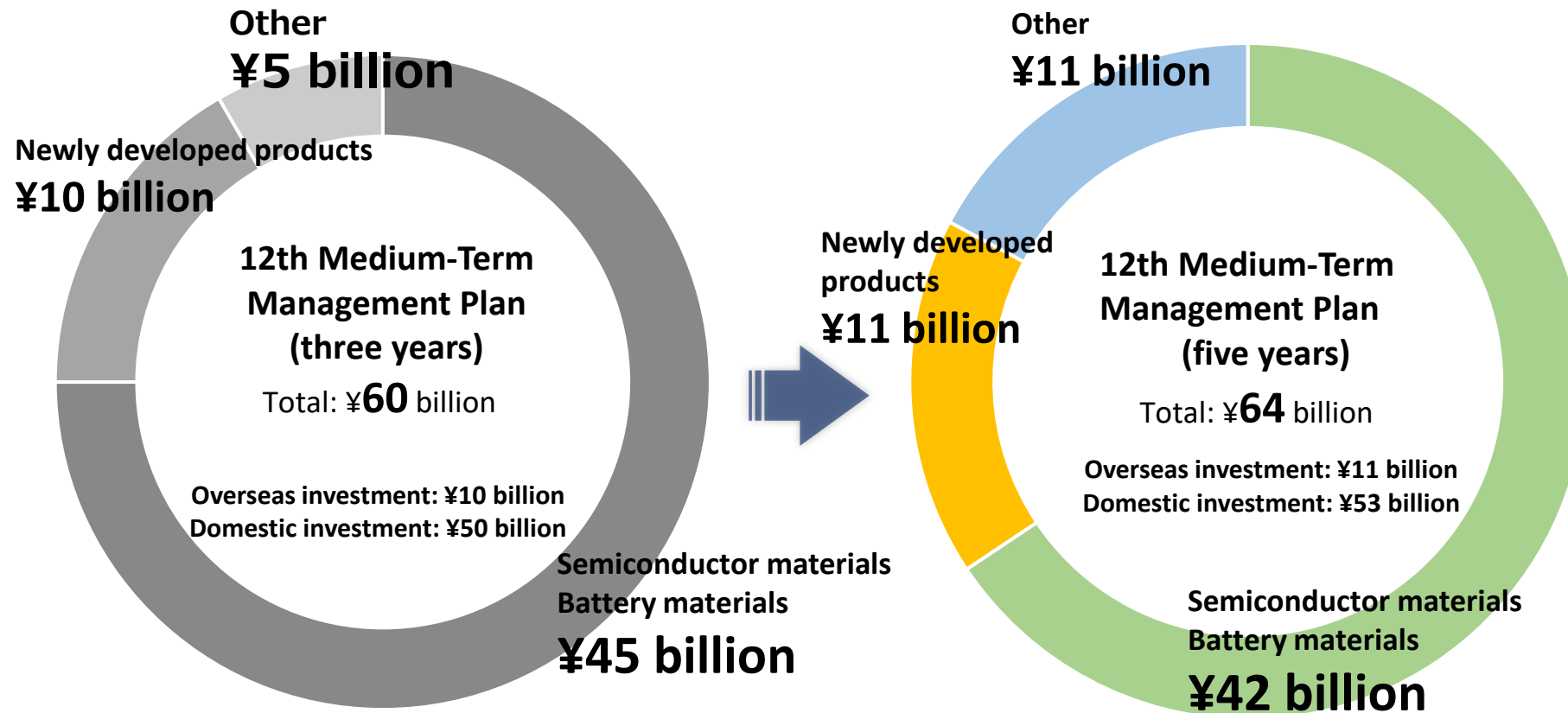


Extended final fiscal year by two years

After revision (five years)	Consolidated basis	FY2022 (results)	FY2023 (forecast)	FY2024 (plan)	FY2025 (plan)	FY2026 (plan)
	Net sales	78.6	63.8	78.0	93.0	100.0
	Operating profit	12.9	(2.0)	7.0	8.0	15.0



- ✓ We revised the investment plan and timeframe to respond to changes in customer trends and the market environment
- ✓ Each business division will invest with an awareness of the capital costs
- ✓ We will continue to invest in growth businesses



Dividend policy

(Current) Consolidated dividend payout ratio of 20%



(Revised) Consolidated dividend payout ratio of 30% or more

* For reference, the payout ratio in FY2022 was 20.2%.

View on shareholder return

Implement investment plans with an awareness of the capital costs and undertake a growth strategy and portfolio transformation to increase corporate value. Provide appropriate shareholder return after considering the balance with investment.

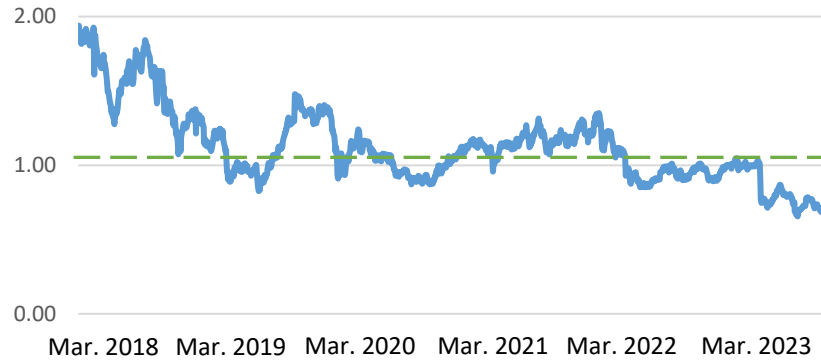
Five-Year Cash Allocation (FY2022 – FY2026)



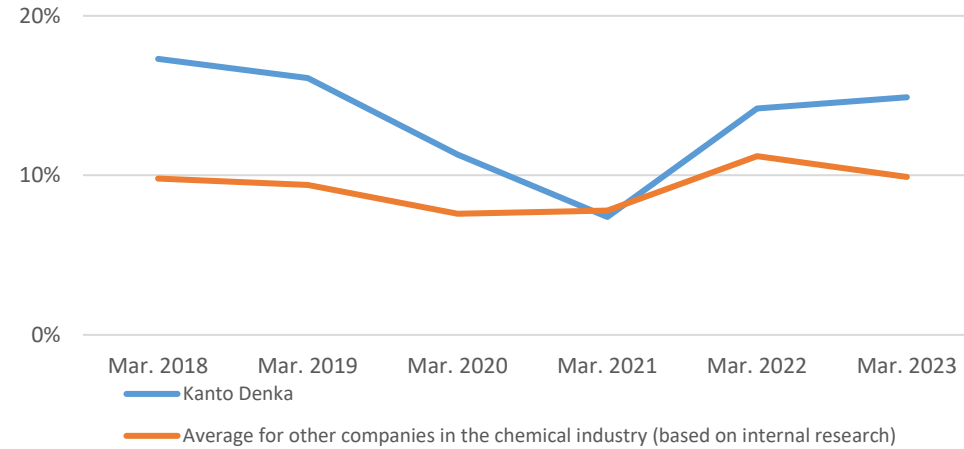
Measures to correct a PBR of less than 1x



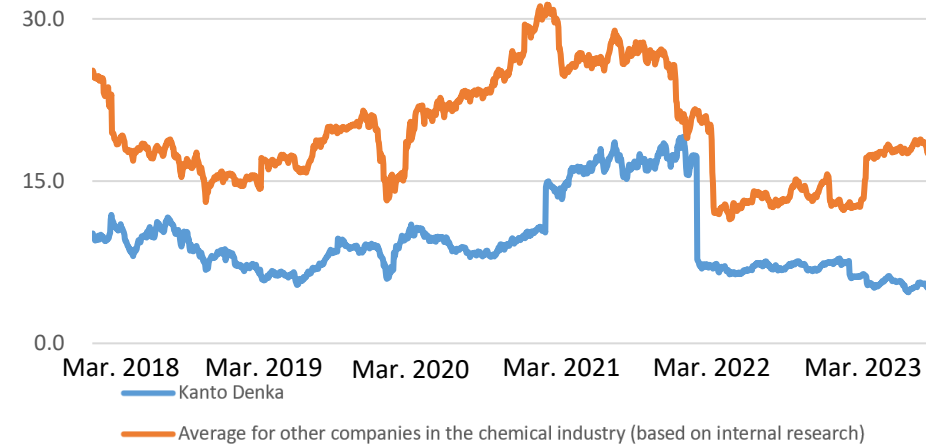
PBR (x) Over Time



ROE (%) Over Time



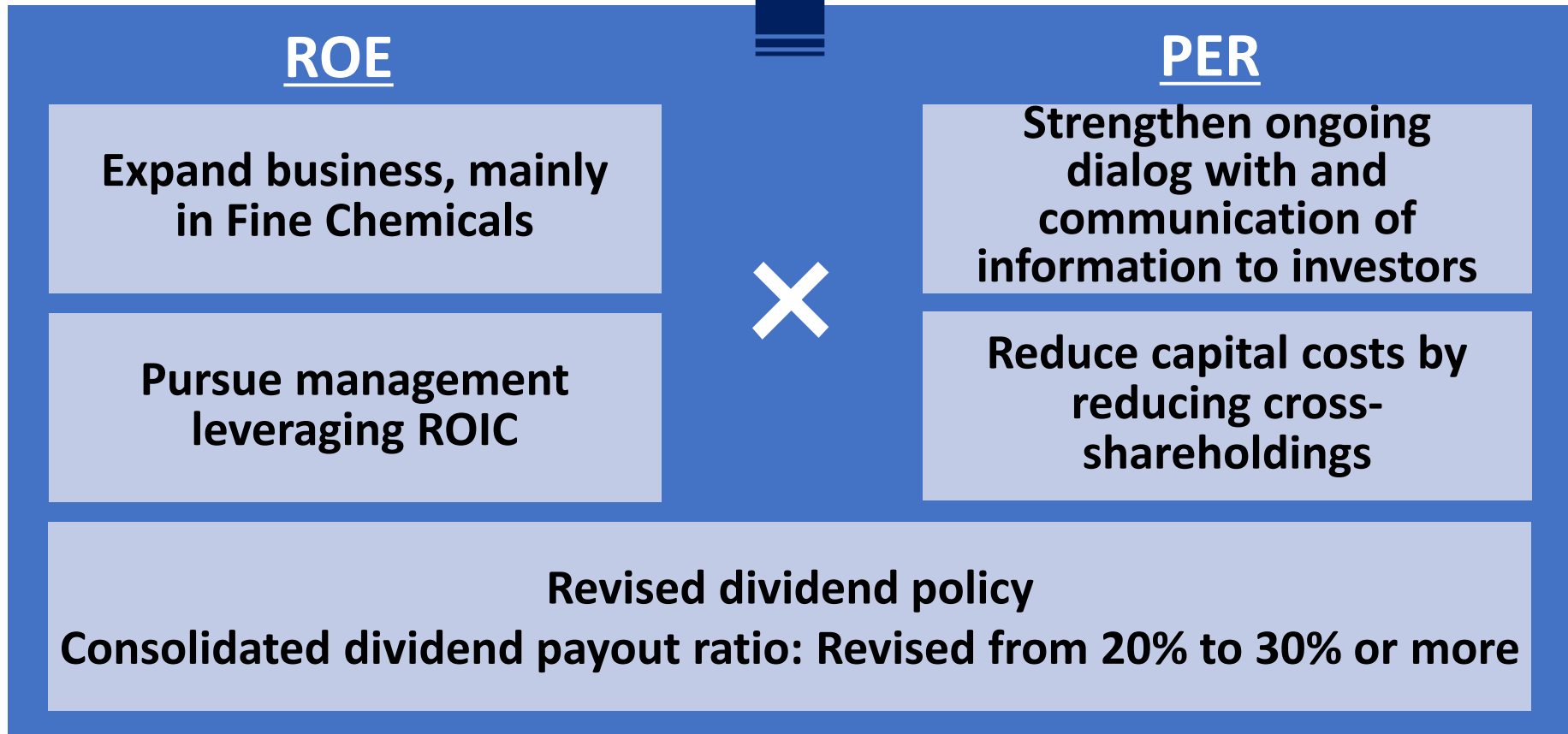
PER (x) Over Time



- ✓ We recognize that increasing PER is a particularly urgent issue
- ✓ We need to lower capital costs and raise the expected growth rate



PBR Target 1x or higher
(currently around 0.7x)



Initiatives for Carbon Neutrality



Vision for 2030

Accelerate growth by pursuing further expansion of the fine chemicals business while also reducing greenhouse gas emissions and pursuing development of technology aimed at decarbonization to grow into an innovative, development-driven company that contributes to a sustainable society.

Reduction target for CO₂ emissions from energy use: **50%** in FY2030

- * Adds a reduction of **20%** to the current target
- * vs. FY2013
- * For Scope 1 and Scope 2

Initiative policies

1. Reducing CO₂ emissions intensity while achieving growth in the Fine Chemicals business
2. Introducing renewable energy
3. Using the product mix to reduce CO₂ emissions

Reduction factors

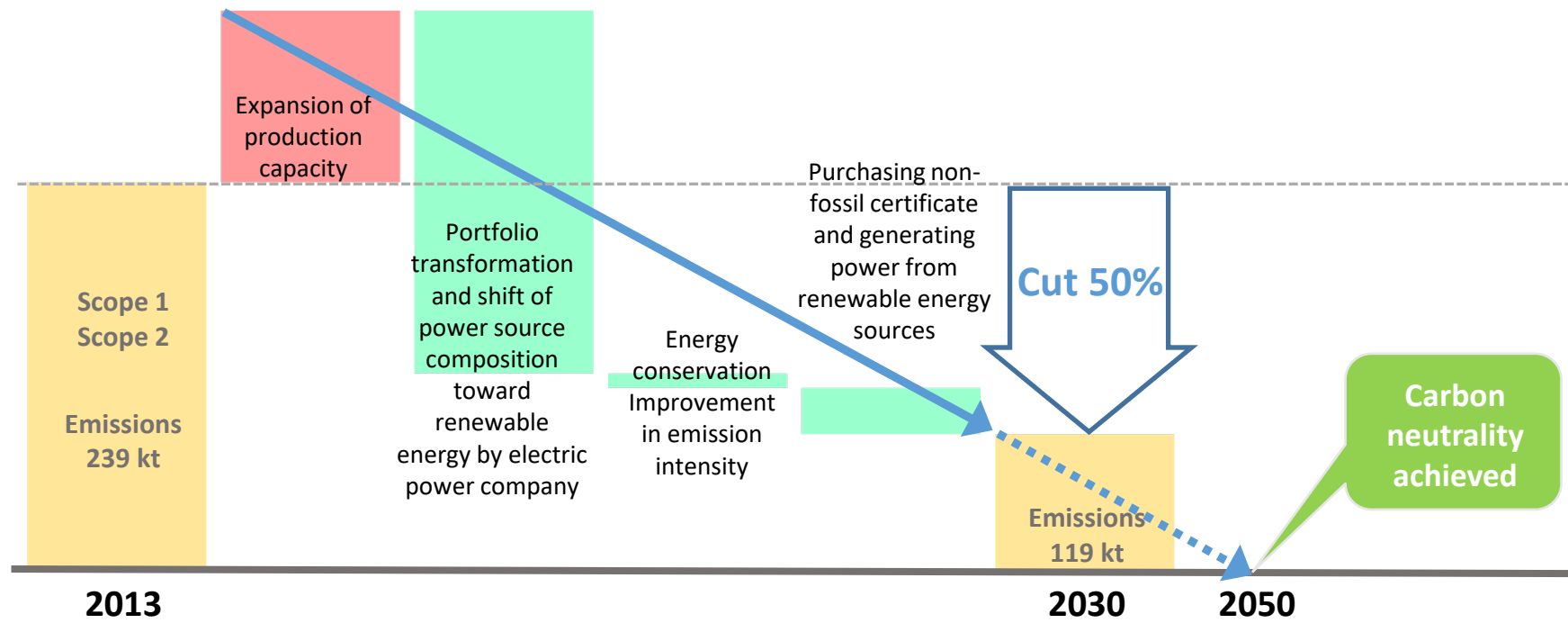
- Capital investment (energy conservation)
- Introducing renewable energy
- Portfolio transformation
- Shift of power source composition toward renewable energy by electric power company (reduction in emissions factor)

✓ Pursuing development of environmentally friendly products that contribute to reducing Scope 3 emissions



CO2 Reduction Roadmap

Reduction target	
2030 ➤	50% reduction vs. FY2013
2050 ➤	Targeting carbon neutrality (virtually zero emissions)

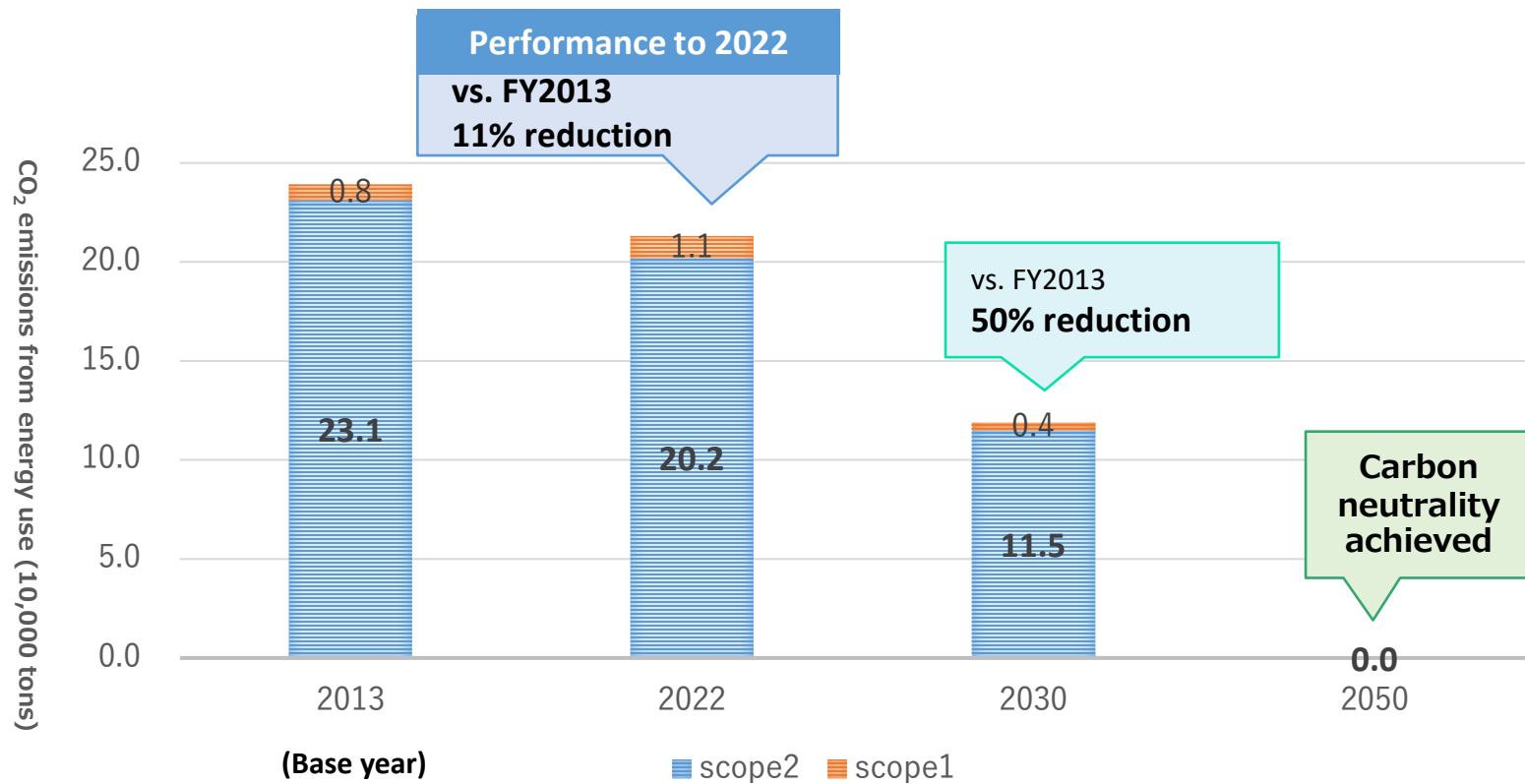


CO₂ Emissions from Energy Use Over Time and Reduction Targets (Scope 1 + Scope 2)



Reduction target

2030 ➤ **50% reduction vs. FY2013** **2050** ➤ **Targeting carbon neutrality (virtually zero emissions)**



- 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.
- The forecasted numbers in this document were created based on information available as of the date on which this document was published, and actual results may differ from forecasted numbers due to a variety of factors arising in the future.