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Financial Results Briefing for the Fiscal Year Ended March 31, 2024



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

May 23, 2024

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| | Overview of Financial Results for the Fiscal Year Ended March 31, 2024

Key Earnings Data

□ Fiscal year ended March 31, 2024 (FY2023)

- ✓ Net sales and profit both down significantly
- ✓ Major deterioration in the market environment for both fluorochemicals and battery materials
- ✓ Recorded ¥3.5 billion impairment loss on inventories, primarily for battery materials
- ✓ Recognized ¥4.2 billion impairment loss as extraordinary loss following signs of impairment in battery materials

□ Fiscal year ending March 31, 2025 (FY2024) (forecast)

- ✓ Forecasting substantial growth in both net sales and profit
- ✓ Anticipating a year-on-year and quarter-on-quarter recovery in fluorochemicals from Q1, driven by the increased operating rates of semiconductor manufacturers, with full recovery expected by Q3
- ✓ Expecting contributions from new orders for battery materials from Q2 on the back of the U.S. Inflation Reduction Act (IRA)
- ✓ Aiming to reduce impairment loss on inventories to ¥300 million (H1: -¥1 billion, H2: +¥700 million)

Statement of Income

(Billions of yen)

	FY2022	FY2023	Difference	% change
Net sales	78.6	64.7	-13.9	-17.7
Operating profit (loss)	12.9	(1.9)	-14.9	—
Ordinary profit (loss)	13.6	(1.3)	-14.9	—
Profit (loss) before income taxes	13.4	(5.3)	-18.7	—
Profit (loss) attributable to owners of parent	9.3	(4.6)	-13.9	—
Basic earnings (loss) per share (yen)	163.32	(80.25)	-243.57	

Balance Sheet

(Billions of yen)

	FY2022	FY2023	Difference	% change
Assets	130.7	125.3	-5.4	-4.2
Cash and deposits	22.3	25.4	3.0	13.7
Trade receivables	21.6	16.1	-5.5	-25.6
Inventories	23.9	17.4	-6.4	-27.2
Non-current assets (tangible + intangible)	48.0	49.7	1.7	3.6
Liabilities	61.9	59.7	-2.2	-3.7
Interest-bearing debt	37.7	41.6	3.8	10.3
Trade payables	10.6	8.3	-2.3	-21.9
Income taxes payable	2.7	0.2	-2.4	-89.9
Net assets	68.7	65.5	-3.1	-4.6
Equity ratio (%)	51.6	51.1	-0.05	

Highlights

- ✓ **Level of cash and deposits**
Primarily allocated to payments for capital investment
Current cash reserves deemed adequate
- ✓ **Decrease in trade receivables**
Due mainly to a decrease in accounts receivable caused by a decline in sales of Fine Chemicals
- ✓ **Decrease in inventories**
Due primarily to ¥3.5 billion in impairment loss on inventories alongside a decrease in battery material quantity
- ✓ **Increase in interest-bearing debt**
Due primarily to higher borrowings
- ✓ **Decrease in trade payables**
Due mainly to a decrease in accounts payable following reduced purchases of raw materials
- ✓ **Decline in net assets**
Due primarily to the recording of net loss

Fundamental Chemicals Division

(Billions of yen)

	FY2022	FY2023	Difference
Net sales	9.4	8.8	-0.5
Operating profit (loss)	0.3	(0.1)	-0.4

Net sales

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

Operating profit (loss)

- **Operating profit decreased due primarily to an increase in fixed costs in addition to lower sales**

Fine Chemicals Division

(Billions of yen)

	FY2022	FY2023	Difference
Net sales	63.9	51.2	-12.6
Operating profit (loss)	11.4	(2.8)	-14.2

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 volumes
- 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 (loss)

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

Ferrochemicals, Commercial Business, Facilities Divisions

(Including consolidation adjustments)

(Billions of yen)

	FY2022	FY2023	Difference
Net sales	5.3	4.6	-0.6
Operating profit	1.1	0.9	-0.1

Ferrochemicals

Sales and profit decreased due to lower sales volume of carriers

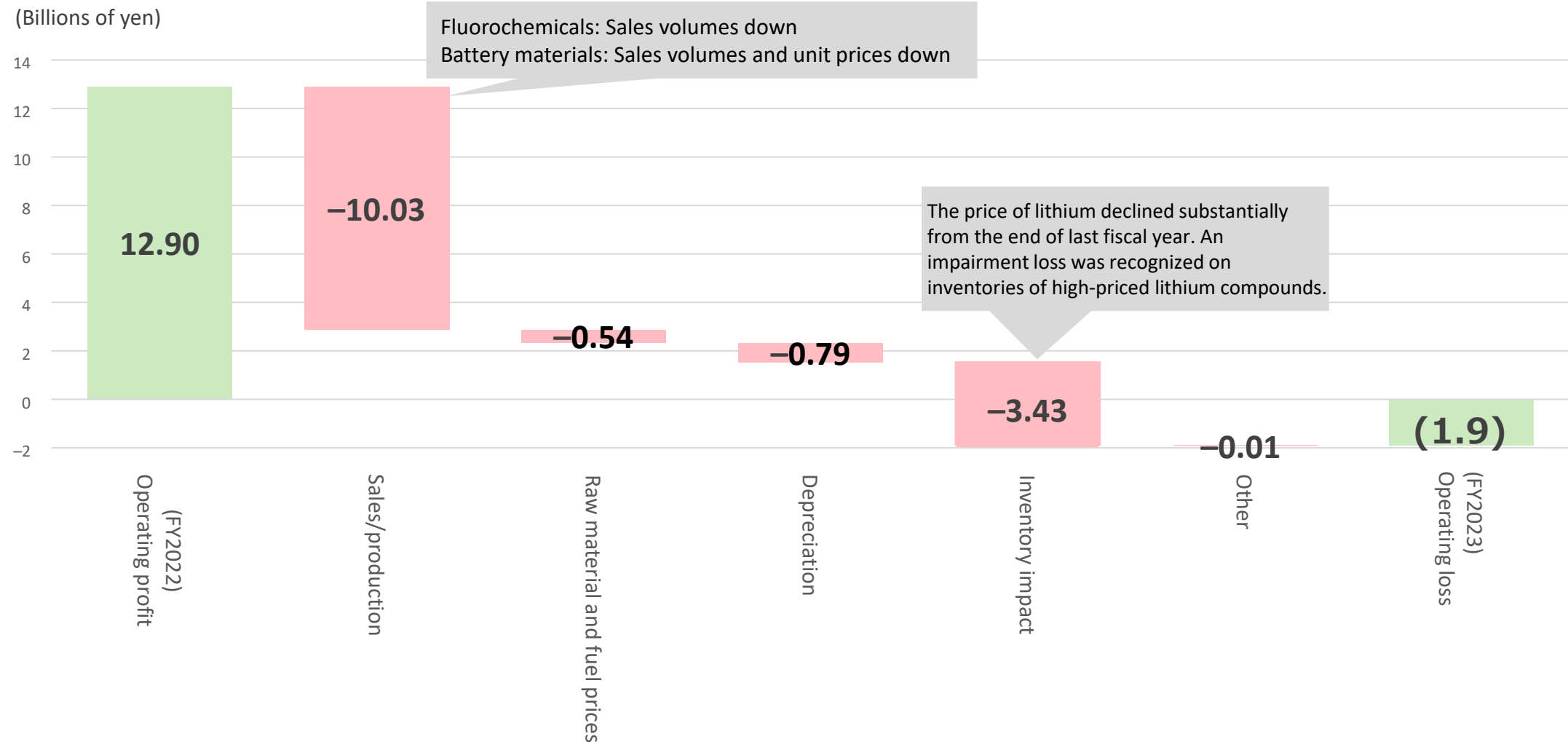
Commercial Business

Unchanged year on year

Facilities

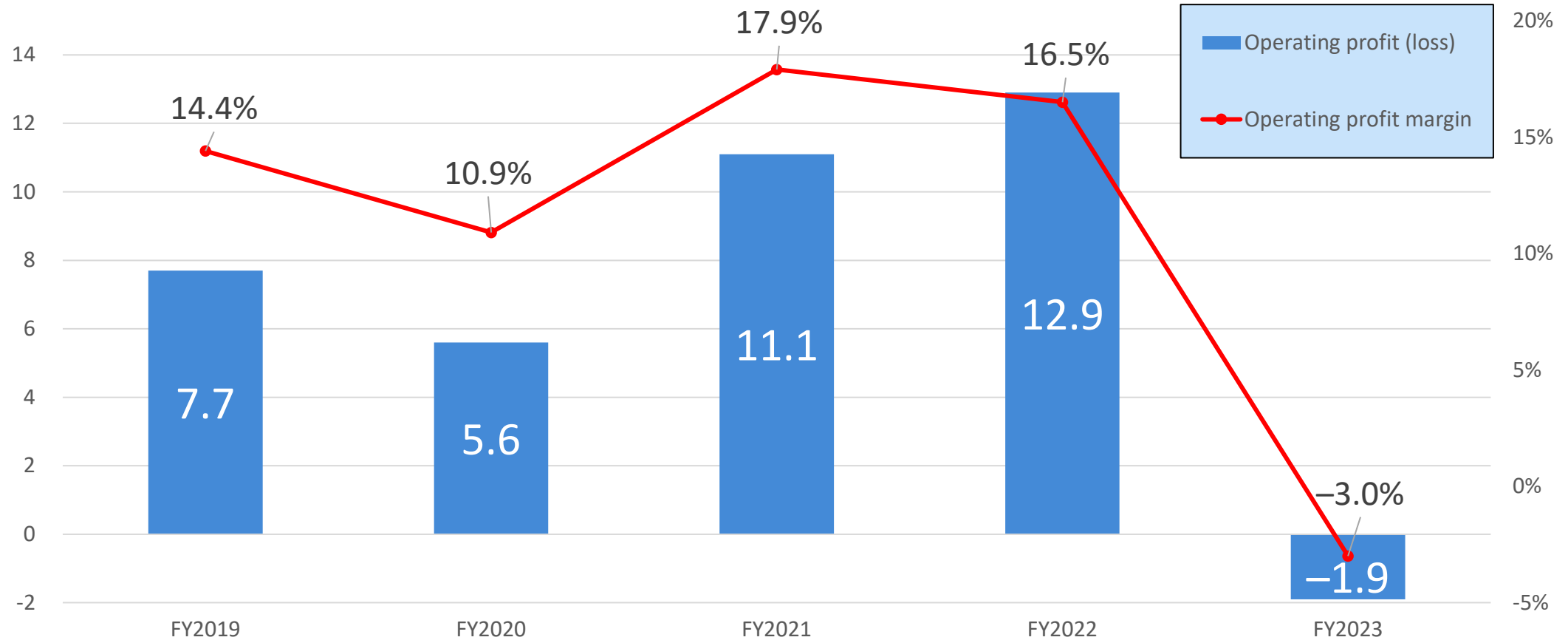
Sales and profit were up due to increased contract work

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



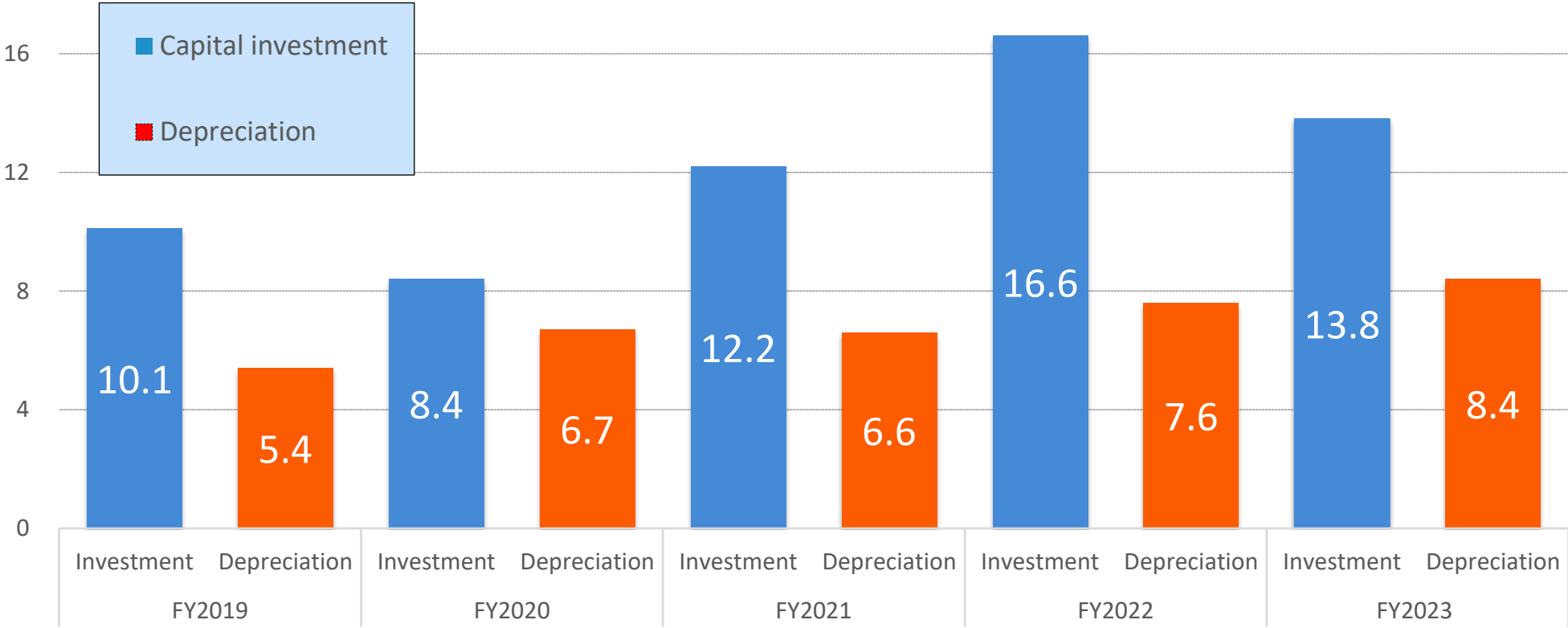
Operating Profit and Operating Profit Margin Over Time (Consolidated)

(Billions of yen)



Capital Investment and Depreciation Over Time (Consolidated)

(Billions of yen)



The Kanto Denka Group (Consolidated Subsidiaries)

	Capital	Share of investment (%)	Net sales: FY2023 (Billions of yen)	Year-on-year change (Billions of yen)	Major business lines
Kanden Kosan Co., Ltd.	¥10 mil.	100.0	8.3	-2.9	Sale of chemical products, maintenance of containers, insurance agency services
Jobi Engineering Co., Ltd.	¥120 mil.	49.4	5.9	0.0	Manufacture, processing, and repair of chemical industry equipment
Kanto Denka Finetech Co., Ltd.	¥27 mil.	100.0	0.6	-0.0	Manufacture and sale of iron oxide
Kanto Denka Korea Co., Ltd.	300 mil. won	100.0	14.6	-0.2	Sale of fluorine products
Taiwan Kanto Denka Co., Ltd.	7 mil. NT dollars	100.0	6.3	-0.6	Sale of fluorine products
Kanto Denka Fine Products Korea Co., Ltd.	42.0 bil. won	100.0	3.0	-0.1	Manufacture and sale of fluorine products
Xuancheng KDK Technology Co., Ltd.	50 mil. dollars	98.3	0.0	0.0	Manufacture and sale of fluorine products
		Total	39.0	-4.0	

|| | Business Outlook and Future Trends

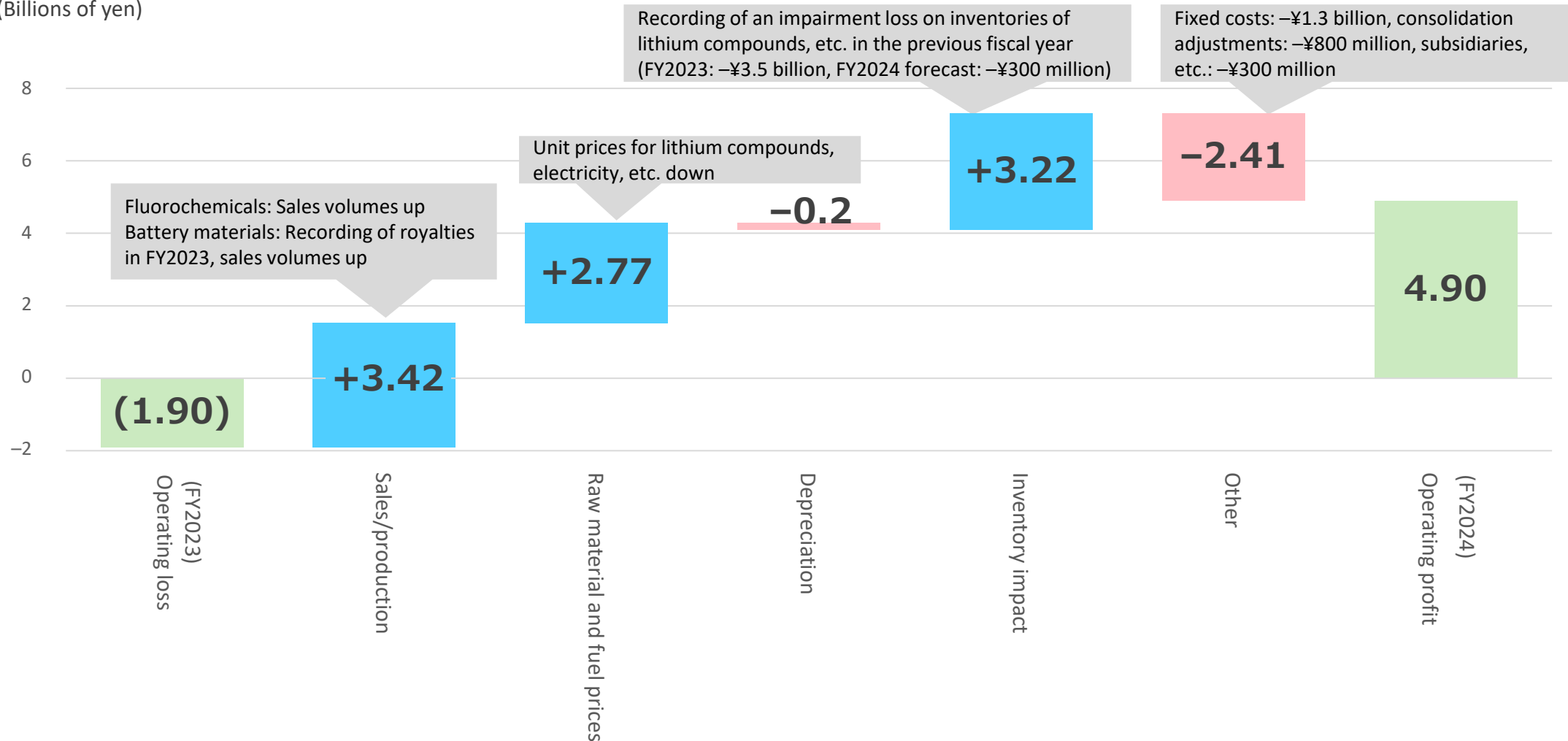
Performance Forecast By Segment (Consolidated)

(Billions of yen)

	Net sales			Operating profit (loss)		
	FY2023	FY2024	Difference	FY2023	FY2024	Difference
Fundamental Chemicals	8.8	8.5	-0.3	(0.1)	0.0	0.1
Fine Chemicals	51.2	56.0	4.7	(2.8)	4.5	7.3
Other¹	4.6	4.5	-0.1	0.9	0.4	-0.5
Total	64.7	69.0	4.2	(1.9)	4.9	6.8
(Reference) Fluorochemicals for semiconductors (non-consolidated)	33.3	40.7	7.4	1.3	3.0	1.7
Capital investment	13.8	15.5	1.7	Assumption for Performance Forecast USD/JPY Rate: ¥145		
Depreciation²	8.4	8.7	0.2	¹ "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
R&D expenses	1.3	1.9	0.6	² Impact of impairment loss in FY2024: -¥700 million in FY2025		

Consolidated Operating Profit: Difference Analysis (FY2023 vs. FY2024)

(Billions of yen)



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

(Billions of yen)

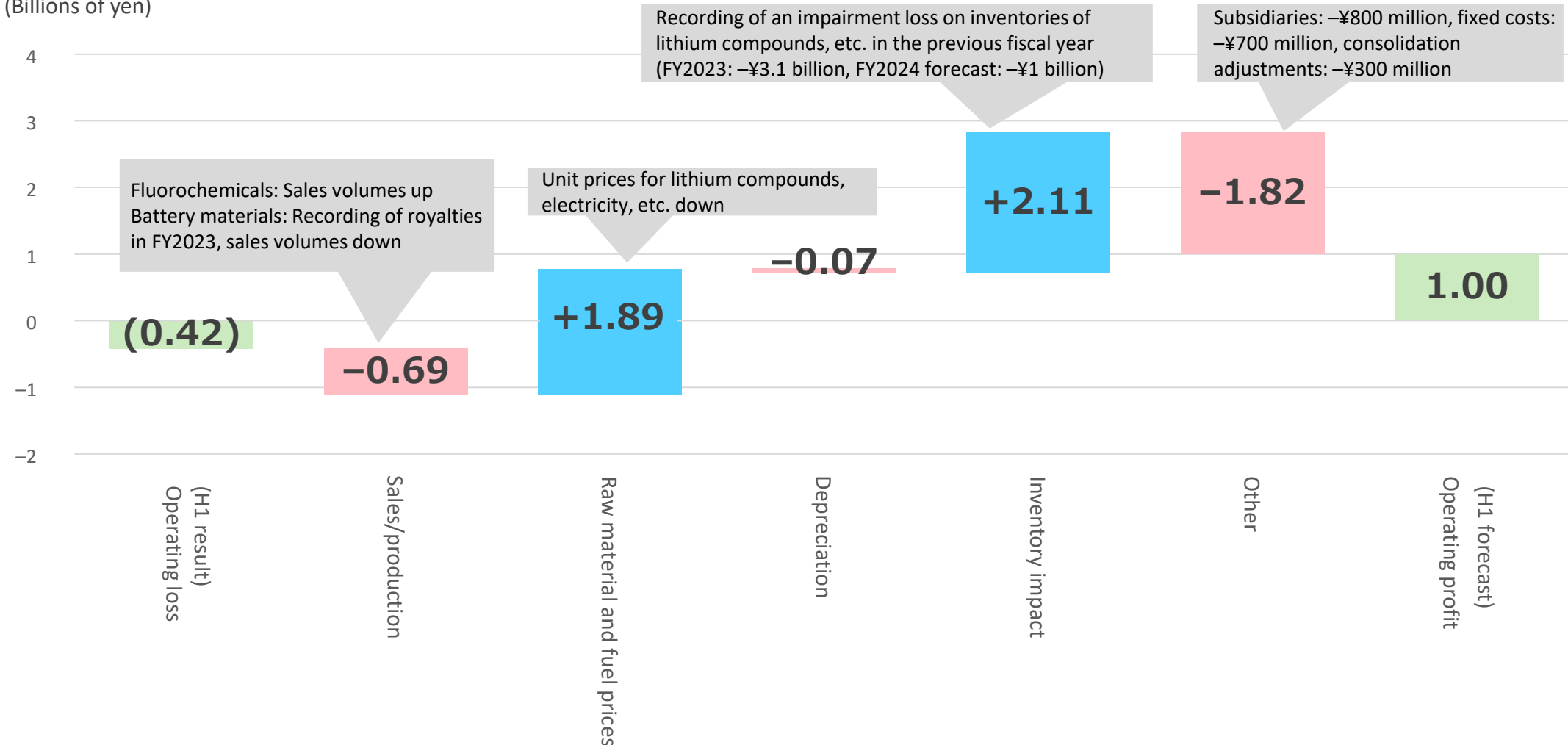
	Net sales			Operating profit (loss)		
	H1 (results)	H1 (forecast)	Difference	H1 (results)	H1 (forecast)	Difference
Fundamental Chemicals	4.3	4.2	-0.1	(0.0)	(0.1)	-0.1
Fine Chemicals	28.2	24.7	-3.5	(0.8)	1.0	1.8
Other*	2.2	2.1	-0.1	0.4	0.1	-0.3
Total	34.8	31.0	-3.8	(0.4)	1.0	1.4

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

Consolidated Operating Profit: Difference Analysis

(FY2023 H1 vs. FY2024 H1 Forecast)

(Billions of yen)



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

(Billions of yen)

	Net sales			Operating profit (loss)		
	H1 (forecast)	H2 (forecast)	Difference	H1 (forecast)	H2 (forecast)	Difference
Fundamental Chemicals	4.2	4.3	0.1	(0.1)	0.1	0.3
Fine Chemicals	24.7	31.3	6.6	1.0	3.5	2.5
Other*	2.1	2.4	0.3	0.1	0.2	0.1
Total	31.0	38.0	7.0	1.0	3.9	2.9
Capital investment	6.7	8.8	2.0			
Depreciation	4.1	4.6	0.4			
R&D expenses	0.9	1.0	0.0			

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

Consolidated Operating Profit: Difference Analysis (H1 Forecast vs. H2 Forecast)

(Billions of yen)



Topics (Status of Major Capital Investments)

Investment	Details	Remarks
Hexafluoro-1,3-butadiene (C ₄ F ₆)	400 t/yr ⇒ 600 t/yr	• Scheduled for completion by the end of FY2024
Carbonyl sulfide (COS)	150 t/yr ⇒ 200 t/yr	• Scheduled to commence operation in FY2025
Lithium hexafluorophosphate (LiPF ₆)	5,400 t/yr ⇒ 8,000 t/yr	• Operational period decided based on demand trends
New etching gas (KSG-14) mass production facilities	150 t/yr	• Scheduled for completion by the end of FY2024
New additives for lithium-ion batteries	Storage battery 65GWh/yr equivalent	• Scheduled to commence operation in Q2 of FY2025
Xuancheng KDK Technology Co., Ltd.	Phase I construction: Ammonium fluoride Phase II construction: WF ₆ , C ₄ F ₆ , CF ₄	• Phase I construction: Currently operating • Phase II construction: Scheduled for Q2 of 2024

Topics (New Fluorochemical Products)

Development of fluorochemicals for semiconductors with superior etching performance and low environmental impact

KSG[®]-14

Started sales in April 2023

This new etching gas enables high speed and advanced shape control in 3D etching.

The combination of its extremely low Global Warming Potential (GWP) and enhanced productivity reduces environmental impact throughout the etching process.

KSG[®]-5

Started sales in April 2024

This new etching gas realizes low environmental impact and high selective etching. It can replace conventional gases with high environmental impact due to its extremely low GWP and enhanced productivity.

KSG[®]-22

Mass production planning underway

This ultra-fast etching gas accommodates low-temperature etching, considered the next-generation of etching technology. The combination of its extremely low GWP and enhanced productivity reduces environmental impact throughout the etching process.

III | Progress of Medium-Term Management Plan

Progress of Each Strategy and Measure

Business strategy

Promote expansion of the fine chemicals business

- Growth strategy
- ⇒In the process of building a foundation to respond to changes
- Portfolio transformation
- ⇒Progressing steadily
- R&D
- ⇒Launched new products

Increasing capital efficiency

- Reduce cross-shareholdings
- ⇒To be implemented as planned with some sold already
- Shrink inventories
- ⇒Being implemented as planned
- Strengthen product profitability management
- ⇒Established management department within business division
- Implement more sophisticated investment and exit standards
- ⇒Established investment and financing decision guidelines

Strengthening governance

- Revise the officer remuneration system
- ⇒To be implemented as planned
- Reform the Board of Directors, etc.
- ⇒Strengthened supervisory functions

Human capital strategy

- Enhance human resource development
- ⇒Being implemented as planned
- Promote diversity and create a comfortable workplace
- ⇒Challenges remain in advancing female participation

Organizational strategy

Raise the level of production technology

- Strengthen IR
- ⇒Published Integrated Report
- ⇒Increased the number of interviews
- Promote DX
- ⇒Introduced AI analysis
- Improve quality assurance capability
- ⇒Being implemented as planned
- Strengthen legal department
- ⇒Increased the number of specialized personnel

ESG strategy

Increase social value

- Environment
- ⇒Utilizing recycled materials
- Society
- ⇒Announced Partnership Building Declaration
- ⇒Released Kanto Denka Kogyo Purchasing Guidelines
- Governance
- ⇒Plan to implement measures to reinforce governance

Progress of Battery Material Business

Operating environment

- Slow growth in electric vehicle (EV) sales in 2023
- Continued stagnation in LiPF6 market
- U.S.-China trade tensions over EVs appear to be intensifying

Strategy/Measures

Capturing rapid market growth

- Expand licensing business

Building a business structure that is resilient to raw material prices

- Commercialize lithium recycling
- Improve inventory turnover rate

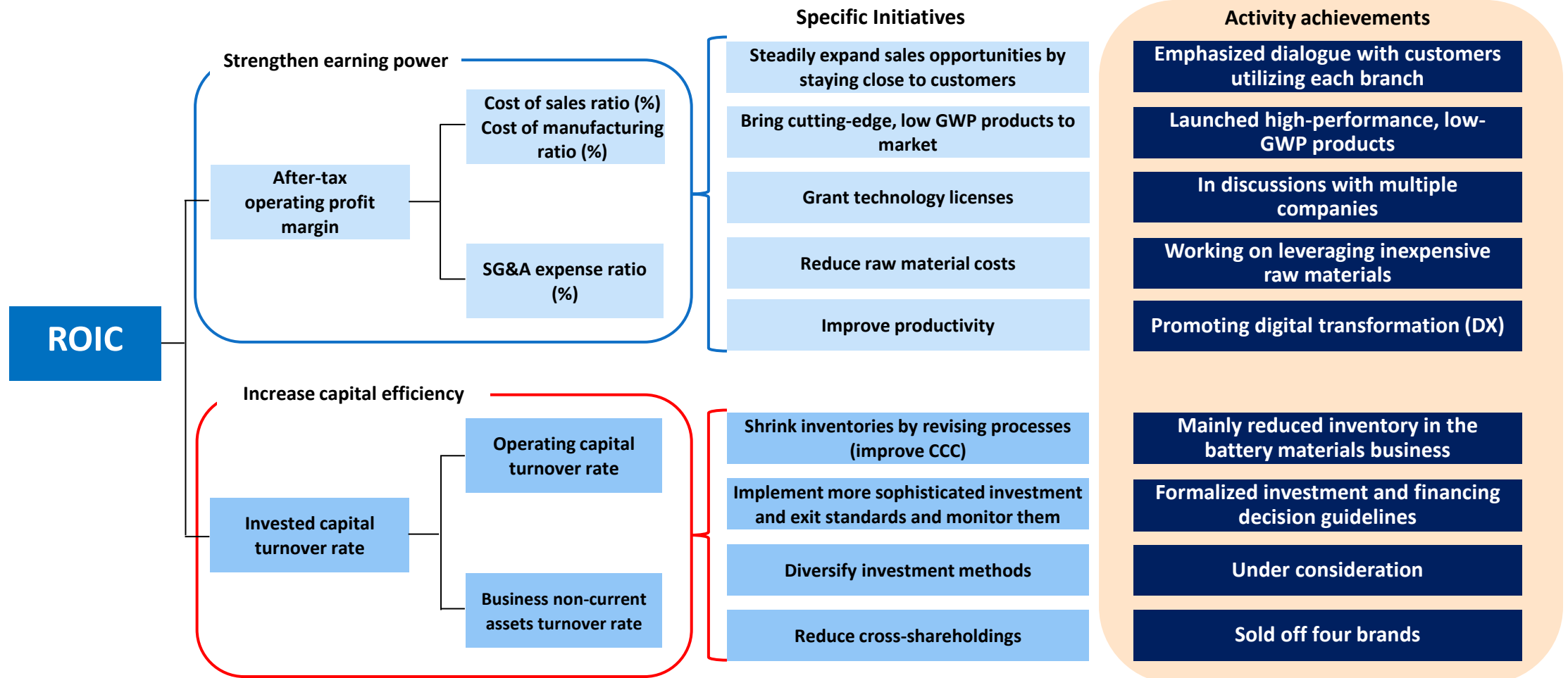
Activity achievements

- In discussions with multiple companies regarding licensing business
- Transitioned to diverse raw materials
- Reviewed raw material sourcing and product sales partners

Future outlook

- **Address U.S.-China trade friction by diversifying raw material sources away from China**
- **Expand and sustain licensing business**
- **Reduce business risks through early commercialization of lithium recycling**

ROIC Tree



Progress of measures to correct a PBR of less than 1x

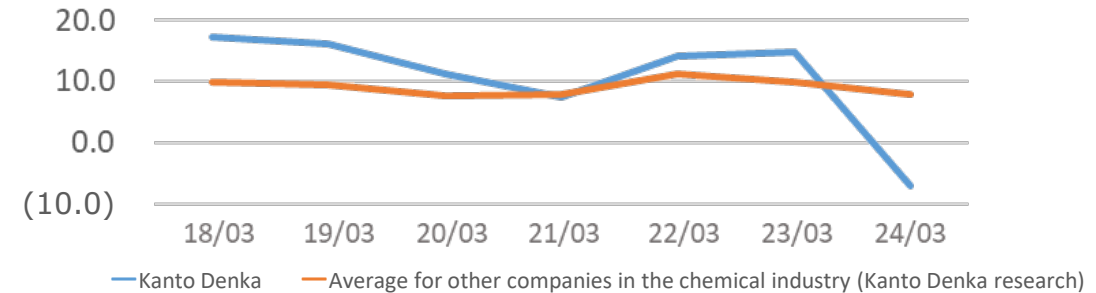
PBR (x) Over Time



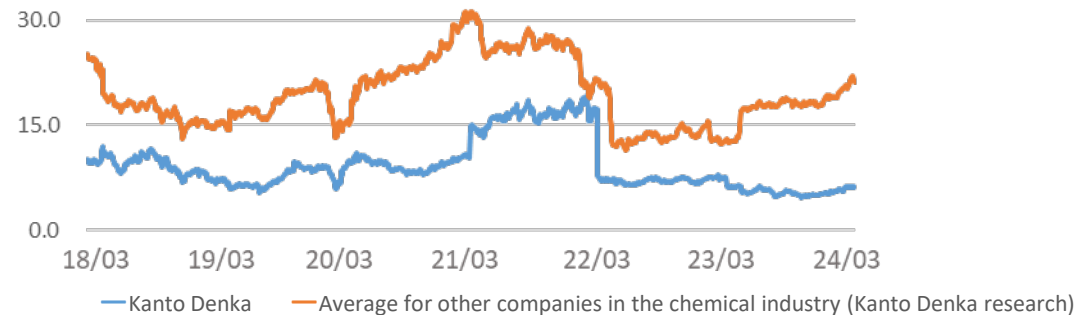
Measures to improve PBR

- Expand business, mainly in Fine Chemicals
- Pursue management leveraging ROIC
- Strengthen ongoing dialog with and communication of information to investors
- Reduce capital costs by reducing cross-shareholdings
- Revised dividend policy

ROE (%) Over Time



PER (x) Over Time



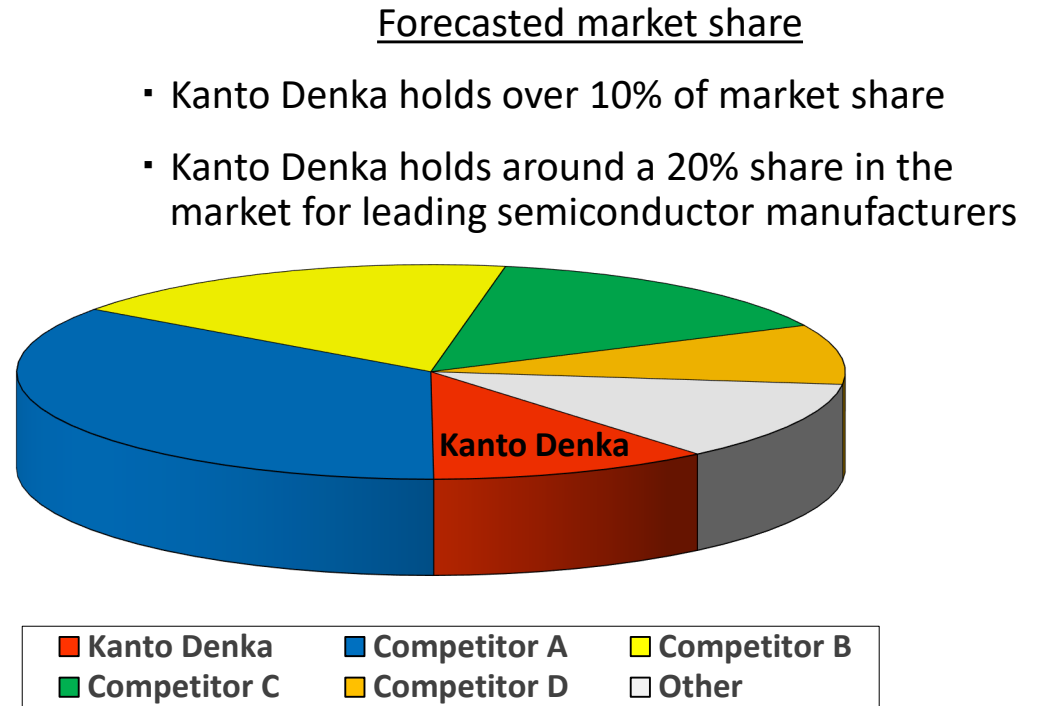
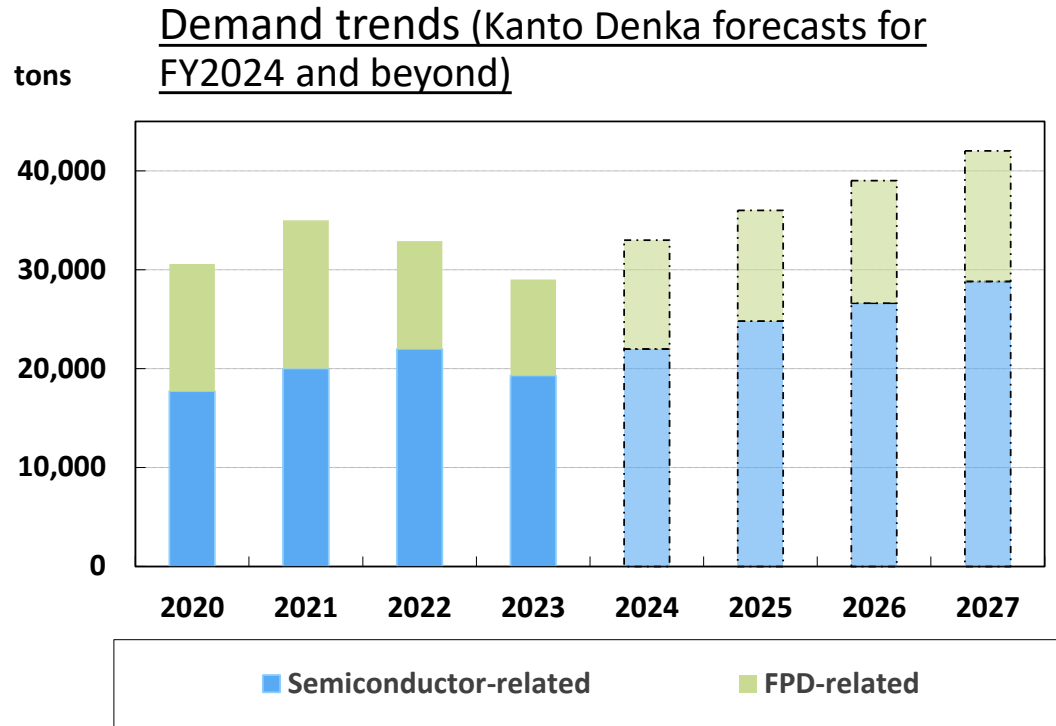
Future initiatives

- Capture growth markets through appropriate investment and financing decisions ⇒ **Expand profits**
- Transform portfolio and reduce cross-shareholdings ⇒ **Increase capital efficiency**
- Further strengthen communication of information ⇒ **Enhance growth expectations**

IV | Supplementary Materials

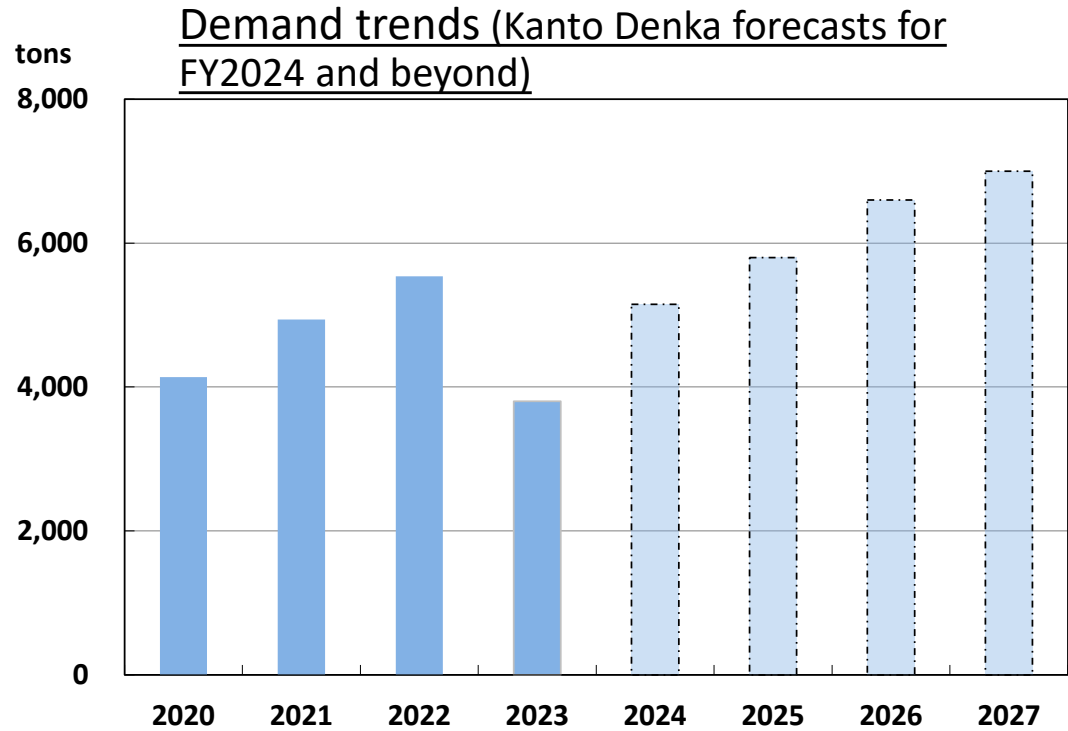
Nitrogen Trifluoride (NF₃)

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



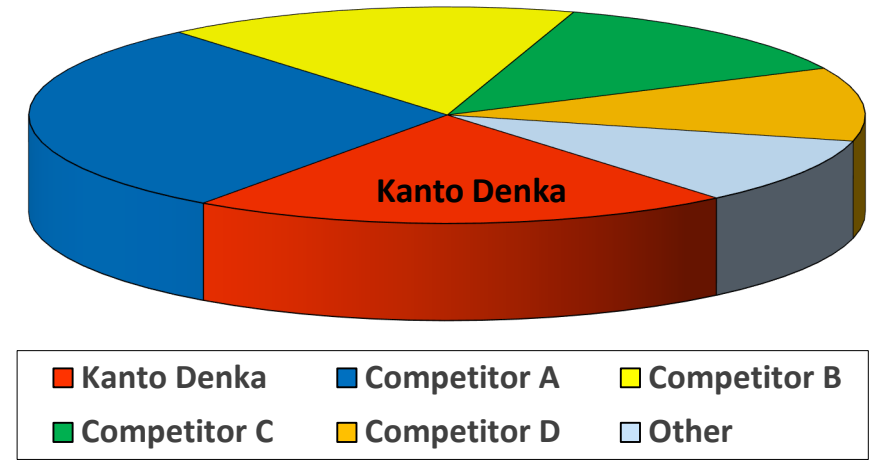
Tungsten Hexafluoride (WF₆)

- Wiring material gas for semiconductors
- Production capacity: 1,400 t/yr.



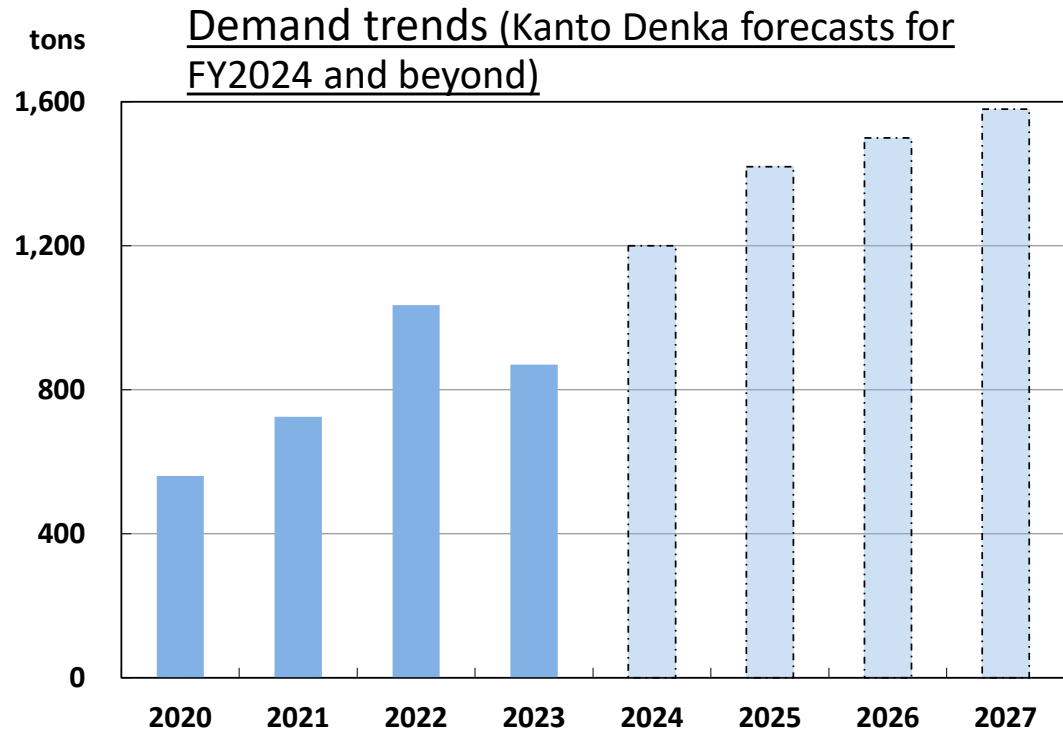
Forecasted market share

- Kanto Denka holds over 20% of market share



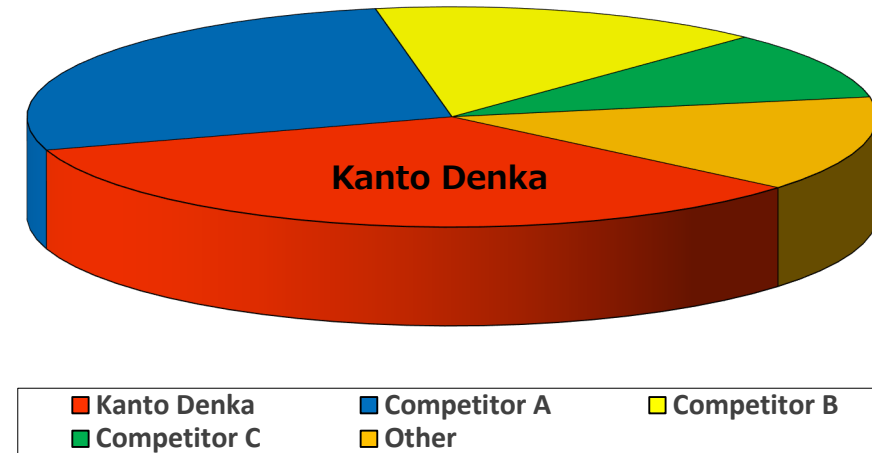
— Outlook for Major Products — Hexafluoro-1,3-butadiene (C₄F₆)

- Etching gas for semiconductors
- Production capacity: 260 t/year (Dec. 2019) → 400 t/year (Apr. 2022) → 600 t/year (Scheduled for completion by the end of FY2024)



Forecasted market share

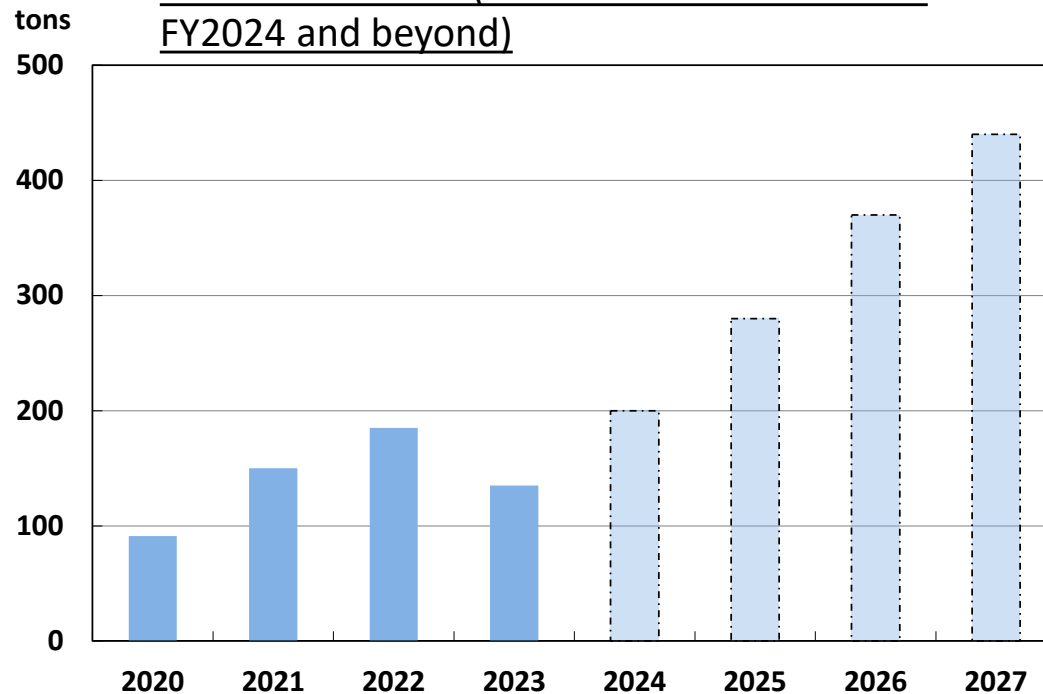
- Kanto Denka holds 30% or more of market share
- Steady demand alongside progress in the multilayering of 3D-NAND



— Outlook for Major Products — Carbonyl Sulfide (COS)

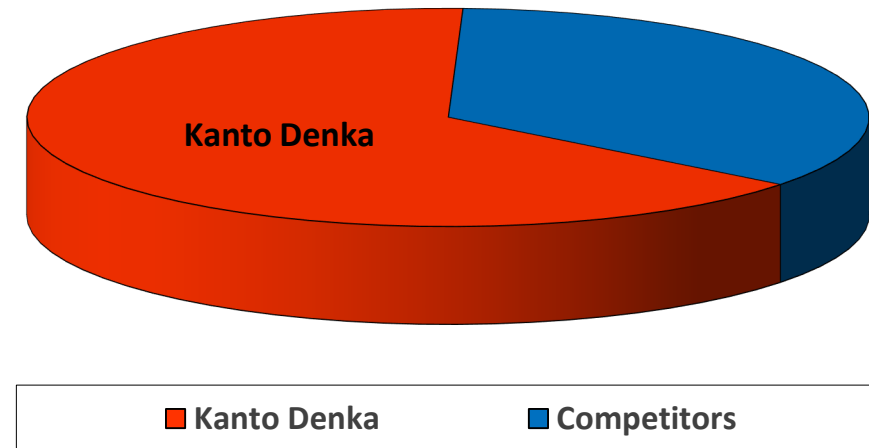
- Etching gas for semiconductors
- Production capacity: 80 t/year (Oct. 2019) → 150 t/year (June 2022) → 200 t/year (Scheduled to commence operation in FY2025)

Demand trends (Kanto Denka forecasts for FY2024 and beyond)



Forecasted market share

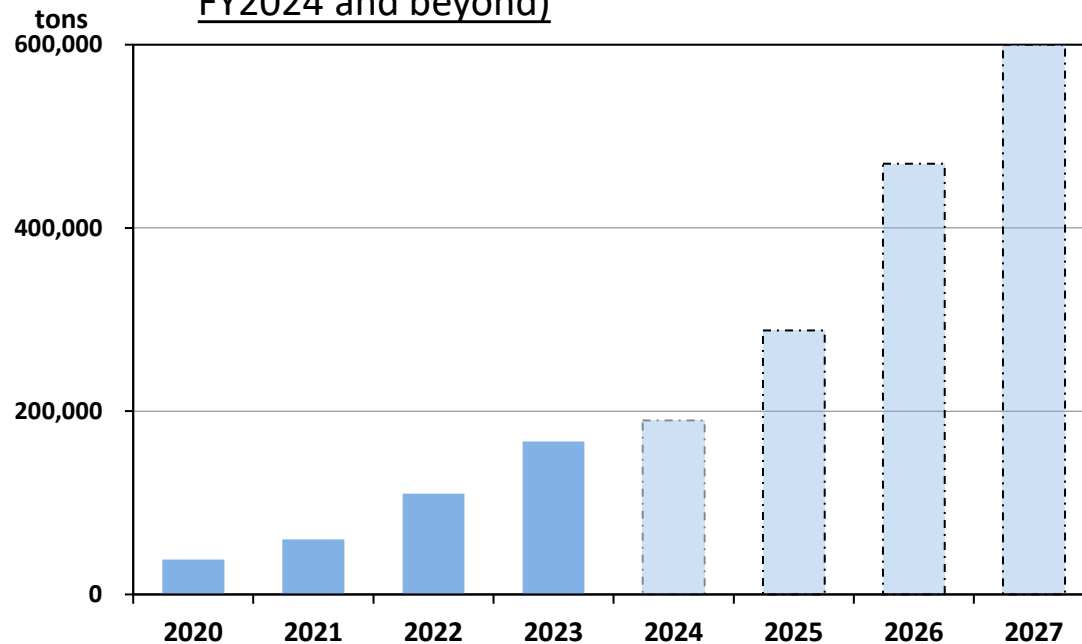
- Kanto Denka holds 60% or more of market share
- Steady demand alongside progress in the multilayering of 3D-NAND



— Outlook for Major Products — Lithium Hexafluorophosphate (LiPF₆)

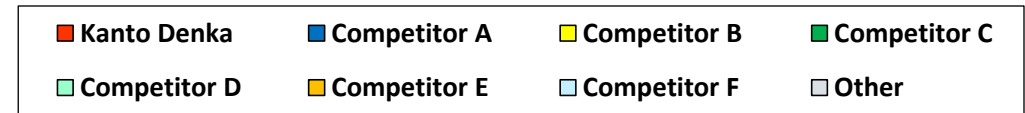
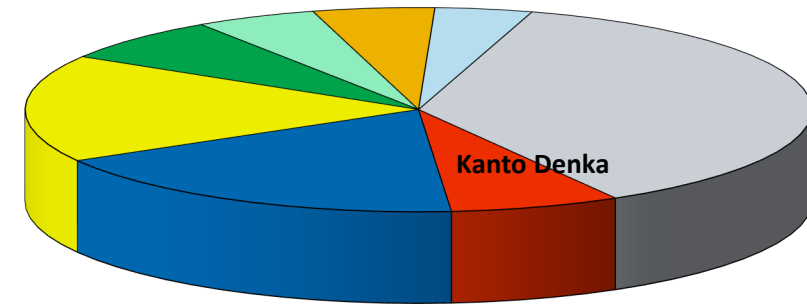
- Electrolyte materials for lithium-ion secondary batteries
- Demand reaches full-scale pace for EVs and other in-vehicle applications
- Production capacity: 5,400 t/year → 8,000 t/year (Operational period decided based on demand trends)

Demand trends (Kanto Denka forecasts for FY2024 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.



—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)

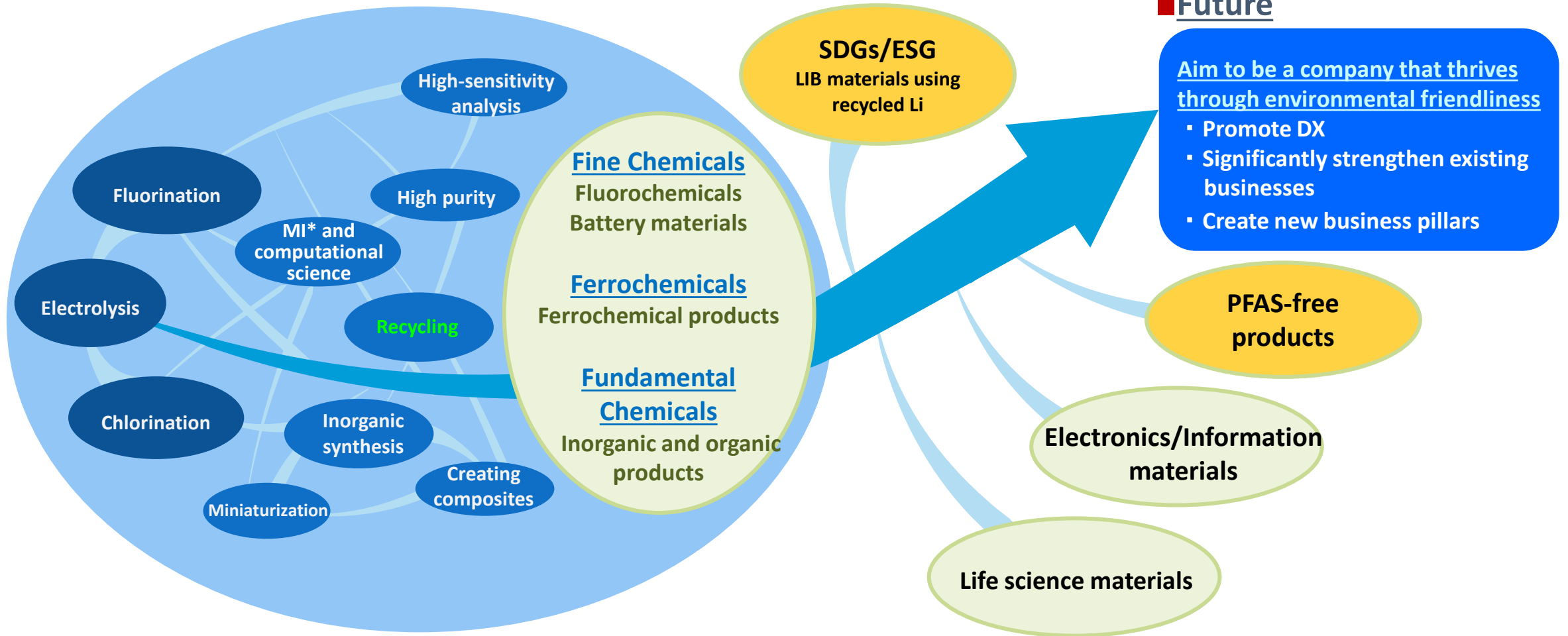


Exterior plant view



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	Fluorochemical products	Sulfur hexafluoride, carbon tetrafluoride, trifluoromethane, hexafluoroethane, nitrogen trifluoride, hexafluoro-1,3-butadiene, octafluoropropane, tungsten hexafluoride, silicon tetrafluoride, chlorine trifluoride, octafluorocyclobutane, monofluoromethane, carbonyl sulfide, KSG-14, KSG-5, etc.
	Battery material products	Lithium hexafluorophosphate, lithium tetrafluoroborate, lithium difluorophosphate, etc.
Ferrochemicals	Ferrochemical products	Carriers, magnetite, pigments, 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

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- 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.