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Financial Results Briefing for the Six Months Ended September 30, 2024

November 20, 2024

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



関東電化工業株式会社
KANTO DENKA KOGYO

1. Overview of Financial Results for the Six Months Ended September 30, 2024

2. Business Outlook and Future Trends

3. Supplementary Materials

Statement of Income

- Net sales decreased by ¥3.5 billion primarily due to a decline in sales of battery materials, largely driven by reduced demand from the slowing EV market growth and a reduction in technical support fees. This was despite increased sales of specialty gases resulting from improved operating rates at semiconductor manufacturers.
- Operating profit increased by ¥2.1 billion, despite the decline in net sales, mainly due to improvements in raw material and fuel prices and reduced loss on valuation of inventories .
- Ordinary profit increased by ¥2.2 billion, despite a decrease in foreign exchange gains, primarily due to the increase in operating profit and higher dividend income.
- Profit attributable to owners of parent increased by ¥1.1 billion, despite a reduction in gain on sale of investment securities and the booking of environmental expenses, due to the increase in ordinary profit, among other factors.

(Billions of yen)

	FY2023 H1 Results	FY2024 H1 Results	Difference	% change
Net sales	34.8	31.2	-3.5	-10.3
Operating profit (loss)	(0.4)	1.7	2.1	—
Ordinary profit	0.1	2.4	2.2	—
Profit before income taxes	0.4	2.0	1.5	337.0
Profit attributable to owners of parent	0.2	1.4	1.1	456.5
Basic earnings per share (yen)	4.48	24.93	20.45	

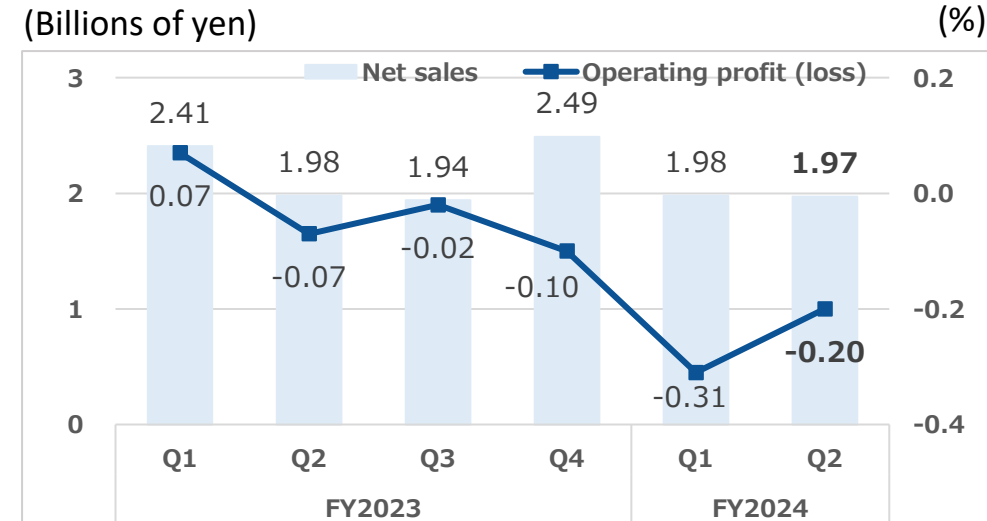
Balance Sheet

(Billions of yen)

	FY2023	H1 FY2024	Difference	% change
Assets	125.3	121.7	-3.5	-2.8
Cash and deposits	25.4	19.4	-5.9	-23.5
Trade receivables	16.1	16.1	0.0	0.1
Inventories	17.4	17.0	-0.3	-2.2
Non-current assets (tangible + intangible)	49.7	53.5	3.7	7.6
Liabilities	59.7	54.2	-5.4	-9.2
Interest-bearing debt	41.6	36.8	-4.8	-11.6
Trade payables	8.3	9.4	1.1	14.3
Income taxes payable	0.2	0.6	0.3	134.4
Net assets	65.5	67.5	1.9	2.9
Equity ratio (%)	51.1	54.2	3.1	

Fundamental Chemicals Division

	FY2023 H1 Results	FY2024 H1 Results	Difference
			(Billions of yen)
Net sales	4.3	3.9	-0.4
Operating profit (loss)	(0.0)	(0.5)	-0.5



Net sales

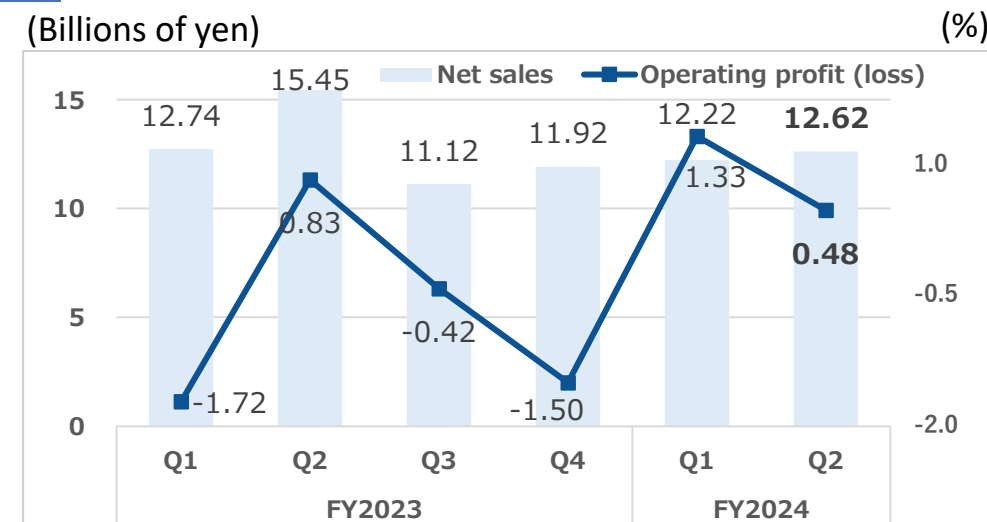
Although there was an increase in the sales volume of organic products, net sales declined due to a decrease in sales prices caused by the influx of low-priced overseas products.

- Caustic soda: Sales decreased due to lower sales volumes following the discontinuation of production for certain items as well as lower sales prices
- Hydrochloric acid: Sales increased due to the price adjustment
- Trichloroethylene: Sales increased due to higher sales volumes, despite a decline in sales prices
- Perchloroethylene: Sales increased due to higher sales volumes, despite a decrease in sales prices

Operating profit

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

	(Billions of yen)		
	FY2023 H1 Results	FY2024 H1 Results	Difference
Net sales	28.2	24.8	-3.3
Operating profit (loss)	(0.8)	1.8	2.7



Net sales

Net sales decreased due to a decrease in sales volumes and prices of battery materials, along with a reduction in technical support fees, despite higher sales of specialty gases.

- Nitrogen trifluoride: Sales increased due to higher sales volume
- Tungsten hexafluoride: Sales increased due to higher sales volume
- Hexafluoro-1,3-butadiene: Sales increased due to higher sales volume
- Lithium hexafluorophosphate: Sales decreased due to lower sales volume and lower sales prices
- Technical support fees: Revenue decreased due to a reduction in fees from licensing agreements

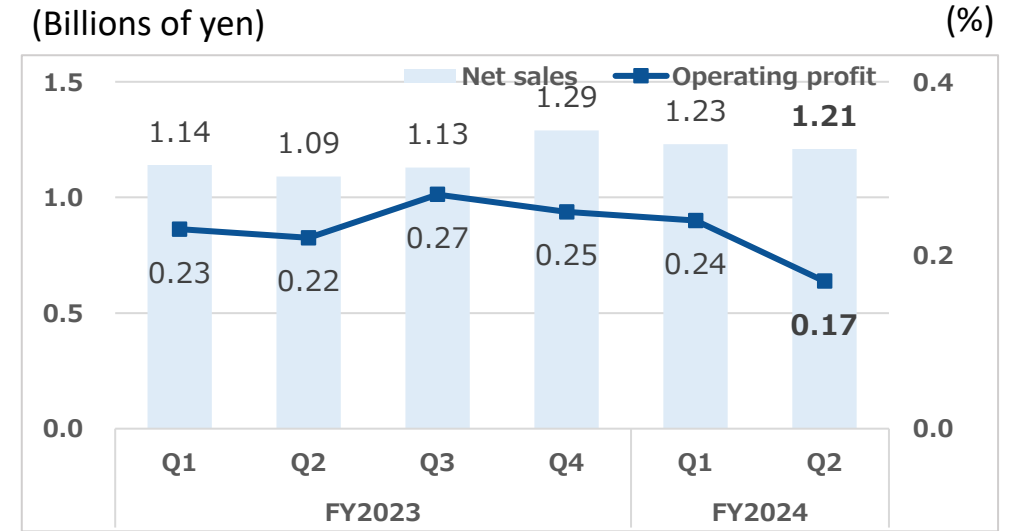
Operating profit

Despite the decrease in net sales, operating profit increased due to improvements in raw material prices for battery materials and a reduction in loss on valuation of inventories.

Ferrochemicals, Commercial Business, Facilities Divisions (Including consolidation adjustments)

	FY2023 H1 Results	FY2024 H1 Results	Difference
Net sales	2.2	2.4	0.2
Operating profit	0.4	0.4	-0.0

(Billions of yen)



Net sales

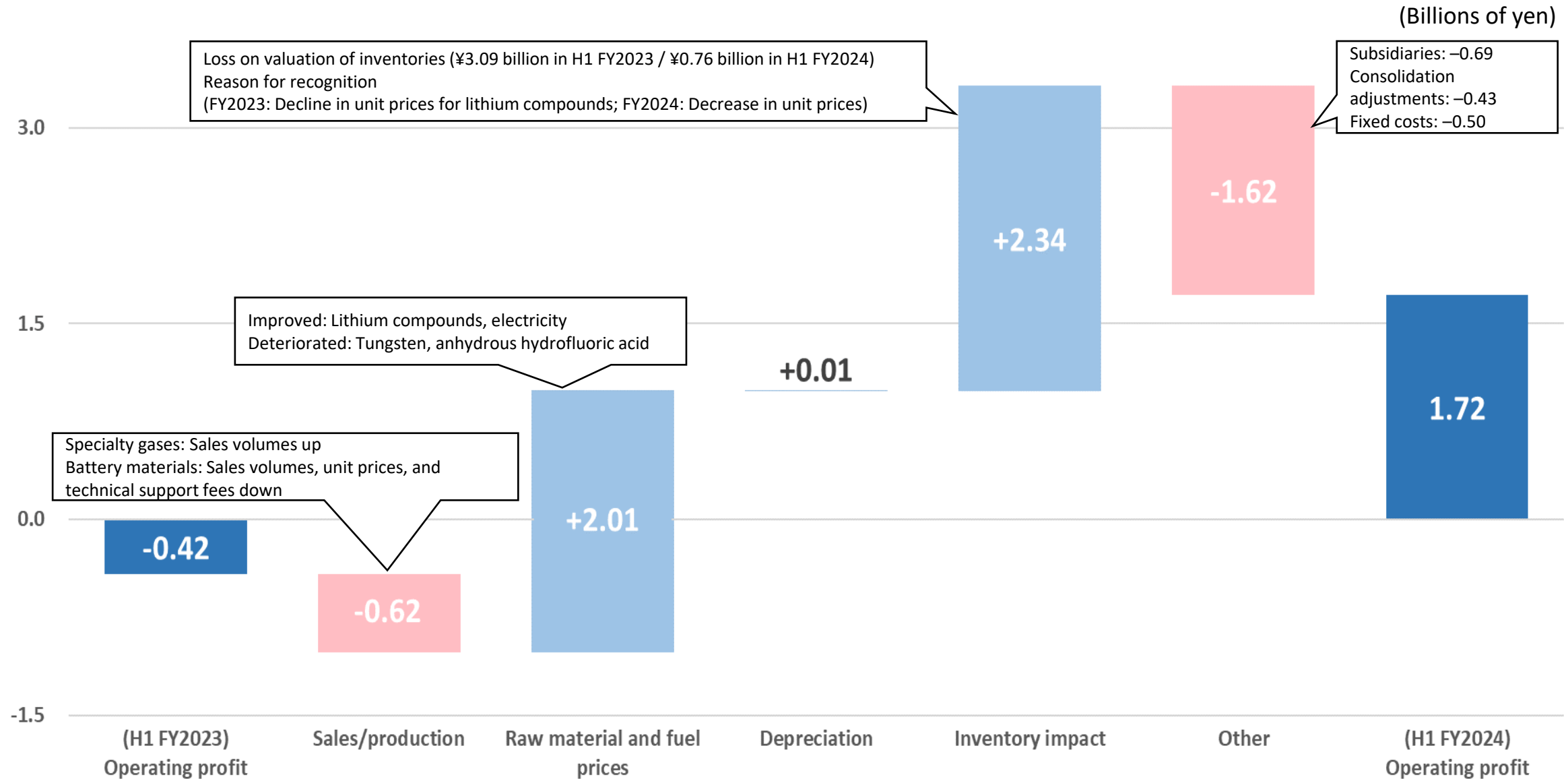
Net sales decreased in Facilities Division and Commercial Business Division, while increasing in Ferrochemicals Division.

- Ferrochemicals: Sales increased due to higher sales volume of carriers
- Commercial Business: Sales decreased due to a decline in sales volumes of chemical products
- Facilities: Sales decreased due to a decline in contract work

Operating profit

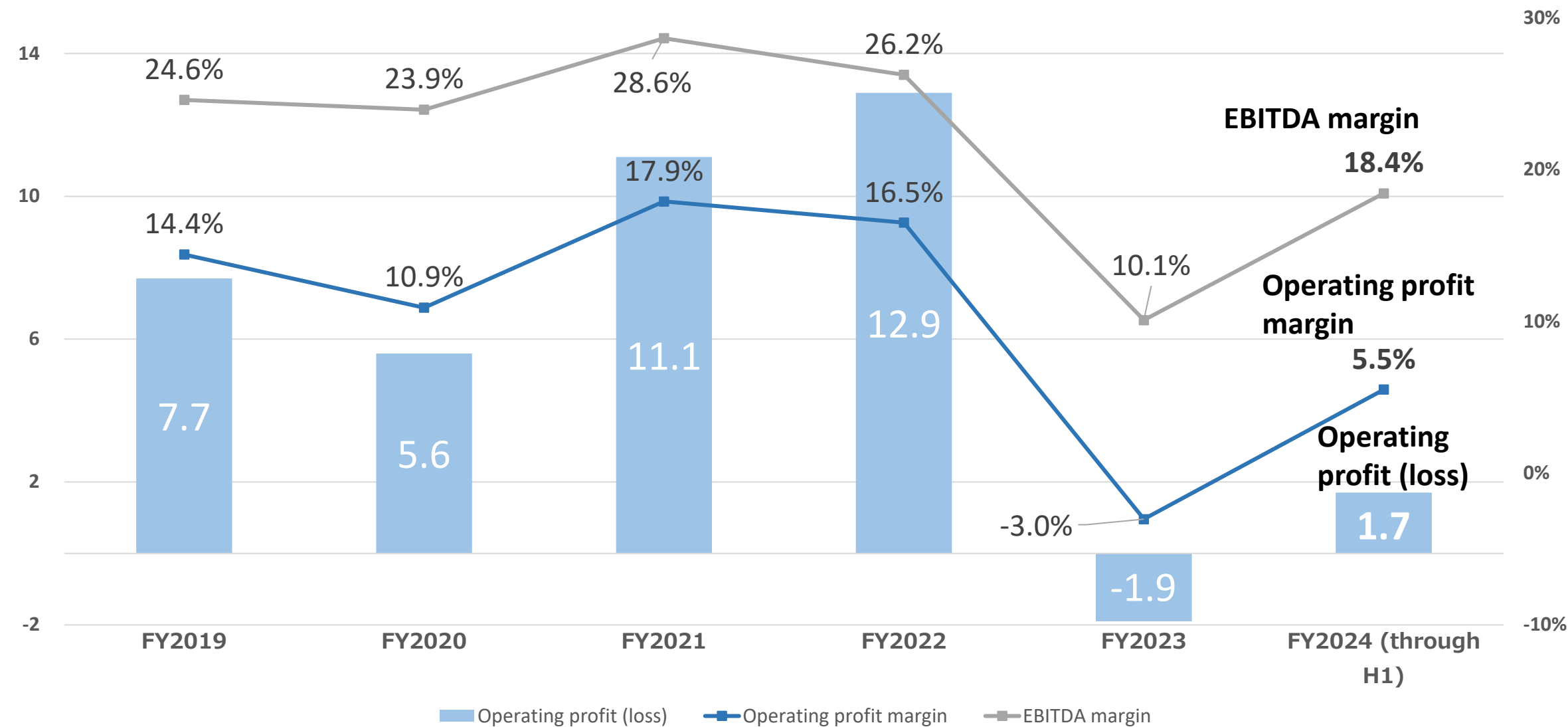
Although Ferrochemicals saw an increase in sales, the impact of sales decreases in the Commercial Business and Facilities resulted in performance being on par with the previous fiscal year.

Operating Profit: Difference Analysis (H1 FY2023 vs. H1 FY2024)



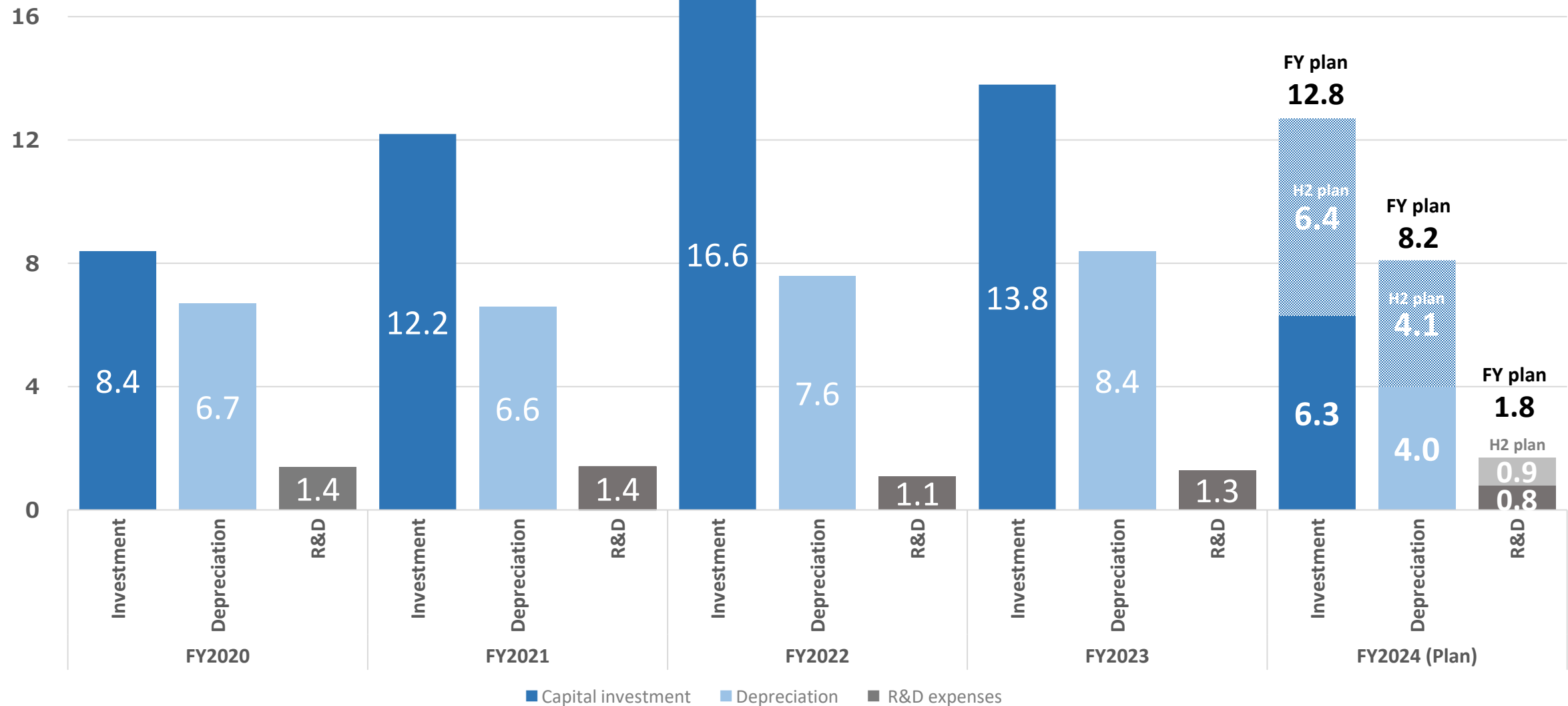
Operating Profit and Operating Profit Margin Over Time

(Billions of yen)



Capital Investment, Depreciation, and Research and Development Expenses Over Time

(Billions of yen)



The Kanto Denka Group (Consolidated Subsidiaries)



(Billions of yen)

	Capital	Share of investment (%)	Net sales: H1 FY2024	Year-on-year change	Major business lines
Kanden Kosan Co., Ltd.	¥10 mil.	100.0	3.6	-1.2	Sale of chemical products, maintenance of containers, insurance agency services
Jobi Engineering Co., Ltd.	¥120 mil.	49.4	2.3	-0.4	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	7.2	-0.6	Sale of fluorochemicals
Taiwan Kanto Denka Co., Ltd.	7 mil. NT dollars	100.0	3.7	0.8	Sale of fluorochemicals
Kanto Denka Fine Products Korea Co., Ltd.	42 bil. won	100.0	1.6	-0.2	Manufacture and sale of fluorochemicals
Xuancheng KDK Technology Co., Ltd.	50 mil. dollars	98.3	0.0	0.0	Manufacture and sale of fluorochemicals
		Total	18.7	-1.7	

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2. Business Outlook and Future Trends

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Performance Forecast (by Segment)

(Billions of yen)

	Net sales			Operating profit (loss)		
	FY2023 (results)	FY2024 (initial forecast)	FY2024 (revised forecast)	FY2023 (results)	FY2024 (initial forecast)	FY2024 (revised forecast)
Fundamental Chemicals	8.8	8.5	8.5	(0.1)	0.0	(0.3)
Fine Chemicals	51.2	56.0	50.0	(2.8)	4.5	3.3
Other*	4.6	4.5	4.8	0.9	0.4	0.8
Total	64.7	69.0	63.4	(1.9)	4.9	3.8
(Reference) Specialty gases (non-consolidated)	33.3	40.7	41.4	1.3	3.0	4.5
(Reference) Loss on valuation of inventories	—	—	—	(3.5)	(0.3)	(0.7)
Capital investment	13.8	15.5	12.8	Assumption for Performance Forecast USD/JPY Rate: ¥150 * "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
Depreciation	8.4	8.7	8.2			
R&D expenses	1.3	1.9	1.8			

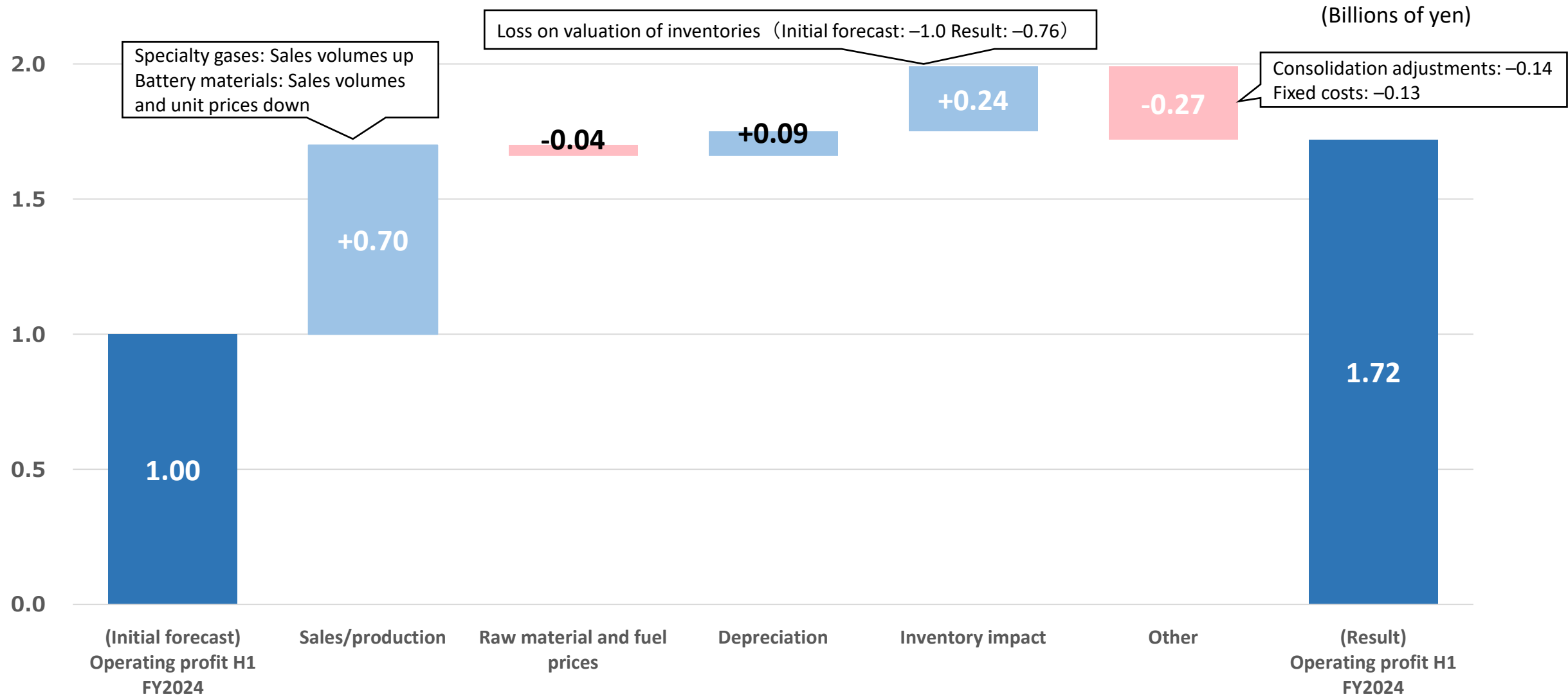
H1 Initial Forecast vs. Results (by Segment)

(Billions of yen)

	Net sales			Operating profit (loss)		
	FY2024 H1 (initial forecast)	H1 (results)	Difference	FY2024 H1 (initial forecast)	H1 (results)	Difference
Fundamental Chemicals	4.2	3.9	-0.2	(0.1)	(0.5)	-0.3
Fine Chemicals	24.7	24.8	0.1	1.0	1.8	0.8
Other*	2.1	2.4	0.3	0.1	0.4	0.2
Total	31.0	31.2	0.2	1.0	1.7	0.7
(Reference) Specialty gases (non-consolidated)	19.8	20.4	0.6	1.2	2.3	1.1
(Reference) Loss on valuation of inventories	—	—	—	(1.0)	(0.7)	0.2
Capital investment	6.7	6.3	-0.3			
Depreciation	4.1	4.0	-0.0			
R&D expenses	0.9	0.8	-0.0			

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

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



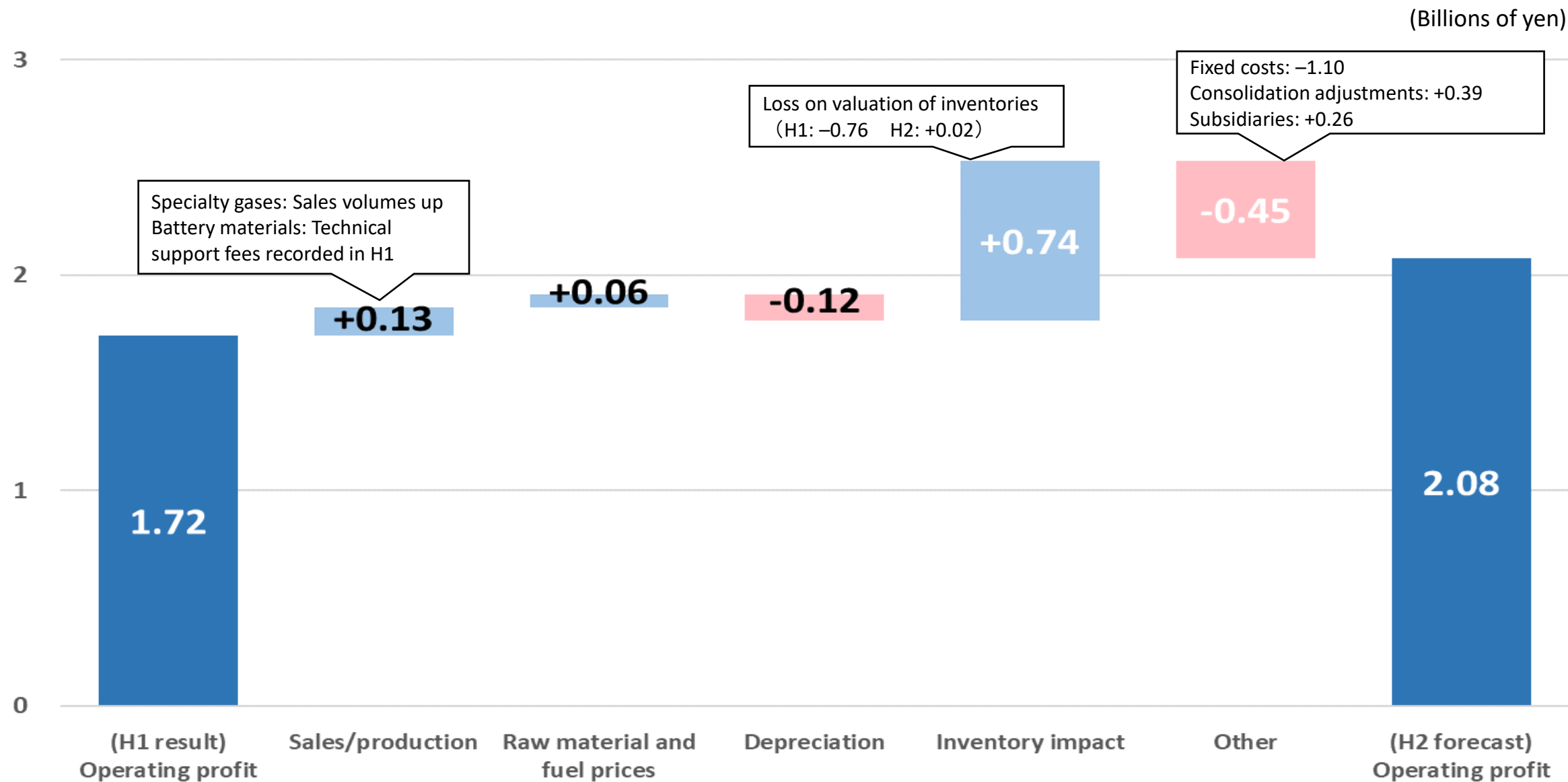
H1 Results vs. H2 Forecast (by Segment)

(Billions of yen)

	Net sales			Operating profit (loss)		
	H1 (results)	H2 (forecast)	Difference	H1 (results)	H2 (forecast)	Difference
Fundamental Chemicals	3.9	4.5	0.6	(0.5)	0.1	0.7
Fine Chemicals	24.8	25.1	0.2	1.8	1.5	-0.3
Other*	2.4	2.4	0.0	0.4	0.4	0.0
Total	31.2	32.1	0.8	1.7	2.0	0.3
(Reference) Specialty gases (non-consolidated)	20.4	20.9	0.5	2.3	2.2	-0.1
(Reference) Loss on valuation of inventories	—	—	—	(0.7)	0.0	0.7
Capital investment	6.3	6.4	0.0			
Depreciation	4.0	4.1	0.1			
R&D expenses	0.8	0.9	0.0			

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

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



Fundamental Chemicals

- ❑ Profitability has deteriorated due to the influx of low-priced foreign products into the domestic market, rising raw material costs caused by foreign currency fluctuations, and increased maintenance costs due to aging equipment.
 - ▶ Price increases for inorganic products implemented to improve profitability
 - ▶ Plan for restructuring business scale toward specialization in raw material supply functions

Battery Materials

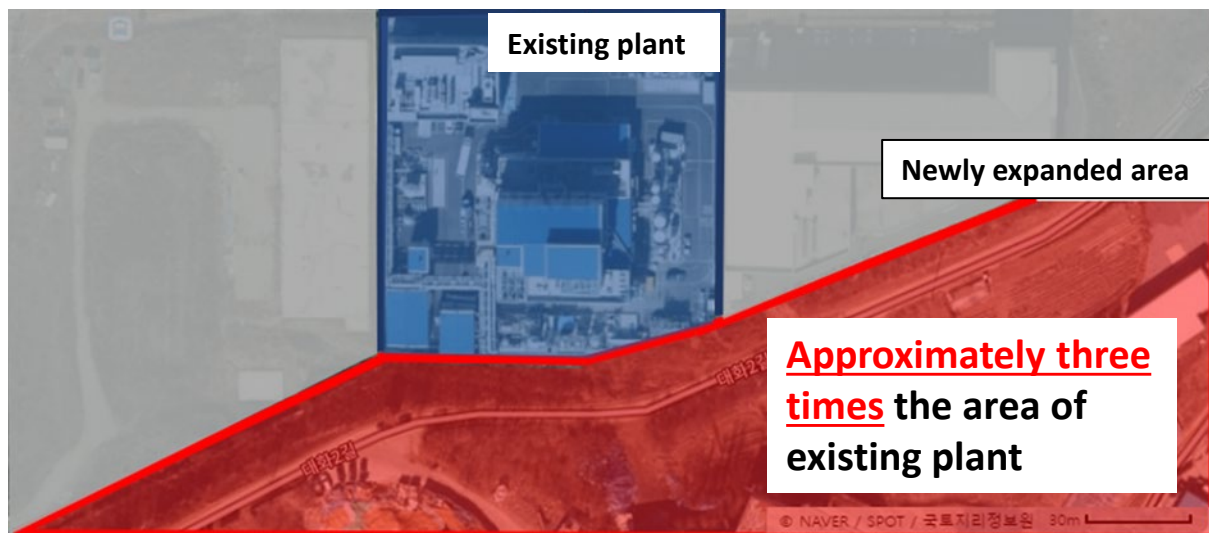
- ❑ Due to the slowing EV market growth and lower demand for LiPF_6 , benefits from U.S. Inflation Reduction Act (IRA) inquiries are now expected to materialize from FY2025.
 - ▶ Currently, we are receiving inquiries regarding the U.S. IRA from multiple companies. As the only domestic LiPF_6 manufacturer, we will move forward with raw material procurement, equipment adaptation, and evaluation in compliance with the Act.
 - ▶ Advance technology development to expand licensing business in the U.S.
 - ▶ Promptly implement the demonstration of lithium recovery technology

Topics (Overseas Plants)

South
Korea

Kanto Denka Fine Products Korea Co., Ltd.

- Location: Cheonan City, South Chungcheong Province, Republic of Korea
- Business lines: Manufacture and sale of specialty gases for semiconductors and FPDs
- Production items: COS, CF₄, ClF₃
- ✓ New lease agreement for land adjacent to an existing factory(25,000m²)
- ✓ Production items are under consideration



China

Xuancheng KDK Technology Co., Ltd.

- Location: Xuancheng City, Anhui Province, People's Republic of China
- Business lines: Manufacture and sale of specialty gases for semiconductors and FPDs
- ✓ Phase I construction ongoing (ammonium fluoride)
- ✓ Phase II construction completed (WF₆, CF₄, C₄F₆)

	FY2023	FY2024	FY2025
Phase I Ammonium fluoride	Construction	Production/sales	
Phase II WF ₆ CF ₄ C ₄ F ₆	Construction		Certification Production sales

Topics (KSG Series)

	FY2023	FY2024	FY2025	FY2026
<p><u>KSG[®]-14</u> Main application: Memory</p>	Production/sales	Expansion to 150 tons per year Production/sales		
<p><u>KSG[®]-5</u> Main applications: Memory, Logic</p>	Production/sales			
<p>Net sales target (KSG-14, 5 total)</p>		<u>Around ¥1.0 billion</u>	<u>Around ¥4.0 billion</u>	<u>At least ¥4.0 billion</u>
<p><u>KSG[®]-22</u> Main application: Memory Cryogenic etching</p>	Explore mass production		New equipment installation	Production/sales
<p>Net sales target</p>				<u>Around ¥0.5 billion</u>

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 FY2025
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	• Operational period decided based on demand trends
New etching gas (KSG-14) mass production facilities	150 t/yr	• Scheduled to commence operation in FY2025
New additives for lithium-ion batteries	Storage battery 65 GWh/yr equivalent	• Scheduled to commence operation in Q2 of FY2025
Xuancheng KDK Technology Co., Ltd.	Phase I construction: Ammonium fluoride Phase II construction: WF6, C4F6, CF4	• Phase I construction: Currently operating • Phase II construction: commenced trial operation and getting ready to gain the certification

1. Overview of Financial Results for the Six Months Ended September 30, 2024

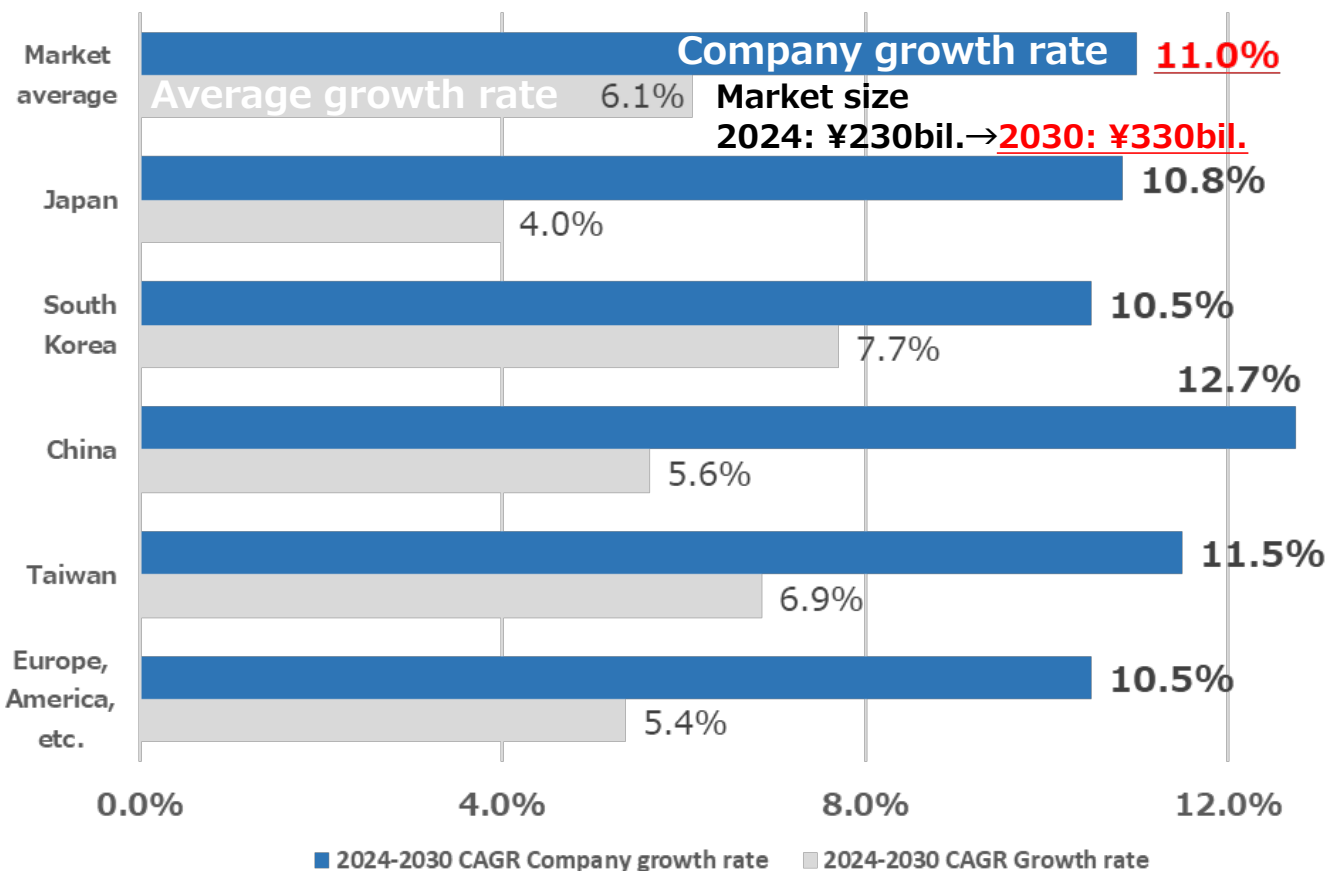
2. Business Outlook and Future Trends

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Outlook and Strategy for Specialty Gases

- The market size of etching and cleaning gases for semiconductor is expected to grow to JPY 330 billion* by 2030.
- Our CAGR (2024-2030) is assumed to be 11.0% compared to a market average of 6.1%*.
- Our target share (2030) is at least 25%.

*Our forecast



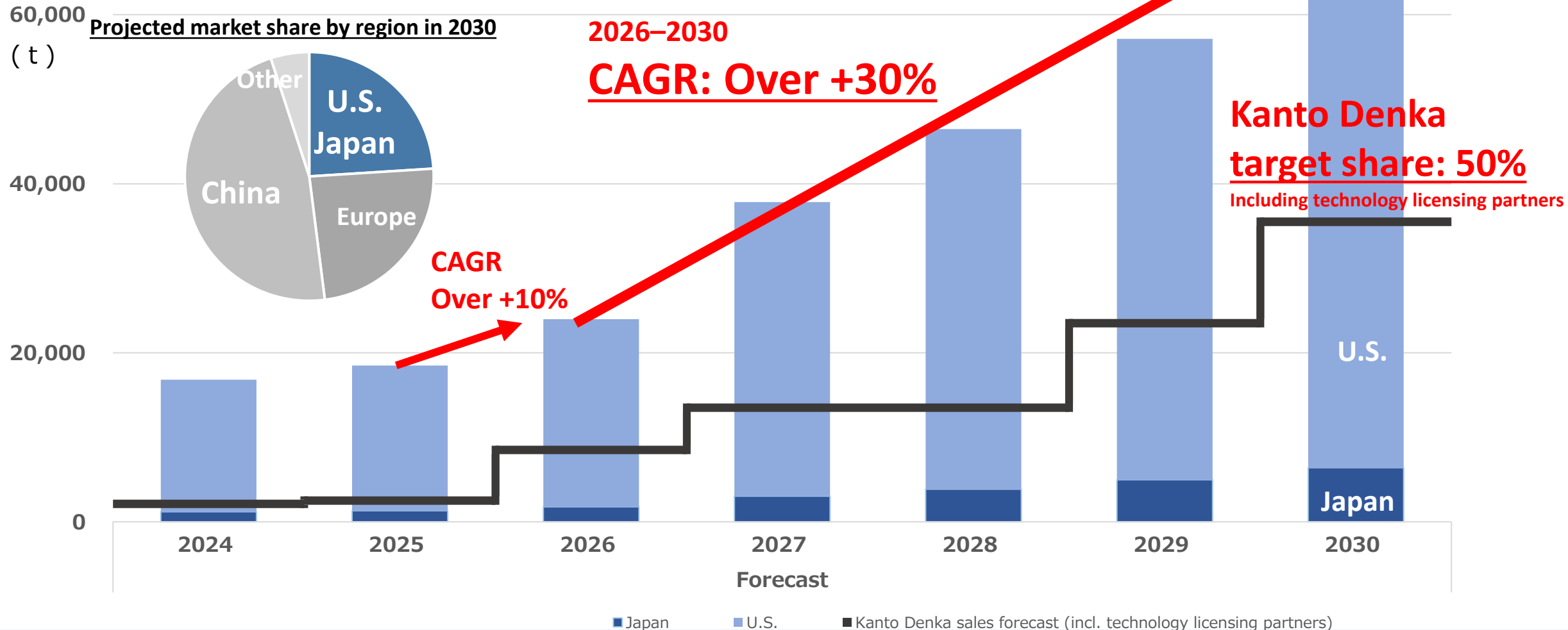
	Measures/Strategy
Japan	<ul style="list-style-type: none"> • Expansion of production facilities at the Shibukawa and Mizushima plant • Expanding sales of the KSG series
South Korea	<ul style="list-style-type: none"> • Expanding production, increasing product variety, and adding new products at the South Korean plant • Vitalizing the development site in South Korea
China	<ul style="list-style-type: none"> • Beginning full-scale operation of the Chinese plant • Production linked between the South Korean plant, the Shibukawa plant, and the Mizushima plant • Collaboration with Chinese partner companies
Europe, America, etc.	<ul style="list-style-type: none"> • Starting consideration of manufacturing sites, including licensing agreement • Establishing a new site to promote development with equipment manufacturers and customers

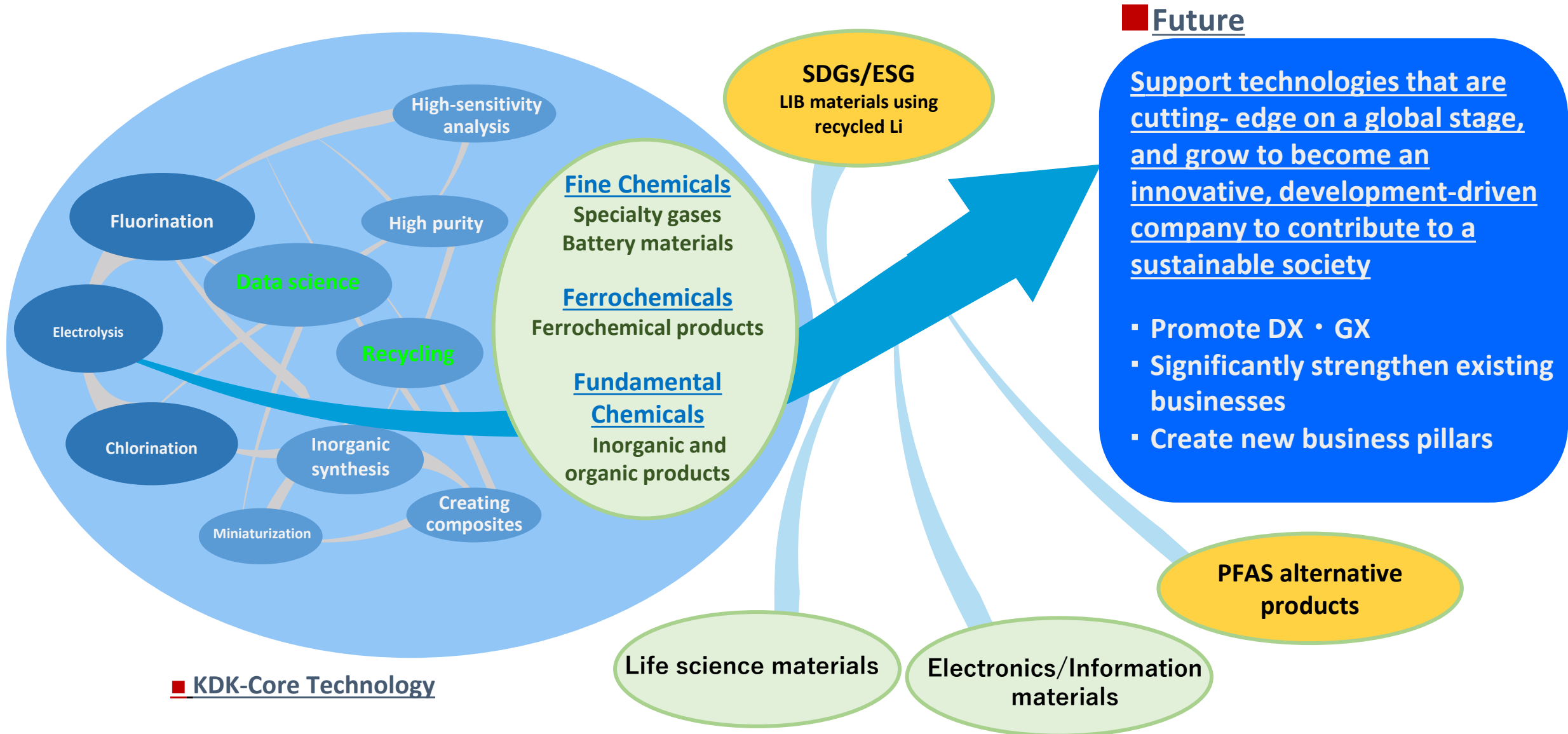
Outlook for Future Battery Materials (LiPF₆)

■ We target U.S. and Japanese markets.

■ These two markets are expected to grow to 70,000* tons in 2030.

*Our forecast





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	Specialty gas 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.