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Financial Results Briefing for the Fiscal Year Ended March 31, 2025

May 23, 2025

(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 Fiscal Year Ended March 31, 2025

2. Business Outlook and Future Trends

3. Progress of Medium-Term Management Plan

4. Supplementary Materials

Statement of Income

- Net sales decreased by ¥2.4 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 ¥6.2 billion, despite the decline in net sales, mainly due to higher sales volumes of specialty gases, improvements in raw material and fuel prices, and reduced loss on valuation of inventories.
- Ordinary profit increased by ¥5.8 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 ¥7.8 billion, driven not only by higher ordinary profit but also by the absence of impairment losses recorded in the previous fiscal year and an increase in gains from the sale of cross-shareholdings.

(Billions of yen)

	FY2023 Results	FY2024 Results	Difference	% change
Net sales	64.7	62.3	-2.4	-3.7
Operating profit	(1.9)	4.2	6.2	—
Ordinary profit	(1.3)	4.5	5.8	—
Profit before income taxes	(5.3)	5.0	10.3	—
Profit attributable to owners of parent	(4.6)	3.2	7.8	—
Basic earnings per share (yen)	(80.25)	56.53	136.78	

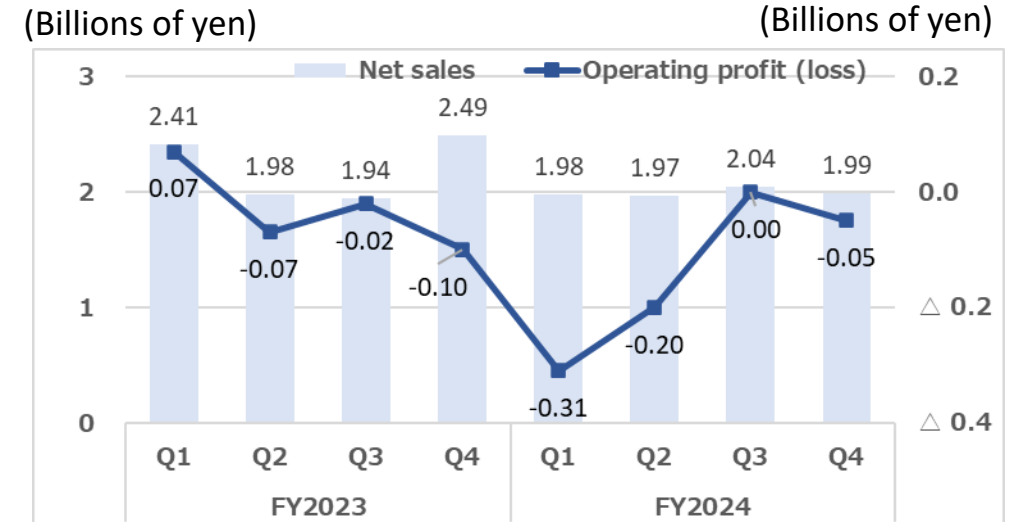
Balance Sheet

(Billions of yen)

	FY2023	FY2024	Difference	% change
Assets	125.3	123.6	-1.6	-1.3
Cash and deposits	25.4	20.2	-5.1	-20.1
Trade receivables	16.1	15.4	-0.6	-3.9
Inventories	17.4	17.2	-0.1	-0.7
Non-current assets (tangible + intangible)	49.7	55.8	6.0	12.1
Liabilities	59.7	55.9	-3.7	-6.2
Interest-bearing debt	41.6	37.8	-3.7	-9.1
Trade payables	8.3	7.5	-0.7	-8.6
Income taxes payable	0.2	0.7	0.4	171.8
Net assets	65.5	67.6	2.0	3.1
Equity ratio (%)	51.1	53.4	2.3	

Fundamental Chemicals Division

			(Billions of yen)
	FY2023 Results	FY2024 Results	Difference
Net sales	8.8	7.9	-0.8
Operating profit (loss)	(0.1)	(0.5)	-0.4



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.

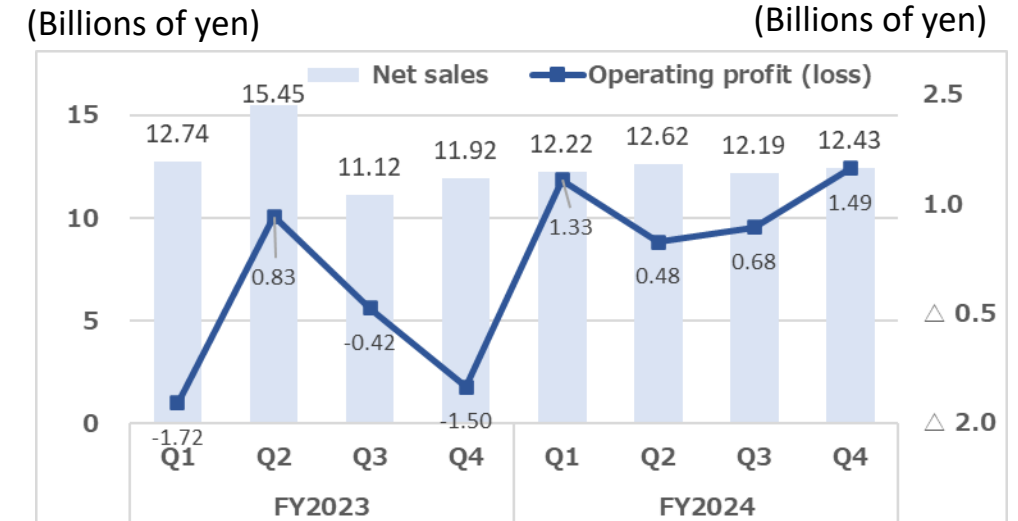
- Caustic soda: Sales decreased due to lower sales volumes following the discontinuation of production for certain items as well as lower sales prices
- Hydrochloric acid: Sales increased due to the price adjustment
- Trichloroethylene: Sales increased due to higher sales volumes, despite a decline in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

Operating profit

Operating profit decreased primarily due to lower sales.

Fine Chemicals Division

	FY2023 Results	FY2024 Results	(Billions of yen) Difference
Net sales	51.2	49.4	-1.7
Operating profit (loss)	(2.8)	3.9	6.8



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.

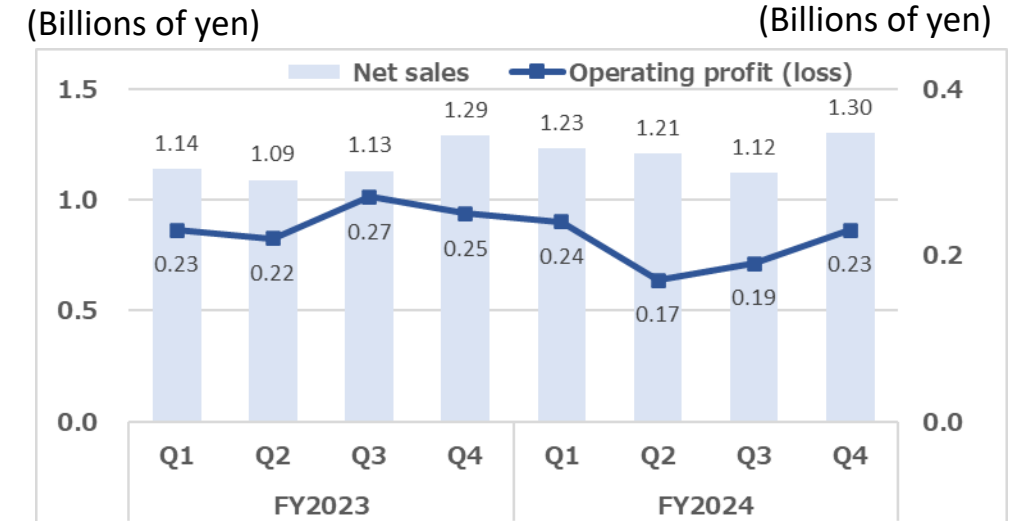
- Nitrogen trifluoride: Sales increased due to higher sales volume
- Tungsten hexafluoride: Sales increased due to higher sales volume
- Hexafluoro-1,3-butadiene: Sales increased due to higher sales volume
- Lithium hexafluorophosphate: Sales decreased due to lower sales volume and lower sales prices
- 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 higher sales volume of specialty gases, improved raw material prices for battery materials, and a reduction in loss on valuation of inventories.

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

	FY2023 Results	FY2024 Results	(Billions of yen) Difference
Net sales	4.6	4.8	0.1
Operating profit	0.9	0.8	-0.1



Net sales

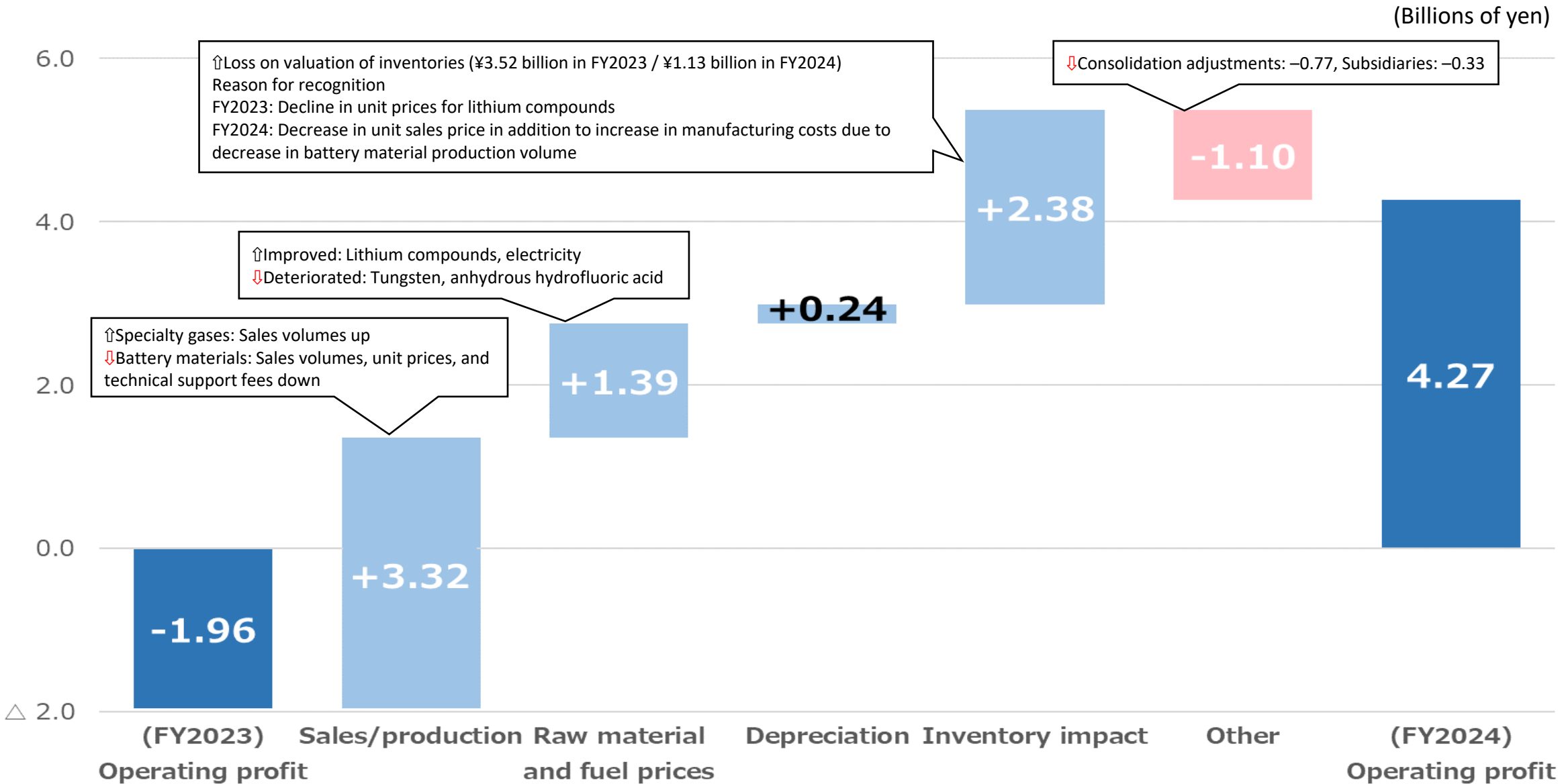
Net sales decreased in Facilities Division and Commercial Business Division, while increasing in Ferrochemicals Division.

- 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

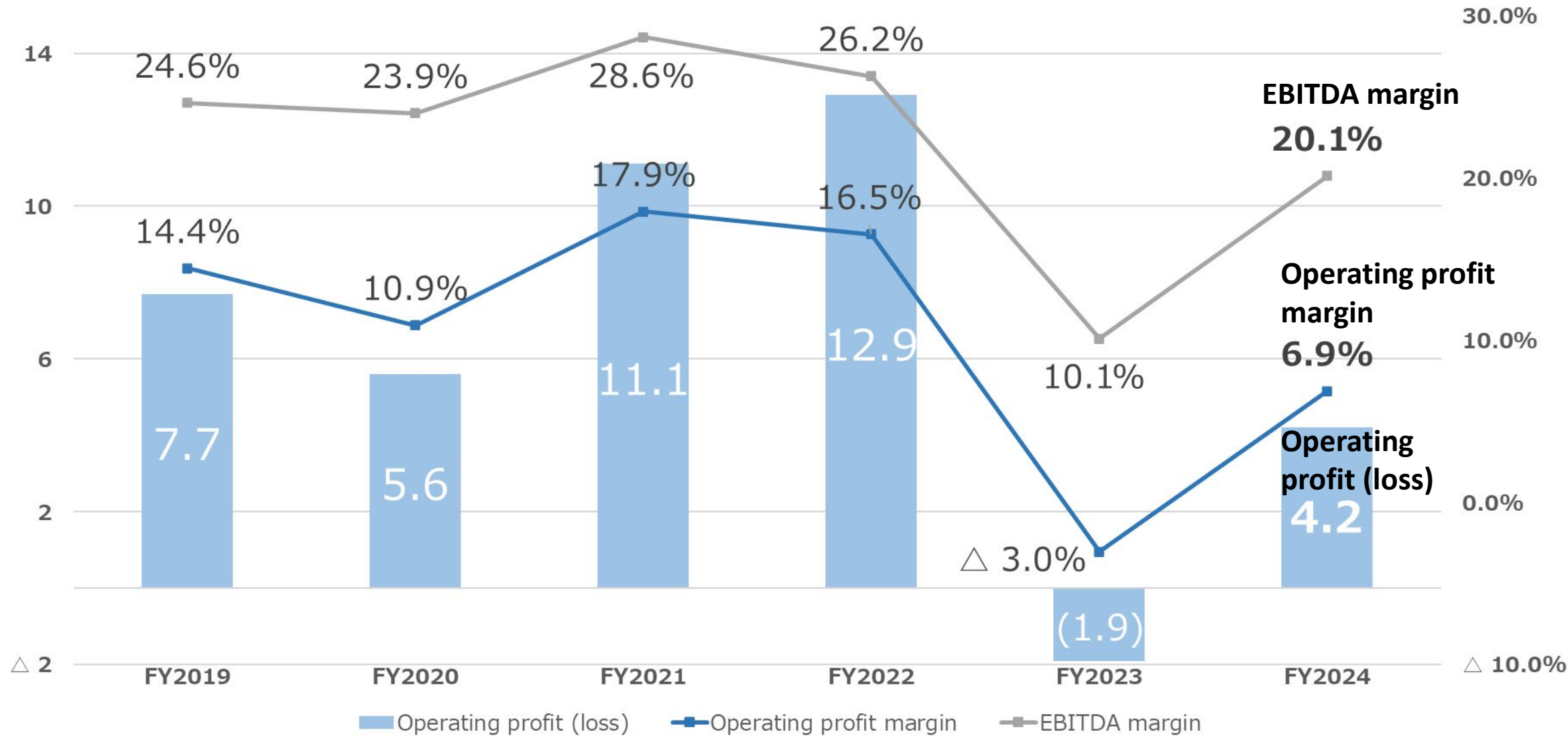
Although Ferrochemicals saw an increase in sales, Operating profit decreased primarily due to the impact of sales decreases in the Commercial Business and Facilities.

Operating Profit: Difference Analysis (FY2023 vs. FY2024)



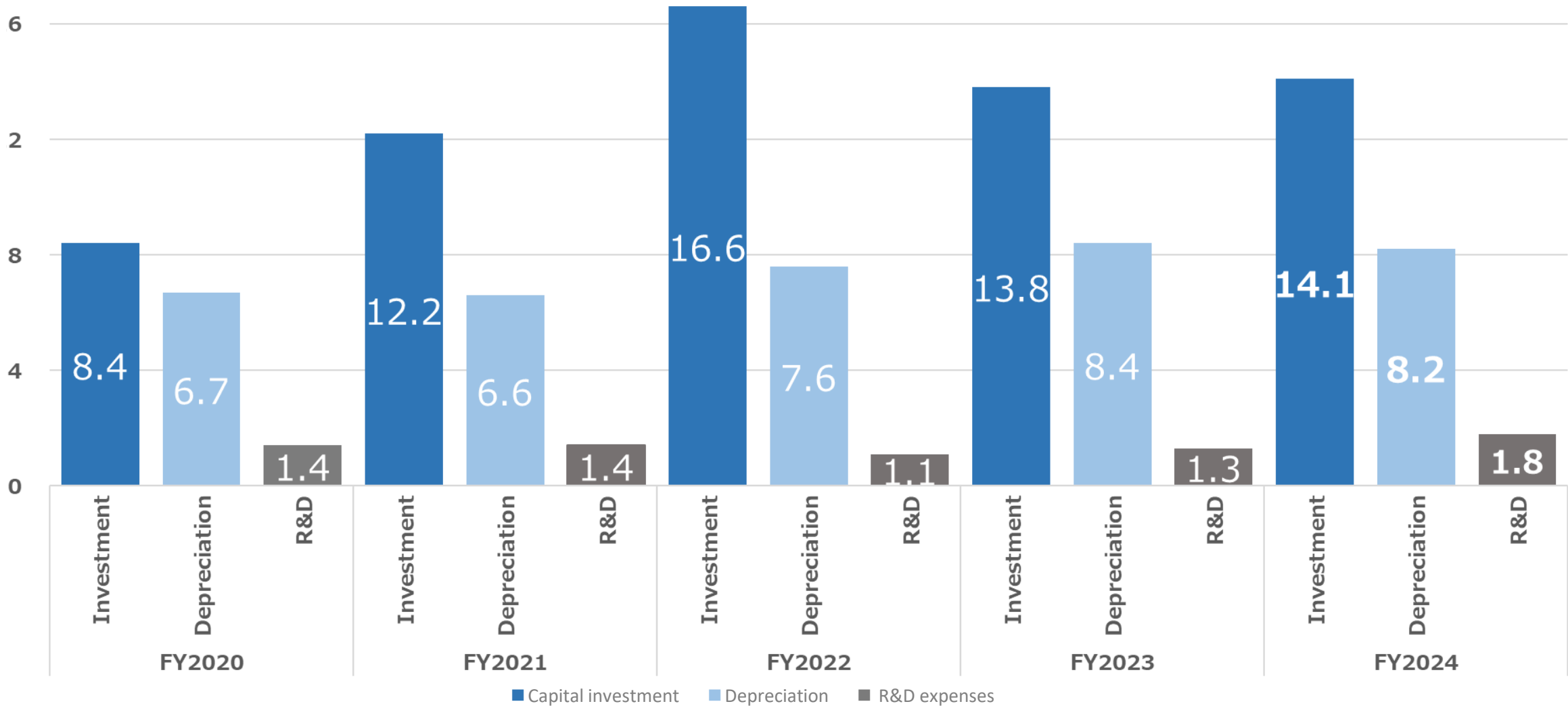
Operating Profit and Operating Profit Margin Over Time

(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: FY2024	Year-on-year change	Major business lines
Kanden Kosan Co., Ltd.	¥10 mil.	100.0	7.2	−1.1	Sale of chemical products, maintenance of containers, insurance agency services
Jobi Engineering Co., Ltd.	¥120 mil.	49.4	4.7	−1.2	Manufacture, processing, and repair of chemical industry equipment
Kanto Denka Finetech Co., Ltd.	¥27 mil.	100.0	0.5	−0.0	Manufacture and sale of iron oxide
Kanto Denka Korea Co., Ltd.	300 mil. won	100.0	15.0	−0.3	Sale of fluorochemicals
Taiwan Kanto Denka Co., Ltd.	7 mil. NT dollars	100.0	7.5	1.2	Sale of fluorochemicals
Kanto Denka Fine Products Korea Co., Ltd.	42 bil. won	100.0	3.7	0.6	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	38.9	−0.0	

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Performance Forecast

- Net sales are forecast to increase by ¥5.6 billion, despite the anticipated deferral of technical support fees to future fiscal years, due to price revisions for fundamental chemicals and higher sales volumes of specialty gases, including the KSG series.
- Operating profit is projected to increase by ¥0.7 billion, supported by higher sales, despite an increase in fixed costs such as depreciation from the operation of KSG-14 and C₄F₆ facilities, as well as higher personnel and repair expenses.
- The direct impact of U.S. tariff policies is expected to be minimal.

(Billions of yen)

	FY2024 (Results)	FY2025 (forecast)	Difference	% change
Net sales	62.3	68.0	5.6	9.1
Operating profit	4.2	5.0	0.7	17.0
Ordinary profit	4.5	5.0	0.4	10.9
Profit attributable to owners of parent	3.2	3.3	0.0	1.6
Basic earnings per share (yen)	56.53	57.43	0.90	
FX Rate (USD)	¥ 153/ \$	¥ 150/ \$		

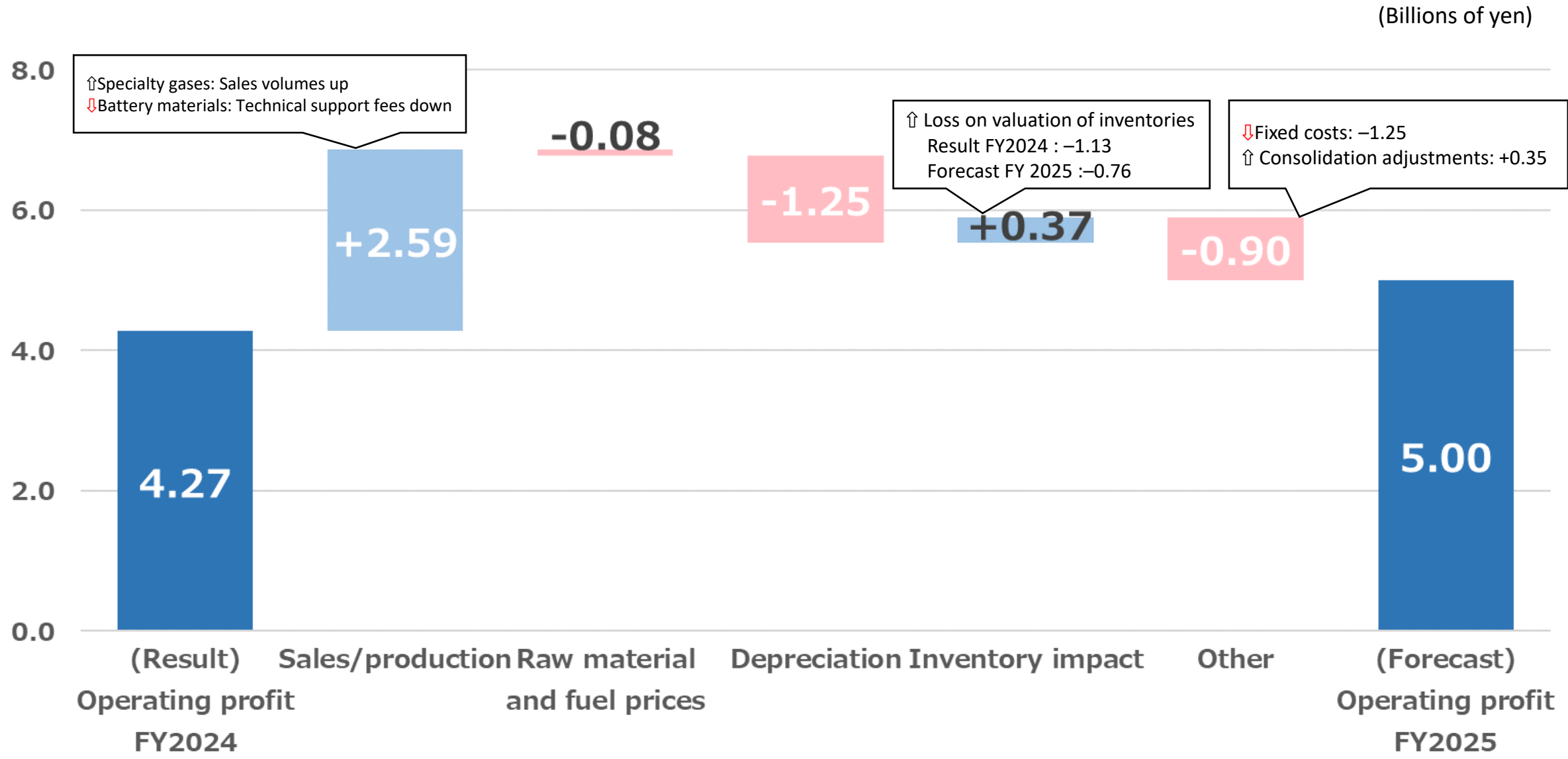
Performance Forecast (by Segment)

(Billions of yen)

	Net sales			Operating profit (loss)		
	FY2024 (results)	FY2025 (forecast)	Difference	FY2024 (results)	FY2025 (forecast)	Difference
Fundamental Chemicals	7.9	8.5	0.5	(0.5)	0.2	0.7
Fine Chemicals	49.4	54.6	5.1	3.9	4.3	0.3
Other*	4.8	4.9	0.0	0.8	0.5	-0.3
Total	62.3	68.0	5.6	4.2	5.0	0.7
(Reference) Specialty gases (non-consolidated)	41.0	46.1	5.1	4.8	4.9	0.0
(Reference) Loss on valuation of inventories	—	—	—	(1.1)	(0.7)	0.3
Capital investment	14.1	11.9	-2.1	* "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
Depreciation	8.2	9.5	1.2			
R&D expenses	1.8	2.4	0.6			

Operating Profit: Difference Analysis

(FY2024 vs. FY2025)



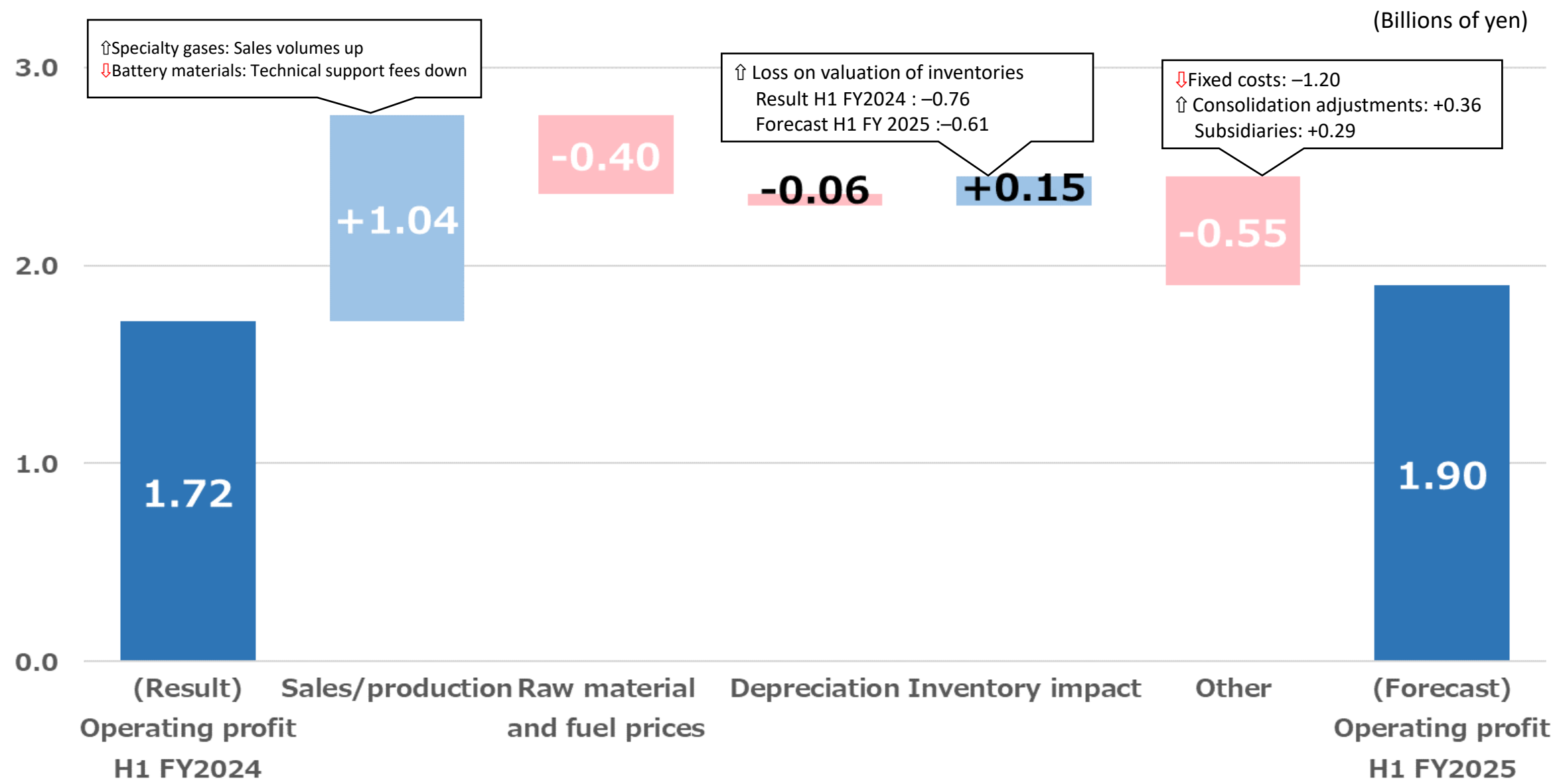
H1 Forecast vs. Results (by Segment)

(Billions of yen)

	Net sales			Operating profit (loss)		
	FY2024 H1 (results)	FY2025 H1 (forecast)	Difference	FY2024 H1 (results)	FY2025 H1 (forecast)	Difference
Fundamental Chemicals	3.9	3.9	−0.0	(0.5)	0.0	0.5
Fine Chemicals	24.8	26.2	1.3	1.8	1.6	−0.2
Other*	2.4	2.6	0.1	0.4	0.3	−0.1
Total	31.2	32.7	1.4	1.7	1.9	0.1
(Reference) Specialty gases (non-consolidated)	20.4	22.3	1.8	2.3	2.1	−0.2
(Reference) Loss on valuation of inventories	—	—	—	(0.7)	(0.6)	0.1
Capital investment	6.3	4.9	−1.4	* "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
Depreciation	4.0	4.1	0.0			
R&D expenses	0.8	1.1	0.2			

Operating Profit: Difference Analysis

(H1 Forecast vs. Results)



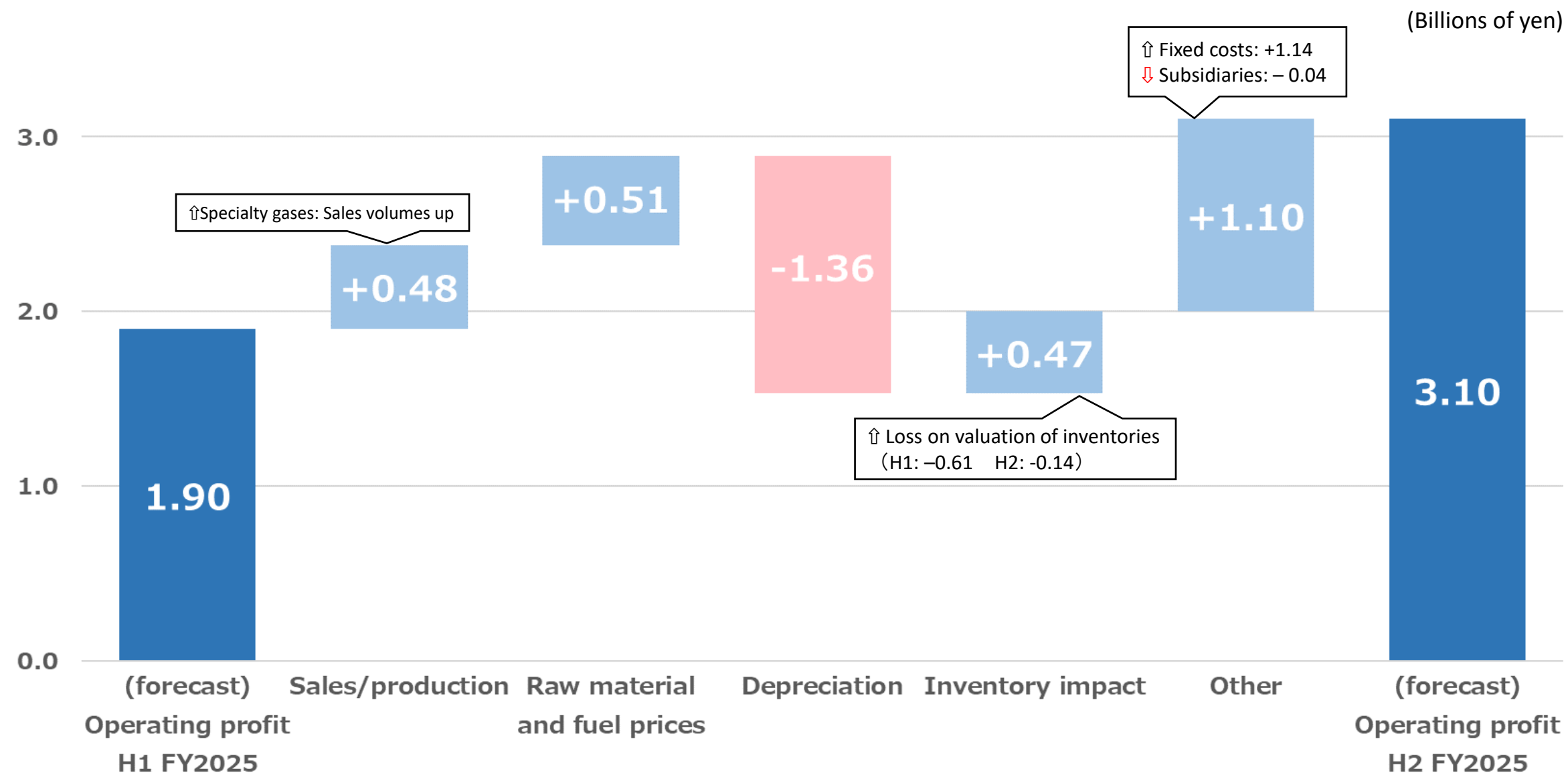
H1 Forecast vs. H2 Forecast (by Segment)

(Billions of yen)

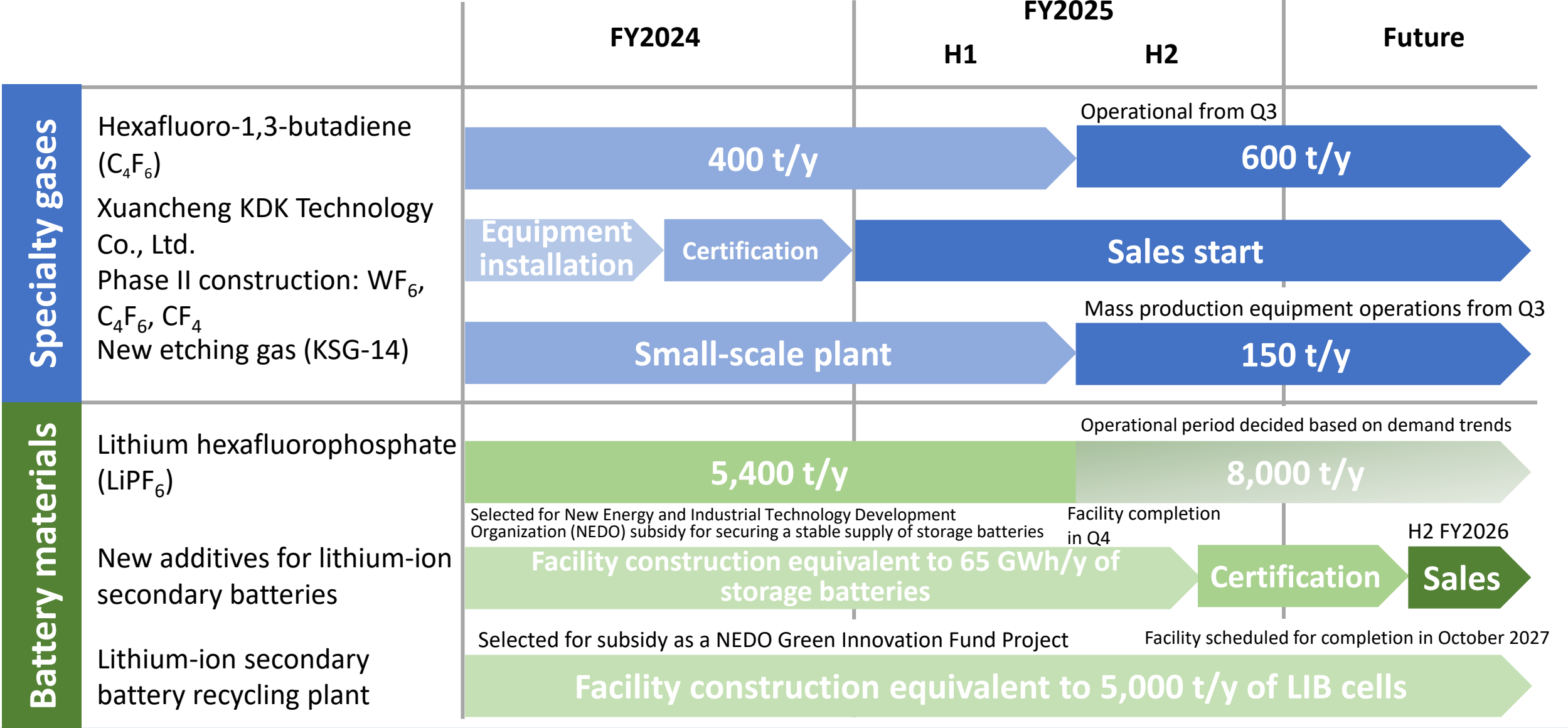
	Net sales			Operating profit		
	FY2025 H1 (forecast)	FY2025 H2 (forecast)	Difference	FY2025 H1 (forecast)	FY2025 H2 (forecast)	Difference
Fundamental Chemicals	3.9	4.6	0.7	0.0	0.2	0.2
Fine Chemicals	26.2	28.4	2.2	1.6	2.7	1.1
Other*	2.6	2.3	-0.3	0.3	0.2	-0.1
Total	32.7	35.3	2.6	1.9	3.1	1.2
(Reference) Specialty gases (non-consolidated)	22.3	23.8	1.5	2.1	2.7	0.6
(Reference) Loss on valuation of inventories	—	—	—	(0.6)	(0.1)	0.4
Capital investment	4.9	7.0	2.0	* "Other" includes the Ferrochemicals, Commercial Business, Facilities Divisions, and consolidation adjustments.		
Depreciation	4.1	5.4	1.3			
R&D expenses	1.1	1.2	0.0			

Operating Profit: Difference Analysis

(H1 Forecast vs. H2 Forecast)



Topics (Status of Major Capital Investments)



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Recognition of the Current Situation (Progress of Medium-Term Management Plan)

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

(Billions of Yen)

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

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

Analysis of ROIC (by Segment)

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

<Overview by Segment in FY2024>

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

Expand Business, Mainly in Fine Chemicals

Specialty gases

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

Battery Materials

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

Direction of Each Business (Fundamental Chemicals and Ferrochemicals)

Portfolio Reform

Fundamental Chemicals

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

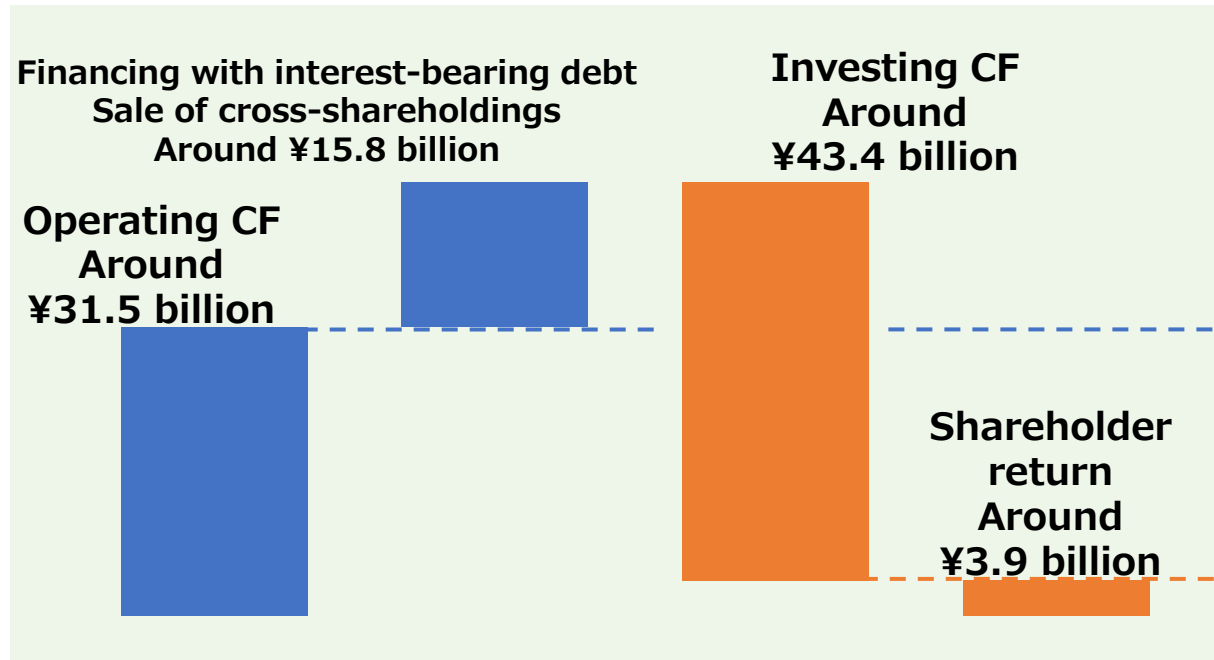
Ferrochemicals

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



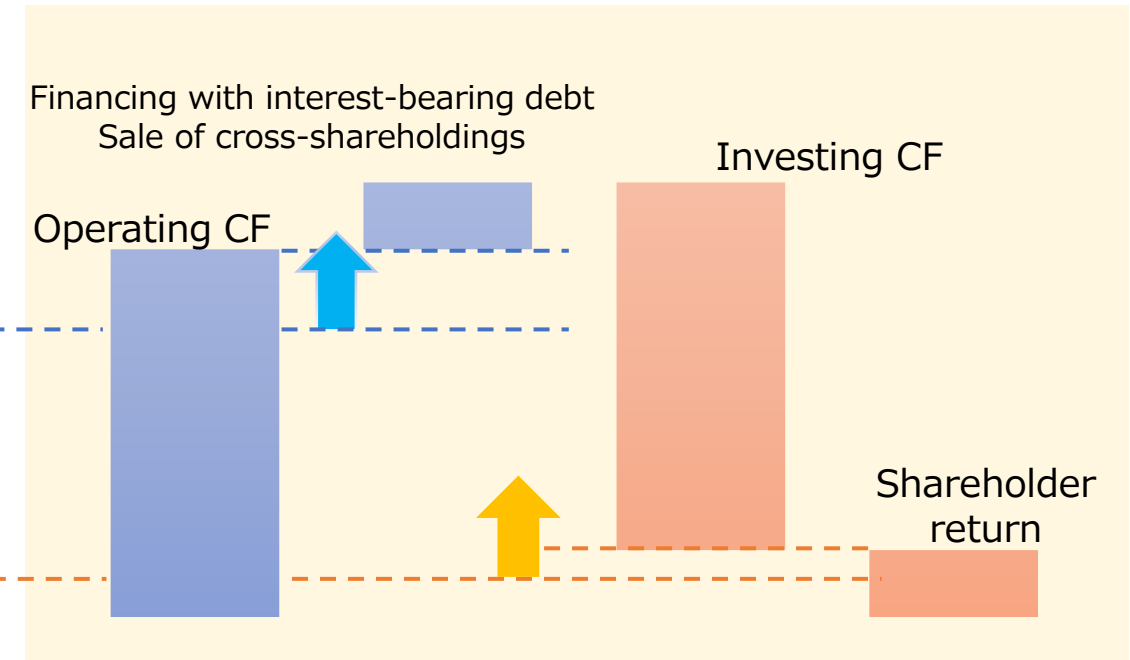
Cash Allocation

【Results FY2022-2024】



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

【Image FY2025-2026】



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

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

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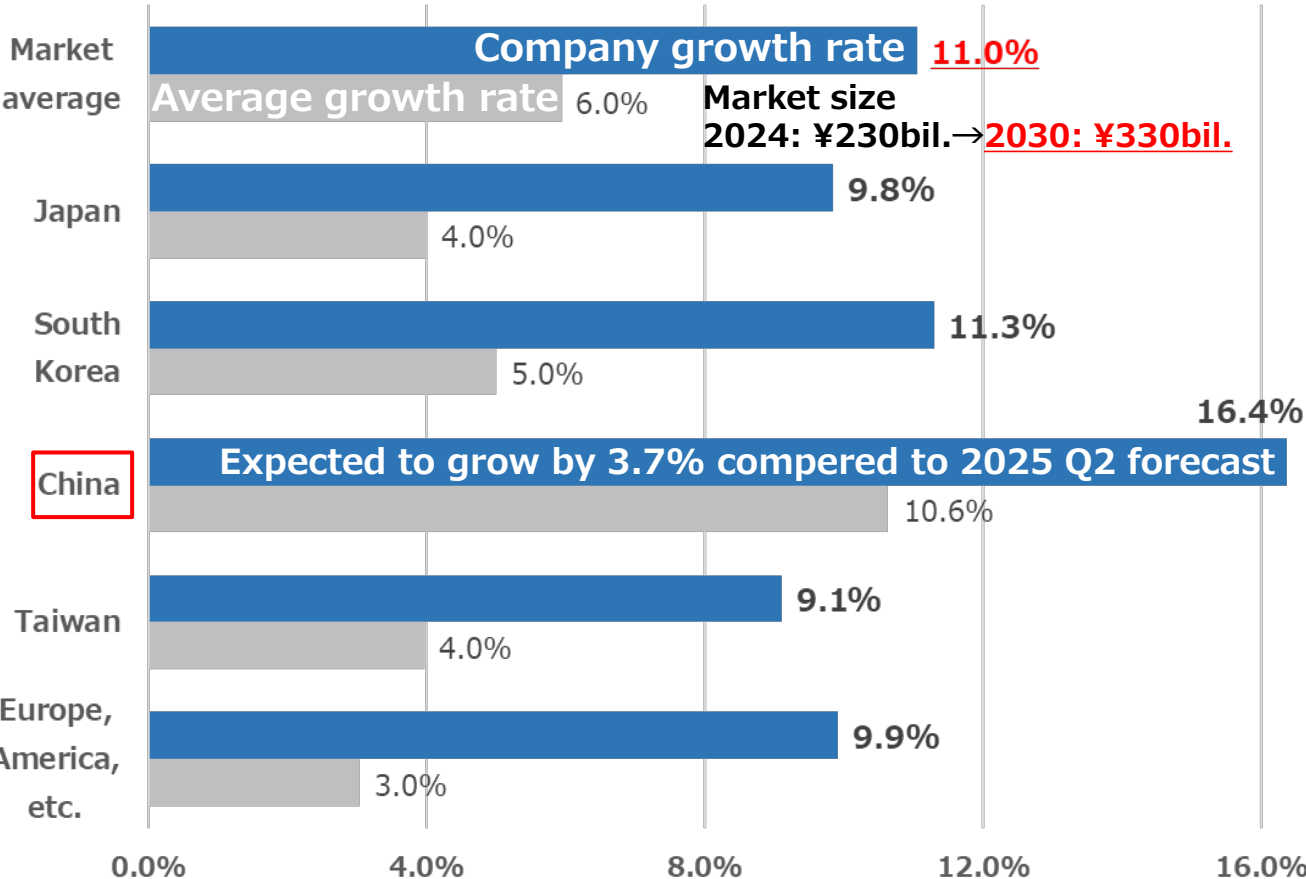
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Outlook and Strategy for Specialty Gases

- 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 6.0%*.
- Our target share (2030) is at least 25%.

*Our forecast



■ 2024-2030 CAGR Company growth rate ■ 2024-2030 CAGR Growth rate

	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)



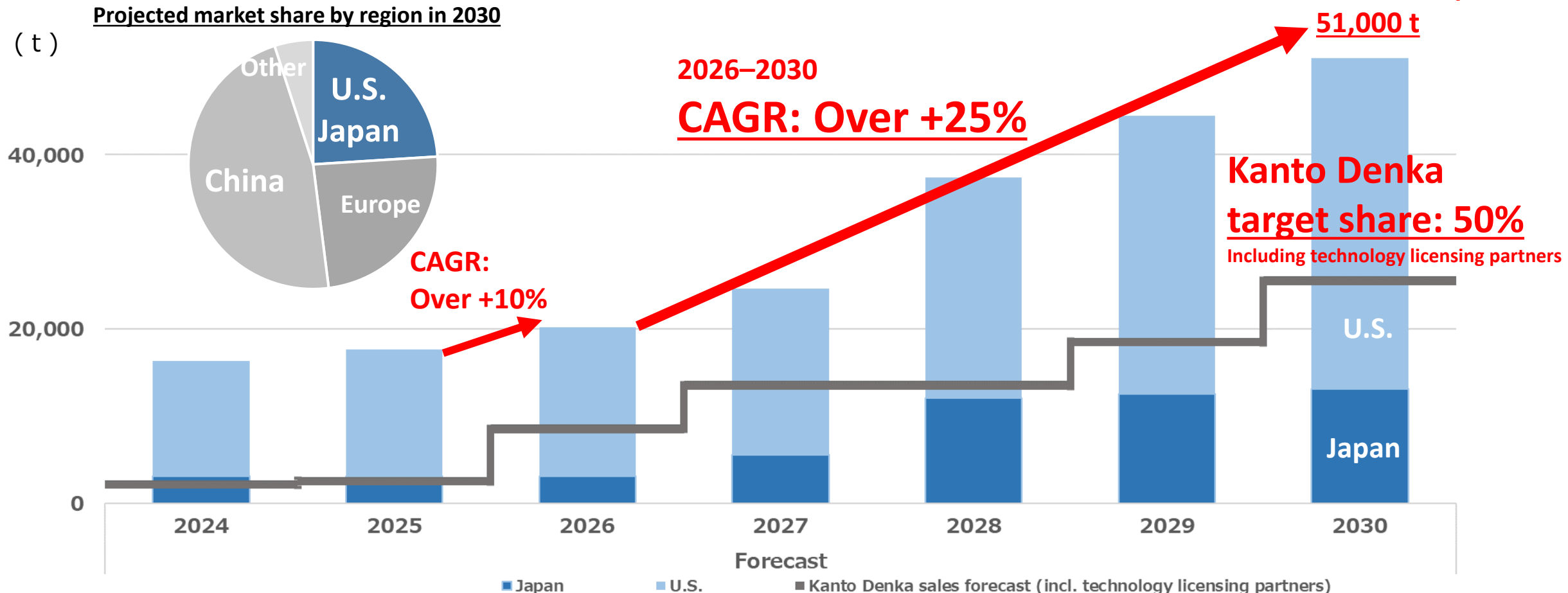
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■ We target U.S. and Japanese markets.

*Our forecast

■ These two markets are expected to grow to 51,000* tons in 2030.

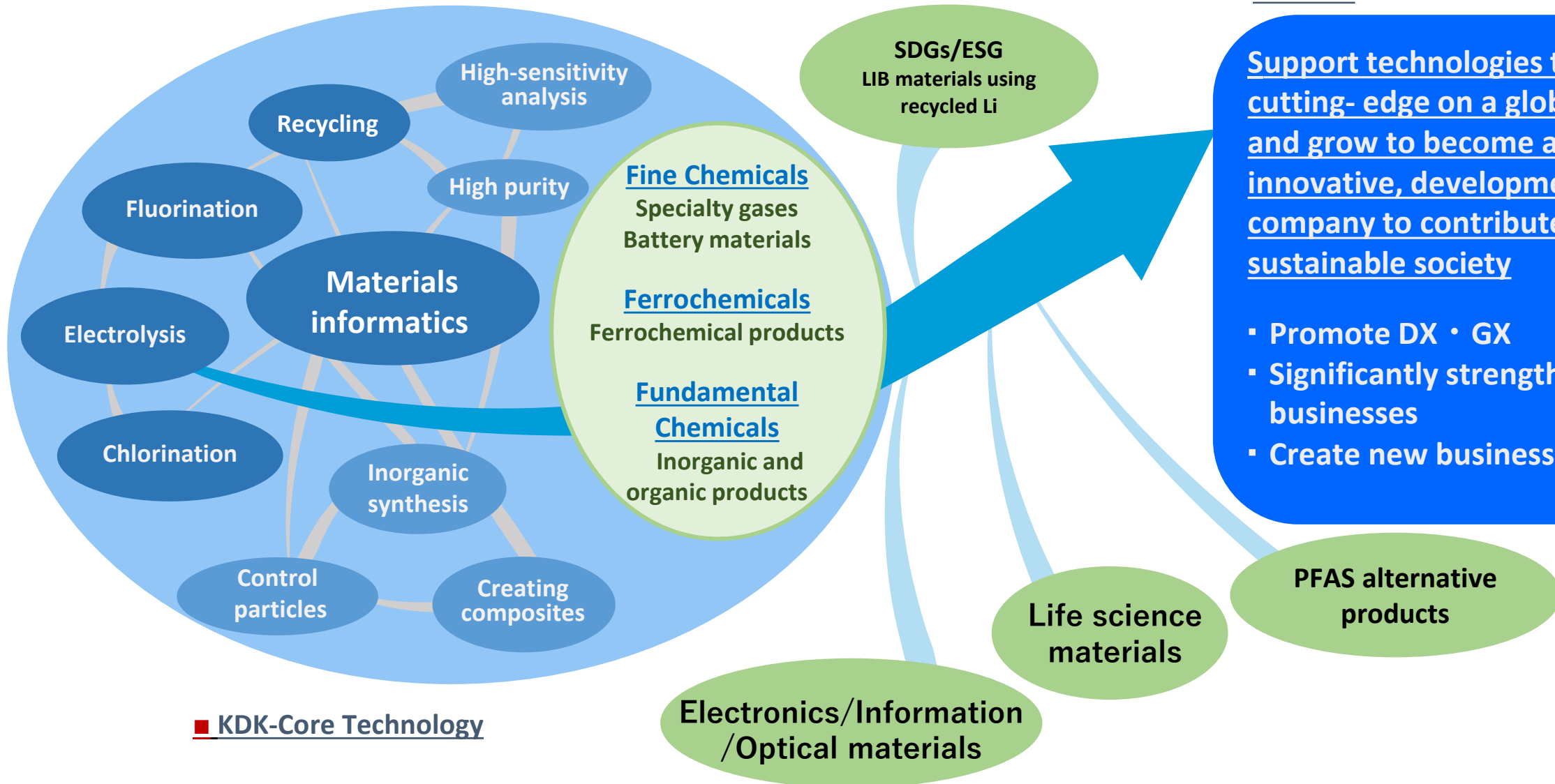
(27% decline compared to the 2025 Q2 forecast, due to the slowing EV market growth)



Future

Support technologies that are cutting-edge on a global stage, and grow to become an innovative, development-driven company to contribute to a sustainable society

- Promote DX・GX
- Significantly strengthen existing businesses
- Create new business pillars



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, Nitrogen trifluoride, Hexafluoro-1,3-butadiene, Octafluoropropane, Tungsten hexafluoride, Silicon tetrafluoride, Chlorine trifluoride, Octafluorocyclobutane, Monofluoromethane, Carbonyl sulfide, Fluorine gas mixture, 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.