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May 10, 2024

To whom it may concern,

Company name: Fuso Chemical Co., Ltd.  
Name of representative: Shinichi Sugita,  
Representative Director and President  
(Securities code: 4368, Prime Market)  
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Senior Executive Officer,  
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**Action to Implement Management that is Conscious of  
Cost of Capital and Stock Price**

In response to the request from the Tokyo Stock Exchange, the Company has analyzed the current situation regarding factors such as cost of capital and profitability, and has passed a resolution regarding our future policy to promote the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” at a Board of Directors meeting, held on May 10, 2024.

For more information, please refer to the attached document entitled “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”.

# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

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May 10, 2024

**FUSO CHEMICAL CO., LTD.**

**FUSO CHEMICAL**

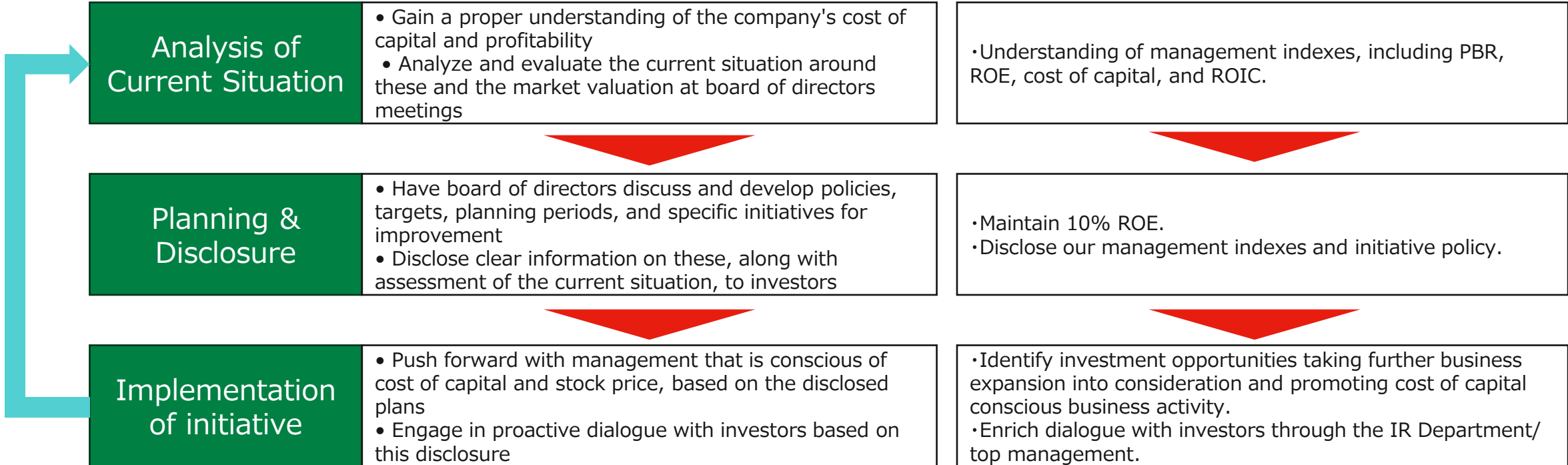
# Action to Implement Management that is Conscious of Cost of Capital and Stock Price



To promote the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”, our company will 1) Improve profitability, 2) Decrease  $\beta$  value by properly providing financial/non-financial information to the market, and 3) Properly identify investment opportunities for sustainable growth and consider financing activity with conscious of cost of capital when needed. We will aim to secure an over 10% ROE through the above three activities.

Request from the Tokyo Stock Exchange

Our initiative



# Action to Implement Management that is Conscious of Cost of Capital and Stock Price - Analysis of Current Situation



Management Index	Fiscal year ending March 31, 2021	Fiscal year ending March 31, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024
Stock Price	4,065 yen	4,510 yen	3,765 yen	4,605 yen *Closing price on 3/29
PBR	2.2 times	2.1 times	1.5 times	1.7 times
ROE	10.8%	15.4%	17.4%	9.1%
Cost of Capital	6.3%	6.3%	6.3%	6.3%
ROIC	10.6%	14.8%	16.1%	6.9%

- **PBR** : Continuously maintain PBR>1.
- **ROE** : Maintaining over 10% up to Fiscal Year ending March 31, 2023 but declined to 9.1% due to the influence of slow market recovery and an increase in the depreciation expense accompanied by the capital investment in the Kashima and Kyoto plant, leading to decrease in equity spread.
- **Cost of Capital** : Recognized as approximately 6.3%.
- **ROIC** : Similar to ROE and decreased to 6.9% from over 10%.

# Action to Implement Management that is Conscious of Cost of Capital and Stock Price - Our initiatives -



## **1) Improve profitability and maintain ROE/ROIC over 10%**

- We recognize this is a temporary stagnant situation in the semiconductor market and expect demand for our company's products to improve as that market recovers. We will be well prepared including the smooth operation of new facilities at the Kashima Plant in order to steadily accommodate such demand.
- The depreciation expenses derived from capital investment are expected to continue at a high level for the time being. Therefore, we will aim to maximize the "operating profits before depreciation", which is the most important management index of our company.
- Proactive sales activities: Focus on acquiring sales opportunities, especially overseas, where there is more opportunities for market expansion.

## **2) Decrease $\beta$ value by properly providing financial/non-financial information to the market**

- Proper disclosure of information: Strive to provide financial/non-financial information needed by the market.
- Enrich dialogues with investors.

## **3) Properly identify investment opportunities for sustainable growth and consider financing activity with conscious of cost of capital when needed**

- Properly identify demand for our products properly and make investment decisions at the proper timing.
- Seek and acquire investment opportunities that contributes to our company in the future.
- Examine and implement financing activity with conscious of cost of capital.

*Chemicals for Human Life*  
**FUSO**



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