

May 12, 2025



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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

As announced on May 10, 2024, we have been working to realize management that is conscious of cost of capital and stock price. We are pleased to inform investors that we have resolved to update the disclosure content at the board of directors meeting held today in order to deepen their understanding of our current status and initiatives.

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

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

May 12, 2025

FUSO CHEMICAL CO., LTD.

FUSO CHEMICAL

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

Disclosed on May 10, 2024



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 β 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

Analysis of Current Situation

- Gain a proper understanding of the company's cost of capital and profitability
- Analyze and evaluate the current situation around these and the market valuation at board of directors' meetings

- Understanding of management indexes, including PBR, ROE, cost of capital, and ROIC.

Planning & Disclosure

- Have board of directors discuss and develop policies, targets, planning periods, and specific initiatives for improvement
- Disclose clear information on these, along with assessment of the current situation, to investors

- Maintain 10% ROE.
- Disclose our management indexes and initiative policy.

Implementation of initiative

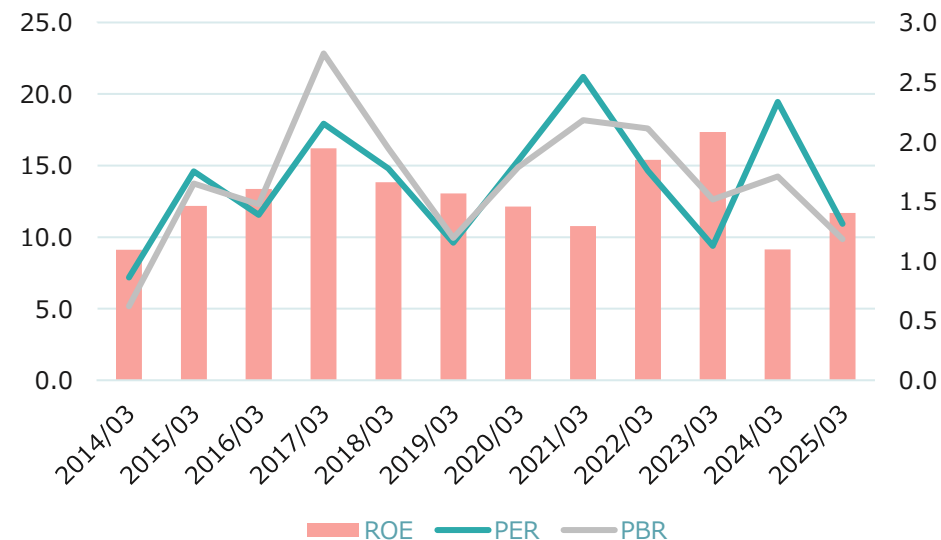
- Push forward with management that is conscious of cost of capital and stock price, based on the disclosed plans
- Engage in proactive dialogue with investors based on this disclosure

- Identify investment opportunities taking further business expansion into consideration and promoting cost of capital conscious business activity.
- Enrich dialogue with investors through the IR Department/top management.

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, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025
Stock price	4,510yen	3,765yen	4,605yen	3,440yen ※Closing price on 3/31
PBR	2.1 times	1.5 times	1.7 times	1.2 times
ROE	15.4%	17.4%	9.1%	11.7%
Cost of Capital	6.3%	6.3%	6.3%	7.5~8.5%
ROIC	14.8%	16.1%	6.9%	9.4%



Capital Efficiency

- **PBR** : Continuously maintained PBR>1.
- **ROE** : Transitioned at a level exceeding the cost of capital
-Improved ROE driven by record-high pre-amortization profit
- **Cost of Capital** : Acknowledged as rising to the range of 7.5% to 8.5%.
 - ①CAPM (Life Science:6%、Electronic Materials & Functional Chemicals:8.5%)
 - ②Earnings Yield 7.5%
- **ROIC** : Recovered from 6.9% to 9.4%.

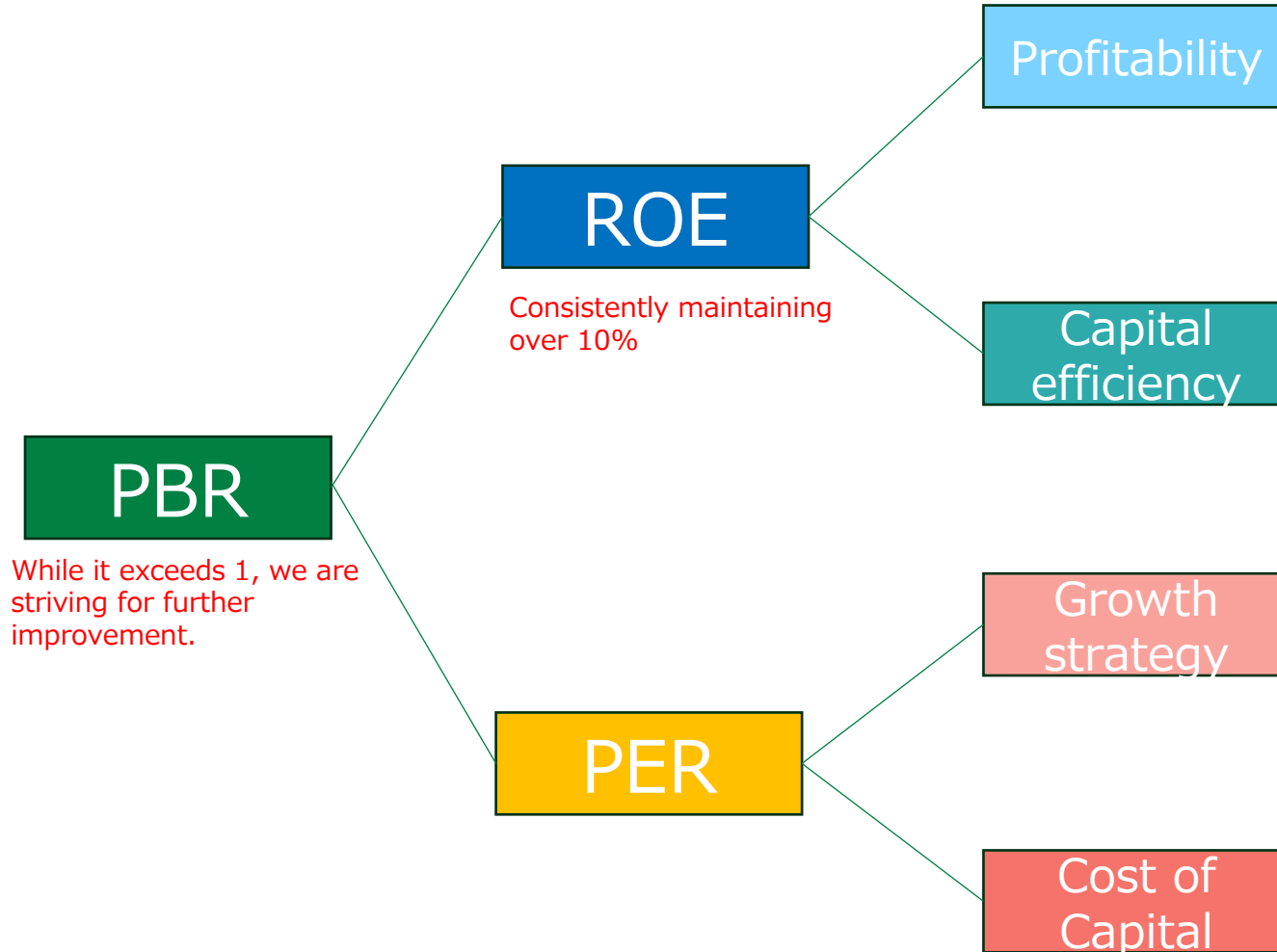
While market conditions and external factors continue to have a significant impact, we are consistently working to improve efficiency and striving to expand the equity spread.

Market Valuation of Stock Prices

- **PBR** : While there were years when it exceeded 2.5 times, it has declined to below 1.5 times due to the impact of the semiconductor cycle.
- **PER** : Before the COVID-19 pandemic, there was rapid EPS growth and amplified mid- to long-term expectations for the entire industry, with some years exceeding 15%. However, due to factors such as the U.S.-China conflict over semiconductors and prevailing uncertainty, the entire industry has been receiving subdued evaluations and is now performing below the Tokyo Stock Exchange average.

Due to high entry barriers, growth expectations over the medium to long term remain positive, and we are making proactive investments. Looking ahead a few years, we continue to engage in careful and proactive investor relations (IR) activities to foster growth expectations and enhance our evaluations in the capital markets.

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



- Maximize revenue
Expanded overseas sales →Achieved a 50% overseas sales ratio.
- Increase new equipment operations
Completed Phase 1 construction in Kashima Plant. →The certification process progressed, and full-scale operations began.
- Improve operational efficiency
→Established the Production Division and promoted DX.

- Change shareholder return policy
→Maintained/increased dividends for 16 consecutive terms and transitioned to a progressive dividend policy.
- Optimize cash allocation and capital investment
→Advanced preparations for the establishment of a new R&D center.

- Engage in constructive dialogues with capital markets
- Capture opportunities with overseas customers and cutting-edge applications
- Increase the volume and enhance the substance of disclosed information, including growth strategies
- Business risk and management control
- Proactively disclosing non-financial information
- Active involvement of top management in investor relations (IR)

Review and outcomes of the approach and initiatives



Disclosure content for May 2024

1

Improve profitability and maintain ROE/ROIC over 10%

- Establishing a supply system capable of meeting increasing demand during the semiconductor market recovery phase
- Maximization of operating profit before depreciation
- Focusing on capturing sales opportunities overseas



ROE/ROIC
11.7%・9.4%
Improved the
overseas ratio
to 50.6%"

2

Decrease β value by properly providing financial/non-financial information to the market

- Disclosing both financial and non-financial information required by the market
- Enhancing dialogue with investors

3

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

- Identifying demand for our products and making necessary investment decisions at the appropriate timing
- Pursuing opportunities to integrate external resources through M&A
- Considering and implementing funding methods with a focus on capital cost awareness

Achievements over the past year

- Established the Production Division in April 2024
- Scheduled completion of Phase II construction of the Kashima Plant in July 2025
 - Aiming to maximize the utilization of new production capacity at the two plants
- Achieved a record-high of 24,539 million yen (sales ratio 35.3%)
- Expanded new customer acquisition, strengthened relationships with distributors and existing customers, and improved operational efficiency by securing higher volumes
- Conducted proactive information disclosure, including voluntary disclosures
- Achieved a 10% year-on-year increase in engagement with institutional investors, conducting over 150 dialogues annually.
- No new developments in funding or M&A activities
- Planning to establish a new business-integrated research and development hub
 - Targeting operational launch in 2028
- Continuing to evaluate ongoing capital investments

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