

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.

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

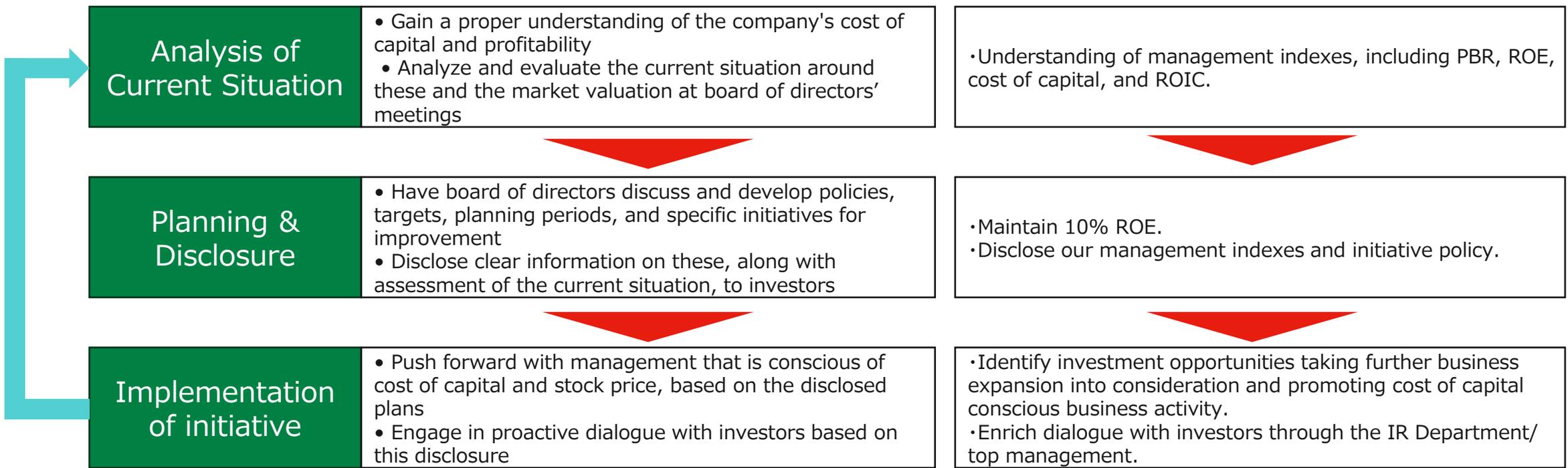
Disclosed on May 10, 2024



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

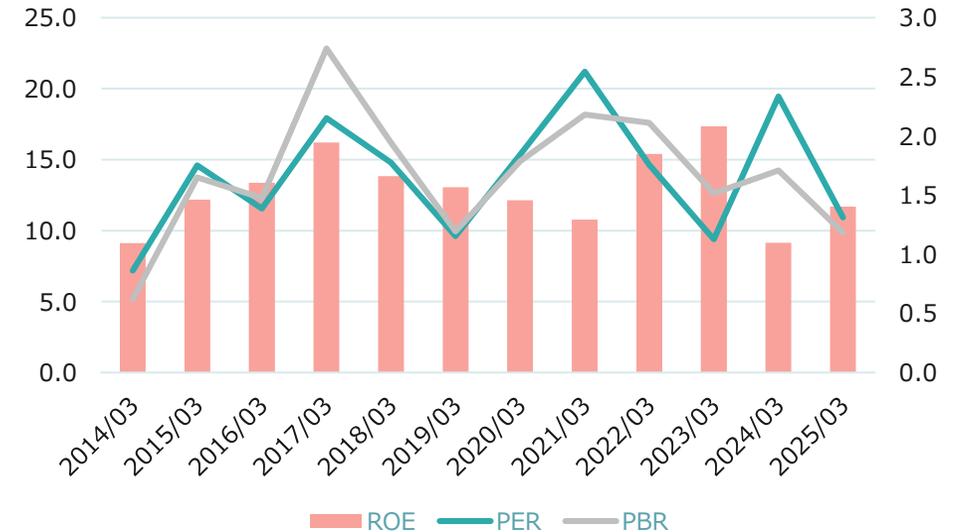
Our initiative



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%.

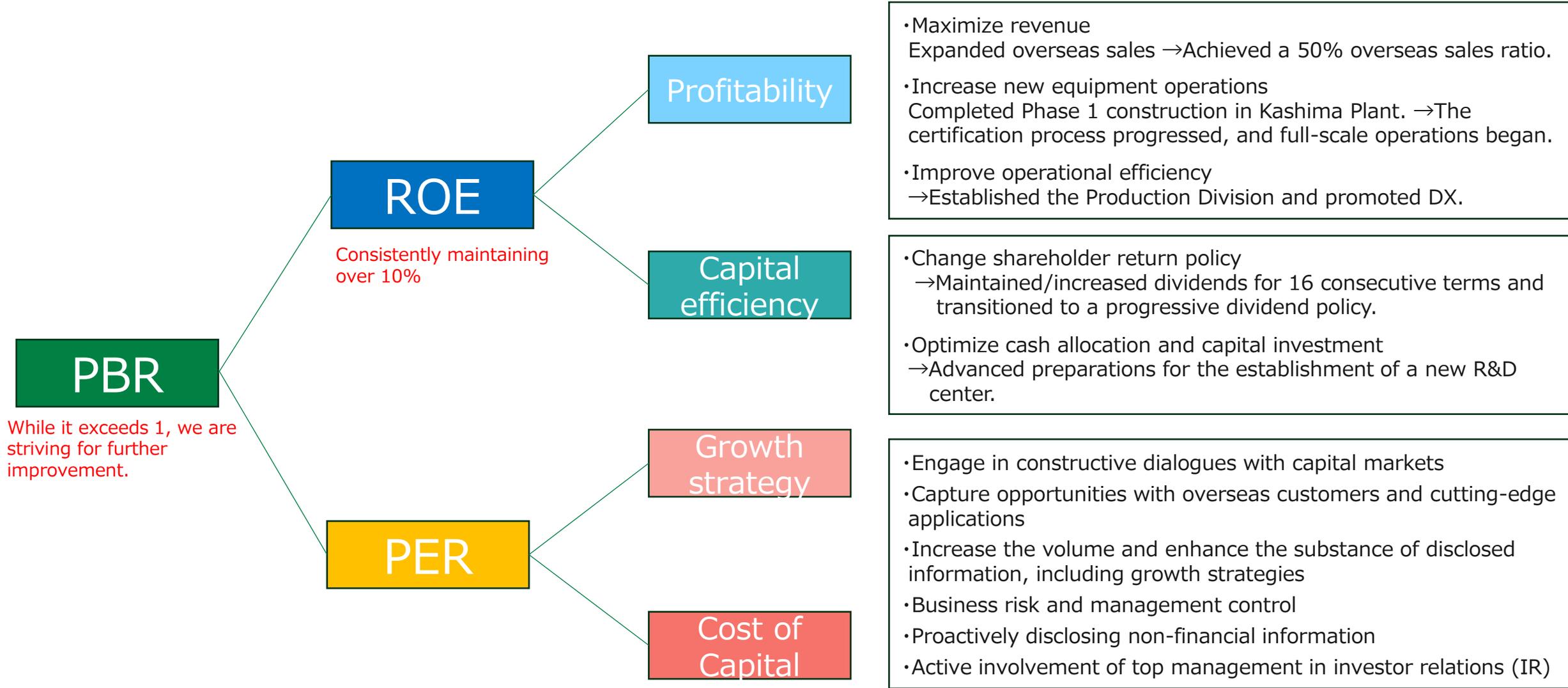
➡ While market conditions and external factors continue to have a significant impact, we are consistently working to improve efficiency and striving to expand the equity spread.

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 -



Review and outcomes of the approach and initiatives



Disclosure content for May 2024

Achievements over the past year

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

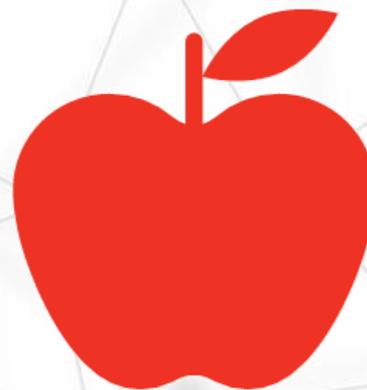
Properly identify investment opportunities for sustainable growth and consider financing activity with conscious of cost of capital when needed

- 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

- 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

Chemicals for Human Life

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