

Medium-Term Management Plan

FYE 3/2023 - FYE 3/2025

Stella Chemifa Corporation

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Management philosophy, company motto

Management philosophy

1. A sound and reliable company

With the utmost consideration to the health and safety of our employees, we will build a company that is sound and continues to be reliable.

2. Pursuit of technology

We will maintain our attitude of pursuing technological innovation.

3. Wisdom and creativity

With an expansive vision, we will be creative and innovative with wisdom and strive to create new value.

4. Spirit of challenge

All our employees will unite as one as they strive to achieve our goals with a strong sense of purpose.

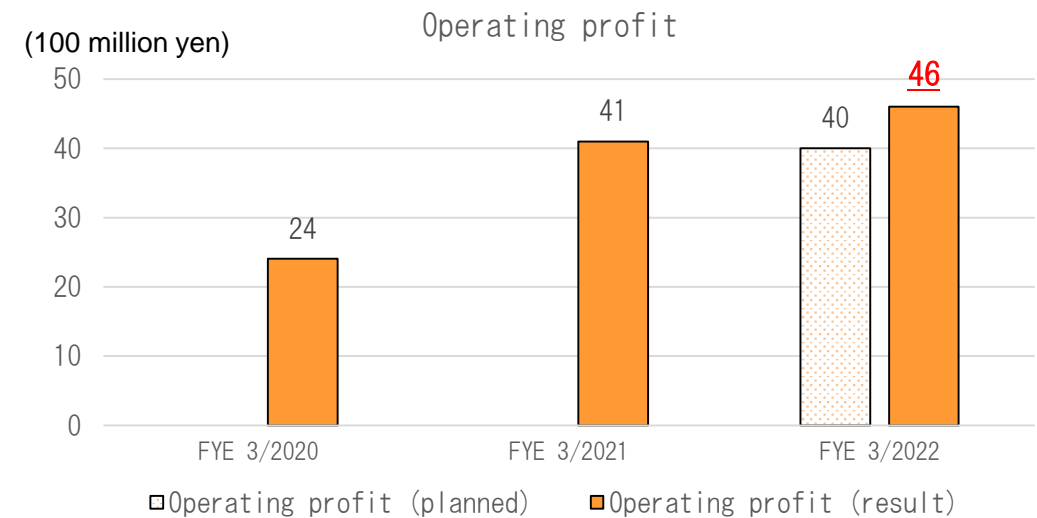
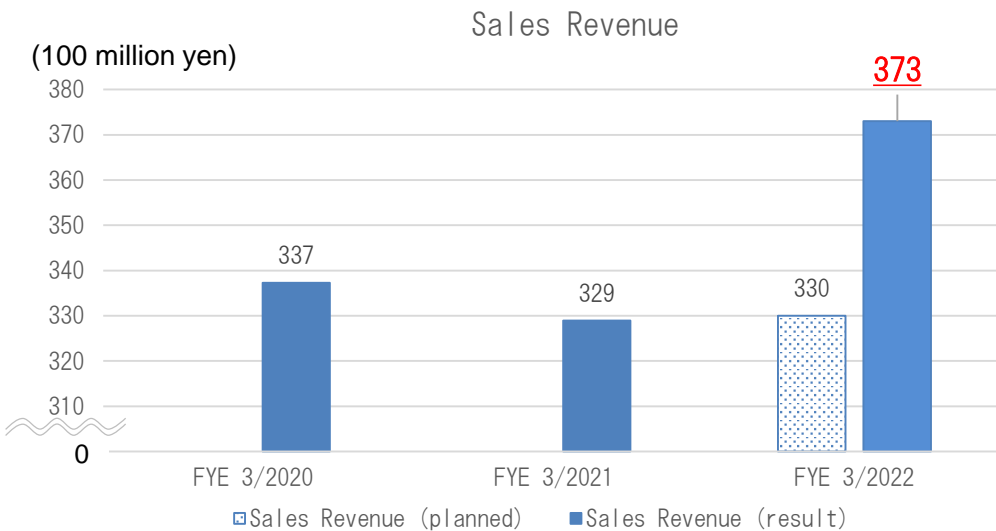
Company motto

1. Be healthy, 2. Be loyal, 3. Be brave, 4. Cultivate wisdom, 5. Be responsible

II Review of the second medium-term management plan

(1) Numerical targets

Numerical targets for the second medium-term management plan (final year: FYE 3/2022)
Sales Revenue: 33 billion yen / Operating profit: 4 billion yen



➤ **Both sales and operating profit in the final year of the second medium-term management plan exceeded the plan values.**

(* Review of numerical targets in May 2021)

- (1) A review of the operation of “export controls for South Korea” was carried out by the government in July 2019, and although sales in the semiconductor field declined, sales exceeded the plan value due to efforts such as the strengthening of sales activities to Japan and other regions outside of South Korea, and the expansion of sales of enriched boric acid and other items in other fields.
- (2) Although raw material prices increased more than expected, operating profit exceeded the plan value due to efforts focusing on profitability such as price pass-through and cost reductions.

II Review of the second medium-term management plan

(2) Business

Semiconductor and liquid crystal field

Activity policy of the second medium term	State of implementation
* Incidental event: Review of the operation of “export controls for South Korea” in July 2019	
Strengthen production capacity and expand business	<ul style="list-style-type: none"> ○ Investment pending due to lower sales volume than planned because of changes in the South Korean market ○ Increase in the filling process volume due to user change is an issue
Implementation of sales plans by region	<ul style="list-style-type: none"> ○ Expand sales outside of the South Korean market ○ Maintain top share in Japan ○ Expand sales in Taiwan and Southeast Asia in line with market growth
Reduction of procurement risk	<ul style="list-style-type: none"> ○ Efforts to expand suppliers of raw materials
Promotion of technical sales	<ul style="list-style-type: none"> ○ Certain level of results from technical interviews with users and the promotion of sales R&D meetings, etc.

Towards the activity policy of the third medium term

Sales in the South Korean market decreased, and it will be important to continue to expand sales in other regions

Prioritize filling capacity and production balance at each plant

Maintenance of share and expansion of trade in line with users' investment plans

Promote confirmation of the quality of raw materials and continue to expand business partners

Continue to promote as a powerful tool in sales activities

II Review of the second medium-term management plan

(2) Business

Battery field

Activity policy of the second medium term	State of implementation	<u>Towards the activity policy of the third medium term</u>
<ul style="list-style-type: none"> ○ Establishment of a production system for additives for lithium-ion secondary batteries and cost reductions ○ Sales of electrolytes (LiPF₆) manufactured by BDX* ○ Development of new additives for lithium-ion secondary batteries ○ Development of new products compatible with future batteries 	<p style="text-align: center;">[Production / sales]</p> <ul style="list-style-type: none"> ○ Demand in the Chinese market has increased rapidly, the power map of players has changed, centered on Chinese manufacturers, and market competition is intensifying ○ Although the sales volume of additives for lithium-ion secondary batteries did not grow, cost reductions were promoted ○ Prioritize shipments of BDX-made electrolytes for lithium-ion secondary batteries to China <p style="text-align: center;">[R&D]</p> <ul style="list-style-type: none"> ○ Realize the development of new additives for lithium-ion secondary batteries ○ In research focused on the future, we worked with priority on all-solid state batteries 	<ul style="list-style-type: none"> ○ Aim to increase sales based on the diversification of customers ○ Aim for the adoption of new additives for lithium-ion secondary batteries with high added value ○ Focus on the adoption of the company's technology for future secondary batteries



II Review of the second medium-term management plan

(2) Business

Other fields

Activity policy of the second medium term	State of implementation	<u>Towards the activity policy of the third medium term</u>
GMP-compliant products Expansion of sales (tin fluoride)	Certain level of results mainly in the US (However, growth in the US market has reached its peak)	<p>Cultivate new markets and expand sales of tin fluoride as a whole</p> <ul style="list-style-type: none"> ○ Further expansion of sales in overseas markets
Expansion of sales of enriched boric acid	Results of sales expansion in Japan and overseas	<ul style="list-style-type: none"> ○ Decide capital investment from the perspective of long-term demand forecasts and profitability
Strengthen searches for seeds that will lead to the development of new products	Collaboration between R&D Department and Sales Department is strengthening and yielding a certain level of results	<p>Further strengthening of research promotion capabilities looking at the process overall</p>

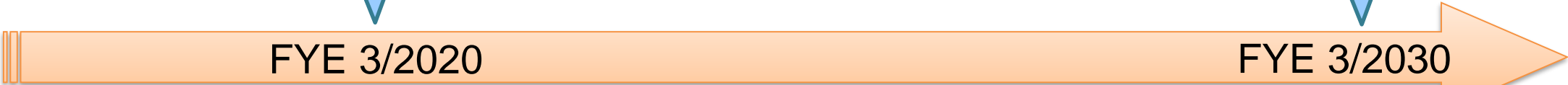
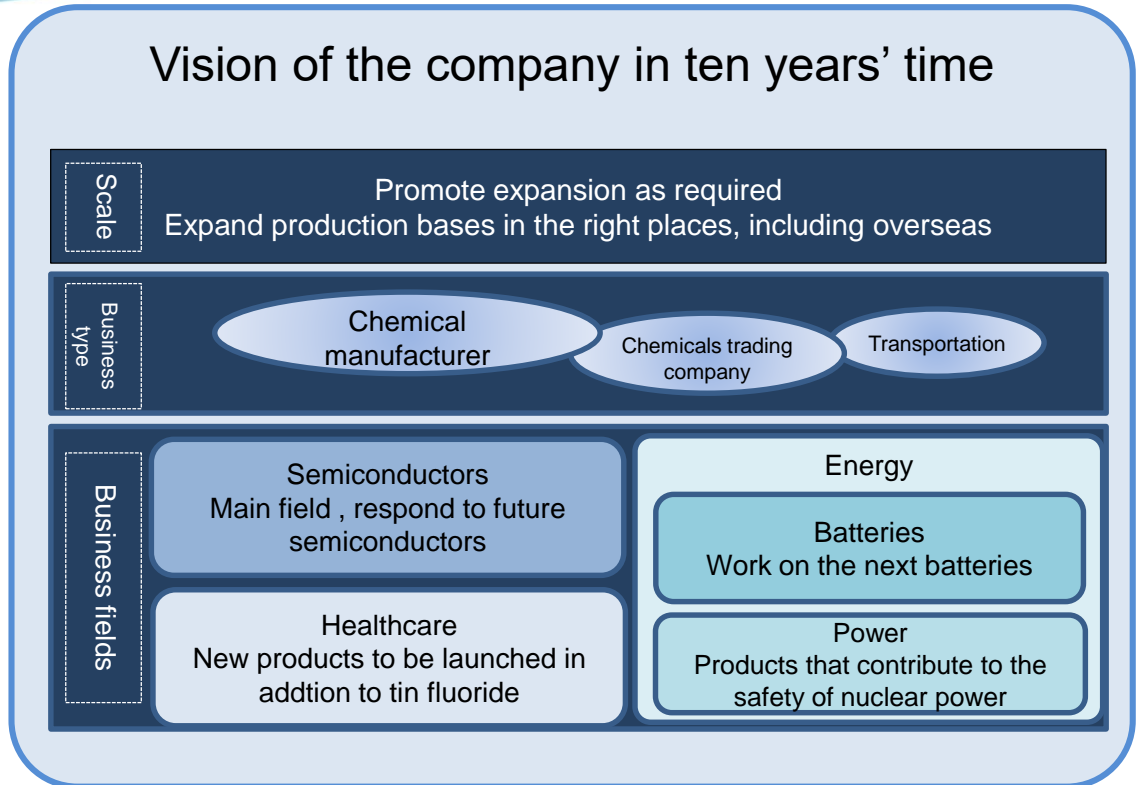
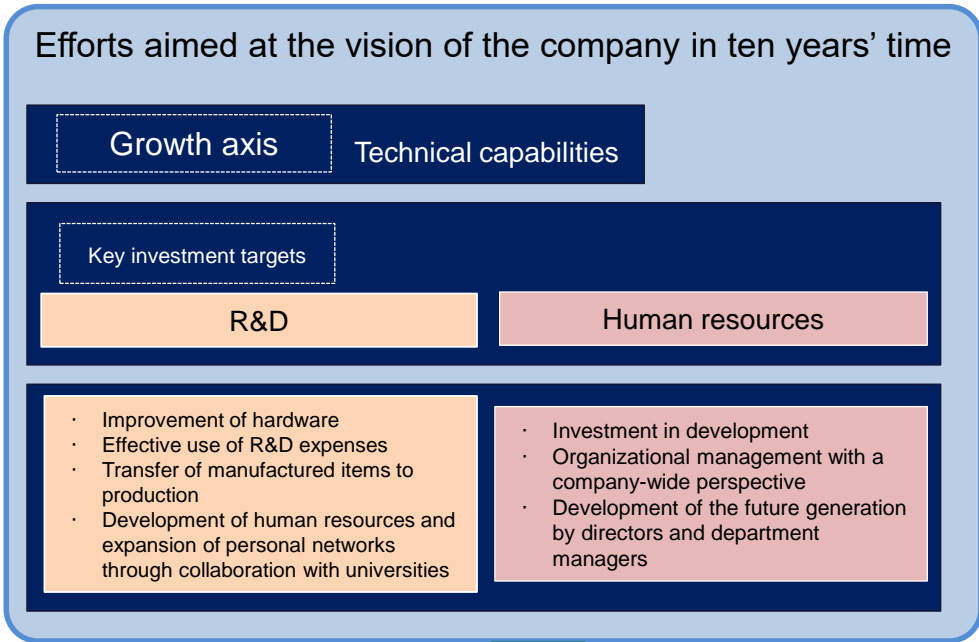
II Review of the second medium-term management plan

(2) Business

Transportation business

Activity policy of the second medium term	State of implementation	<u>Towards the activity policy of the third medium term</u>
Execute work between groups safely and securely	Investments in warehouse renovation, vehicles, etc., and securing of personnel	Continue to promote the improvement of business bases
Appeal to international intermodal services and promote profit-oriented transactions	<ul style="list-style-type: none"> ○ Implement company-wide efforts in transportation such as a review of transaction prices ○ Also make unit price adjustments, etc., in accordance with turnover rates to secure profits with warehouses 	Continue to promote efforts emphasizing profitability
Further enhance the compliance system	<ul style="list-style-type: none"> ○ Expand the introduction of drive recorders and digital tachographs ○ Reduction of the burden on drivers through recruitment of personnel 	Continue to strengthen the compliance system

III Positioning of the third medium-term management plan



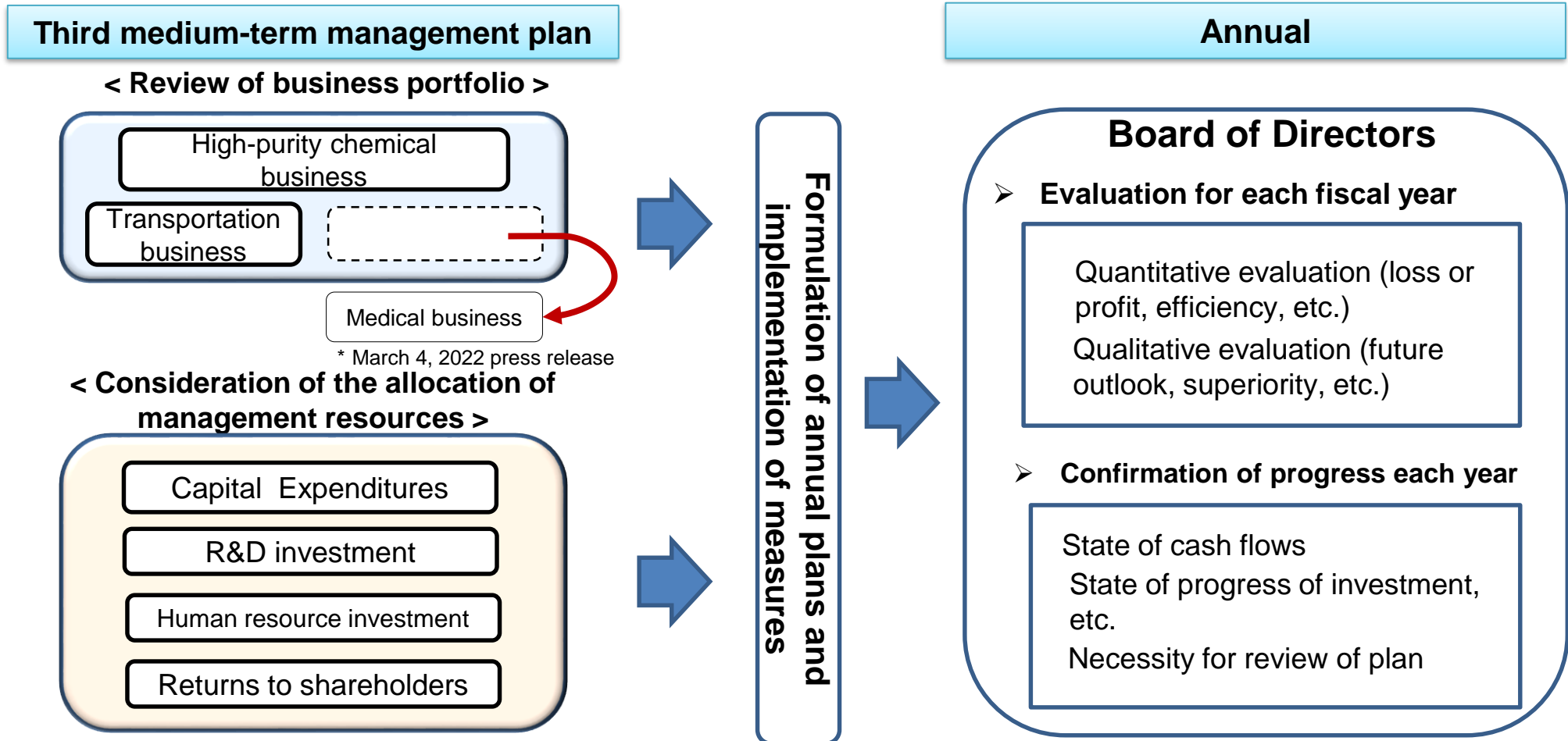
Realize sustainable growth by stabilizing and expanding our business portfolio

III Positioning of the third medium-term management plan

Business portfolio management

➤ Basic policy

Aim for sustainable growth and the improvement of medium to long-term corporate value by “considering business plans and the allocation of management resources,” “implementing various measures” and “conducting performance evaluations and analysis” on an annual cycle.



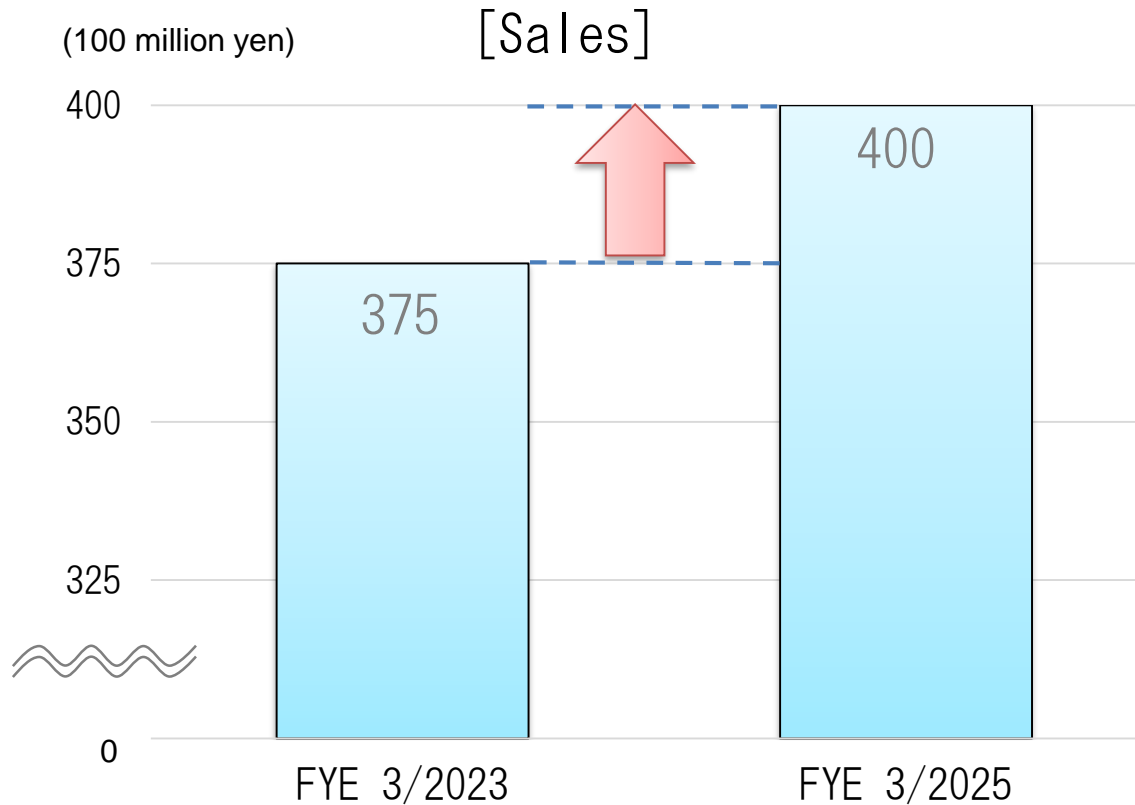
III Basic issues of the third medium-term management plan

Basic issues	<ul style="list-style-type: none"> ● Aim for sustainable business growth while trialing new initiatives ● Promote the development of new products that make use of unique technologies ● Responding to social demands as a listed company
Semiconductors	<ul style="list-style-type: none"> ➤ Reorganization of priority sales areas in association with changes in the South Korean market ➤ Expansion of sales of products (functional chemicals) that will differentiate us from other companies ➤ Strengthening of filling capacity at manufacturing bases
Energy	<ul style="list-style-type: none"> ➤ Expansion of sales of enriched boric acid and consideration of the production system ➤ Expansion of users of additives for lithium-ion secondary batteries
Other products	<ul style="list-style-type: none"> ➤ Expansion of sales of tin fluoride in growth markets
R&D	<ul style="list-style-type: none"> ➤ Development of future etching solutions required in semiconductor manufacturing processes ➤ Development of battery materials matched to future secondary battery development trends ➤ Development of neutron shielding composite materials in the nuclear power field ➤ Development of applications for inorganic fluorine compounds by nanoparticulation ➤ Efforts towards future R&D themes
Management	<ul style="list-style-type: none"> ➤ Promotion of information disclosure required by society as the Prime Market ➤ Promotion of the digitalization of work
Transportation business	<ul style="list-style-type: none"> ➤ Promote efforts focusing on profitability while securing sales ➤ Establishment of a stable business base (securing, development and establishment of personnel) ➤ Continued strengthening of the compliance system

III Numerical targets of the third medium-term management plan

[Sales target]
FYE 3/2023 37.5 billion yen
 ↓
FYE 3/2025 40.0 billion yen

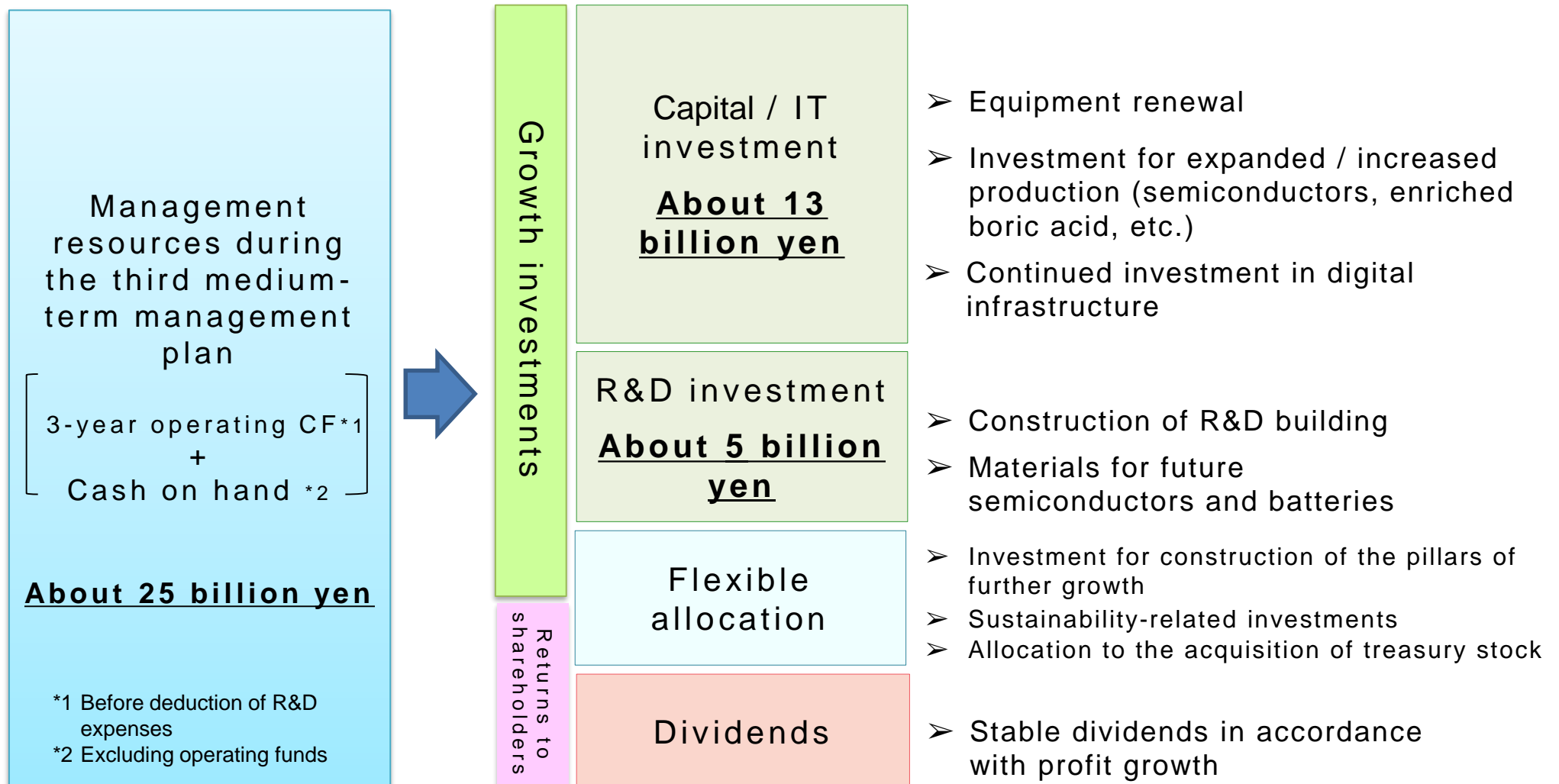
[Operating profit target]
FYE 3/2025 5.5 billion yen
 [ROIC target]
FYE 3/2025 7.3%



III Allocation of management resources in the third medium-term management plan

➤ Basic policy

Implement growth investments and shareholder returns in a balanced manner with awareness of a long-term perspective towards capital efficiency, profitability and sustainable growth.

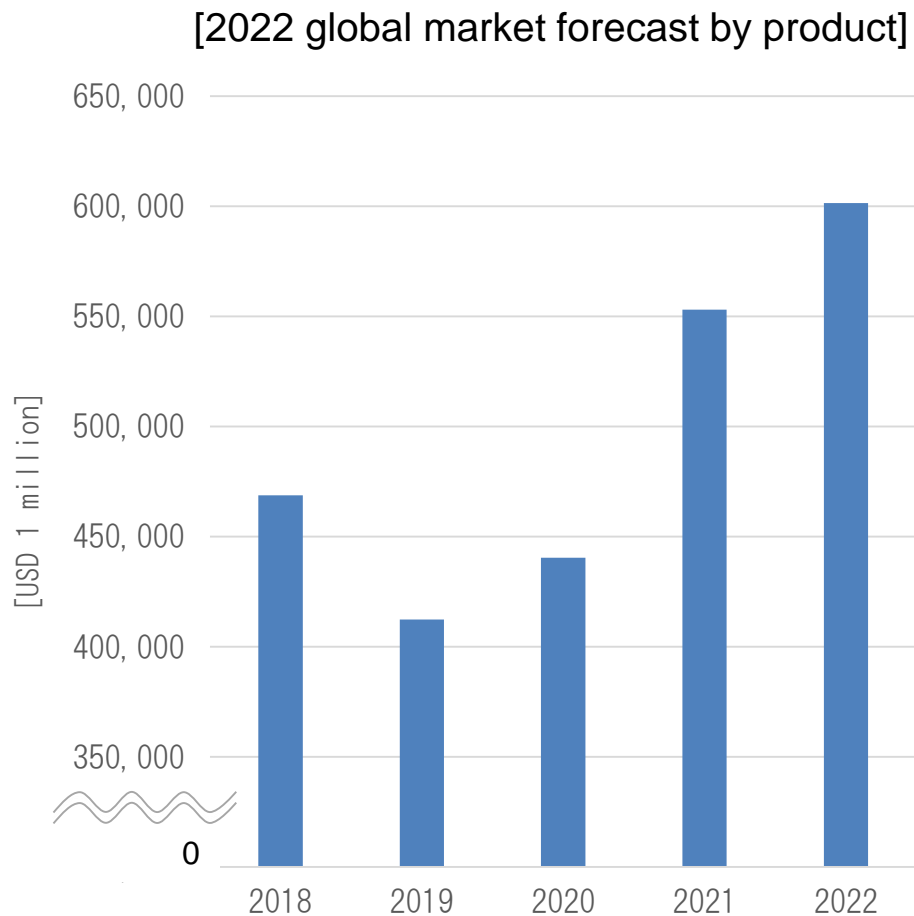


1. High-purity chemical business
 - (1) Semiconductor field
 - (2) Other fields
 - (3) R&D
2. Transportation business

IV Initiatives by business field

(1) Semiconductor field

<1> Business environment



* Source: World Semiconductor Trade Statistics (WSTS)

[Long-term market prospects]

- Since the pandemic of COVID-19, demand for PCs, tablets, Wi-Fi devices, etc. has increased and the semiconductor market has grown positively due to an increase in data communication volumes owing to the progress of 5G
- Due to the resumption of economic activities, semiconductor demand has expanded widely in automotive and industrial applications in addition to the above items
- Forecast for further growth based on the view that end-market demand will continue to be strong

IV Initiatives by business field

(1) Semiconductor field <2> Key issues

<p>Review of the second medium term</p>	<ul style="list-style-type: none"> ➤ Shift the sales composition from the South Korean market to other markets ➤ Strengthening of filling capacity and balancing of production capacity ➤ Maintenance of share and expansion of trade in line with users' investment plans ➤ Expansion of suppliers of raw materials ➤ Promotion of technical sales
<p>Business environment</p>	<ul style="list-style-type: none"> ➤ Global semiconductor demand continues to grow



<p><u>Key measures of the third medium-term management plan</u></p> <ul style="list-style-type: none"> ➤ Reorganization of priority sales areas ➤ Expansion of sales of products (functional chemicals) that will differentiate us from other companies ➤ Strengthening of filling capacity and balancing of production capacity at manufacturing bases
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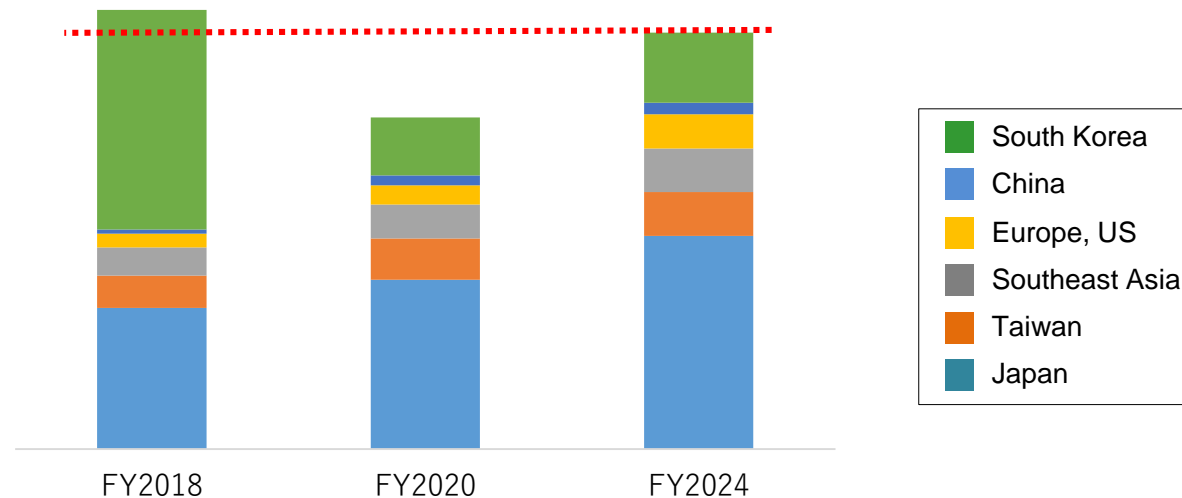
IV Initiatives by business field

(1) Semiconductor field <3> Activity policy

(1) Reorganization of priority sales areas

- Japan and Taiwan : Steady expansion of sales corresponding to users' investment plans
- Europe, US, Southeast Asia : Expansion of sales in markets where political support can be expected
- China : Acquisition of commercial rights in regions where growth can be expected
- South Korea : Promotion of sales handling in accordance with the situation

[Image of ratio of sales volume by market]



Sales volume is expected to recover to near the level prior to the market changes in FY 2024 due to the reorganization of priority sales areas overall

IV Initiatives by business field

(1) Semiconductor field <3> Activity policy

(2) Expand sales of functional chemicals

- Add functionality and expand sales of chemicals that can be differentiated from products of other companies
- Focus on technical meetings with users

(3) Strengthening of filling capacity and balancing of production capacity at manufacturing bases

- Increased small and medium-sized container filling capacity
- Promotion of the balancing of filling and production capacity among plants

- Container filling capacity is an issue because demand for small and medium-sized containers is increasing in association with the expansion of users
- As small and medium-sized container filling capacity and spare production capacity differ at each plant, make adjustments such as the transfer of control of shipping bases and the building of a supply system from two bases for one product for each container

1. High-purity chemical business

- (1) Semiconductor field
- (2) Other fields
- (3) R&D

2. Transportation business

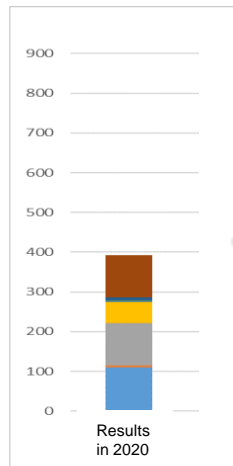
IV Initiatives by business field

(2) Other fields

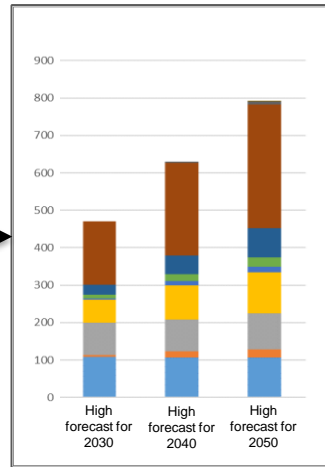
<1> Business environment (enriched boric acid)

[Future forecast of nuclear power generation (results and forecasts, 1 million kW)]

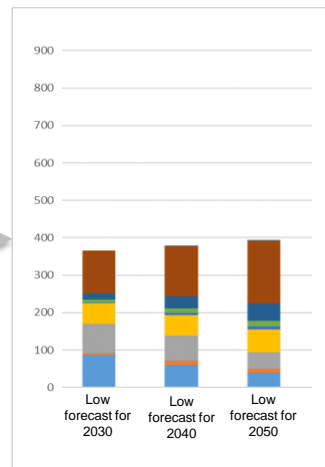
- Results in 2020
- Pacific
 - Southeast Asia
 - Central / East Asia
 - South Asia
 - West Asia
 - Africa
 - Eastern Europe
 - North / West / South Europe
 - Central and South America
 - North America



High forecast



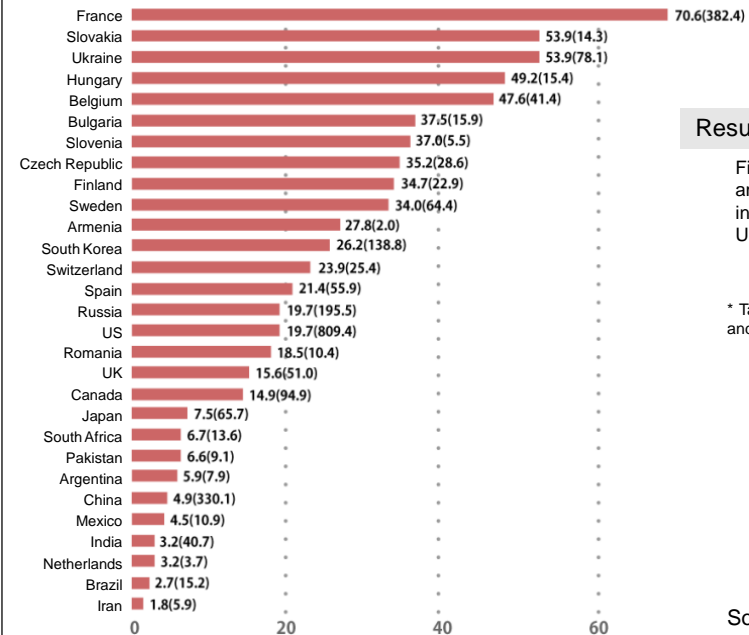
Low forecast



○ **In terms of global scale, the trend for the use of nuclear power generation is increasing and it is very likely to remain at a high level**

(Reference) In 2022, the European Commission announced its policy positioning “nuclear power as energy that will contribute to decarbonization”

Share of nuclear power generation in various countries worldwide



Results in 2019

Figures in parentheses show the amount of nuclear power generated in 2019.
Unit: TWh, 1 TWh = 1 billion kWh

* Taiwan has 31.1 TWh of nuclear power and the share of nuclear power is 13.4%

Source: IAEA PRIS

* Prepared with reference to IATA (Energy, Electricity and Nuclear Power Estimates for the Period up to 2050 [September 2021])

IV Initiatives by business field

(2) Other fields

<2> Key issues

<p>Review of the second medium term</p>	<ul style="list-style-type: none"> ➤ Expansion of sales of enriched boric acid and consideration of the production system ➤ Expansion of users of additives for lithium-ion secondary batteries ➤ Expansion of sales of tin fluoride in growth markets
<p>Business environment</p>	<ul style="list-style-type: none"> ➤ Enriched boric acid: Increased demand against the backdrop of the move to clean energy ➤ Tin fluoride: Expansion of sales in global oral care markets



Key measures of the third medium-term management plan

- Expansion of sales of enriched boric acid
- Determination of demand for enriched boric acid
- Expansion of sales of tin fluoride in growth markets

IV Initiatives by business field

(2) Other fields

<3> Activity policy

(1) Expansion of sales of enriched boric acid

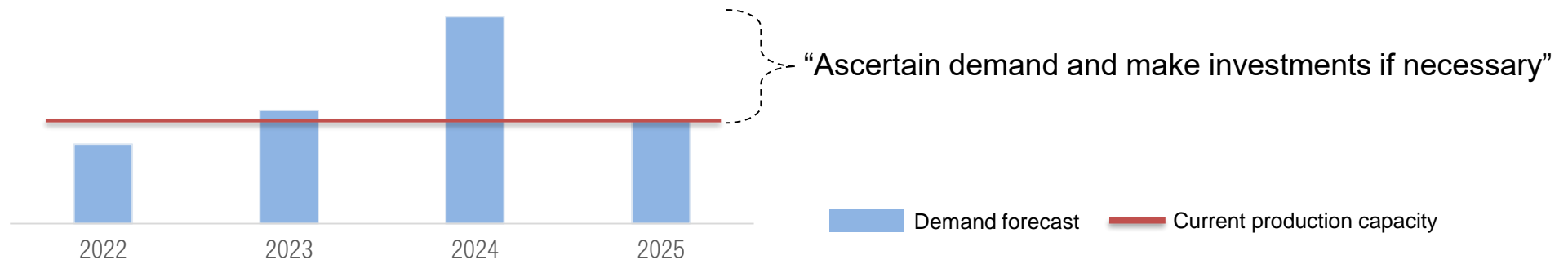
Capture expected demand in each country's market against the backdrop of the clean energy trend

- China : Declared that CO₂ emissions will be reduced by 2030 and aim for carbon neutrality (promotion of nuclear power generation)
- France : Declared the resumption of construction of nuclear power plants (nuclear power will be a pillar of the energy mix in France for the next few decades)
- UK : For nuclear power, promoting not only large reactor construction but also SMR and advanced module reactor (AMR) development
- Central and Eastern Europe: Moves for new plans for nuclear power plants

(2) Determination of demand for enriched boric acid

Ascertain the need for investment because demand may exceed production capacity in association with expansion of demand (complete during the third medium-term management plan period if judged necessary)

[Enriched boric acid production capacity and demand forecast (image)]



IV Initiatives by business field

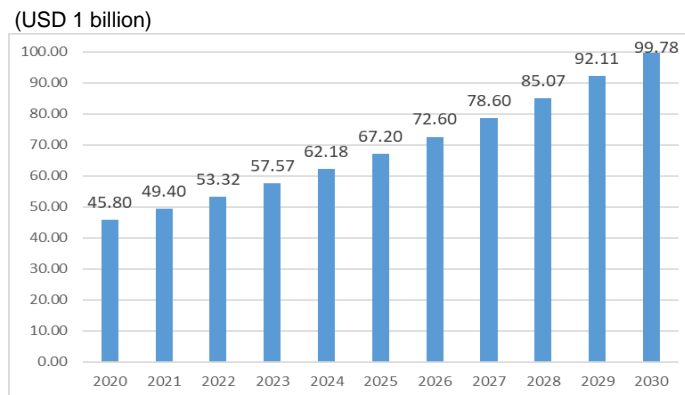
(2) Other fields

<3> Activity policy

(3) Expansion of sales of tin fluoride in growth markets

- Expansion of sales in global oral care markets
- Cultivation of new applications (hoof sterilization of livestock)

[Global oral care market 2020 to 2030 (PRECEDENCE RESEARCH)]



Replace existing ingredients in the oral care market

- ✓ North America
- ✓ South America
- ✓ Asia
- ✓ Oceania
- ✓ Europe
- ✓ Africa

[Cultivation of new applications (hoof sterilization of livestock)]

In the US and Canada, formaldehyde was used as the raw material for bactericidal agents with the conventional foot-bath method, but because it became a regulated substance, users changed to the method of shooting a bactericidal agent containing tin fluoride from a portable gun, etc., or the method of coating it on using robots.

1. High-purity chemical business

- (1) Semiconductor field
- (2) Other fields
- (3) R&D**

2. Transportation business

IV Initiatives by business field

(3) R&D

<1> Directions and themes in the third medium-term management plan

Promote R&D using the elemental technologies that are the company's strengths in growth markets in the medium to long-term

Field	Direction	Elemental technology of the company	Theme
Semiconductors	Develop etching solutions and cleaning solutions matched to the needs of semiconductor manufacturing processes	<ul style="list-style-type: none"> ○ Ultra clean technology 	<ul style="list-style-type: none"> ○ Improvement of chemical solutions in response to the miniaturization of semiconductor devices ○ Development of etching solutions that lead to the improvement of semiconductor manufacturing processes ○ Improvement of the selective etching solutions used in semiconductor manufacturing
Energy	<ul style="list-style-type: none"> ○ Promote the development of battery materials that will solve problems preventing the practical application of future products and that will contribute to higher performance ○ Develop neutron shielding composite materials in the nuclear power field 	<ul style="list-style-type: none"> ○ Closed mass production technology ○ Fluorination technology ○ Enriched boric acid manufacturing technology 	<ul style="list-style-type: none"> ○ Development of materials for all-solid state batteries ○ Development of materials for future secondary batteries ○ Improvement of additives for lithium-ion secondary batteries ○ Development of neutron shielding composite materials
New applications for inorganic fluorine compounds	<ul style="list-style-type: none"> ○ Develop applications for new inorganic fluorine compounds by nanoparticulation ○ Cultivate new fields such as bio-related using fluorination technology 	<ul style="list-style-type: none"> ○ Nanoparticulation technology ○ Nanoparticle dispersion technology ○ Technology for low moisture content in nanoparticle dispersion liquid 	<ul style="list-style-type: none"> ○ Development of cell culture containers ○ Development of phosphor materials for future displays ○ Development of low dielectric constant materials ○ Development of nano fillers for refractive index adjustment

(3) R&D

<2> Issues to work on for promotion

- Establishment of a system to select research themes focusing on originality that lead to early commercialization
- Building of a system that can concentrate on R&D

[Details of activities]

(1) Improvement of R&D processes

- When selecting themes, strengthen cooperation with Sales Department, conduct market research and judge future feasibility
- Strengthen further in prior art surveys and patent management (establishment of specialized human resources)

(2) Creation of a system for mass production technology development for new products whose R&D has finished

- New establishment of a department to carry out small-scale production and mass production technology development

1. High-purity chemical
business

2. Transportation business

<1>Business environment

➤ Semiconductor demand is strong

Shipping volumes of chemicals for semiconductors, the main business of the group, can be expected to show strong growth over the next three years against the backdrop of the growth of semiconductor demand and users' investment plans

Blue Express, which has been entrusted with all of the group's transportation business, will need to respond stably and with certainty

➤ The market for dangerous goods distribution is strong

- Overall, chemical products are maintaining stable demand
- It is understood from the state of inquiries that the market for dangerous goods distribution that the company is working on will trend strongly

Appeal to international intermodal services using our base network and aim to obtain the further trust of customers

➤ Lack of drivers, increased awareness of compliance

- There is a chronic lack of drivers as an overall industry trend
- Improvements to work styles in transport business from April 2024 are being demanded socially, including the upper limit of total annual overtime hours for drivers being applied

It is necessary to secure personnel and implement labor management thoroughly to prevent overwork

<2> Activity policy

(1) Promote efforts emphasizing profitability

- Review low price transactions: Revise fees matched to costs and promote reviews of transactions themselves
- Acquisition of new deals: Respond positively to inquiries, explore further demands from existing consignors, cooperate with other departments, etc.

(2) Establishment of stable business foundations

- Hire personnel with a view to the future while looking at the age structure, and develop managers and executives systematically
- Promote the acquisition of technique and qualifications using external training
- Secure vehicles and containers by type in accordance with needs

(3) Continued strengthening of the compliance system

- Thoroughly prevent dangerous driving and overwork by use of drive recorders and digital tachographs, reviews of operational management work, etc.
- Enhancement of employee education
- Promotion of understanding of related laws and regulations, etc.

1. Promotion of information disclosure required by society as the Prime Market

Background	Purpose	Details of activities
<ul style="list-style-type: none"> ➤ Increase in requests for information disclosure in recent years <p>[Non-financial aspects] (Example) 2021 CGC revision (Efforts for sustainability issues, etc.)</p> <p>[Financial aspect] (Example) 2019 Principles for the disclosure of descriptive information (Enhancement of segment information in securities reports, etc.)</p> <ul style="list-style-type: none"> ➤ Transfer to the Prime Market from 2022 Further enhance information disclosure including sustainability-related information 	<ul style="list-style-type: none"> ➤ Respond to market disclosure requests as a Prime Market listed company ➤ Implement the company-style sustainability management ➤ Consider and transmit a medium to long-term value creation story ➤ Secure stable shareholders, reduce capital costs, and improve corporate value 	<ul style="list-style-type: none"> (1) Sustainability management <ul style="list-style-type: none"> ➤ Identification of materialities ➤ Consideration of the ideal situation in the medium to long-term ➤ Implementation of climate change scenario analysis (2) Integrated reports <ul style="list-style-type: none"> ➤ Preparation for the production of integrated reports (3) Strengthening of other information disclosure <ul style="list-style-type: none"> ➤ Information disclosure in line with TCFD requests ➤ Arrangement of matters to strengthen disclosure ➤ Consideration of content and publication



2. Promotion of the digitalization of work

Background	Purpose	Details of activities
<ul style="list-style-type: none"> ➤ Increase efficiency further by digitalizing work processed in an analog tool flow 	<ul style="list-style-type: none"> ➤ Increase productivity, contrive man-hours for new initiatives and connect that to improvements in the quality of work 	<ul style="list-style-type: none"> ➤ Consideration and verification of improvement plans ➤ Implementation of digitalization



Response to social demands and strengthening of management foundations

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