



December 20, 2023

To whom it may concern

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Securities Code : 4109 Tokyo Stock Exchange Prime Market
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About the Action to Implement Management that is Conscious of Cost of Capital and Stock Price

In response to the request from the Tokyo Stock Exchange with respect to the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”, the Company has analyzed the current situation regarding factors such as cost of capital and profitability, and has reviewed its response policies.

At the Board of Directors meeting held today, a resolution was passed regarding analyzing the current situation and policies for enhancing corporate value. This information can be found in the attached document.

Note: This document (including the attached) is a translation of the original document in Japanese and provided for reference purposes only. In the event of any discrepancy between this English translation and the original document in Japanese, the original document in Japanese shall prevail.

Acceleration of Management that is Conscious of Cost of Capital and Stock Price

- Analysis of Current Situation and Initiative Policies
for Enhancement of our Corporate Value -

December 20, 2023
Stella Chemifa Corporation
(Securities code:4109)

Analysis of current situation · Issues ~ ① Profitability · Capital structure

	Key Indicators FYE3/2023	Issues
Profitability	ROIC 5.1% ROE 5.4%	There has been a high level of volatility in business results from year to year due to the impact of raw material prices, semiconductor market conditions, etc., and as a result, we have not been able to record stable sustained returns exceeding the cost of capital. Challenges include improving the operating margin on sales and the turnover of invested capital.
Capital structure	D/E Ratio 0.10 Equity Ratio 77.3%	The equity ratio rose to 77.3% at the end of March 2023. However, the D/E ratio fell to 0.10 as a result of steady repayment of interest-bearing debt. Although we have sufficient financial soundness, B/S control such as shareholders' equity and interest-bearing liabilities is an issue for improving capital efficiency.



Analysis of current situation · Issues ~ ② Cost of Capital

The cost of capital applied internally has been operated at a constant level during the medium-term management plan (three years). Challenges include reducing beta(β) and improving capital structure by actively utilizing interest-bearing liabilities

<<2nd Medium-Term Management Plan–3rd Medium-Term Management Plan>> *FYE3/2020–3/2025

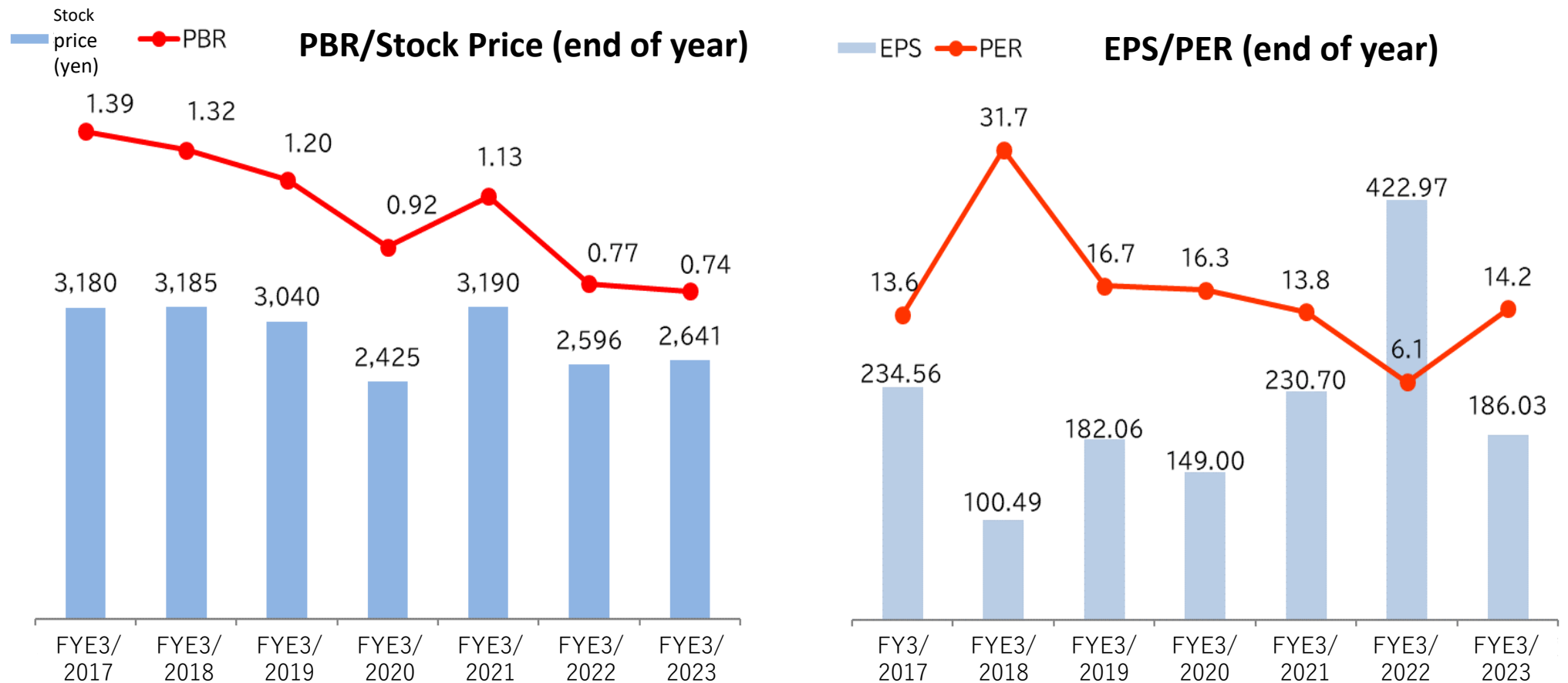
- Debt cost : Approx. 0.75% to 1.25%
- Cost of equity : Approx. 8.00% to 8.50%
- Weighted average cost of capital (WACC): Approx. 6.50% to 7.00%

<<Utilizing cost of capital>>

- As an indicator for profitability, we have set ROIC targets since the 3rd medium-term management plan and aim to maximize the ROIC spread.
- In principle, the hurdle rate when conducting investment profitability assessments is based on WACC.

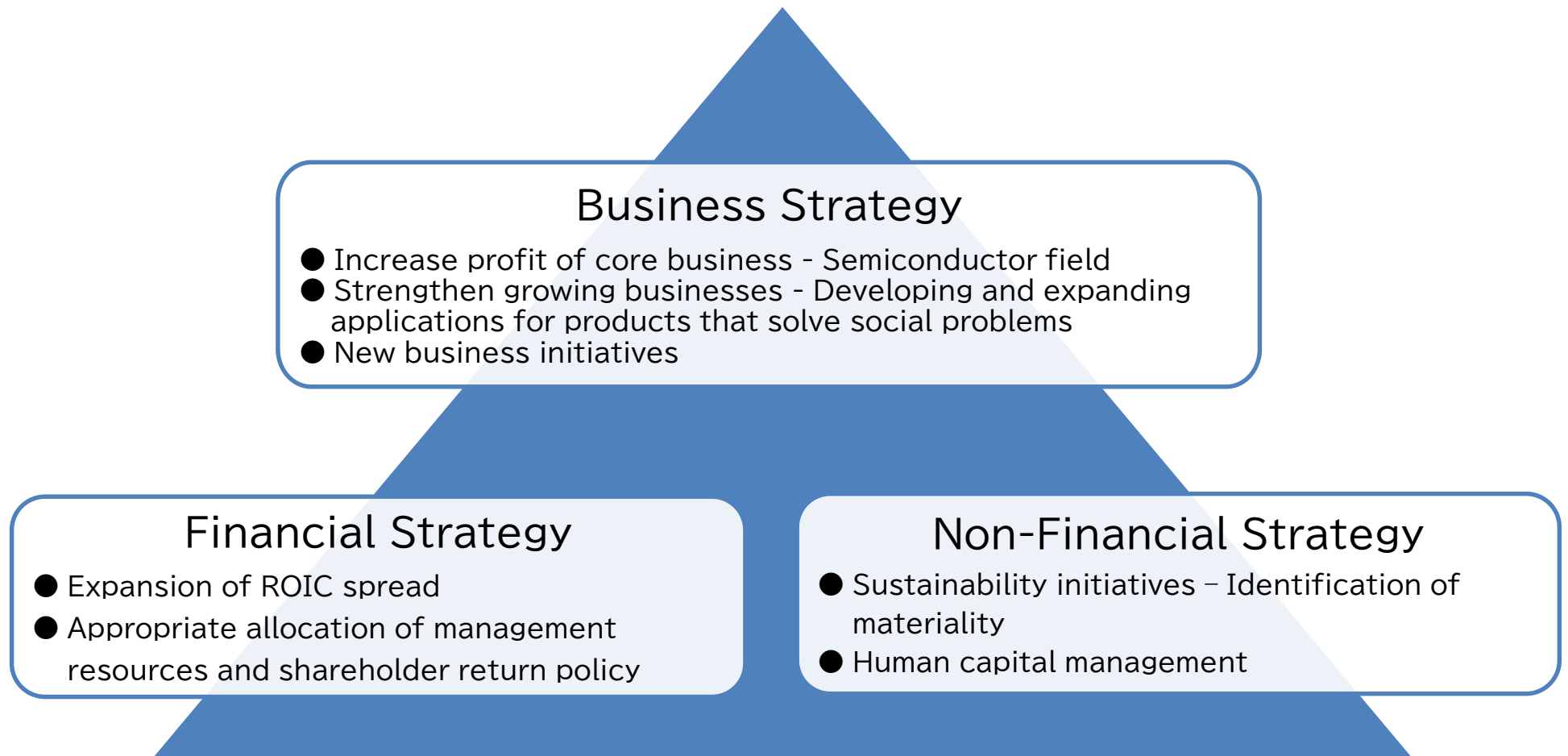
Analysis of current situation · Issues ~ ③ Market valuation (PBR·PER)

Since FYE3/2022, PBR has been below 1.0. Challenges include further strengthening profitability, posting stable returns that exceed the cost of capital, and improving the market valuation of growth potential



Initiatives for Improving Corporate Value

Based on the premise of maintaining financial soundness, we aim to achieve PBR greater than 1.0 by improving and expanding excess profits through the steady implementation of measures to (1) improve profitability and (2) improve the balance sheet in order to enhance corporate value



Specific Targets

During the current medium-term management plan period, we will steadily advance our strategies for enhancing corporate value and set medium- to long-term targets based on the income and expenditure and investment plans in the next medium-term management plan

FYE3/2023–3/2025 Medium-Term Management Plan Period

	FYE3/2023 Results	FYE3/2024 Initial Plan	FYE3/2025 Medium- Term Management Plan (Announced in May 2022)
Sales	35.3 billion yen	32.3 billion yen	40.0 billion yen
Operating income	3.5 billion yen	2.8 billion yen	5.5 billion yen
Operating margin	9.9%	8.7%	13.8%
ROIC	5.1%	–	7.3%
ROE	5.4%	3.8%	–
D/E ratio	0.10	Aiming for a rebound after bottoming out in FYE3/2023	
Total return ratio	91.4%	Aiming for 100% in FYE3/2024 and FYE3/2025 (May 9, 2023 release)	

Business Strategy ~ ① Profit increase of core business

◇Key measures of the third medium-term management plan

【Semiconductor field】

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

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

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

Business Strategy ~ ②Strengthening of growing business

◇Key measures of the third medium-term management plan

【Other Fields】

Expansion of sales of enriched boric acid and implementation of capital expenditures

- (1) Expansion of sales of enriched boric acid
Capture expected demand in each country's market against the backdrop of the clean energy trend
- (2) Investment in response to growing demand
Develop and improve existing facilities to establish a stable supply system with a view to expanding demand

Expansion of sales of tin fluoride in growth markets

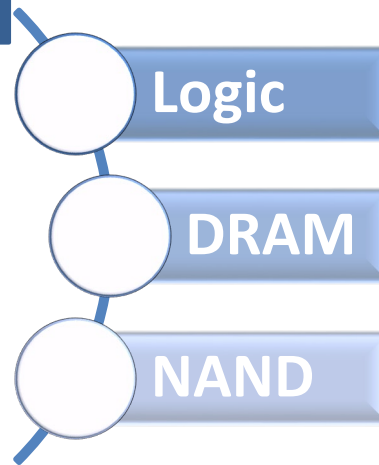
- (1) Expansion of sales in global oral care markets
- (2) Cultivation of new applications
(hoof sterilization of livestock)

Business Strategy ~ ③ New Initiatives

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

Chemicals for semiconductors

- In addition to miniaturization, the scaling of semiconductor devices is advancing due to technological innovations such as three-dimensional structures and the application of new materials.
- Focusing on logic and memory. We are promoting the development of functional chemical solutions that can contribute to technological innovation.
- We are continuing to focus on initiatives to guarantee extremely small particles to adapt to the manufacture of nanoscale semiconductor devices.

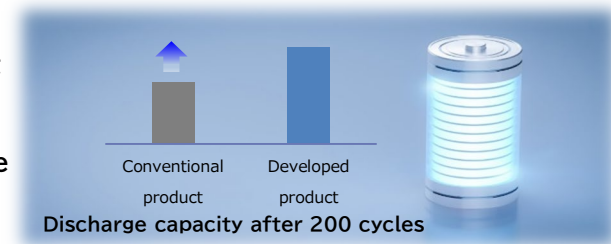


Electrolyte additive for lithium-ion secondary batteries

- Application to high capacity Ni (Nickel) based positive electrode materials
- Control of deterioration in response to high voltages and high temperature loads
- A prototype is currently being prepared for sample work

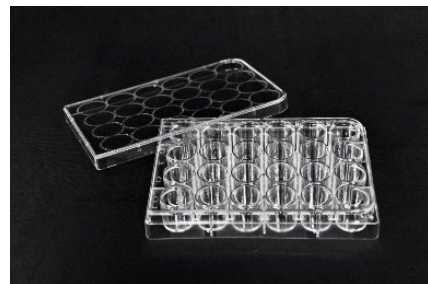
Characteristics of the additive under development

- ✓ Improvement of cycle characteristics
- ✓ Reduction of resistance
- ✓ High temperature resistance



Cell culture vessel

- We have developed cell culture plate applying the company's unique surface processing technology cultivated in high-purity chemicals business.



The developed cell culture plate

General product

cell

Cells do not adhere

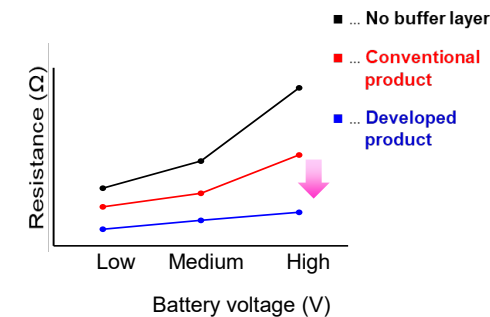
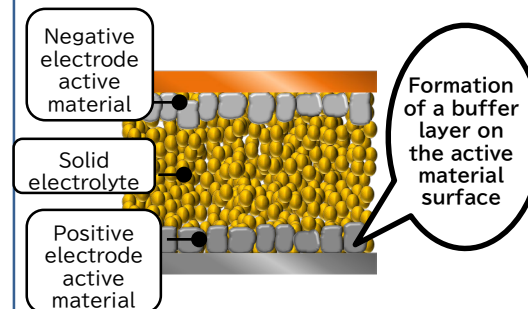
Product developed by the company

Cells adhere and proliferate

Formation of chemically uniform and stable culture substrate

Material for all-solid-state batteries

- We are currently promoting the development of a material for the higher performance of all-solid-state batteries.
- Approaches to facilitate electrode reactions at the positive active material-electrolyte interface



Business Strategy ~ ③ New Initiatives

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

Phosphor-related Materials

●The expansion of needs is expected, using the merits of phosphor, which is more stable than quantum dots.

Rate of maintenance of internal quantum efficiency



50% up against the company's product

Our conventional prototype Developed product

After storage at 85 degrees celsius and 85% RH for 1,000 hours

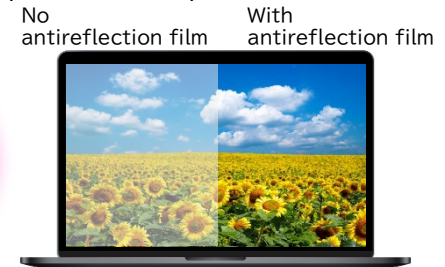
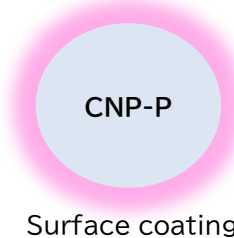
<Digital signage> <On-vehicle Display> **Success in the improvement of durability**
⇒ currently promoting sample work for customers

High-performance fluoride materials (nanomaterials)

●“CNP-P” fluoride nanoparticle dispersion solution with low refractive index for antireflection film
●We have developed “CNP-PS1,” which contributes to the improvement of film strength, and have started the shipment of samples.

- ✓ Fluoride nanoparticles
- ✓ Low refractive index
- ✓ Chemical resistance
- ✓ **Increased film strength**

【CNP-PS1】

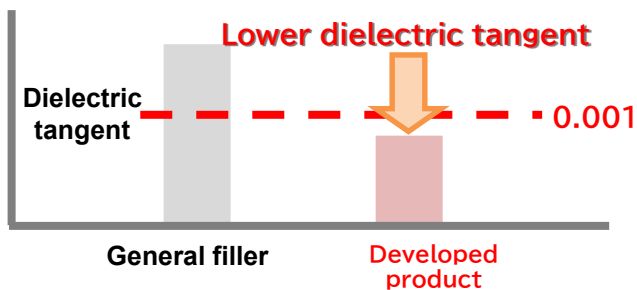


Surface coating

* The screen is an image.

PCB Materials (Low Dielectric Constant Materials)

●Development of low dielectric fillers for high frequency substrates



Success in the development of a new high-performance filler (dielectric tangent of 0.001 or lower @ 10 GHz)
We are promoting customer evaluations as a substrate material for high frequency use

Antistatic agent

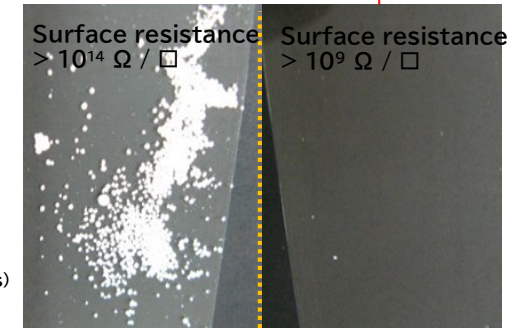
●Using our ionic compound synthesis technology, we developed a highly pure material able to provide excellent antistatic performance.



The company's developed product (AS series)

The growth of the market for antistatic agents is expected due to the rapid industrialization and significant growth of the electronics industry in emerging economies.

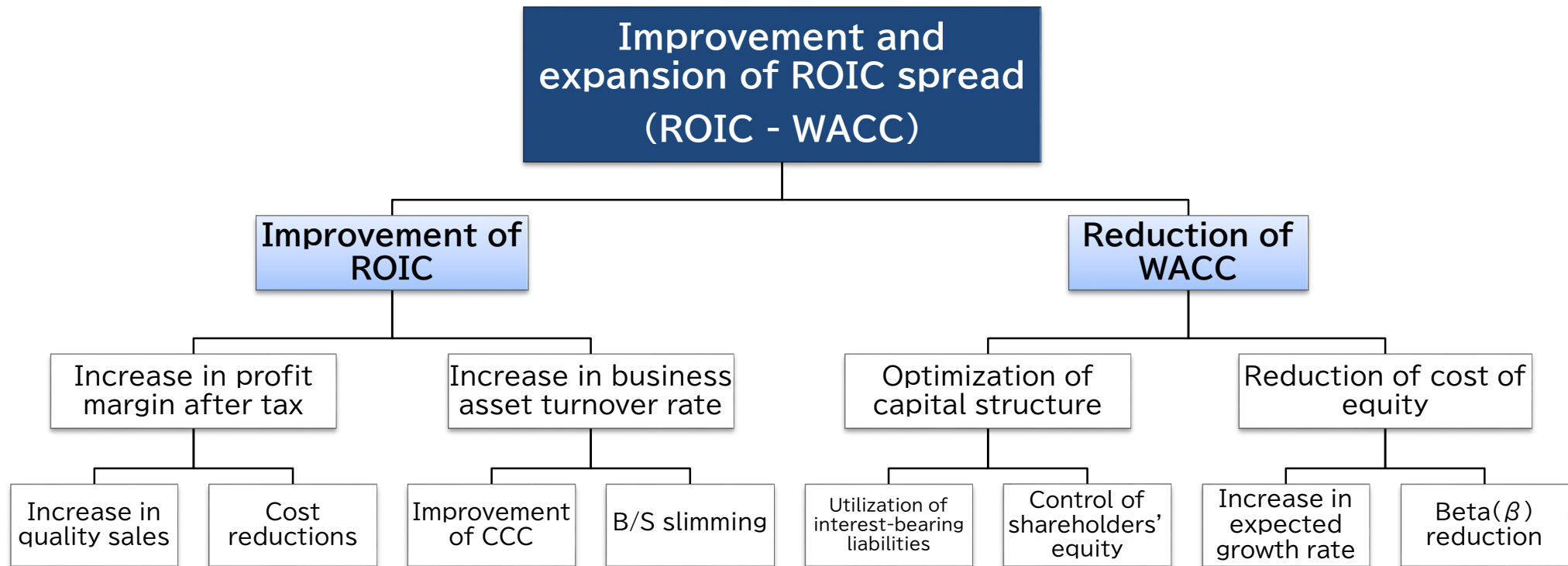
Unprocessed Resin powder adheres to the whole surface **Antistatic agent application** Virtually no adhesion of resin powder



Antistatic testing with the company's developed product

Financial Strategy - ① Expand ROIC Spread

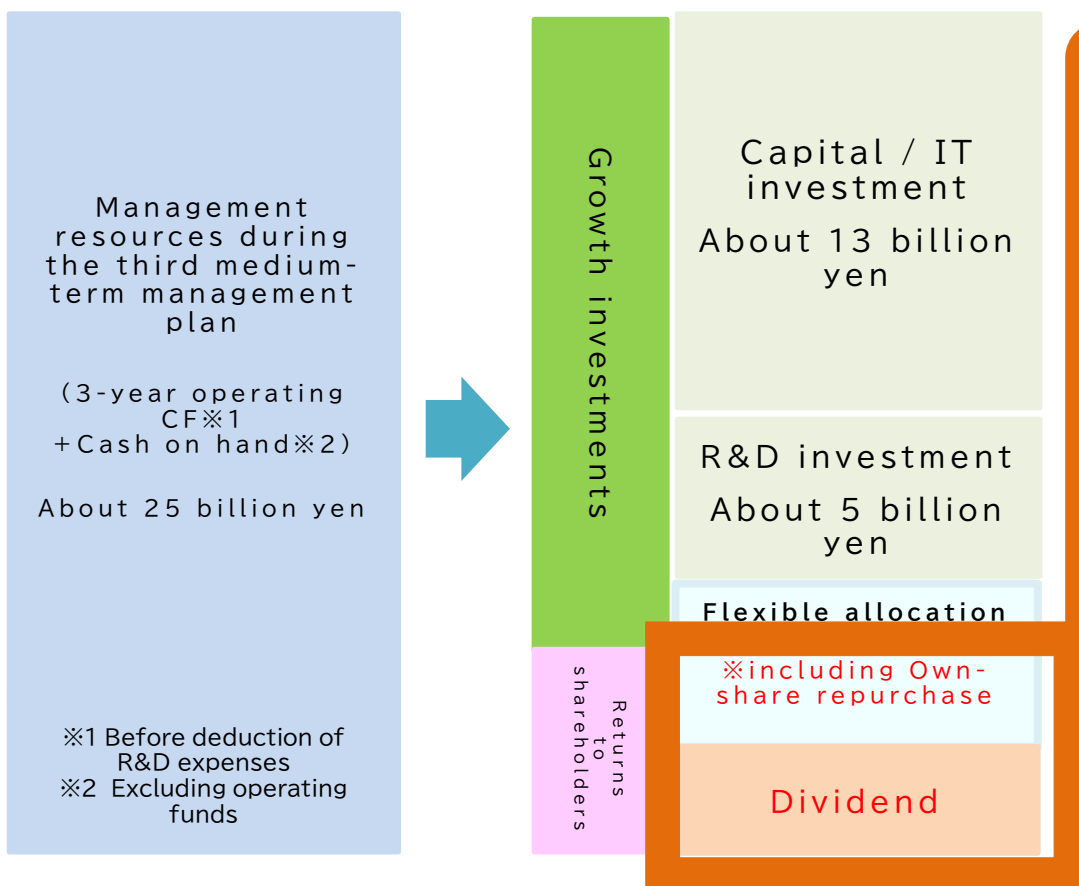
Promote measures to improve ROIC and reduce the cost of capital (WACC) in parallel in order to improve and expand ROIC spread as quickly as possible



Financial Strategy ~ ② Allocation of management resources

Implement growth investments and shareholder return in a balanced manner with awareness of a long-term perspective towards capital efficiency, profitability and sustainable growth for enhancement of the corporate value.

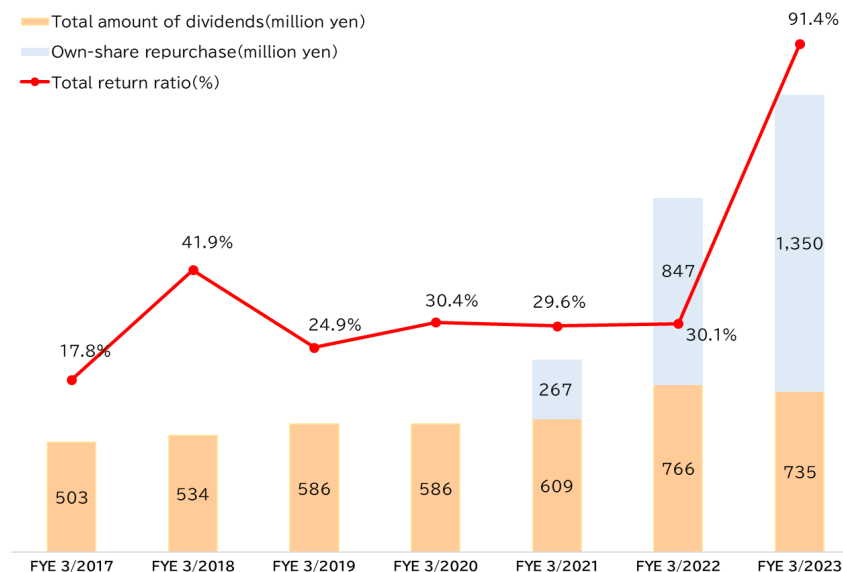
Medium-term management plan FYE3/2023 - FYE3/2025



Shareholder Return Policy (Released on May 9, 2023)

In addition to balancing growth investments and Shareholder returns, in order to improve capital Efficiency, the company will aim for a total return Ratio of 100% with an applicable period (FYE 3/2024 and FYE 3/2025).

Shareholder Return / Total Return Ratio



Non-Financial Strategy - ① Sustainability Initiatives

Strive to achieve a sustainable society and enhance corporate value through business activities

E/S Contribute through business



- Create and provide products that contribute to solving social issues
- Improve customer satisfaction by ensuring product quality and safety

E Respond to climate change and conserve the environment



- Adaptation to and mitigation of climate change
- Conservation of air, water, and soil environments
- Respond to water risks

S Create a safe and rewarding environment



- Employee well-being
- Strengthen human capital
- Occupational safety and health, security and disaster prevention

S Respect for human rights



- Respect for human rights in business

G Strengthen governance to enhance corporate value



- Strengthen corporate governance
- Compliance and anti-corruption
- Appropriate disclosure of corporate information

Non-Financial Strategy ~ ② Human Capital Management

Strive for sustainable growth and improvement of medium- to long-term corporate value by strengthening human capital and realizing employee well-being

Human Resources Development Policy

Our company recognizes that people are the driving force for sustainable growth.

We therefore employ a diverse range of human resources, regardless of gender, nationality, career, etc., and strive to develop responsible and autonomous human resources who can think and act on their own by taking into account various ideas, experiences, and values to enhance each individual's strengths and individuality.

Preparation of In-house Environment Policy

Our company believes in the further improvement of individual performance by creating an internal environment in which each employee can work in a healthy and rewarding manner, which in turn will lead to our sustainable growth and improve corporate value over the medium- to long-term.

We will continuously strive to provide a work environment and develop diverse human resource policies so that each employee is healthy, both physically and mentally, motivated to work, and can lead a fulfilling life both at work and in private.

Enhancing IR ~ Disclosure and Constructive dialogue

Strive to resolve information asymmetry by strengthening the disclosure of quantitative and qualitative information and expanding opportunities for dialogue with shareholders and investors

(1) Strengthen disclosure of quantitative and qualitative information

- Enhance materials introducing company business
- Active use of PR releases
- Strengthen English disclosure
Focus on simultaneous disclosure together with Japanese
 - ▶ Summaries of financial results
 - ▶ Timely disclosure
- Enhance disclosure of non-financial information
 - ▶ “Notice Concerning Identification of Materiality and Information Disclosure Based on TCFD Recommendations” (Announced December 20)
 - ▶ Human Capital

(2) State of dialogue with shareholders and investors (FYE3/2023 results)

- Main responders: President and Representative Director, Director in charge of R&D, Director in charge of accounting, IR personnel
- Summary of shareholders engaged in dialogue:
Mainly institutional fund managers and analysts
 - ✓ Financial results briefings: 2 times (May and November), 24 participants
 - ✓ Individual meetings: (domestic and international institutional investors) 47 times
- Key topics of dialogue and shareholder interest:
Performance, semiconductor market outlook, feedstock price trends, growth strategies based on management resource allocation, financial strategies, research and development, etc.
- Feedback for management and the Board of Directors:
The content of dialogues with shareholders and investors is recorded in a timely manner, and feedback is provided to senior management when necessary. It is then incorporated into the development of strategies and information disclosure.

Disclaimer

The matters concerning results forecasts presented in this document were prepared based on information available as of the date of publication and do not guarantee future results. Actual results may differ from the expected figures due to various factors in the future.

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