For immediate release

February 7, 2025

Notice regarding Medium-Term Business Plan

Tokyo, February 7, 2025 – KH Neochem Co., Ltd. (TSE: 4189, President and CEO: Michio Takahashi, "KH Neochem") announced that KH Neochem Group has formulated the 5th Medium-Term Business Plan (MTBP) "Toward a New Growth Stage" covering the three-year period from the fiscal year ending December 2025 to the fiscal year ending December 2027.

KH Neochem Group is committed to promoting various measures to realize our VISION 2030: "A Leading Global Specialty Chemical Company."

In the 5th MTBP, we will drive business expansion, particularly in performance chemicals (performance materials + electronic materials), which are expected to see continued growth. We will also accelerate new products and business creation more than ever before.

Basic Strategies

I. Enhancement of earning power
II. Efforts toward future growth
III. Reinforcing the corporate infrastructure

We have set numerical management targets of achieving consolidated operating income of 16.5 billion yen, consolidated EBITDA of 23.6 billion yen, and ROE of 15% for fiscal year 2027. Furthermore, to demonstrate steady growth over the three-year period, we also set targets of achieving accumulated consolidated operating income of 44.9 billion yen and accumulated consolidated EBITDA of 65.3 billion yen during this period.

For details, please refer to the attached document, "The 5th MTBP: Toward a New Growth Stage."

###



The 5th Medium-Term Business Plan

（FY2025～FY2027)

Toward a New Growth Stage

February 7, 2025

KH Neochem Co., Ltd.

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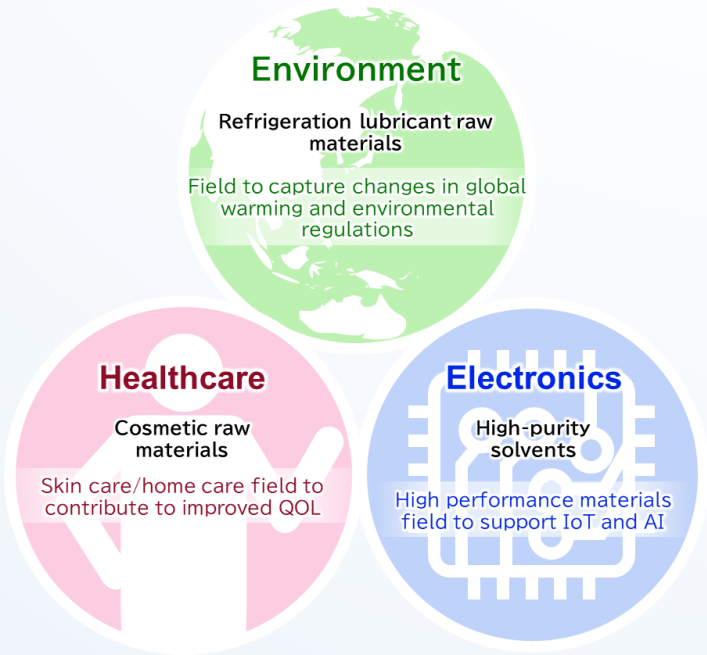
KH NeoChem

A Leading Global Specialty Chemical Company

Our Ambitions

1. Provide specialty chemicals that contribute to the reduction of global warming and a better quality of life
2. Expand the lineup of products with the largest global share and new businesses in three strategic domains
3. Achieve top-class profitability in the chemical industry

Strategic Domains



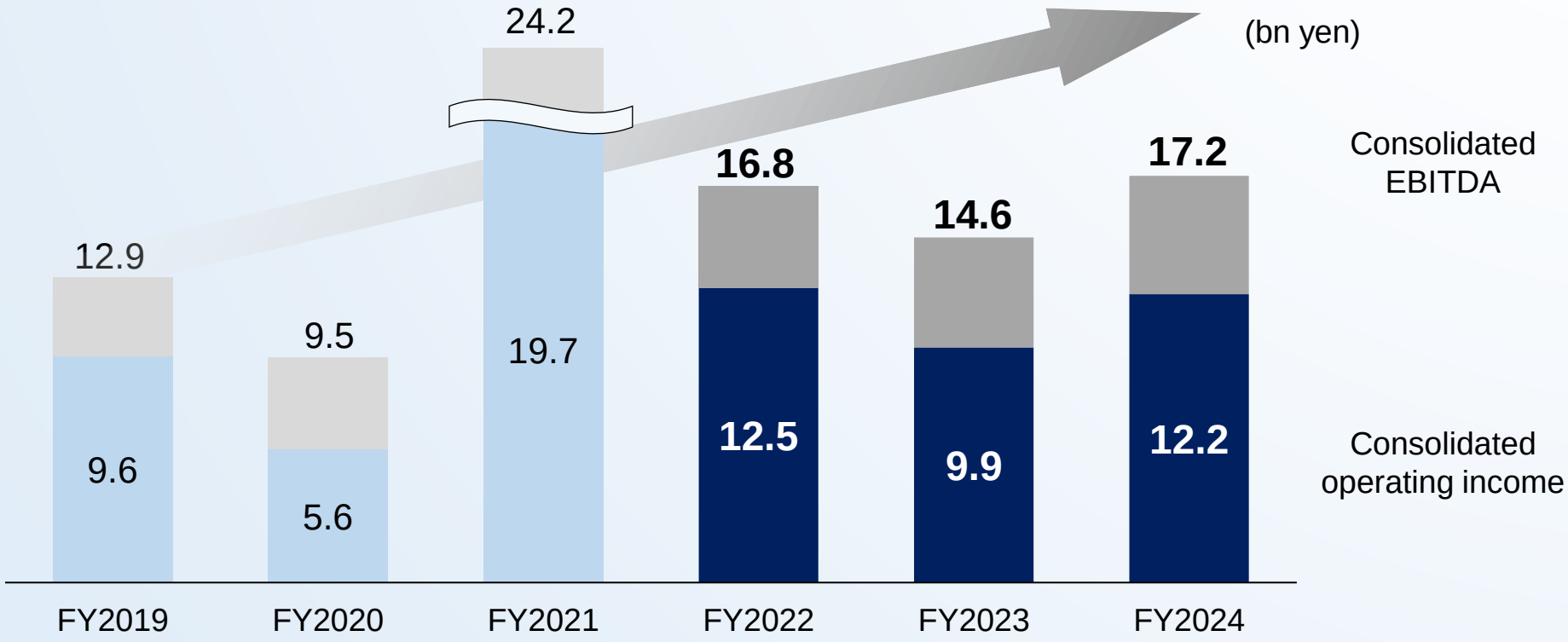
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Review of the 4th MTBP

Accumulated consolidated EBITDA reached an all-time high over the three-year period, even in the face of challenging business conditions

Three-year accumulated consolidated EBITDA

The 3rd MTBP	**The 4th MTBP**
46.6 bn yen	**48.5 bn yen**



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Review of the 4th MTBP

Despite the considerable changes in the business environment since their formulation, the measures for future growth have been steadily implemented

Strategy I. Further Growth in the Strategic Domains

- Construction was completed to expand production facilities for refrigeration lubricant raw materials, representing the largest investment to date
- In the field of high-purity solvents for electronic materials, a new quality control building with the industry's highest-standard clean room has been established, and SPC* was launched
- Construction was completed for the expansion of facilities for next-generation semiconductor materials (Kurogane Kasei Co.,Ltd.)

Strategy II. Medium-and Long-Term Initiatives to Resolve Social Issues

* SPC: Statistical Process Control

- A decision was made to invest in CO_2 recovery equipment at the Chiba Plant
- The search for new products and businesses was progress through investments in and collaboration with startups

Strategy III. Improvement of Business Framework

- A predictive diagnosis system was introduced to detect signs of equipment failure
- A job-based personnel system was introduced for general employees
- We became a company with an Audit and Supervisory Committee

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The 5th Medium-Term Business Plan

Toward a New Growth Stage

Environment Recognized for the 5th MTBP

- Although the global economy is expected to grow steadily, centered on emerging Asian countries, there is a concern that the prolonged conflict, expansion of protectionist policies, and prolonged economic stagnation in China will continue to cause uncertainty
- In the global petrochemical industry, the worsening supply and demand balance caused by successive facility expansions in China has led to a long-term slump in international markets, leading to industry restructuring within Japan.

< External environment related to the company's business >

Functional Materials	The air conditioner market related to refrigeration lubricant raw materials continues to expand
Electronic Materials	The semiconductor market continues to expand, driven by cutting-edge applications such as AI
Basic Chemicals	Although the domestic automobile and housing markets are robust, competition is intensifying due to an influx of foreign products into Japan
New Products and Businesses	Businesses that address social issues in strategic domains are growing

"Toward a New Growth Stage", capitalizing on the opportunities presented by changes in the environment

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The 5th MTBP

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Basic Policy

Toward a New Growth Stage

Basic Strategy

Strategy I	Enhancement of earning power
Strategy II	Efforts toward future growth
Strategy III	Reinforcing the corporate infrastructure

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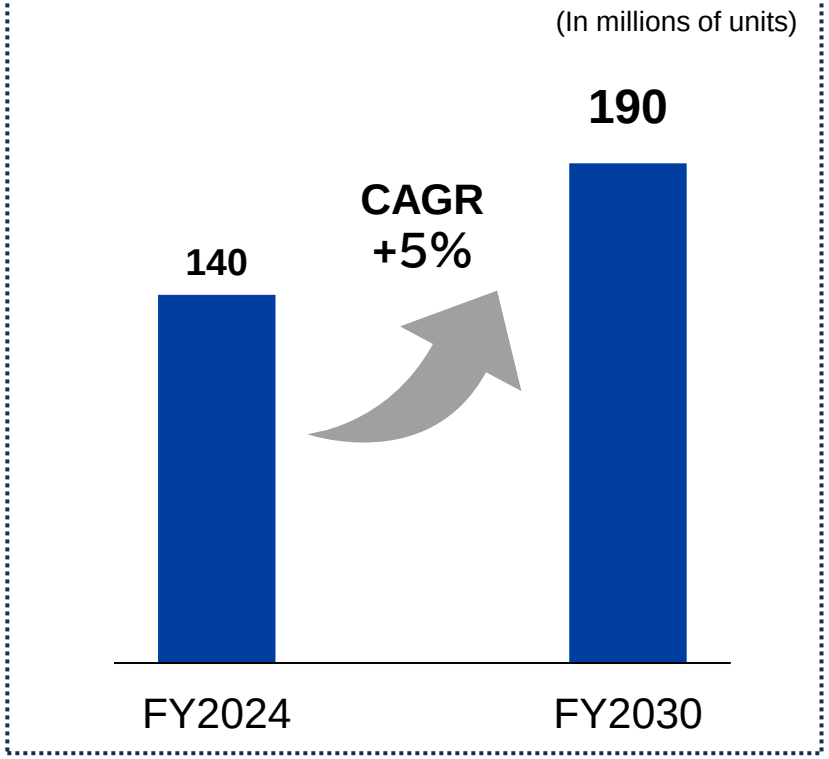
Strategy I Enhancement of earning power

- Performance Materials
- Electronic Materials
- Basic Chemicals

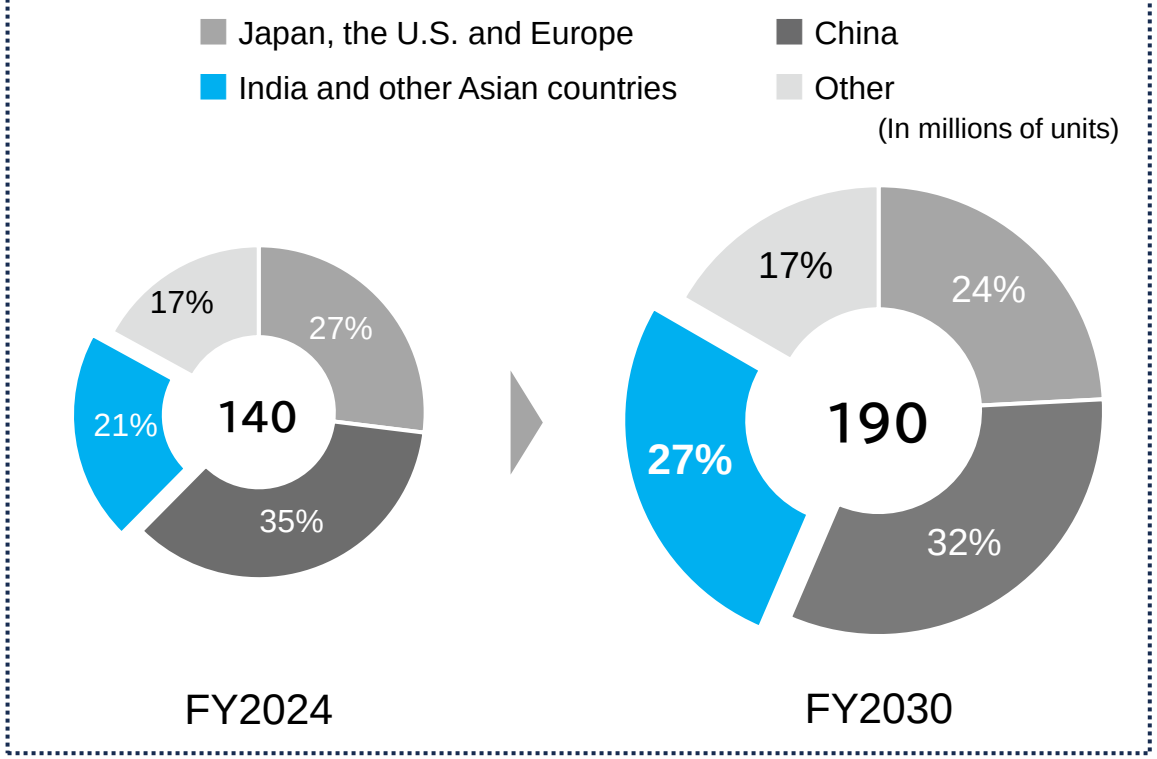
Strategy I Enhancement of earning power
: Performance Materials

The air-conditioning market is projected to experience sustained growth.
India and other regions of Asia are demonstrating a particularly robust expansion

Global air-conditioning market



Share of the air-conditioning market by region



Source: Estimates of the Company based on JARN（Excluding car air conditioners）

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Strategy I Enhancement of earning power
: Performance Materials

Contributing to promoting environmentally friendly air conditioners through the use of refrigeration lubricant raw materials

Refrigerant transition and refrigeration lubricant combinations

Refrigerants	R22		R410A	R32	HFO
Depletion of the ozone layer	Yes	▶	No	No	No
GWP※	1,810		2,090	675	Single Digits
Refrigeration Lubricant	Petroleum based Other company's products		Synthetic KH NeoChem Use our refrigeration lubricant raw materials		

※ GWP（**G**lobal **W**arming **P**otential）



Chiba Plant production facilities
(expanded in 2024)



Yokkaichi Plant production facilities
(expanded in 2020)

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Strategy I Enhancement of earning power
: Performance Materials

Enhance production capacity for refrigeration lubricant raw materials to support global market expansion

[Our Company Policy]

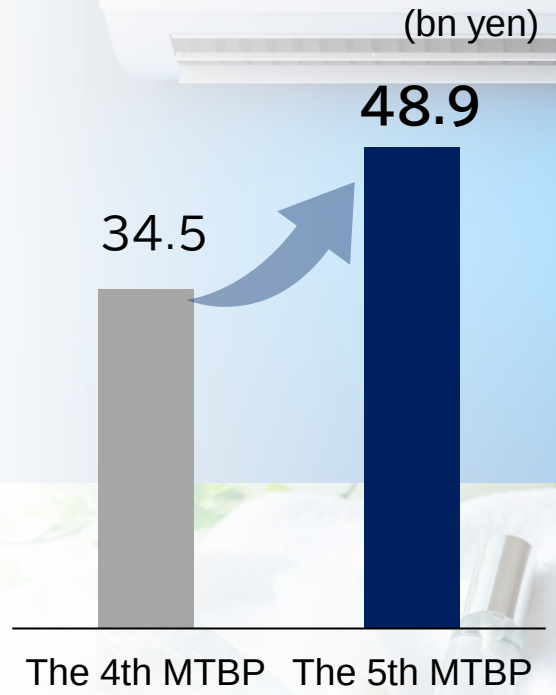
< Refrigeration lubricant raw materials >

- Utilize our world-class production capacity and global distribution bases to capture growing demand
- Improve productivity by promoting the procurement of highly cost-competitive raw materials and introducing new technologies

< Other >

- Expand sales of cosmetic raw materials by capturing the increase in domestic inbound demand and strengthening overseas sales by utilizing local sales networks, etc.

EBITDA in the Functional Materials field



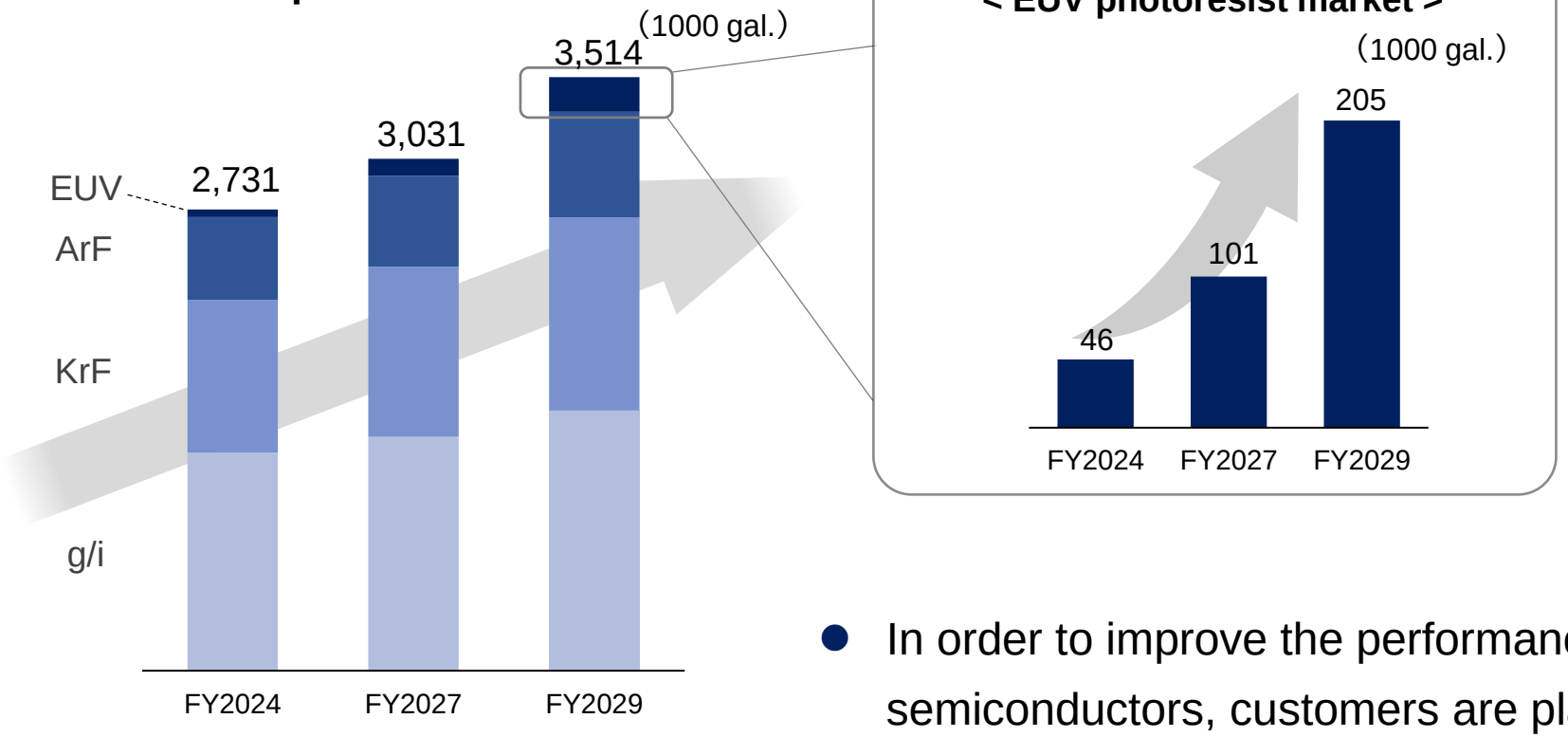
* These figures are before the allocation of company-wide common administration expenses, etc.

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Strategy I Enhancement of earning power
: Electronic Materials

Market expansion is centered on cutting-edge applications, such as AI.
There is growing demand for quality enhancement

< Global photoresist market >



< EUV photoresist market >

Source: Fuji Keizai, 2024, Current State and Future Outlook of the Semiconductor Materials Market

- In order to improve the performance and yield of semiconductors, customers are placing increasing demands on quality.

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Strategy I Enhancement of earning power
: Electronic Materials

In the expanding semiconductor market, we aim to enhance added value

[Our Company Policy]

- Expand sales of high-purity solvents, mainly for semiconductors in the cutting-edge field, and aim to increase added value by respond to quality needs in response to technological advances.
- Proactively capture demand for cutting-edge semiconductor materials by utilizing our equipment for next-generation semiconductor materials

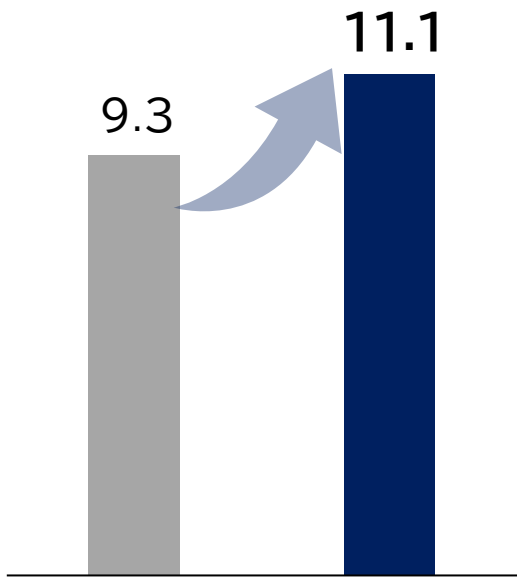


Quality Control Building, Yokkaichi Plant
(Constructed in 2022)
Photo: Shona Mitsui (Kawasumi & Kobayashi Kenji Photo Office)



Equipment for next-generation semiconductor materials
(Kurogane Kasei Co.,Ltd. :Established in 2022)

EBITDA in the Electronic Materials field



* These figures are before the allocation of company-wide common administration expenses, etc.

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Strategy I Enhancement of earning power
: Basic Chemicals

**Despite the ongoing challenging business environment,
secure revenue through the optimization of production and logistics processes, etc.**

[Business Environment]

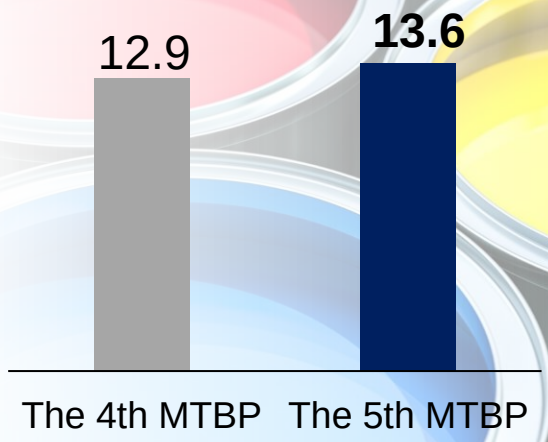
- The construction of new OXO plants in China, among other factors, has impacted the supply-demand balance in the Asian region, leading to a sustained influx of inexpensive overseas products into Japan

[Our Company Policy]

- As one of Japan's leading OXO manufacturers that support key industries such as automobiles and housing, we will ensure stable supply and profits in order to fulfill our social mission.
  - ➢ To secure revenues, it is essential to make productivity improvements, optimize the logistics framework, strengthen initiatives with raw material manufacturers, and implement appropriate sales pricing policies

EBITDA in the Basic Chemicals field

(bn yen)



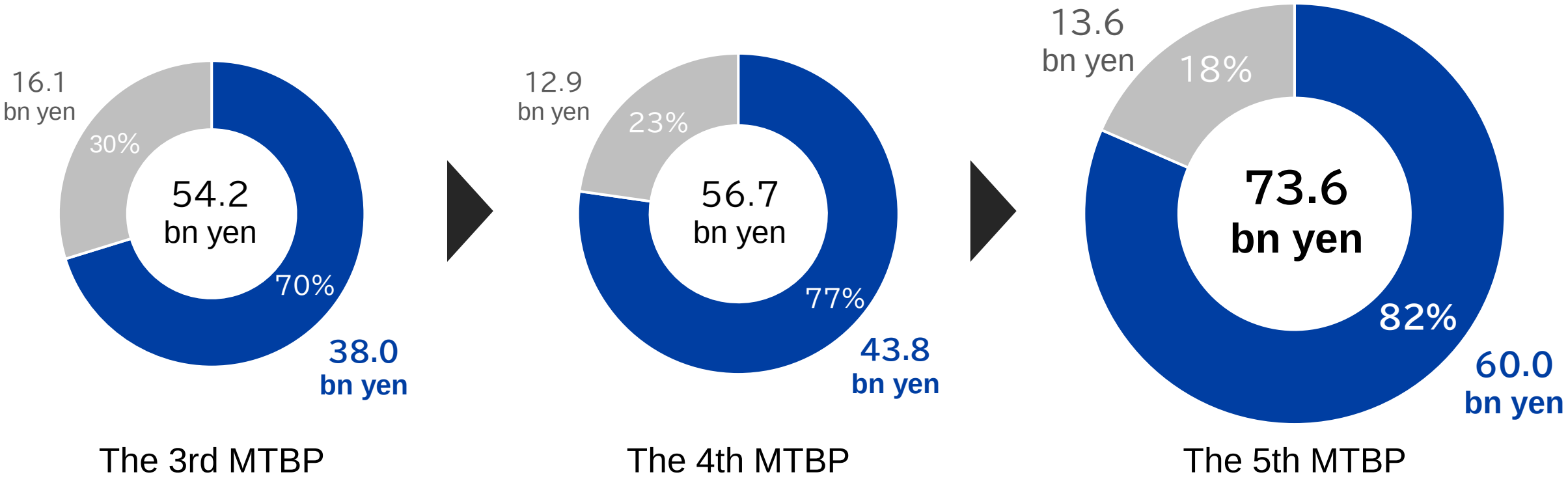
* These figures are before the allocation of company-wide common administration expenses, etc.

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Strategy I Enhancement of earning power

**Further Increasing the Share of Functional Chemicals,
Resistant to External Environmental Changes**

Three-year accumulated consolidated EBITDA



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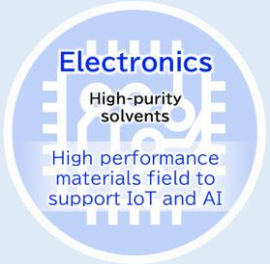
Strategy II Efforts toward future growth

- New Products and Businesses
- Carbon Neutrality

Strategy II Efforts toward future growth
: New Products and Businesses

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From the searching stage to the business creation stage

	Environment	Healthcare	Electronics
Strategic Domains			
Social issues	Prevention of global warming Marine plastic pollution	Provision of high value-added pharmaceuticals	Enhanced optical functions through the utilization of IoT and AI
New business	Marine biodegradable resin (PHB)	Biopharmaceutical raw materials (Glycans)	High-performance optical lens (Alicyclic compound)

<u>Further enhancement of corporate value</u>

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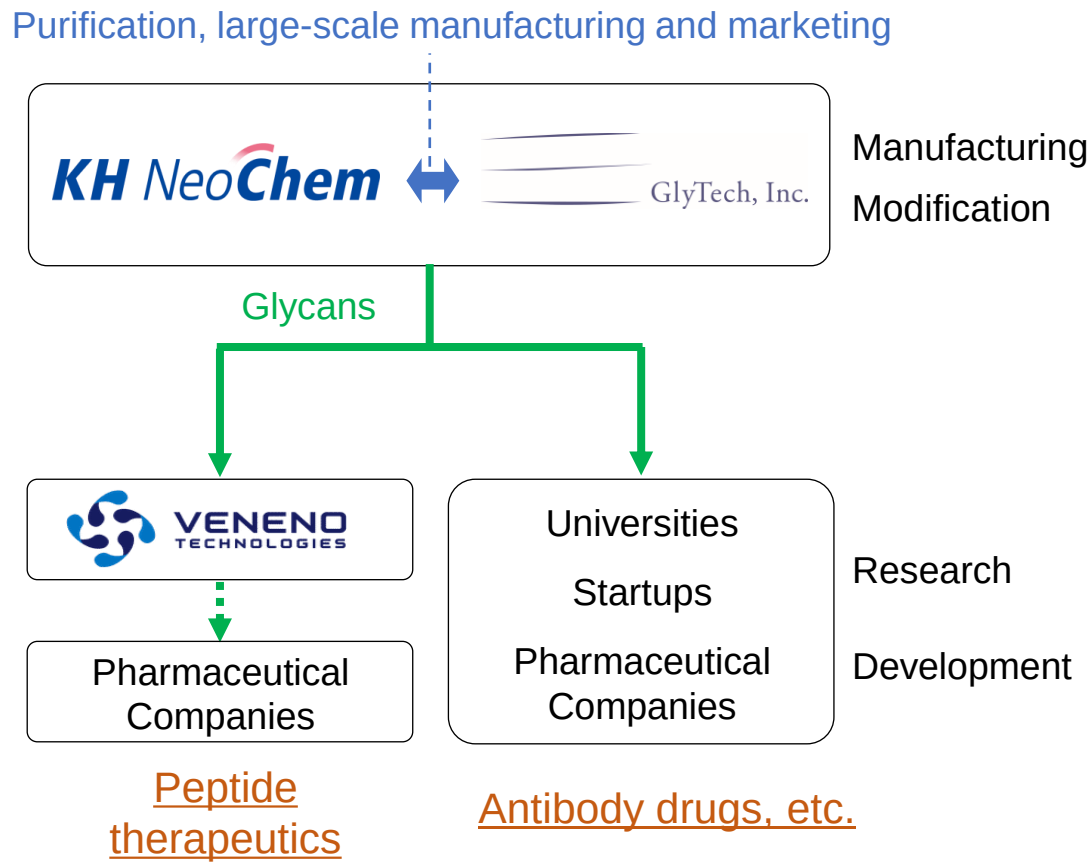
Strategy II Efforts toward future growth
: New Products and Businesses

Initiatives for new business creation centered on manufacturing technology



＜Biopharmaceutical raw materials (Glycans)＞

- Possession of a glycan library with more than 100 types
- Acquisition of large-scale manufacturing technology of glycan as a 'manufacturer'
  - ➢ Establishing kg-scale manufacturing technology of glycans which was previously difficult
  - ➢ Enhancing collaboration with external entities such as GlyTech, Inc. and Veneno Technologies Co. Ltd. to enable the utilization of glycans in biopharmaceuticals through modification, evaluation and manufacturing

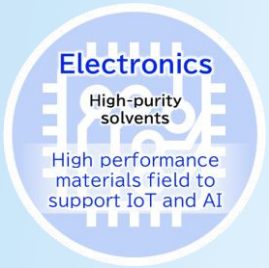


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Strategy II Efforts toward future growth
: New Products and Businesses

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New materials needed for the AI and Eco era



＜High-performance optical lens (Alicyclic compound)＞

- With the acceleration of IoT and AI, high-performance small cameras for mobile phones and automotive applications have become essential
- Developing alicyclic compounds with excellent heat resistance and other properties, manufactured using oxo technology, with a focus on optical lenses
  - ➢ Accelerating efforts toward commercialization, including trial production at pilot facilities and customer evaluation with paid samples, aiming for facility implementation as early as FY2027



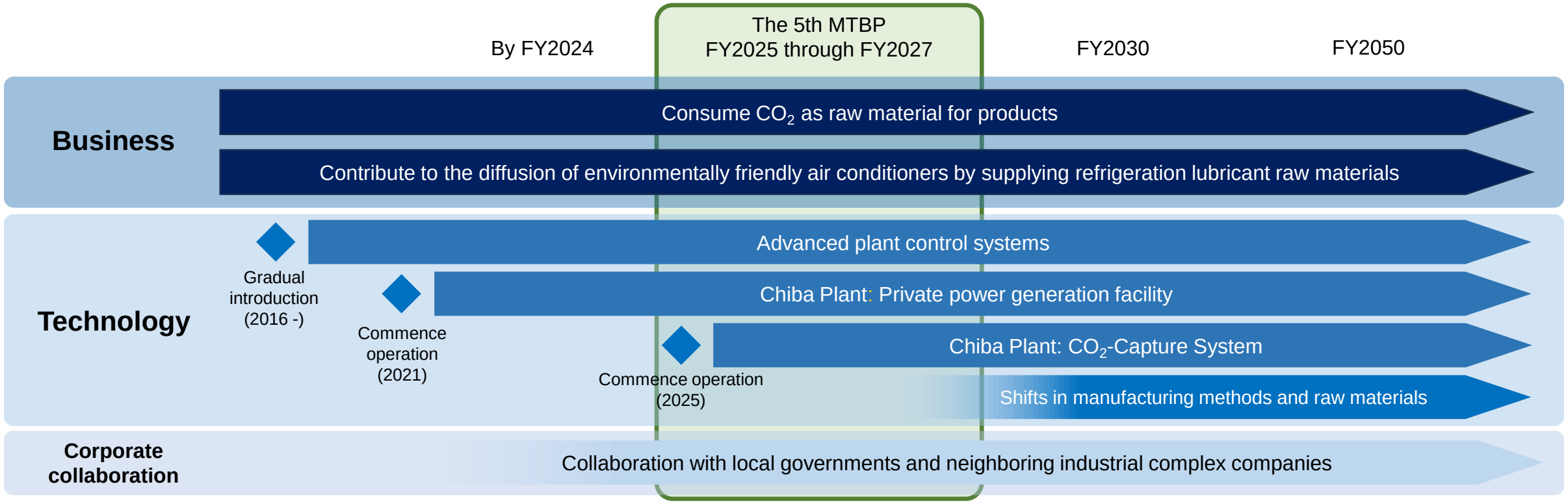
＜Marine biodegradable resin (PHB)＞

- Aiming for large-scale manufacturing of PHB through 'bio-manufacturing’ as a new solution for customers
  - ➢ Establishing a large-scale manufacturing system during the 5th MTBP through the advancement of cultivation and purification technologies
  - ➢ Enhancing visibility of user needs and strengthening customer engagement through digital marketing

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Strategy II Efforts toward future growth
: Carbon Neutrality

Promotion of carbon neutrality from aspects of "business, technology, and Corporate collaboration"



[GHG emissions reduction targets (Scope 1 + 2)]
- **By FY2030, achieve a 30% reduction compared to FY2017**
- **Achieve carbon neutrality by FY2050**

Achieve the FY2030 target ahead of schedule during the 5th MTBP

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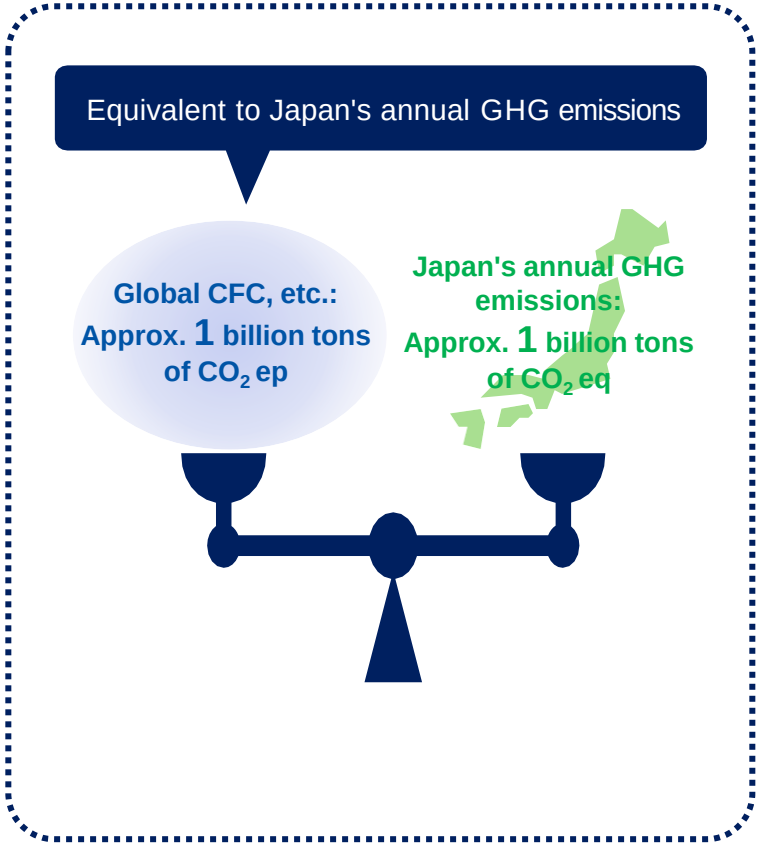
Strategy II Efforts toward future growth
: Carbon Neutrality

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Contribute to reducing GHG emissions through our business

[Business]

- The amount of greenhouse gas (GHG) emissions from alternative CFCs and other substances produced worldwide is equivalent to over 1 billion tons of CO_2 (equivalent to Japan’s total GHG emissions)
- Most of which are derived from refrigerants and the market for environmentally friendly air conditioners with low GHG emissions is expanding.
  - The Company's refrigeration lubricant raw materials are used in environmentally-friendly air conditioners, thereby contributing to the global effort to mitigate climate change through our business



※ GHG（Green House Gas）
※ CFCs (Chlorofluorocarbons)

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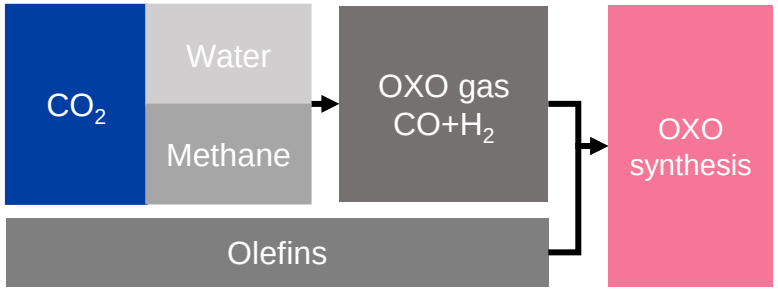
Strategy II Efforts toward future growth
: Carbon Neutrality

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Reduce GHG emissions through technology introduction and corporate collaboration

[Technology]

- Utilizing CO_2 as a raw material for the core technology OXO synthesis
  - ➢ In 2025, the Chiba Plant will install a CO_2-Capture System and reuse CO_2 as a raw material for OXO synthesis
- Promotion of energy conservation through the introduction of advanced plant control systems, etc.



Oxo product production process

[Corporate collaboration]

- Collaboration with local governments and neighboring industrial complex companies to achieve a significant reduction in GHG emissions


Chiba Plant: CO_2-Capture System

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Strategy III Reinforcing the corporate infrastructure

- Strengthening Plant On-Site Capabilities
- DX Strategy
- Human Capital Management

Strategy III Reinforcing the corporate infrastructure

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Reinforce the corporate infrastructure and drive sustainable management

Strengthening plant on-site capabilities

Safety awareness, technologies, and skills

DX strategy

Operational efficiency and productivity improvement

Reinforcing the corporate infrastructure

Human capital management

Human resources and workplace environment

Strategy III Reinforcing the corporate infrastructure
: Strengthening Plant On-Site Capabilities

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Strengthen the on-site capabilities of plants to make them more competitive



- Further raise safety awareness by continuing the "Comprehensive Safety Check Initiative 2022"
- Improve productivity by promoting smart industrial safety
- Tackle the human resource shortage and ensure the transfer of technologies and skills through the promotion of DX
- Strengthen core human resources who will be responsible for the operation of next-generation plants through systematic career development and other initiatives

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Strategy III Reinforcing the corporate infrastructure
: DX Strategy

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Enhance productivity through business transformation powered by AI technology

- Enhance productivity by implementing a predictive diagnostic system and Advanced plant control systems powered by big data
- Leverage digital marketing to accelerate the development of new products and businesses
- Improve operational efficiency through the utilization of applications developed in-house



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Strategy III Reinforcing the corporate infrastructure
: Human Capital Management

Promote the active participation of diverse human resources by strengthening core human resources and improving the workplace environment

- Strengthen core human resources in alignment with management strategies
  - Early development of core human resources through selective training programs
  - Enhance training to hone specialized skills by job type
  - Actively hire mid-career employees
- Develop a workplace environment that enables employees to choose a working style that suits their individual circumstances
  - Introduce various support systems for childcare, caregiving, and hospital visits for treatment
  - Improve the workplace environment through the construction and renovations of plant office buildings





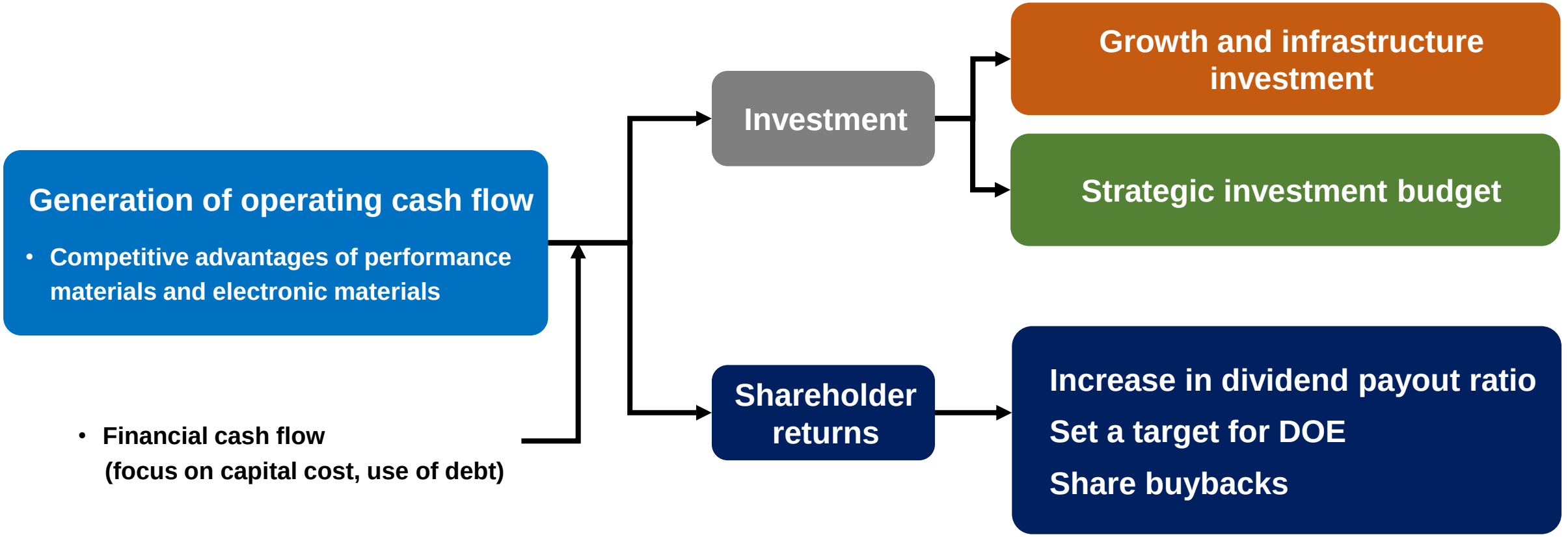
New office building at the Chiba plant

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Financial and Capital Strategy

Financial and Capital Strategy
: Basic Policy

Further strengthen financial stability and enhance shareholder returns



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Financial and Capital Strategy
: Shareholder Returns

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Further strengthen financial stability and enhance shareholder returns

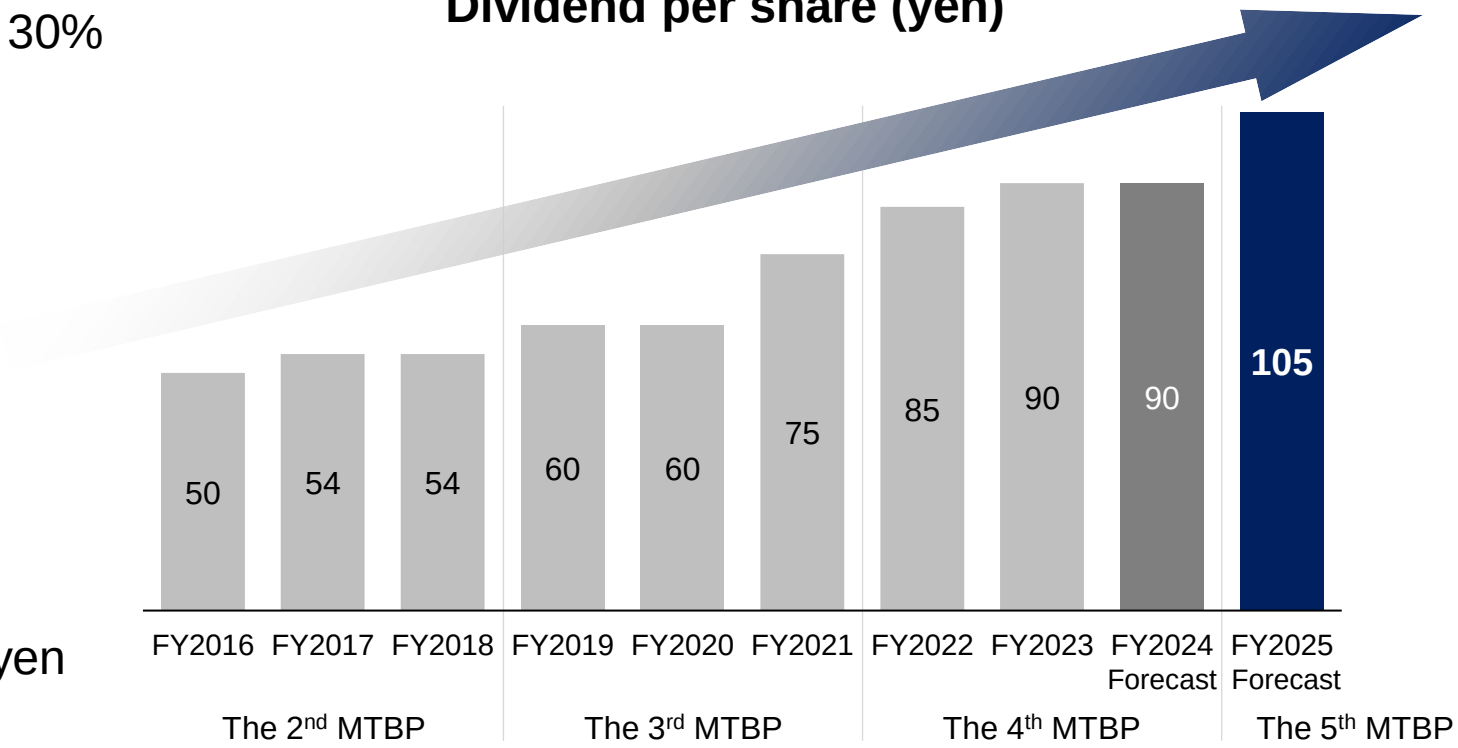
[Policy]

- Increase the dividend payout ratio from 30% to 40% as a guide
- Set a target for the DOE of over 4%
- Flexible share buybacks

[2025 forecast]

- Dividend of 105 yen per share
  (Increase the dividend by 15 yen)
- Share buybacks with a limit of 5 billion yen

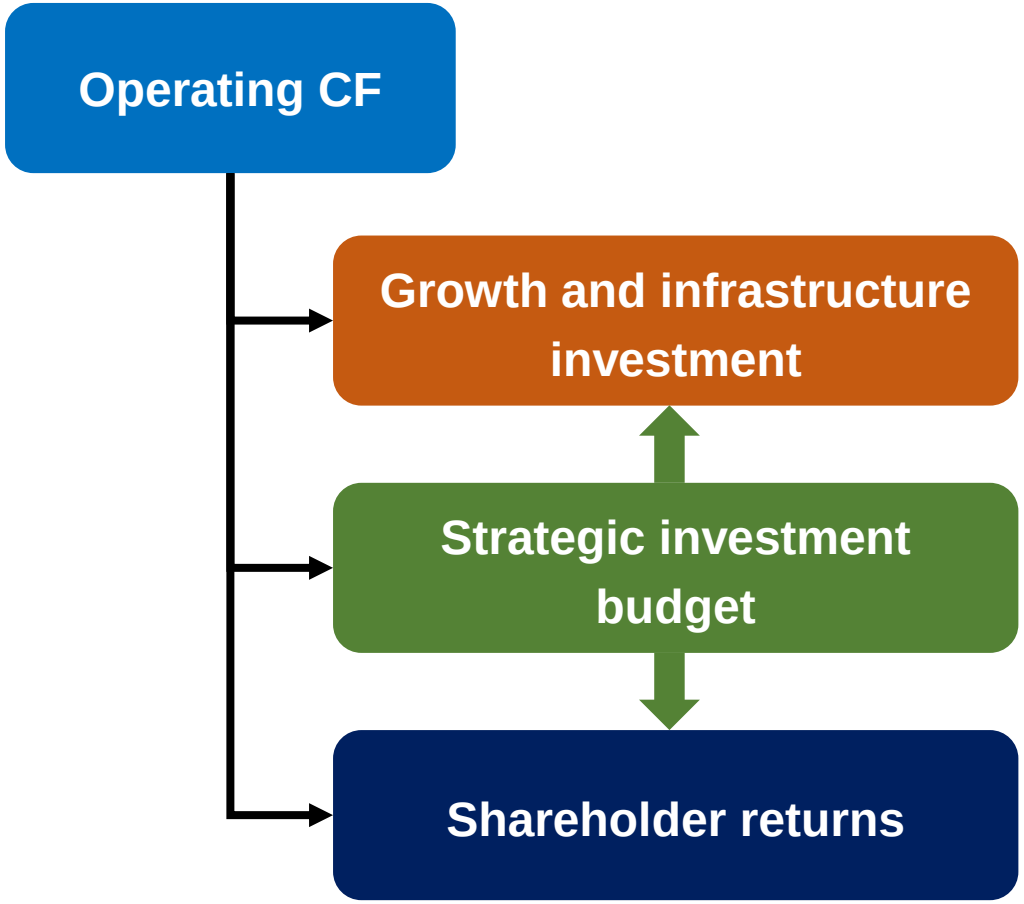
Dividend per share (yen)



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Financial and Capital Strategy
: Capital Allocation

Flexibly allocate funds from the strategic investment budget in response to changes in the business environment



R&D, DX
Maintenance and renewal of existing facilities, etc.

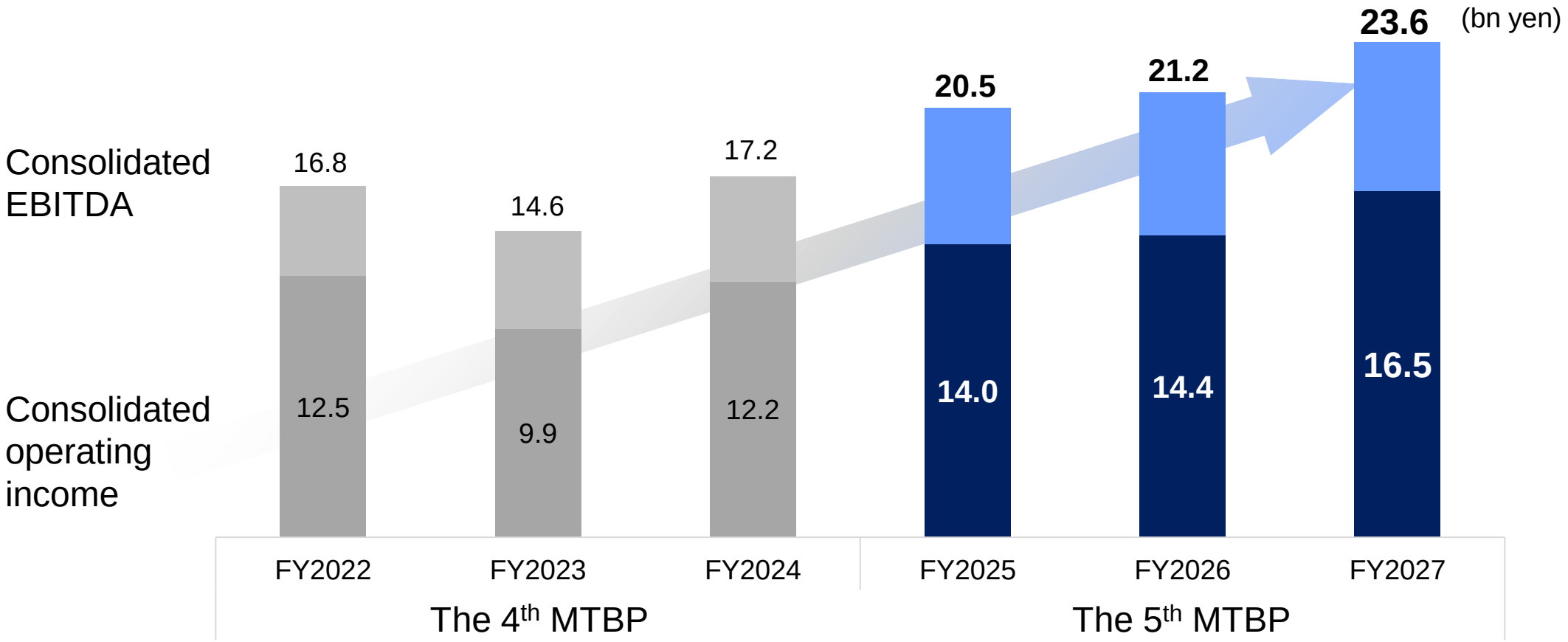
M&A, business structure reform
Additional shareholder returns, etc.

Payout ratio: 40% as a guide
DOE: Over 4%
Share buybacks

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Numerical Management Targets

Numerical Management Targets



	The 4th MTBP	The 5th MTBP
Accumulated consolidated operating income	34.6 billion yen	**44.9 billion yen**
Accumulated consolidated EBITDA	48.5 billion yen	**65.3 billion yen**
ROE	11～14%	**15%**

Exchange rate assumption：150 yen per USD in 2025, 140 yen per USD in 2026-27

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Numerical Target Summary

		FY2024 Actual	FY2027 Targets
1	Operating income	12.2 billion yen	16.5 billion yen
2	EBITDA	17.2 billion yen	23.6 billion yen
3	ROE	13%	15%
4	ROIC	10%	12%
5	EBITDA margin	14%	18%
6	EBITDA per capita	21 million yen	28 million yen
		The 4th MTBP	The 5th MTBP
7	Operating income	34.6 billion yen	44.9 billion yen
8	EBITDA	48.5 billion yen	65.3 billion yen
9	EBITDA in the refrigeration lubricant raw materials business	34.5 billion yen	48.9 billion yen
10	EBITDA in the electronics business	9.3 billion yen	11.1 billion yen
11	Dividend policy (payout ratio)	30% as a guide	40% as a guide
12	DOE		over 4%

The figures for 9 and 10 are before the allocation of company-wide common administration expenses, etc.

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Toward a New Growth Stage



Realizing a brighter tomorrow for society
through the power of chemistry.

KH NeoChem

Notice

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Therefore, please understand that actual results could largely differ from the forward-looking statements due to a variety of risks and uncertain factors. Also please understand that the company and information providers are not responsible for any losses incurred from this information.

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