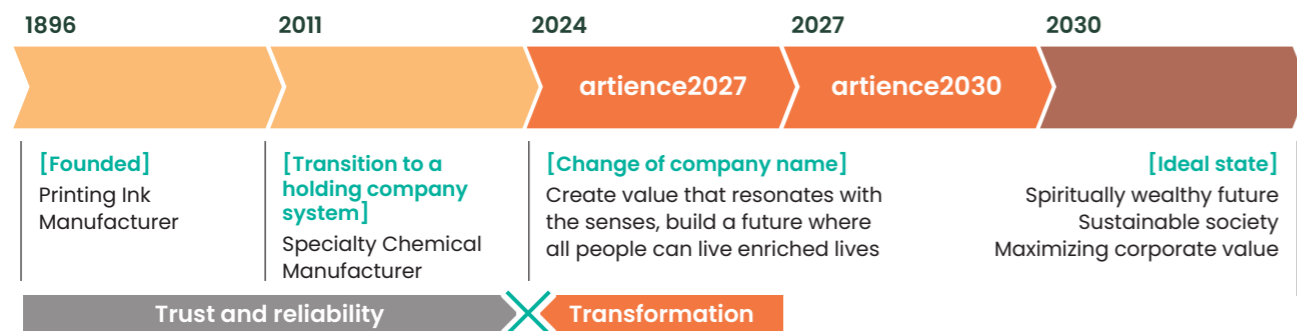


artience2027, Medium-term Management Plan

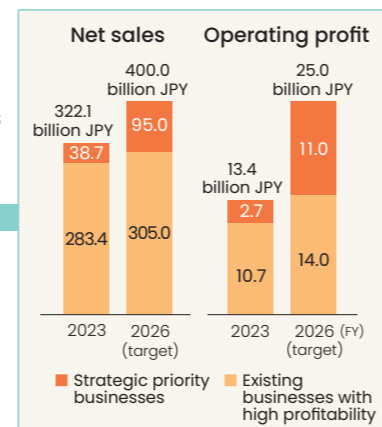
The goal of the management plan up to 2030, artience 2027/2030 "GROWTH," is to build a future where all people can live enriched lives and a sustainable society and to maximally increase corporate value. In the plan, three key management issues were identified: the transformation of the business portfolio, the maximization of capital efficiency and cash flow, and the establishment of a corporate foundation and sustainability management practices. During the artience 2027 Medium-term Management Plan, we will transform our existing businesses into highly profitable ones and create strategic high-profitability businesses. We will transformation the foundation of our management centered on organizational, personnel and cash flow management. This is where we will start the transformation.

artience2027/2030 "GROWTH," management plan



artience2027 Medium-term Management Plan (FY2024-2026)

Key management issues	artience 2027 Basic Policies
Business portfolio transformation ▶ P.25-27	1 Shift to existing businesses with high profitability <ul style="list-style-type: none"> Expansion of growth businesses Increase in profit of profitable core businesses Liquidation of unprofitable businesses and reconstruction of strategies
Maximization of capital efficiency and cash flows ▶ P.28-29	2 Creation of strategic priority businesses <ul style="list-style-type: none"> Mobility and Battery Related Businesses Display and Advanced Electronics Related Businesses Next-generations Businesses (Environmental, biotechnology and energy)
Establishment of corporate foundations and sustainability management practices	3 Reform of business foundation <ul style="list-style-type: none"> Personnel, culture and organization: Improvement of engagement and DE&I Cash: Cash flow management and improvement of capital efficiency Manufacturing: asv2050/2030 and supply chain management Information/DX: Carry out digital reforms and make the most of SAP Technologies and intellectual property: Strengthening of the technological foundation and the proactive use of intellectual property



Business portfolio transformation

The artience Group's business portfolio consists of products for which materials and technologies derived from printing inks are used. It stretches across a wide variety of markets and sectors. We will review our numerous businesses to prioritize them and concentrate our resources on high-priority businesses for the development of competitive businesses. With this business portfolio transformation, we seek to achieve continued growth.

Making strengths stronger

Characteristics of our business portfolio are that it includes a large number of products, stretches across a wide variety of sectors and broadly serves markets in Japan and overseas. We have developed technologies based on the colorants and polymers used in printing inks to supply a broad range of products from daily necessities to cutting-edge materials for many different markets. Our businesses do not depend on specific sectors. This provides an advantage in that risks are diversified but the drawback is that resources tend to be scattered.

The acceleration of digitalization means that the ongoing shrinkage of the information printing markets will continue. Color filter materials for liquid crystal displays used to be one of our major sources of revenue.

The commoditization of final products resulted in prices falling. It is now difficult to the previous level of profitability from them.

In these business circumstances, we must depart from the stance of generally addressing all of our businesses, and increase operating profit back to the FY2016 level and higher. During the 2027 Medium-term Management Plan, we will clarify the areas we will focus on and concentrate our resources in these areas. We will make our strong businesses stronger. In so doing, we will transform our business portfolio and accelerate the growth of both existing and new businesses.

Hiroyuki Hamada

Senior Managing Director in charge of Corporate Departments



artience2027, Medium-term Management Plan

Business portfolio transformation

Shift to existing businesses with high profitability

Divide the existing businesses into three groups and focus on the growth businesses

Previously, we carried out structural reforms including the promotion of alliances, the integration of sales companies and the closedown and integration of production bases in unprofitable areas to achieve some positive results.

During the artience 2027 Medium-term Management Plan, we will take a proactive stance. We have divided our existing businesses into three groups, growth businesses, stable earnings base businesses and businesses where we will implement a restructuring and rebuilding strategy. We then determined our approaches for each of these groups. Acting uniformly is the same as intensively doing nothing. The idea behind Basic Policy 1 is to change the ways that we think more drastically and to make our strengths stronger.

In the growth businesses group, we have set the goal of increasing operating profit from 6.5 billion yen in FY2023 to 9.0 billion yen in FY2026. We suspect there are more existing businesses in which we can seek greater profit. Instead of being satisfied with a certain level of profit, we will work thoroughly to avoid missing any opportunity.

The growth businesses deal mainly in packaging-related materials, including liquid inks, pressure sensitive adhesives and laminating adhesives. In Japan, we have a large share of the markets for all of these products. Since these markets are not expected

grow significantly, they are not positioned as revenue foundation businesses. However, from a global perspective, there is great potential for these businesses to leap forward.

Shifting to growth driven by overseas businesses

We will work very hard on our strong businesses in Southeast Asia, India, Turkey and other regions that have the potential for the growth of their populations in the future.

Our liquid inks for packaging materials in Southeast Asia are strong in Thailand and Malaysia. In the future, we will put more energy into Indonesia as well. Its population is nearly 300 million. Among the companies in our Group, our India business has one of the leading growth rates, but I believe that there is still significant room to expand its market share. In Turkey, a new production base will begin operating in July 2024. According to our plan, we will increase the number of production bases and increase their capacity to increase sales not only in Turkey but also to Europe, the Middle East and Africa.

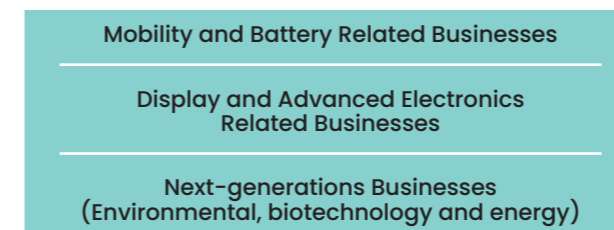
In markets that are expected to expand in the future, we will identify areas where we can leverage our business advantages. We will operate our businesses, not in a generalized manner but by placing clear emphasis on certain areas. We will develop our businesses outside of Japan into growth drivers, especially in the Asia region.

Currently, overseas net sales are approximately 54% of the Group's total net sales. Our goal is to earn 60% to 70% of our net sales overseas.

Creation of strategic priority businesses

We determined three domains of strategic priority businesses from the perspective of growth potential of the markets and areas where our technologies can be utilized. During the medium-term management plan, we will focus on two domains. The one is Mobility and Battery Related Businesses and the other is Display and Advanced Electronics Related Businesses. We will invest intensively and on an unprecedented scale in these domains to develop them into future growth pillars.

Three domains of strategic priority businesses determined in Basic Policy 2



Materials for lithium-ion batteries

At present, we are putting the greatest emphasis on carbon nanotube (CNT) dispersions for automotive lithium-ion batteries. CNT dispersions are a key material for extending the driving range of electric vehicles. CNTs are so difficult to handle that the dispersion technologies that we are strong in are significant in their practical application.

Our CNT dispersions have been highly received and been selected by a series of major battery manufacturers. To seize this opportunity, we increased the funds in our investment plan from over 25 billion to more than 49 billion yen. (This is a cumulative total amount including the approximately 15 billion that has already been invested.)

We forecast that the net sales of the CNT dispersions business alone will be more than 20 billion yen in FY2025 and more than 40 billion yen in FY2026. Centering on this business, our business portfolio will change dramatically. The day may possibly come in the not-so-far future when artience will be an electric vehicle brand.

Display and semiconductor materials

Color filter materials for displays used to be an earnings pillar. Since they have become commoditized, they have become less profitable than in the past. Display production bases are moving to China. We see this change in business structure as an opportunity.

Our trust-based relationships with customers that we have established in our conventional businesses such as color filter materials and electromagnetic wave shield materials are a great advantage and

asset to us. This is also true in the electronics sector. I believe that there are still latent business opportunities in the areas around the display and advanced electronics-related products that we have supplied. We will take advantage of our relationships with markets to broaden our horizons and capture needs for related materials in a bid to promote materials for next-generation displays and semiconductors.

artience as a revamped company

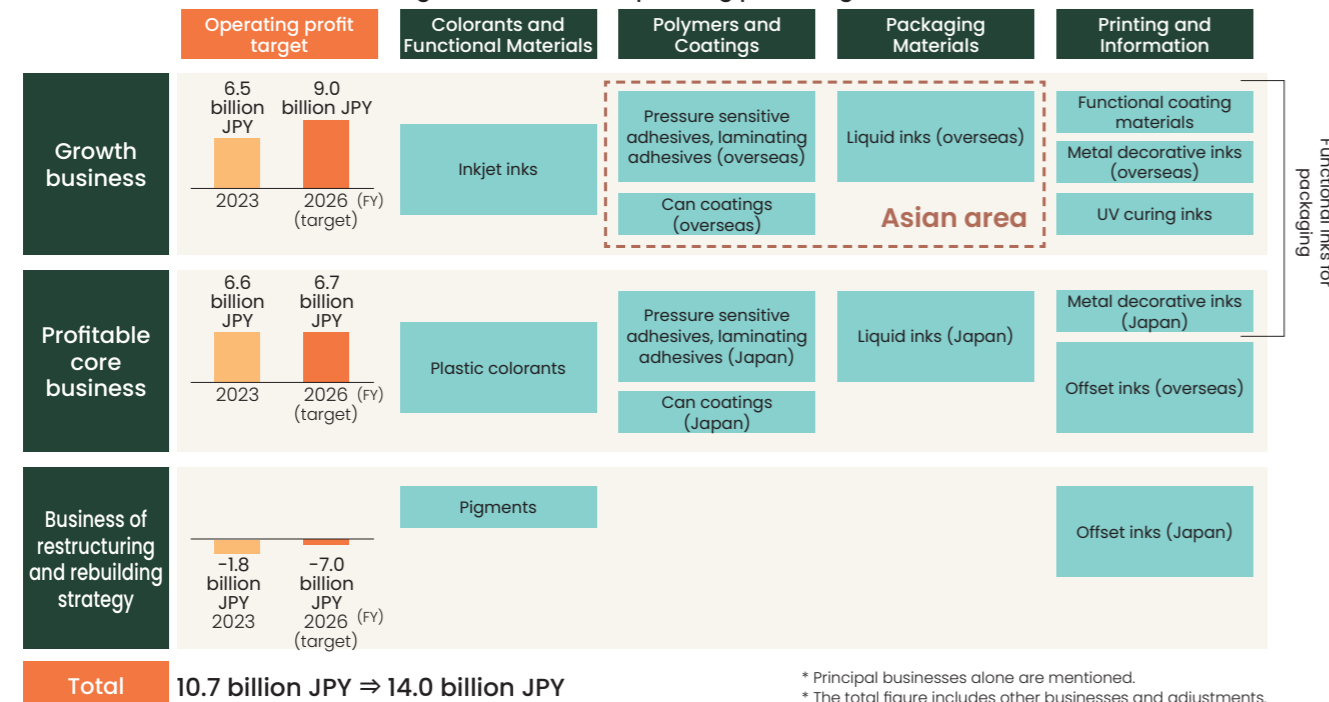
Increasing competitiveness with value that resonates with the senses

My thinking is that, not only our design features such as colors and feels, customer's peace of mind based on the materials we supply is also a value that resonates with the senses. We have consistently provided value that resonates with the senses in many different forms. We have recently defined value that resonate with the senses as a part of the value that we should offer. I believe that our purposeful efforts to increase this value will enable us to be competitive and lead to services that we provide to customers and to society.

Taking a proactive stance through the transformation of our portfolio

The desirable state of the company that I envision is a lively atmosphere where new challenges are taken on one after another. When sales and profit increase, the atmosphere in the company will be brighter and more lively. It is important that many staff members think about how to spread this positive effect through their work and how to act with a sense of ownership. With the transformation of the business portfolio, we will get back on a growth track and revitalize the Group.

Classification of the main existing businesses and operating profit targets



Financial Strategy

Business portfolio transformation is one of its material management issues defined in the artience 2027 Medium-term Management Plan. We will strive to increase the profitability of existing businesses and actively invest in new growth businesses. To financially support these actions and maximize capital efficiency and cash flow, we will use indicators such as return on invested capital (ROIC), free cash flow and cash conversion cycle (CCC.)

Financial achievements and issues during the previous medium-term management plan

During the period of the previous medium-term management plan, specifically from FY2021 to FY2023, the COVID-19 pandemic forced different plants to operate in difficult conditions. We also faced several issues including the difficulty of procuring raw materials resulting from chaos in the supply chain. We increased on-hand liquidity position by 20 billion yen. It was a necessary action to prepare for unexpected situations with a view toward maintaining inventories so that we would always fulfill our responsibilities as a manufacturer to supply product and avoid the nonpayment of our suppliers and employees. However, inventories stayed high even at the end of the previous fiscal year, even though the impact of the pandemic faded. This remains to be addressed.

On the other hand, we worked to improve our balance sheet. During the period of the previous plan, we sold 13.1 billion yen of stock that we held. Additionally, we repurchased more than 10.7 billion yen of treasury shares to start the efforts to reduce capital through shareholder return. In preparation for the future increase of interest rates, we increased our methods for procuring funds, such as the issuance of bonds and procurement from government-affiliated financial institutions.

Take actions to enable management with an awareness of capital costs and share price

Business portfolio transformation	<ul style="list-style-type: none"> Increase the earnings capacity of existing businesses, including structural reforms of low-profitability businesses. Steadily enlarge strategic priority businesses and clarify the growth story.
Increase capital efficiency	<ul style="list-style-type: none"> Introduce ROIC as an indicator to the whole company to improve efficiency. Improve the CCC to reduce operating funds.
Capital policies	<ul style="list-style-type: none"> Increase shareholder returns on the basis of the total payout ratio. Reduce cross-shareholdings
Efforts to lower capital costs	<ul style="list-style-type: none"> Disclose information in a timely and appropriate manner, step up IR activities including the positive distribution of information and increase dialogues with stakeholders.

To achieve a PBR of 1.0

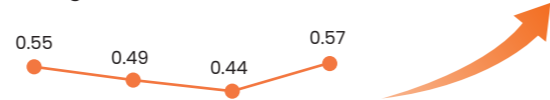
We understand that our cost of equity is around 7%. By transforming our business portfolio and increasing the expansion of growth businesses and highly profitable businesses, we will achieve an ROE of 7% or more in FY2026 and 10% or more in FY2029 as we work to increase our corporate value and PBR.

Effective asset utilization is vital in the improvement of capital efficiency. According to the plan, we will increase capital efficiency by improving profitability of existing businesses and by intensively injecting resources into businesses and regions that are expected to grow in a firm effort to enhance our earning capabilities.

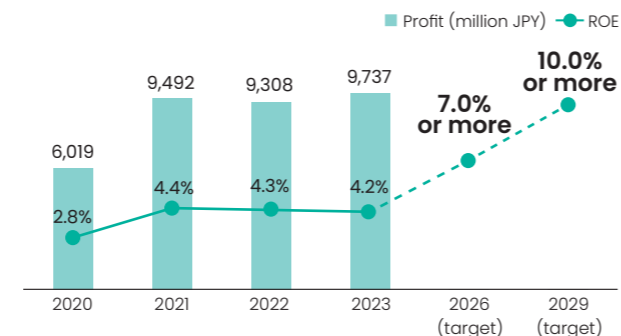
Actively investing in priority businesses while hedging risks

Specifically, during the period of the current medium-term management plan (FY2024 to FY2026), we will be investing 30 billion yen in the CNT dispersions for LiBs business. The size of this investment is unprecedented. We have made the decision to invest nearly 20 billion yen in this particular business. Most of this investment was funded by selling stock that we held and using sur-

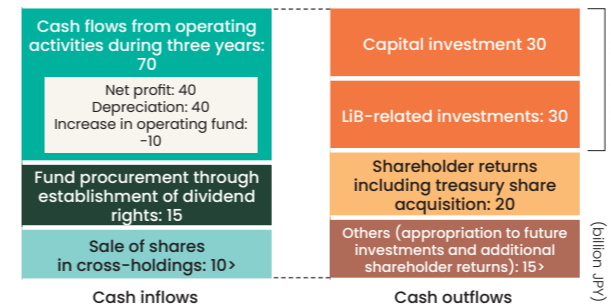
Changes in PBR



Changes and targets in business performance



Cash allocation



plus funds held by the Group, so we have minimized the procurement of funds from outside sources.

How to hedge the financial risks involved in the investment of 30 billion yen during the current medium-term management plan is a big question. Enjoying the support of the Development Bank of Japan, we managed to procure funds through a scheme under which we will repay the loans within the limit of the cash flows produced by the business. I believe that this will ensure the financial health of the whole Group even if any business risks materialize. We will thus hedge risk while actively investing in priority businesses in an effort to maximize cash flows.

Using ROIC to enhance capital efficiency

To maximize capital efficiency as stated in the medium-term management plan, we have begun using ROIC, free cash flow and other indicators to improve company-wide awareness of capital efficiency. In terms of investments, we will monitor the ROICs of individual businesses to use resources in an efficient way.

Our activities to develop a solid awareness of efficiency within the Group as a whole are now under way. We have established a task force to facilitate the introduction of capital efficiency indicators and disseminate information about them. It began its activities to encourage the use of these indicators in business activities.

To manage free cash flow and the CCC, we have established yearly targets for them and we have started working to manage them on a monthly basis.

Balance sheet reform and shareholder return

During the previous medium-term management plan, we sold 13.1 billion yen of cross-holding shares as well as idle real estate and implemented shareholder re-

turn activities with a total payout ratio of nearly 90% in the three-year period. Meanwhile, net assets increased due to a rise in the prices of cross-holding shares and a surge in the foreign currency translation adjustment. In the three-year period of the current medium-term management plan, we will move forward with the sale of at least 10 billion yen of cross-holding shares, aiming to reduce our assets.

The medium-term management plan includes a shareholder return policy with a total payout ratio of 50%. This means that we will return at least a half of the cash that we gain to shareholders and appropriate the remaining half to investments for growth.

Missions and roles of the General Manager of the Finance & Accounting Dept.

To increase corporate value in the medium and long term, it is necessary for the business to grow. People inside the company and external stakeholders share this idea. However, people's ideas regarding the time frames for acting, the balance between growth and returns and other matters are different depending on their perspective. We will present our policy in the medium-term management plan and engage in investor relations activities to explain the policy to people to enable them to understand it. Internally, we will develop budgets and goals that reflect the policy and control them. I understand that my roles are to build a system for ensuring this, to set targets and to manage the progress toward them.

My mission is to establish a virtuous cycle in which we maximize cash flows using ROIC, free cash flow, CCC and other indicators to increase capital efficiency and in which we will appropriate the cash flows to shareholder returns and to investments for our growth. To achieve the perpetual development of the company, it is also necessary to maintain a solid financial foundation. I think we definitely need to maintain A-ratings from financial rating agencies.

Takeshi Arimura

Operating Officer in charge of Finance, General Manager of Finance & Accounting Department

