Top Message

Achieving transformation for sustainable growth and spreading “value that resonates with the senses” around the world

With FY2024, the artience Group completed the first year of the artience2027/2030 Management Plan, which is based on the theme of “GROWTH.” The global situation remains uncertain, with increasing instability in the global economy and intensifying geopolitical conflicts, all making it difficult to predict the future outlook.

Despite these challenging business conditions, the Group’s net sales, operating profit, and ordinary profit all reached record highs. This is an outcome of the combined efforts of our Group employees, both in Japan and overseas, and I feel that we are now seeing some promising results. That said, this is just one step along the way, and we still have a long way to go to achieve our goal of maximizing our corporate value. Until we achieve our targets for key indicators such as ROE and PBR, I will not be satisfied with the current situation. Rather, I believe that we are at a stage where we are finally seeing the first signs of transformation, and that the real struggle is still ahead of us.

The significance of our new name and our role as a company

In January 2024, we changed our company name. That year marked the beginning of our new journey as the artience Group. There were two main reasons for the name change. One was a strong sense of crisis due to years of slow growth in performance and stagnant stock prices. The feeling that things could not be allowed to continue as they were led to a determination to transform the company, and changing our name was a symbolic first step in that direction. The other

Satoru Takashima
Group CEO
President and Representative Director

reason was to go back to basics and ask ourselves the fundamental question of whether our products and services are truly beneficial to society. We fundamentally reviewed our business portfolio, and incorporated our commitment to shifting our focus—to providing products and services with greater value—into our new company name.

At the same time, we renewed our philosophy system and formulated the new Brand Promise, "Creating value that resonates with the senses and building a future where all people can live enriched lives." This reflects the fusion of "art" and "science," which is the origin of our new company name. In this way, we have demonstrated our commitment to creating unprecedented value, by combining "science" such as our technological capabilities, functionality, and quality, all developed over the course of many years, with "art," which reflects human sensibilities and emotions.

Recently, when I visited the head office of one of our Group companies in India, I experienced something impressive that made me realize how widespread this philosophy has become. When I visited customers together with the local staff, I was deeply moved by the way they explained the origin of the new company name and our Purpose, all in their own words, and linked that explanation to their product proposals.

Actually, I have a deep connection with India myself. I personally visited the site where our factory is currently located, and worked hard to acquire it when I was head of the Corporate Planning Division. In all honesty, it is not an easy country in which to do business, and there were many difficulties in the negotiation and contract process. It was at that time that I realized the importance of building relationships based on mutual understanding and respect, regardless of nationality or cultural differences.

I believe that one of our roles as a company is to create peace. As the Japanese industrialist Eiichi Shibusawa stated in his book, *The Analects and the Abacus*, friendly relations between countries in economic matters will eventually lead to friendly relations in political matters—thereby protecting international peace. It is this attitude that is required of business leaders.

artience2027, Medium-term Management Plan: Aiming for growth by honing strengths

Under the artience2027, Medium-term Management Plan, we put forward two key policies for business portfolio transformation aiming for growth: the transformation of our existing businesses into highly profitable ones, and the creation of strategic high-priority businesses.

The first key policy is to focus capital investment on promising businesses within existing operations that are likely to grow in the future, and strengthen them. The results have exceeded our expectations, and we have revised our operating profit target upward from the initial 9.0 billion JPY to 12.0 billion JPY. As of FY2024, we have already reached 10.5 billion JPY, and we believe that it is entirely possible to achieve this goal within the remaining two years.

The expansion of UV curing inks in Japan and overseas has also contributed to earnings. As a company that manufactures ink from raw materials, we are able to provide our customers with products that are competitive in terms of both quality and cost. Another of our strengths is our ability to respond quickly to environmental regulations, in Europe and around the world, through coordination with our Group company in Belgium.

Going forward, we will continue to focus on capturing growth in global markets, with particular emphasis on expanding our share in areas such as Southeast Asia and India. Our decision to keep investing in businesses such as the Polymers and Coatings and Packaging Materials businesses even during the COVID-19 pandemic is now bearing fruit in a very positive way.

The second key policy, strategic high-priority business areas, consists of Mobility and Battery Related Businesses, and Display and Advanced Electronics Related Businesses. For the former (Mobility and Batters Related Businesses,) we were forced to postpone investment in carbon nanotube (CNT) dispersions for lithium-ion batteries (LiB,) one of our mainstay products in this area, due to a temporary slump in the EV market. Despite this setback, we believe that the global shift toward EVs is irreversible, and will inevitably accelerate again. Issues currently facing EVs—such as driving range, charging time, and price—will eventually be overcome through technological innovation, and we will steadily advance our efforts in product and technology development to support this.

For the latter (Display and Advanced Electronics Related Businesses,) our efforts so far sowing seeds in the semiconductor field are finally beginning to bear fruit. As AI continues to evolve and change the structure of society, demand for semiconductor-related materials and process materials is expected to surge, presenting significant opportunities. While we have set a profit target of 5.0 billion JPY for FY2026, this is really a minimum target, and we expect to see even greater growth in the future.

Looking further beyond artience2027, we are focusing on the field of biotechnology as a next-generation business. For example, there are growing opportunities for our materials technologies to contribute in areas related to pharmaceuticals and test reagents, such as fluorescent probes and polymer materials used in cell culture. Currently, we are also investing in the US biotech venture VLP Therapeutics, supporting vaccine development, and deepening the level of our expertise in the biotech business field.

We are also promoting the use of AI as a growth strategy in transforming our business base. The Generative AI Promotion Task Force launched last year aims to further develop the group-wide culture of utilizing digital technologies by 2030, utilizing generative AI—particularly text-based large language models (LLM)—as one such tool. There is a high level of interest within the company, and we often hear young employees saying that they would like to try their hand at AI. This makes me feel the importance of systems and mechanisms that draw out hidden motivation.

Responding to trust and expectations to enhance corporate value

When we set improving corporate value as our top mission, we did so based on the belief that corporate value is a combination of trust and expectations. "Trust" means not engaging in fraudulent activities, and continuing to manage risks through appropriate systems. "Expectations" are the market's predictions of how much cash flow a company will generate in the future. When these two elements are in place, corporate value increases, which is then reflected in share prices.

In terms of trust, we have built a solid track record over the course of our 129-year history. That said, we will not be complacent, and will continue to strengthen our systems and processes to ensure that trust remains intact. We have been implementing continuous reforms to our corporate governance, and we have made various advances over the past year. We have requested assessments of the effectiveness of our Board of Directors by both internal and external bodies, and have received feedback that "the content and quality of discussions have greatly improved from the previous year." The makeup of the Board of Directors has also been strengthened to enhance independence, with the addition of new members from outside the company with management experience and CFO experience.

We have received feedback from outside directors that they would like to be more deeply involved and make greater contributions. Since April 2025, we have been increasing the number of opportunities for individual meetings with myself and other members of the senior management team. Although they sometimes give harsh criticism, I feel reassured by the fact that our outside directors state clearly that they are not there to stunt our growth, but rather to "support the Company in taking appropriate risks."

The development of next-generation management personnel is another important theme, and we have increased the frequency of meetings of the Advisory Committee on Appointment and Remuneration to four times a year, to stimulate discussions. We are also reviewing officer compensation, with a view to adding indicators such as ROE and EBITDA as evaluation criteria. As our policy going forward, we will focus not only on sales and operating profit as in the past, but also on indicators that are more directly linked to corporate value.

In terms of expectations, we recognize that the current situation, in which PBR remains below 1, is an important issue to be addressed by management. To re-

solve this situation, in FY2025 we established a Balance Sheet Reform Task Force, with the aim of optimizing our capital structure. We are also deepening discussions with Task Force members, including the General Manager of the Finance & Accounting Department.

In terms of performance management, we have already introduced indicators such as CCC and ROIC that are directly linked to capital efficiency, and are working to shift to cash flow management. We have already seen some improvements in this area.

We are also strengthening our decision-making process for investment decisions. In addition to the existing Group Management Committee and Board of Directors, and the Investment Management Committee that deliberates on matters prior to those meetings, we have also established an Investment Policy Task Force to consider overall allocation of resources. Going forward, we will establish a system that enables us to make higher-quality decisions based on whether individual investments are truly aligned with our growth strategy, and what kind of returns we can expect to see in the future.

The whole is nothing without individuals: A system that enables employees to take on challenges and maximize their individual strengths

Our basic approach to human capital is summed up by our corporate philosophy of "people-oriented management." Although we have been implementing reforms, with the intention of changing everything to coincide with the change of our company name, we have consistently maintained this management philosophy. The organization as a whole is nothing without individuals. We believe that maximizing the value and strengths of each individual will ultimately lead to the improved performance of the entire Group.

We have also launched new HR systems to manifest this philosophy. We have established systems that support independent career development and taking on new challenges, such as the Career Challenge System, which allows employees to transfer to their desired departments, and Plus Try, which appropriately evaluates employees' attempts at new challenges and their results, and reflects them in remuneration. With overseas sales already accounting for over 50% of the Group's total net sales, we are also considering a transfer program to promote the understanding and development of local national staff profiles and stimulate mobility.

In terms of acquiring human resources, it is essential that we adopt flexible and diverse approaches that respond to the changing times. In addition to actively recruiting mid-career professionals in countries around the world, including India, South Korea, Taiwan, China, and Japan, we have also introduced a Job Return System, in which we welcome former employees back to the Group. Last year, six former employees returned to the Company.

The Incubation Center, launched in FY2024 to develop human resources and create new businesses, is another important initiative. With the vision of being a company that brings together people and information from around the world, we are providing a platform for startups both in Japan and overseas, particularly in key areas that we value, such as the environment and deep tech. It is a place where not only artience employees but also people from other companies in the industry and local governments can transcend boundaries to interact and produce new ideas.

We also hold an ongoing Business Idea Contest centered on this Incubation Center. This year, the program has been renamed IPPO (derived from its Japanese slogan, which loosely translates as "take the first step with courage.") More than 20 proposals are already underway, in collaboration with external consultants. Themes such as energy conservation and greening projects are also beginning to emerge as ideas for potential business opportunities. Employees who empathize with the enthusiasm of those making the proposals raise their hands and form teams. The ideal of "supporting the dreams of individuals as a whole" is beginning to take shape.

This is the true essence of artience. Technology alone cannot move people's hearts, and feelings alone cannot build a business. It is only when both of these things align that value needed by society is created. I feel that this is now gradually becoming a reality.

Creating new value through the fusion of art and science

To remain a company that is trusted by society, we will continue working steadily to implement environmental initiatives under our Sustainability Vision asv2050/2030. As a chemical manufacturer, naturally, it is our responsibility to reduce our environmental impact. At the same time, this presents new business opportunities.

In terms of reducing greenhouse gas (GHG) emissions, we aim to reduce our Scope 1 and Scope 2 emissions by 26% globally (compared to FY2020 levels) by FY2030 as an interim target, with a view to achieving carbon neutrality by 2050. In terms of products, we aim to increase the net sales ratio of sustainability-enhancing products to 80% by FY2030, and to 100% by FY2050. Examples include switching to LED-UV curable inks that do not use volatile organic compounds (VOCs)—an area which we are currently focusing on—and functional coating agents for reducing the use of plastics.

Although in recent years there have been some opposition movements against the SDGs and ESG activities, we believe that these are only temporary. Products that do not consider the environment will eventually be eliminated from the market. The global trend is clear, and there is no turning back. For our part, we will continue to exceed the expectations of our customers and consumers by making proactive efforts to stay ahead of these changes.

I believe that companies have two major roles to play in society. They are "solving issues" and "creating value." "Solving issues" refers to taking responsibility as a company for the issues facing society, such as climate change and human rights issues. While the efforts of a single company may be small, when companies work together they can be a powerful force for change in society.

At the same time, I believe that "creating value" will become even more important in the future. With the rapid advancement of technologies such as AI, social norms and people's needs are changing significantly. In the face of such unprecedented change, there is a need for us to provide completely new value that differs from anything provided before. That is why the sense and creativity of individuals are so important. Our stance of aiming to combine "art" and "science" also reflects this. We hope to be a company that continues to be needed by society, through manufacturing which is in tune with people's hearts and minds, which improves technology, and which creates new value.