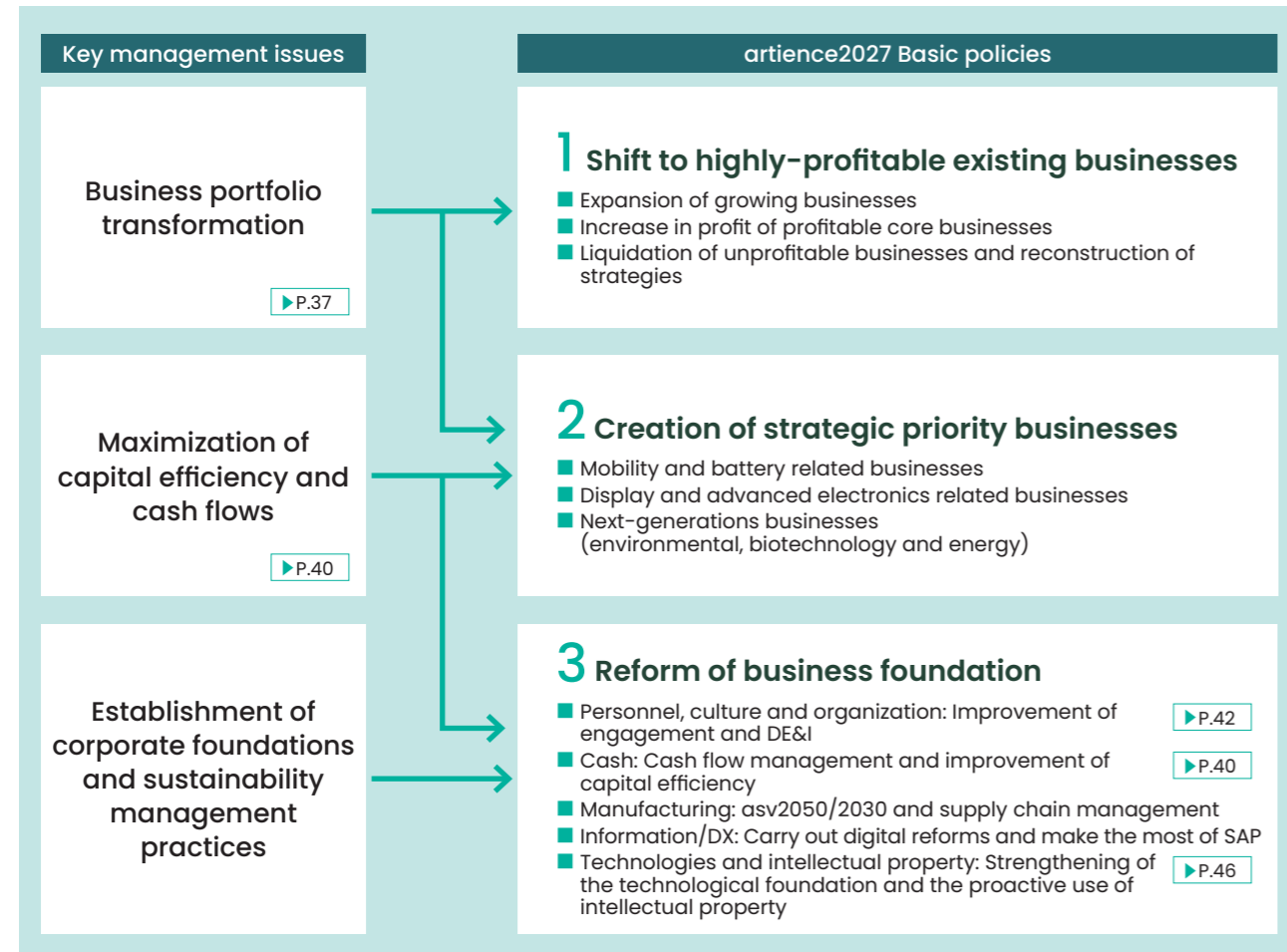


# artience2027, Medium-term Management Plan

artience2027/2030 "GROWTH" Management Plan which has FY2030 as its target year, 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 artience2027, Medium-term Management Plan, we will shift to highly-profitable existing businesses and create strategic priority 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, Medium-term Management Plan (FY2024 – 2026)



## Achievements and progress in FY2024

Basic policies	Achievements and progress in FY2024
1. Shift to highly-profitable existing businesses	<ul style="list-style-type: none"> <li><b>Growing businesses:</b> Overseas facilities invested in during the previous plan entered operation, leading to increased earnings, primarily in the Packaging Materials business. We are also considering additional investments.</li> <li><b>Profitable core businesses, restructuring and strategy-rebuilding businesses:</b> Losses were reduced and earning power was increased by shifting to high value-added products, instituting price revisions, and streamlining business processes.</li> </ul>
2. Creation of strategic priority businesses	<ul style="list-style-type: none"> <li><b>Mobility and battery related businesses:</b> While the EV market for CNT dispersions for LIBs will remain stagnant in the short term, we invested capital in anticipation of medium- to long-term growth. Ten companies informally decided to adopt our products (up three from the previous year.)</li> <li><b>Display related businesses:</b> Peripheral materials were expanded in response to the shift to China and intensifying competition.</li> <li><b>Advanced electronics related businesses:</b> We made progress in the development of materials for semiconductors, and some of them have yielded results.</li> </ul>
3. Reform of business foundation	<ul style="list-style-type: none"> <li><b>Enhancing corporate value:</b> We made improvements in capital efficiency (sold 9.5 billion JPY in cross-held shares, repurchased treasury shares, and increased annual dividends by 10 JPY per share compared to the previous year.)</li> <li><b>Sustainability:</b> The Company established a new Group Materiality linked to the Medium-term Management Plan and asv2050/2030.</li> <li><b>Environment:</b> We introduced electricity derived from renewable energy sources and additional solar power generation equipment at multiple sites in Japan and other countries.</li> <li><b>Social (empowering human capital):</b> We introduced a new personnel system and human resources development programs, implemented initiatives to improve engagement, and held internal roundtable discussions with management.</li> <li><b>Governance:</b> We increased the ratio of outside directors, increased the frequency of Advisory Committee on Appointment and Remuneration meetings (from one to four times/year), and strengthened SR/IR activities.</li> </ul>

# Management Strategy

## Accelerating growth by investing resources to build on our strengths

The artience Group has grown by leveraging the technologies and expertise it has developed through its business expansion in diverse markets. To respond to the changing market environment and aim for further growth, the artience 2027, Medium-term Management Plan increases investment in and allocation of resources to the Group's strongest businesses. Going forward, we will accelerate growth by clarifying our focus areas through a two-pronged approach of transforming existing businesses into highly profitable ones and creating strategic priority businesses.



## Progress in business portfolio management

### Building on strengths and enhancing global competitiveness

We launched the artience2027, Medium-term Management Plan with growth as our top priority, as a plan to shift to an offensive strategy. In the first year, FY2024, we made progress largely in line with our plan, with net sales, operating profit, and ordinary profit all reaching record highs. In addition to increased profits driven by the weak JPY and stabilized raw material prices overseas, earnings were also boosted by the favorable tax treatment of investments in Turkey.

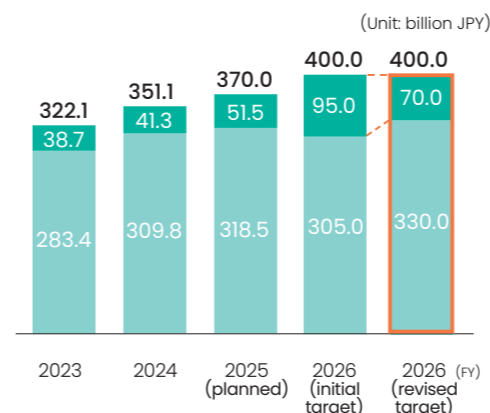
With artience2027, we are placing particular emphasis on business portfolio transformation. To further strengthen our strengths by leveraging the technologies and expertise we have developed over the years, we have identified two major areas of focus. The first is to shift to existing businesses with high profitability. We will further enhance the profitability of our strong existing businesses while accelerating our expansion into overseas markets. The other is creation of strategic priority businesses. We will create new businesses that will become pillars of future growth and nurture them to maturity. In FY2024, we surpassed expectations in

the former, particularly by successfully capturing growth in the Indian market.

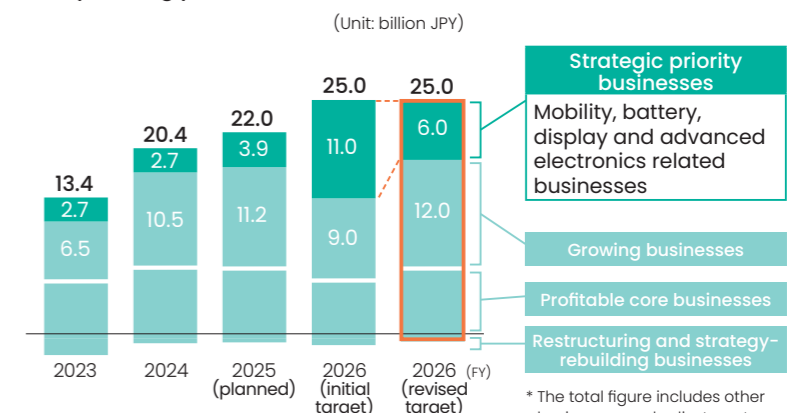
When you hear the term "business portfolio transformation," you may imagine large-scale divestitures, business withdrawals, or mergers and acquisitions (M&A.) However, our business is characterized by its diversification across markets and regions. While this may be less efficient than rolling out specific products to large markets, our ability to meet a wide range of needs is an advantage, and also acts as a barrier to entry for competitors. In addition, there is also the advantage that businesses can support each other even when some are performing sluggishly.

Therefore, our business portfolio transformation is not simply a replacement of existing businesses, but aims to expand products that meet market needs and high value-added products in each area. To accomplish this, we will fully leverage our strengths in sales, technology, and global networks within our current markets and regions.

## Net sales



## Operating profit



\* The total figure includes other businesses and adjustments.

Shift to highly-profitable existing businesses

Growth businesses: the key to overseas expansion

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; and determined approaches for each of these groups.

Of these, the growth businesses deal mainly with packaging-related areas such as liquid inks, pressure sensitive adhesives, and laminating adhesives, which require concentrated investment of management resources. At the start of artience2027, we set a target operating profit of 9.0 billion JPY for FY2026. We have already achieved operating profit of 10.5 billion JPY in FY2024, significantly exceeding our target. One factor contributing to this achievement is that our business has expanded beyond our target markets of India, Southeast Asia, and Turkey to include Europe and the United States.

We believe that our strategy of adapting our business model to the needs of each region—rather than simply replicating our domestic model—has been successful. For example, in the Indian market, technical services impact customer satisfaction. We have established a system that enables us to respond immediately to any problems that arise during product use, and have also trained local national staff to

handle such situations (▶P.18.) In Thailand, we have acquired a local can coating manufacturer as a subsidiary, which has expanded our market share by enabling us to develop products tailored to customer needs. This has also led to improved raw material procurement capabilities. As this is an area that is expected to continue growing in the future, we have raised the FY2026 operating profit target for this business to 12.0 billion JPY.

On the other hand, there are still countries with room for growth. In Indonesia, for example, local companies have strong ties with each other, which makes it difficult for foreign companies to reach the top of the market. We will address this issue by forming alliances with local companies and considering M&A. We will also be focusing on Africa as a new growth area. Although we already have a subsidiary in Morocco, given the vast size of the African market, we will identify and select locations for expansion and initiate full-scale operations.

Emphasis on shifting to high value-added products and improving efficiency

While our stable earnings base businesses are strong mainly in Japan, we believe that future growth in demand will be limited due to factors such as population decline. We are therefore working to secure profits by increasing the ratio of high value-added products, integrating product types, reviewing raw materials, and requesting price adjustments to appropriate levels. These steady efforts have

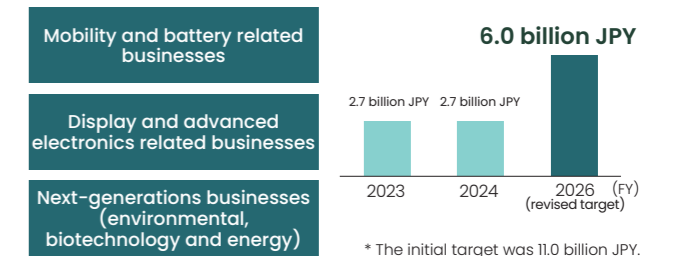
already begun to bear fruit. We have already achieved 8.1 billion JPY in operating profit in FY2024, surpassing the 6.7 billion JPY target set for FY2026. Despite this, domestic prices continue to rise due to the weak JPY and increased costs from raw material manufacturers, making it essential for us to further improve efficiency and adjust prices accordingly. Our revised target for FY2026 is 8.0 billion JPY, based on the view that the current profit level will be maintained. Ensuring business continuity will require labor and personnel reductions, as well as compliance with environmental regulations. In particular, at production sites, we will aim to create smart factories to reduce the burden on workers and attract more human resources.

Meanwhile, the domestic offset ink market continues to shrink as a result of the shift toward paperless operations and digital transformation (DX.) In response to this situation, for businesses subject to our restructuring and rebuilding strategy, we have been making rigorous improvements in efficiency in line with market size, and are now approaching the break-even point. We believe that personnel shifts, the application of operational DX, the integration of bases, and the review of production systems have led to cost reductions (▶P.56,) and we will continue these efforts in the future.

In the Printing and Information business segment as a whole, operating profit increased significantly from 2.4 billion JPY in FY2023 to 4.9 billion JPY in FY2024 due to our focus on UV curing inks. We consider this an example of the concrete results that can be achieved by shifting management resources to growth areas.

Another key area, Display and Advanced Electronics Related Businesses, performed well in FY2024, offsetting delays in the CNT dispersion business. Although individual products in this field are not particularly large, we will enhance our lineup by developing semiconductor-related products into product groups that will increase competitiveness and profitability.

Changes in operating profit of strategic priority businesses



Toward our long-term vision

Maintaining an offensive attitude and continuing proactive investment

We plan to continue prioritizing overseas expansion and investment in strategic priority businesses in FY2025 and beyond, while further strengthening our business portfolio management. In terms of business portfolio transformation, all directors recognize its necessity, and have agreed to allocate resources for this purpose. Active discussions regarding individual business plans are currently underway from various perspectives.

The expansion of overseas operations to their current level is also the result of bold investments to expand production capacity during the previous medium-term management plan period. To continue this policy, under artience2027, we plan to invest 60.0 billion JPY over the course of three years. This amount exceeds depreciation and amortization expenses (▶P.41.)

Environmental considerations—such as reducing CO<sub>2</sub> emissions and developing products that do not use organic solvents—are also important. As global efforts toward decarbonization accelerate and environmental regulations tighten in countries around the world, we have set a target of increasing our sales ratio of sustainability-enhancing products to 80% by 2030. This aligns with current needs, and we will continue to respond flexibly to the different regulations and market characteristics of each country.

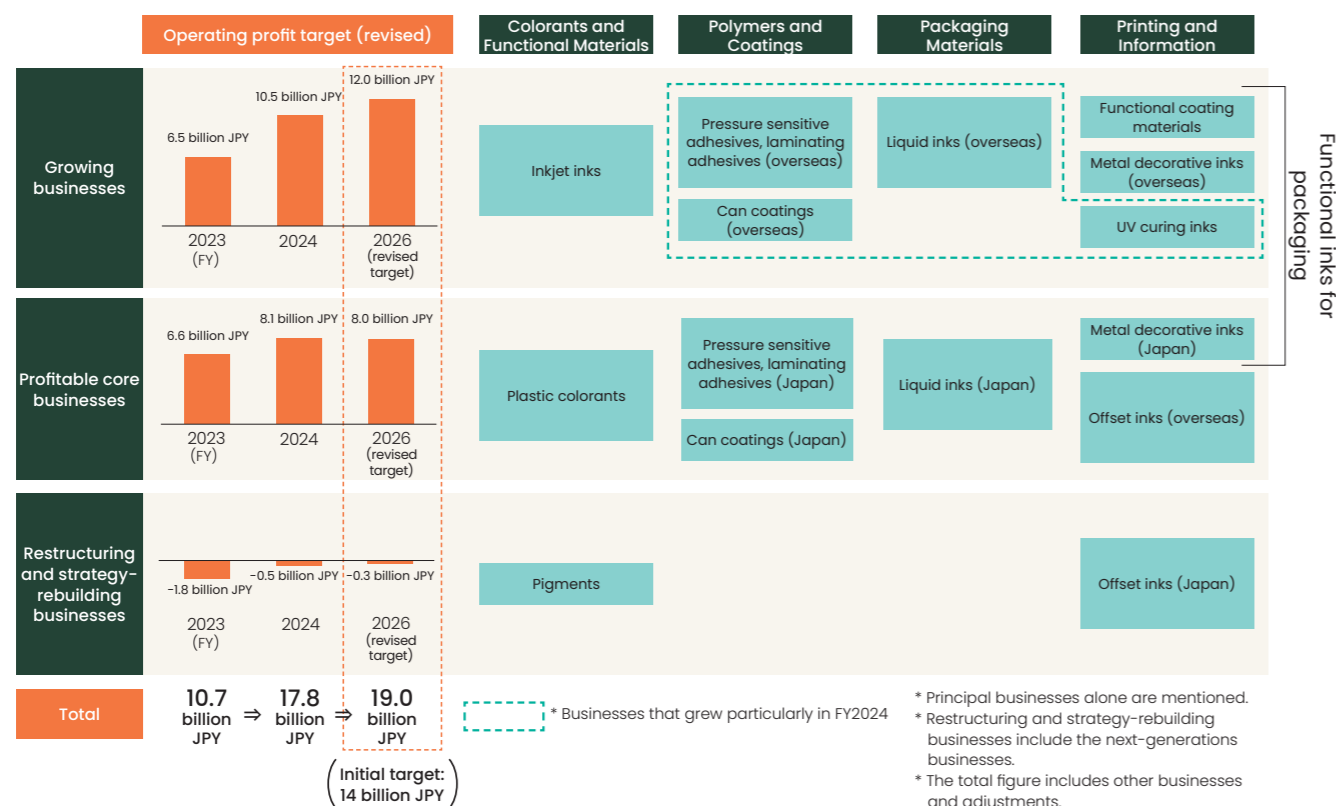
Our goal is for overseas sales to account for at least 60% of our total sales by FY2026. Securing global human resources is essential to achieving this goal. To improve our sales and technical support capabilities and tailor them to the needs of each region, we will actively recruit and develop local personnel. Going forward, the Group will work together as a team to accomplish the goals of artience2027, maintaining an offensive attitude and striving to achieve significant growth.

Creation of strategic priority businesses

The core of our new business creation efforts is Mobility and Battery Related Businesses. As our next growth pillar, we have been investing heavily in carbon nanotube (CNT) dispersions to improve the performance of lithium-ion batteries (LiBs) for electric vehicles (EVs.) In FY2024, the EV market stagnated due to factors such as the lowering of EV targets in various countries, reductions in subsidies, and delays in infrastructure development, forcing a review of plans. However, there is no doubt that the shift to EVs as a means of addressing environmental issues is a global trend, and we are focusing on future-oriented development in collaboration with automobile manufacturers and battery manufacturers. We are confident that our superiority in terms of our technologies and customer network is becoming increasingly robust, and will enable us to contribute to solving issues such as driving range, charging time, and cost in the spread of EVs.

In addition to cathode materials for our ternary (nickel-cobalt-manganese) batteries, we believe it is also necessary to respond to the demand for lithium-iron phosphate (LFP) batteries and anode materials, which are highly competitive in terms of price. Furthermore, we are working on the development of all-solid-state batteries, which are attracting attention as a next-generation technology, and lithium-manganese iron phosphate (LMFP) batteries, which are an improvement on LFP batteries. Our goal is to eventually cover all areas of LiB materials (▶P.25.)

Classification of the main existing businesses and operating profit targets



# Financial Strategy

## Driving financial reforms focused on improving capital efficiency



**Takeshi Arimura**

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

### Progress in the first year of the medium-term management plan

#### 2024 was a year of transformation. Awareness of improving capital efficiency has increased

FY2024 was a year of major transformation for artience. Changing our company name—which had been used for over 100 years—and renewing our management philosophy had a significant impact on the mindset within the Company. This wasn't just about replacing our signboards. The change has inspired a new mindset among our employees to radically transform all business activities and corporate operations, which has provided a major boost to our efforts to improve capital efficiency. The Finance & Accounting Department has also planned and implemented capital policies such as treasury share buybacks, introduced cash flow and efficiency indicators, and implemented measures to improve the capital efficiency of the Company as a whole. I believe that this was

#### Financial reform measures (progress as of FY2024)

<b>Business portfolio transformation</b>	<ul style="list-style-type: none"> <li>Increase the earnings capacity of existing businesses, including structural reforms of low-profitability businesses.</li> <li>Steadily enlarge strategic priority businesses and clarify the growth story.</li> </ul>
<b>Increase capital efficiency</b>	<ul style="list-style-type: none"> <li>Introduce ROIC as an indicator to the whole company to improve efficiency.</li> <li>Reduce operating capital by improving CCC (FY2024 actual: 111 days ⇒ FY2025 target: 108 days)</li> </ul>
<b>Capital policies</b>	<ul style="list-style-type: none"> <li>Improve the CCC to reduce operating funds (FY2024 actual: 10 JPY YoY increase in dividend, treasury share buybacks*)</li> <li>Reduce cross-shareholdings (FY2024: 9.5 billion JPY sold)</li> </ul>
<b>Efforts to lower capital costs</b>	<ul style="list-style-type: none"> <li>Disclose information in a timely and appropriate manner, step up IR activities including the positive distribution of information and increase dialogues with stakeholders.</li> </ul>

\* Up to 4.5 million shares or 10.0 billion JPY (Purchase period: August 13, 2024 to August 12, 2025)

a year in which awareness of improving capital efficiency increased significantly throughout the Company.

In FY2024, we introduced ROIC and CCC (cash conversion cycle) as internal management indicators. In February 2025, at the end of the first year of the artience2027, Medium-term Management Plan, the Company revised the original plan and announced an updated version, including treasury share buybacks and a policy to reduce cross-shareholdings. The original medium-term plan's target of achieving an ROE of 7.0% or higher over three years was met in FY2024. However, this was due in part to one-time gains from the sale of shares and other special factors, so we do not consider this to be a satisfactory level. Going forward, we have set a revised target of 8.0% or higher as our actual performance figure, excluding special factors, and will work toward achieving this goal.

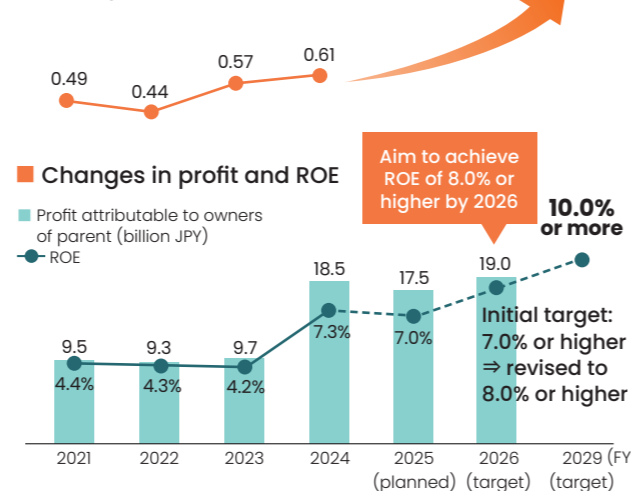
#### Challenges and growth strategies for achieving a PBR of 1

A major challenge for the Finance & Accounting Department is achieving a PBR of 1. There are two important points to consider in order to achieve this.

One of them is for us to achieve an ROE of 7.0% or higher, and then 8.0% or higher, based on actual performance rather than relying on temporary special factors. To achieve this, we have established the management policy of transforming existing business into highly profitable ones, and are working to improve the profitability of our existing businesses. The domestic Printing and Information Business, which had been operating at a loss for several years, achieved significant profits in 2024. The offset inks business in Japan has reduced its losses through structural reforms and price revisions, while other businesses have improved their ability to generate earnings by shifting to high value-added products, revising prices, and improving their efficiency. We have revised our operating profit target for 2026 for highly profitable existing businesses upward from our initial target of 14.0 billion JPY to 19.0 billion JPY.

Another key point is the establishment of new growth areas within our strategic priority businesses. Contrary to initial expectations, sales of LIB materials for EVs have fallen behind

#### Changes in PBR



original targets due to the recent downturn in the EV market. However, we are preparing to respond to diverse demands when the EV market recovers. In terms of future growth businesses, we see promising signs of progress in the display, semiconductor, and advanced electronics sectors, and we will actively invest in these areas as growth fields.

#### Improvements in CCC driven by active frontline efforts

In FY2024 CCC improved from 114 days to 111 days: an improvement of 3 days. Frontline employees worked enthusiastically to shorten the number of days required to collect inventory and accounts receivable. This is likely the result of increased awareness of our management policy to improve capital efficiency.

We still feel that there is more room for improvement in terms of ROIC awareness. We are engaged in various efforts to raise awareness. For example, by releasing results monthly instead of quarterly, we are increasing the frequency with which employees are exposed to such information.

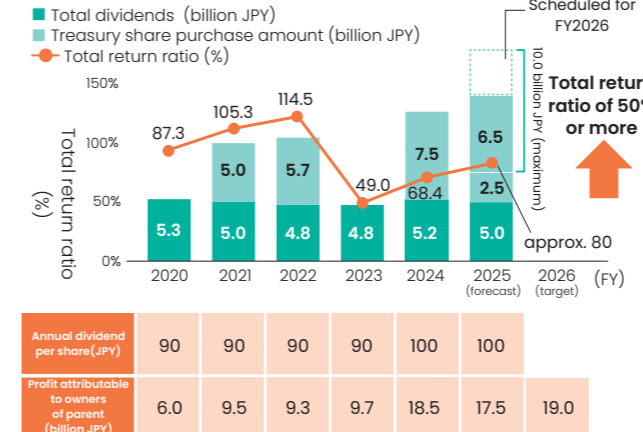
#### Reducing cross-shareholdings to maximize capital efficiency

Until now, we have previously reduced cross-shareholdings by verifying their economic rationality, comparing their associated benefits with the cost of capital, and reviewing transaction conditions. In FY2024, we took a further step by announcing a reduction policy. We are adopting a more proactive policy with the aim of maximizing capital efficiency. Going forward, we will carefully reduce our cross-shareholdings while maintaining good relationships with our business partners, and use the proceeds to make growth investments and increase shareholder returns, thereby enhancing corporate value.

#### Aiming to increase shareholder returns

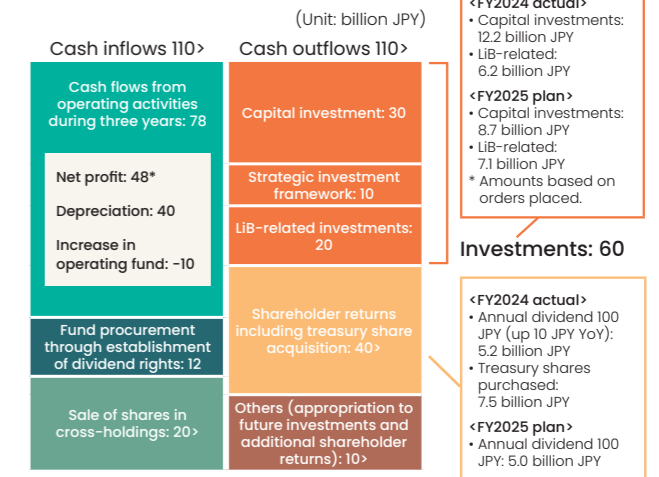
Our capital policy—prioritizing growth investments in cutting-edge electronics and growing overseas regions while actively returning profits to shareholders—remains unchanged. In FY2024, profits exceeded our plans, and so we

#### Shareholder returns



\* On May 9, 2025, the Company announced a treasury share buyback program of up to 4.5 million shares or 10 billion JPY (Purchase period: May 12, 2025, to May 11, 2026.)

#### Cash allocation



\* Excludes gains on sales of investment securities. (Revised in February 2025.)

have increased our planned operating cash flow for the three-year medium-term plan period from 40.0 billion JPY to 48.0 billion JPY. We have decided to return a portion of this to our shareholders.

Since we expect to surpass our initial targets for reducing cross-shareholdings, our policy will be to enhance corporate value by allocating the profits from this to growth investments and shareholder returns. Going forward, we will continue aiming to improve the level of shareholder returns in line with profit growth.

#### Towards enhancing corporate value

#### Emphasizing the role of outside directors in management decision-making

Based on our Group policy of strengthening governance, we have increased the number of outside directors. Currently, the majority of our directors are outside directors. Since outside directors play an important role as representatives of shareholders and external stakeholders, we strive to enhance communication by taking time to explain proposals to them in detail. The decisions to review our treasury share buyback and cross-shareholding reduction policies in FY2024 were also made after thorough discussion by the Board of Directors. I believe that decisions are made with consideration for external requests as well.

#### Maintaining an "A" credit rating while improving capital efficiency

Maintaining an "A" credit rating is essential for achieving an optimal capital structure. Without a solid financial foundation strong enough to maintain an "A" rating, we cannot invest with sufficient flexibility. As interest rates rise, a downgrade in credit rating would increase financing costs.

Improving capital efficiency is an urgent priority. While maintaining our "A" rating, we will pursue improvements in capital efficiency as a dual strategy to enhance medium- to long-term corporate value, aiming for a balance sheet that is appropriately matched to our progress of growth.

# Human Capital Strategy

## Maximizing the power of individuals based on *People-oriented Management*

Business planning and human capital are inseparable

### Three key initiatives for human capital strategy in the artience2027, Medium-term Management Plan

At artience, we place people at the center of all corporate activities, and consider them the driving force behind business growth. By bringing out and utilizing the strengths of each and every employee, we aim to enhance the corporate value of our Group as a whole. This is a reflection of our corporate philosophy of *People-oriented Management*.

The basic policies of the Group's artience2027, Medium-term Management Plan are the transformation of existing businesses into highly profitable ones, the creation of strategic priority businesses, and the transformation of our management foundation. As we aim for significant transformation under the slogan of "GROWTH," it is our people—our employees—who will support this effort. Based on our belief that business planning and human capital are inseparable, the human capital strategy of artience2027 focuses on the following three initiatives.

The first initiative is "Securing human resources to drive business growth." To achieve our business objectives, we will implement talent shifts within the Group through internal recruitment and career challenge programs in strategic priority business areas, including new technological fields such as batteries and semiconductors. It will also be essential for us to acquire human resources from outside the Group, who possess expertise that is not currently available internally. Additionally, we recognize that securing specialist personnel in administrative departments, such as legal affairs, finance, and public relations, and production site staff who support manufacturing on the front lines is a key issue in responding to rapid and drastic environmental changes.

The second initiative is "Promoting employee challenges and growth, and creating a culture of challenge." We will accelerate human resources development and cultural reform through collaboration with our Incubation Center, which explores new businesses. In FY2024, we launched a new human resources system that emphasizes individual abilities, achievements, and a willingness to take on challenges.

The third initiative is "Creating an environment that leverages the strengths of diverse individuals." We will work to create an environment in which all employees can thrive, regardless of their background. Gender imbalance among our employees has been a long-standing issue for our company. In our new graduate recruitment for 2025, however, female recruits accounted for 41.2% of new hires. At the same time, the percentage of women in management positions remains low, at 5.8%, so continued efforts are necessary. In addition, with overseas sales accounting for over 50% of our total sales, the utilization of global human resources is also an important key to our success.

### Instilling our philosophy and fostering employee growth

"Create value that resonates with the senses and build a



**Junji Sekino**

Operating Officer in charge of Human Resources, General Manager of Human Resources Department

future where all people can live enriched lives." This brand promise is both a commitment to society and a vision that we hold for all our employees. In other words, it encapsulates the message of with what kind of human resources the Group wants to create the future.

Because our workforce is so diverse, it is difficult for everyone to understand and act upon such a philosophy equally. For this reason, the Company has been holding roundtable discussions, in which the president visits various locations to engage in direct dialogue with employees. In FY2024, we held these discussions at 14 locations in Japan and overseas. We also hold workshops for department heads and managers, to enable them to translate our philosophy into departmental policies. Many participants have commented that these workshops provided a valuable opportunity to reevaluate the implementation of higher-level policies in their own departments, and we feel that we have achieved some results in this area. In FY2025, we plan to expand this initiative to our overseas bases.

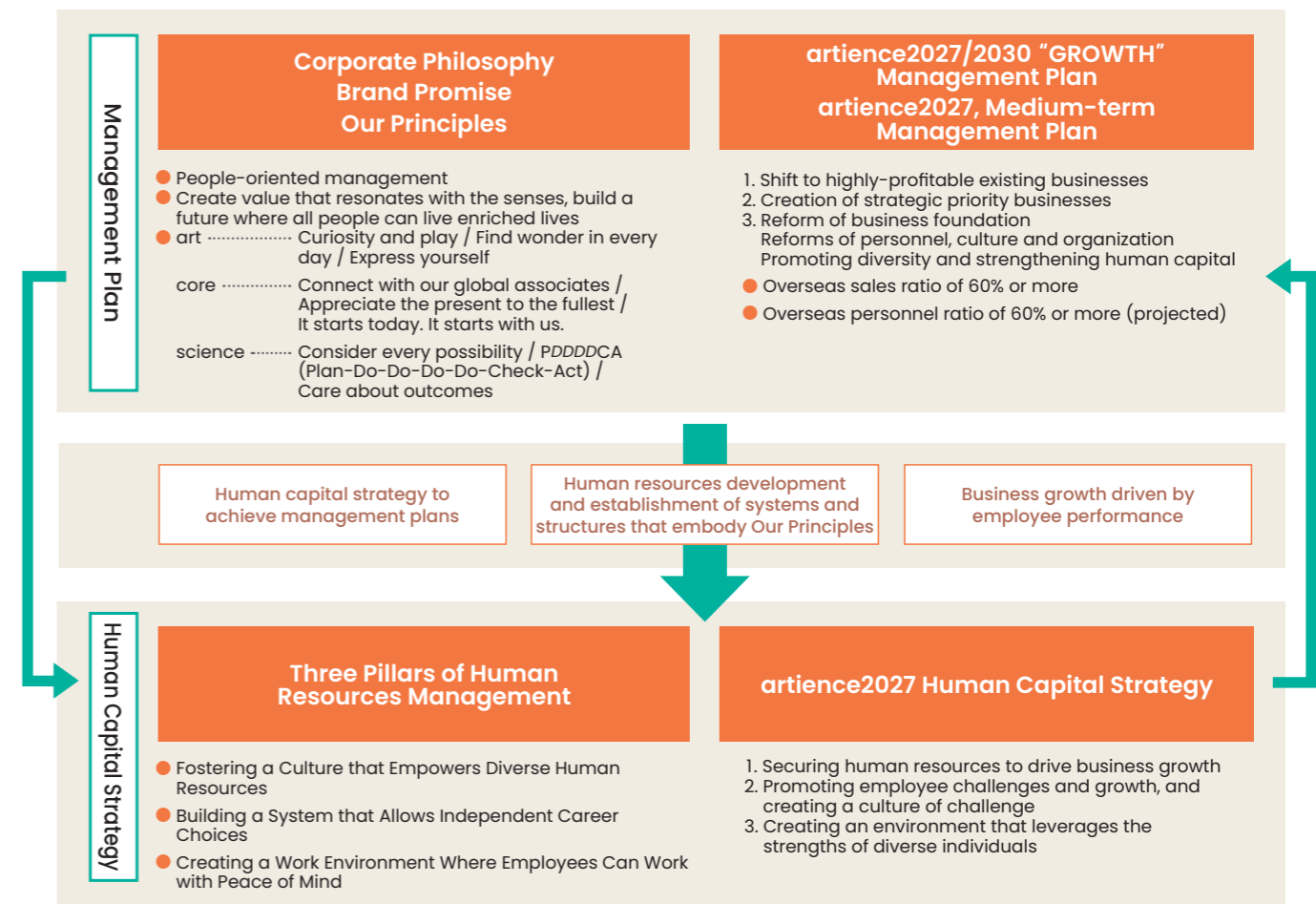
The background to this revision of the personnel system is to strengthen the link between the Company's philosophy and management plans. The existing system lacked an adequate mechanism for fairly evaluating employees who took on challenges beyond their daily work. The new system is designed to enable more differentiated treatment based on employees' attitudes toward challenges and the results they achieve.

In particular, to improve the quality of goal setting, which tended to be very uniform, we held a Goal Setting Improvement Workshop for 217 section chiefs in January and February 2025. The way in which employees approach their work changes depending on the goals that serve as the starting point for their evaluation. Going forward, we will establish a system in which section chiefs, who are close to the front lines, can help their subordinates set effective goals.

The introduction of a system for promoting specialist personnel to management positions is also a major step forward. This has shown that not all employees need to pursue a management or generalist career path. Instead, they can build their careers based on their specialist expertise. We aim for even our youngest employees to feel that the company recognizes and values their specialist expertise.

### Overview of the human capital strategy

The artience Group places people at the center of all corporate activities, driving business growth. By enabling each and every employee to perform to the best of their abilities, we maximize the corporate value of the entire Group.



### artience2027 Human Capital Strategy, quantitative measurement methods for each initiative

Human Capital Strategy	Theme	Specific initiatives	Quantitative measurement methods
Securing human resources to drive business growth	Human Capital / DE&I	<ul style="list-style-type: none"> <li>Active recruitment of experienced and specialist personnel</li> <li>New education system "artience growth field"</li> <li>Internal job postings, career challenge programs, overseas workshops</li> <li>National staff development "Global Leadership Program"</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of experienced and specialist human resources hired</li> <li>Education and training expenses per employee</li> <li>Results of each career and development initiative</li> <li>Ratio of national staff to executives</li> </ul>
Promoting employee challenges and growth, and creating a culture of challenge	Human Capital	<ul style="list-style-type: none"> <li>New HR system "HR Canvas"</li> <li>Promoting innovation "Incubation CANVAS TOKYO"</li> <li>Business idea contest "IPPO," improvement proposal award system</li> </ul>	<ul style="list-style-type: none"> <li>Plus Try system results, engagement scores</li> <li>Number of collaboration events, business creation results</li> <li>Number of contest entries, implementation results, number of improvement proposals</li> </ul>
Creating an environment that leverages the strengths of diverse individuals	Respect for Human Rights/ DE&I / Health & Productivity Management	<ul style="list-style-type: none"> <li>Promoting DE&amp;I</li> <li>Operating the special subsidiary Clover Biz Co., Ltd.</li> <li>Global initiatives to promote talent mobility</li> <li>Initiatives to enhance employee engagement</li> <li>Promoting health and productivity management</li> </ul>	<ul style="list-style-type: none"> <li>Continuation and expansion of scope of certification for work-life balance support</li> <li>Employment rate of people with disabilities, expansion of Clover Biz operations</li> <li>International transfers of national staff</li> <li>Engagement score</li> <li>Results of regular employee health checks, etc.</li> </ul>

### Improving engagement

In FY2024, we conducted an engagement survey targeting roughly 3,600 employees, both in Japan and overseas, and received responses from 83% of them. Overall, the results were on par with global manufacturing industry benchmarks in several categories, exceeding the average for Japanese manufacturers. The external agency that conducted the survey also evaluated the results as "healthy" for the first year. The five areas in which we received particularly high ratings were "work-life balance," "psychological safety," "good relationships with immediate supervisors," "trust in the company's handling of safety," and "honest communication with outside parties." On the other hand, issues were highlighted in areas such as "information sharing about the company and businesses," and "eliminating factors that impair operational efficiency." We recognize these as areas for improvement going forward.

To improve engagement, we are focusing on two main areas in FY2025. The first area is improvement activities within each department. The survey results showed different trends depending on the department and job type, indicating that there are issues which cannot be addressed with a one-size-fits-all approach. Some departments have already implemented specific improvement measures immediately after the engagement survey. In FY2025, we will share these examples throughout the Company and continue to develop them.

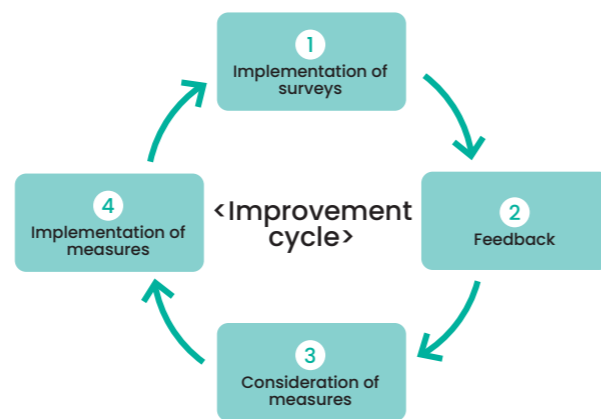
The second area is a group-wide initiative. First, we will hold interactive policy briefings in which department heads will communicate directly with employees to address the issue of "insufficient information sharing with regard to company and business policies," which was identified in the survey results. By showing the Group's specific policies and measures, we aim to give employees confidence in the competitiveness of our businesses and organizations. Furthermore, through repeated dialogue, we aim to encourage each employee to combine their own work with the Company's direction and feel that their daily work is contributing to

the development of the entire Group.

Another point we will emphasize is reviewing and eliminating waste in business operations. Section chiefs and Group Leaders who have a deep understanding of frontline operations will take the lead in identifying issues that employees encounter in their daily work, and work to improve operational efficiency.

Furthermore, in order to improve engagement, it will also be essential for us to establish a system that values a spirit of challenge and enthusiasm. We will effectively implement the new personnel system we introduced in FY2024 to evaluate employees' new efforts and attempts. Under the newly established Retention Committee, the Human Resources Department will take the lead in improving evaluation and compensation.

Because engagement surveys relate to the feelings of employees, there are challenges in quantifying the results and using them as KPIs. Even so, they remain an important tool for hearing employee feedback and understanding the current situation. I would like us to work to understand the qualitative aspects, take the results seriously, and translate them into concrete actions.



### Focusing on active roles for global human resources

Activating talent and organization globally is a key theme for artience at present. In FY2024, the number of employees in Japan fell below 3,000, while the number of overseas employees exceeded 5,000 for the first time. We expect this trend to continue in the future. Although the playing field for our business is now clearly centered overseas, Japan-centric thinking in human resources remains a deep-rooted issue. Even in the countries where we operate, our local subsidiaries are often perceived as (small to medium-sized) Japanese-owned foreign companies, and many of their employees lack a strong sense of belonging to the global artience Group.

However, in countries such as Turkey, the United States, China, and Singapore, local employees are taking on leadership roles and achieving positive results. Cross-border cycling of human resources within the Group has also begun. For example, a former CEO in Mexico is now leading a Group company in the United States.

Although artience is a Japanese company, it is no longer limited to just Japanese employees. We must entrust local management to people who can share our philosophy and policies, regardless of ethnicity or nationality. To develop human resources capable of thriving globally, in FY2025 we will run a development program targeting overseas senior management candidates, and conduct training in Japan for current executive-level employees.

In FY2024, we also established the Global Support Unit (GSU) to strengthen human resources support for overseas subsidiaries. GSU supports overseas bases from various perspectives, with a primary focus on human resources, but also including legal affairs and general affairs. Going forward, we plan to focus on missions such as global talent development and cross-border mobility.



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### Maximizing the potential of all employees both in Japan and overseas

Going forward, I believe that our mission in HR will continue to be embodying the Group's philosophy of "People-oriented Management." This term can be interpreted in various ways, but I interpret it as "creating an environment in which each and every employee can make maximum effective use of their abilities." To achieve this, we will make efforts in all areas, including understanding, assigning, developing, evaluating, and compensating our employees, and ensure that these areas are organically linked.

So far, we have established a solid foundation within Japan. The most critical challenge moving forward will be instilling a sense of belonging as part of the artience Group among our growing overseas workforce, which now exceeds 5,000 employees, and expanding their opportunities to contribute. We need to show a clear path forward for developing human resources who can share our philosophy and aim for growth together across borders.

As the Human Resources Department, we will continue to pursue the challenge of identifying and maximizing the potential of all employees worldwide.

### Engagement survey results

**Purpose** : Employee awareness survey aimed at improving engagement

**Survey period** : August 2024

**Target employees**: approx. 3,600  
All domestic Group companies (regular employees and contract employees)  
Overseas subsidiaries: Toyo Ink America (USA), Toyo Printing Inks (Turkey), Toyo Ink India (Delhi, India)

**Response rate** : 83%

**Survey content** : 15 categories

	Question	Score
Strengths	Overall, the artience Group's policies and systems support employees in achieving a healthy work-life balance	72
	Even if creative ideas do not come to fruition, the originator or team is not blamed	72
	Immediate supervisors evaluate and recognize employees if they do a good job	82
	If there are any issues with safety in the workplace, the Company takes appropriate measures in accordance with internal guidelines and rules	89
	The Company responds to external stakeholders (such as customers and suppliers) with integrity	86
Areas for improvement	The Company successfully anticipates the products or services that customers require	38
	The Company effectively eliminates factors that hinder operational efficiency (such as bureaucracy, waste, and unnecessary rules)	33
	Information is shared effectively across departmental boundaries within the artience Group	47

\* Provided by WTW, our survey partner company.

### Future Discussion Task Force: Shaping the future of the artience Group for the next five to ten years

In FY2022 we launched the Future Discussion Task Force, aimed at fostering the next generation of senior managers. To date, a total of 24 employees have participated. The Task Force aims to foster a high-level perspective and vision among participants by engaging them in discussions with top-level management, thereby enhancing their understanding of top-level thinking and decision-making, increasing their desire to become business leaders, and developing them into the next generation of senior managers.

In FY2025, we are working to develop the next generation of core human resources who will drive change in order to achieve business portfolio transformation, which is one of the key management issues outlined in our artience2027/2030 "GROWTH" Management Plan. In addition to discussions with senior management, we are strengthening leadership and business planning skills through external training programs. These programs are aimed at developing participants' capabilities, with the goal of fostering a more proactive next generation of core personnel.



**Kazuaki Takashima**  
Leader of Human Resources Development Group, Human Resources Department

# Technology and Intellectual Property Strategy

## Maximizing utilization of resources both inside and outside the Group to open up new markets

The artience Group continues to create new value by leveraging its core technologies and the wide range of applications stemming from them. By combining our core technologies with external resources, we are expanding the possibilities of next-generation technologies and driving innovation.

### Technology platforms are the foundation for providing value

Our Group's strength lies in our core technologies of colorant and polymer design, dispersion, and coating, which we have cultivated over the course of many years; and in our ability to refine numerous applied technologies and apply them to a wide range of fields. While each technology or product itself may be small, we flexibly combine multiple technologies and products to build technology platforms that provide optimal solutions to our customers.

In the short to medium term, we will explore "spillover areas" that lie just outside the scope of existing technologies, to deliver products that meet market needs with a high degree of accuracy. At the same time, it is crucial for us to explore new areas with a long term perspective, and embrace challenges toward the next innovation. Through these actions, we drive the evolution of our platforms and create new value.

### Progress for technology strategies for developing next-generation business

The semiconductor field is one of our strategic priority business areas. In particular, currently, the spread of generative AI is rapidly increasing demand for data centers. Our semiconductor polymers are beginning to be adopted as a low-dielectric base material for pattern formation, and we aim to expand further in this growing market. In addition, the adoption of insulating materials for electronic devices is progressing. We will strengthen our efforts to expand into areas with higher volume potential, such as smartphones, while building deeper relationships of trust with customers.

In the battery field, we will continue to focus on carbon



nanotube (CNT) dispersions for lithium-ion batteries (LiBs) while accelerating our efforts to address all-solid-state batteries, which are expected to become popular in the future. Although these are still in the pilot stage, we have already received inquiries. We believe it is important to establish our market position through early entry, before all-solid-state batteries are put into practical use.

Another area that we are prioritizing as a next-generation market is HAI (Human-Agent interaction.) AI is now evolving beyond a tool for calculation and reasoning to a technology that deepens relationships with humans and understands emotions and intentions. In this area, we are conducting joint research with Nihon University's College of Humanities and Sciences, and in FY2024 we announced the HAI experiential content Tomonigo™. We are exploring the possibilities of a future in which people and AI agents complement each other and spend time together.

Responding to environmental regulations is also essential. In addition to developing products that make use of recyclable single materials and biomass materials, and products that don't require solvents, we are also working on a new curing system for LED-UV curing inks. LED-UV curing inks are subject to strict regulations in Europe, due to concerns that the substances generated during curing may have an im-

act on the environment, and on human health. We are developing safe and reliable LED-UV curing inks that meet these requirements using a new technology with a different mechanism from existing ones, and aim to bring them to market.

### Fully utilizing generative AI in R&D and intellectual property activities

We are also strengthening our efforts to utilize generative AI. The Generative AI Utilization Promotion Task Force, established in FY2025, is attempting to train generative AI using approximately 30 years of experimental research data, and is also exploring ways to combine this with publicly available academic papers and patent information. The aim is to build a system that can present optimal ideas and solutions in response to questions, enabling employees to solve problems that were previously handled individually by leveraging all kinds of knowledge from both inside and outside the company.

In intellectual property activities, we have also been working to automate patent searches and patent application document creation using generative AI. While in the past we have filed numerous detailed patents to protect our technologies, going forward we will strategically acquire patents that can serve as sales tools by identifying patent gaps based on competitors' movements.

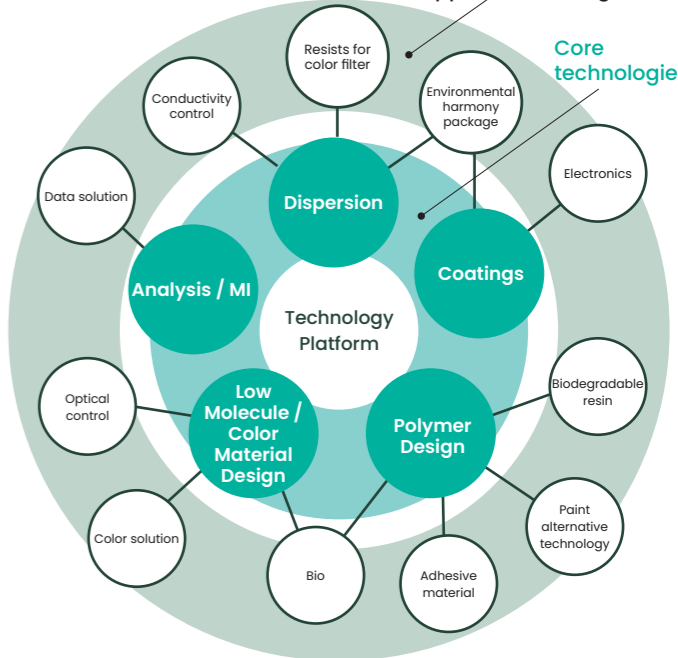
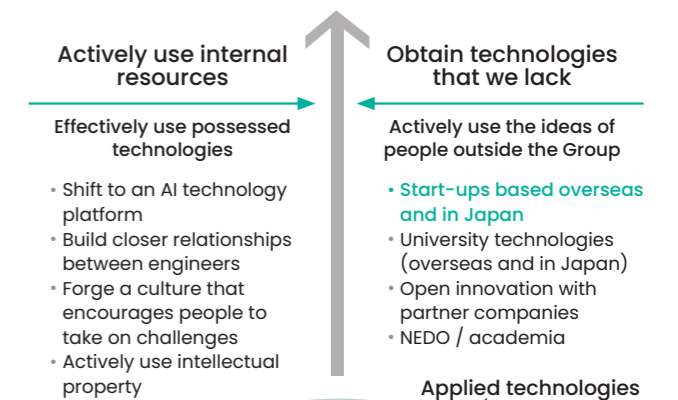
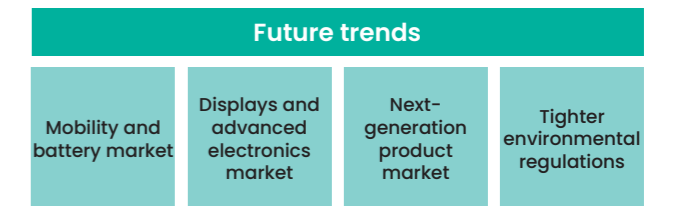
### Strengthening the development of technical personnel and providing value that resonates with the senses

Based on the major assumption that the development of new technologies is built on numerous failures, the Group's R&D division has introduced a system called "20% Free Exploration Activities." Members can freely allocate 20% of their working hours to themes based on their own interests. In these activities, failure is not a problem, and achievements are evaluated and recognized appropriately. In FY2025, we have also established the "R&D Challenge Award" to reward the innovative spirit of our employees and teams.

In response to the many employees in technical development positions who wish to pursue their expertise over the course of a long career, we have also introduced a "Specialist System." By providing management-level treatment to employees in specialist roles, we aim to develop highly skilled engineers who are widely recognized in the industry.

As we continue to enhance our competitiveness in the market, the importance of value that resonates with the senses continues to grow. Can we provide products that move the hearts and minds of end users, and evoke surprise and emotion? Can we exceed the expectations of our customers with whom we have daily interactions, and deliver technical proposals that excite them? And can the employees responsible for technical development approach their work with a sense of excitement? It is only by dedicating ourselves to what we truly want to do, rather than simply performing routine tasks, that we can achieve results beyond our imagination. We believe that engineers should have the opportunity to share the technologies they develop with the world, and to experience the life-changing sense of accomplishment that comes with it. We will continue striving for this, and aiming to create a virtuous cycle of further business expansion and corporate growth as a result.

### Structure for the development of technologies that lead to the development of future businesses



The HAI experiential content Tomonigo™, a joint research project with Nihon University's College of Humanities and Sciences, which make it possible to experience a future of spending time together with AI agents.

#### Development policies

- Policy (1)** Development of new products, technologies, and production technologies for strategic priority businesses
- Policy (2)** Expansion through new product and business development overseas
- Policy (3)** Attempting new research and development methods

• Transforming research and development methods through the combination of technology platforms, generative AI, MI, and computational chemistry  
 • Further expansion of open innovation  
 • Utilization of strategic IP assets in business

#### Development structure

The Group's development activities are divided into short-term themes, which are handled by the R&D divisions of operating companies, and medium-term themes, which are handled jointly by the research laboratories of each company. Long-term development is led by the Group's head office research laboratory. Depending on the development theme, overseas bases may also be involved, and progress is shared at monthly strategy meetings for each project. To seize new possibilities through open innovation, we are also collaborating with universities and other materials manufacturers both in Japan and overseas.

Short-term development

Operating company R&D division

Medium-term development

Operating company research laboratories

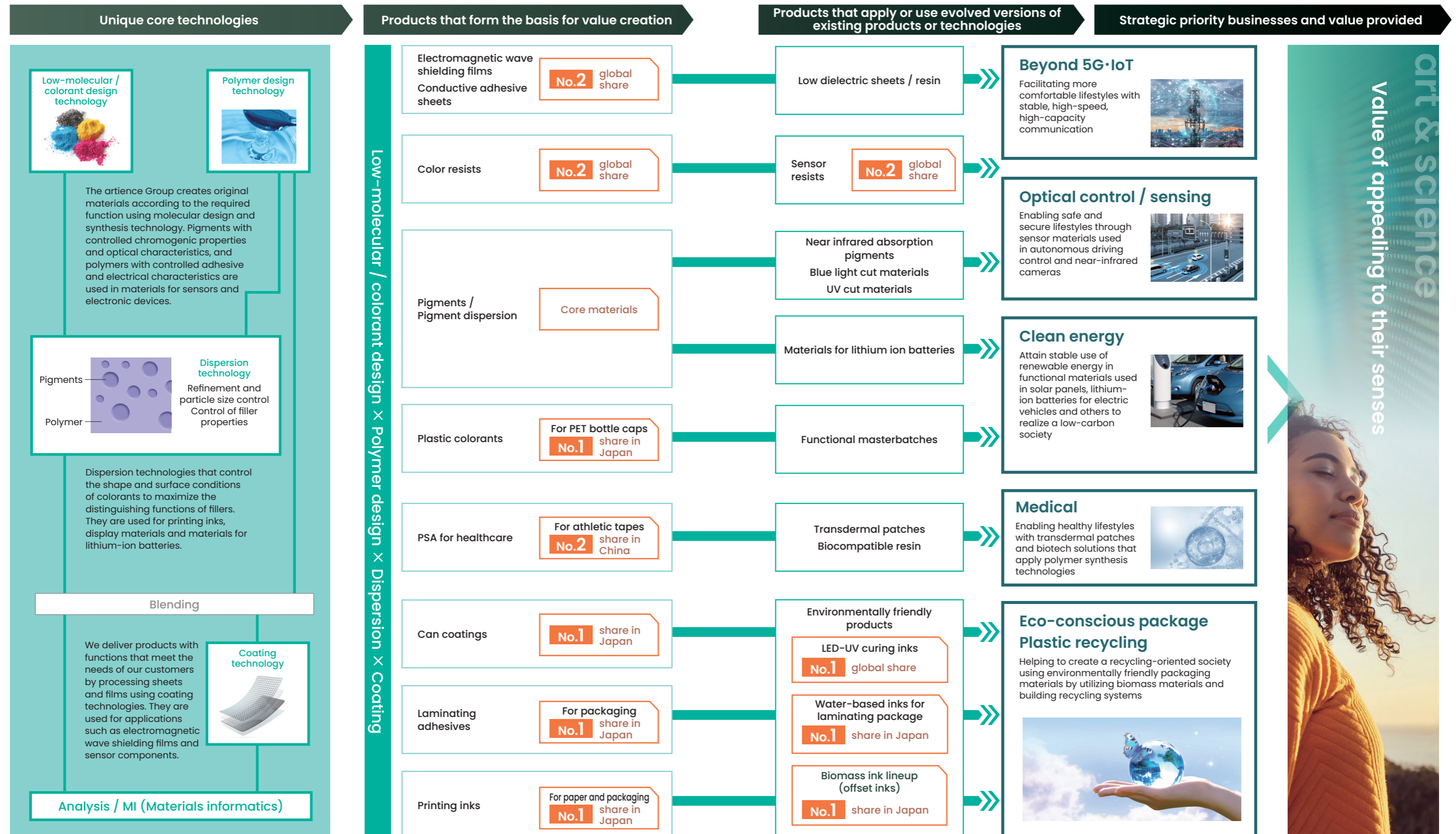
Long-term development

Group head office research laboratory

# Applying and Advancing Core Technologies to Create Value

The artience Group applies and evolves its unique core technologies, developed over the course of over 100 years of product development and manufacturing, as a technology platform to create a wide range of

products. These products create value that resonates with the senses and moves people's hearts, contributing to the creation of a spiritually enriched society.



\* Shares according to our research