

# Medium-Term Management Plan artience2027/2030

artience Co.,Ltd.

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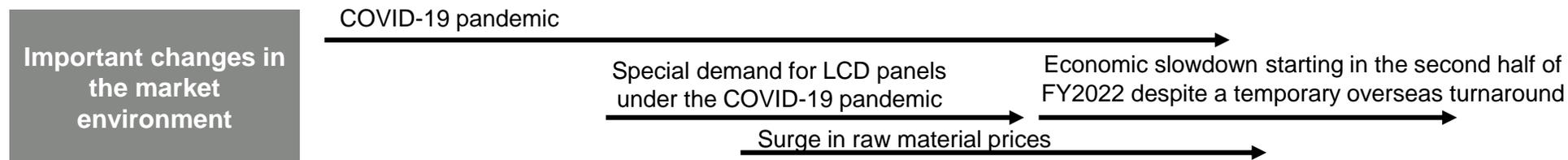
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## Review of the previous SIC-II Medium-Term Management Plan (2021-2023)

- Although actions for growth made some progress, operating margin fell partly due to soaring prices of raw materials.
- The sales volume decreased slightly due to changes in market conditions. Partly due to the foreign exchange effect, net sales reached the target.

	FY2020	FY2021	FY2022	FY2023	Initial target for FY2023
Net sales (Unit: 1 billion yen)	255.7	288.0	315.9	322.1	300.0
Operating profit (Unit: 1 billion yen)	12.9	13.0	6.9	13.4	22.0
Operating margin	5.0%	4.5%	2.2%	4.2%	7.0% or more
ROE	2.8%	4.4%	4.3%	4.2%	7.0% or more



### Main causes of failure to reach operating profit target

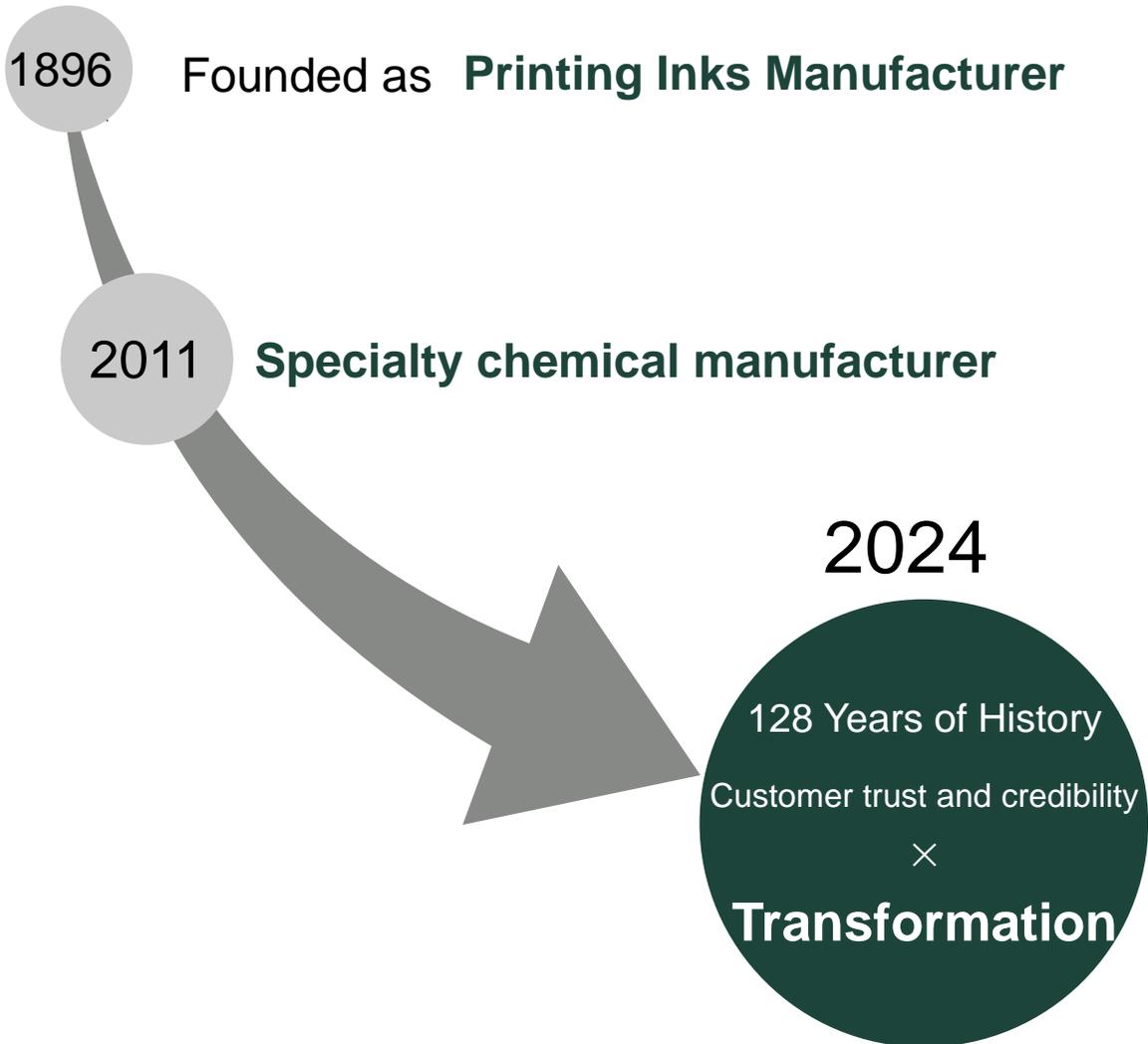
Breakdown of a shortfall of 8.6 billion yen below the initial target 22.0 billion yen (FY2023)

- ☑ Short of plan and decrease in sales volume (-4.5 billion yen): Offset rotary press inks, newspaper inks, pigments, pigment dispersions, plastic colorants and others
- ☑ Decline in profitability (-0.6 billion yen): Sales of color filter materials dropped despite a sales volume hike (by some 22%)
- ☑ Delays in price revision (-1.5 billion yen): Mainly domestic offset inks, gravure inks, and others
- ☑ Delays in new business establishment under the COVID-19 pandemic (-3.1 billion yen): CNT dispersions for LiB and others

## Achievements of Previous Medium-Term Management Plan SIC-II (2021-2023)

<b>(i) Strengthen the profitability of businesses</b>	<ul style="list-style-type: none"><li>■ Expansion of business and investment in India, Southeast Asia, Turkey and other regions with growth potential. (in packaging materials market)</li><li>■ Printing and Information: Implementation of structural reforms in Japan including the integration of sales companies, suspended production of newspaper ink in Malaysia</li><li>■ Colorants and Functional Materials: Organizing plastic colorant bases (France, The Philippines), Consolidation of production bases (Mobara (Japan), Tianjin (China))</li></ul>
<b>(ii) Create and expand priority development domains</b>	<ul style="list-style-type: none"><li>■ Establishment of global SCM and actualization of CNT dispersion for LiB in Europe, US, China and Japan</li><li>■ Sales expanded in sustainability contribution products and high-value-added products such as functional coating materials.</li></ul>
<b>(iii) Enhance the value of management resources</b>	<ul style="list-style-type: none"><li>■ Initiatives for the asv2050/2030 vision (formerly, TSV2050/2030) were implemented.</li><li>■ DE &amp; I efforts were conducted</li><li>■ A transition to a company with audit and supervisory committee was made, the number of female directors was increased, the number of executive officers was halved (from 26 to 13)</li><li>■ Shareholdings were reduced (by 13.1 billion yen) , treasury shares (worth 10.7 billion yen) were acquired.</li></ul>

# Toward the transformation



# artience

**Business Portfolio Transformation**

– **Business** × **Global**

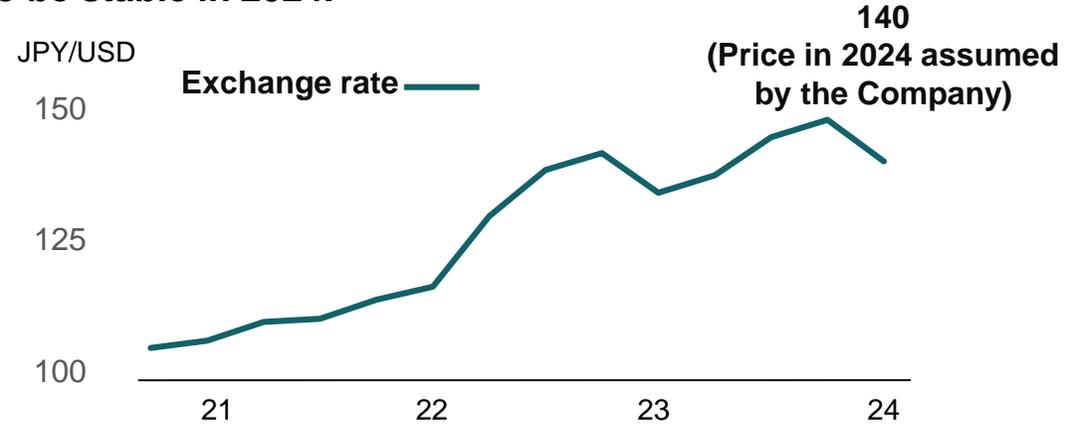
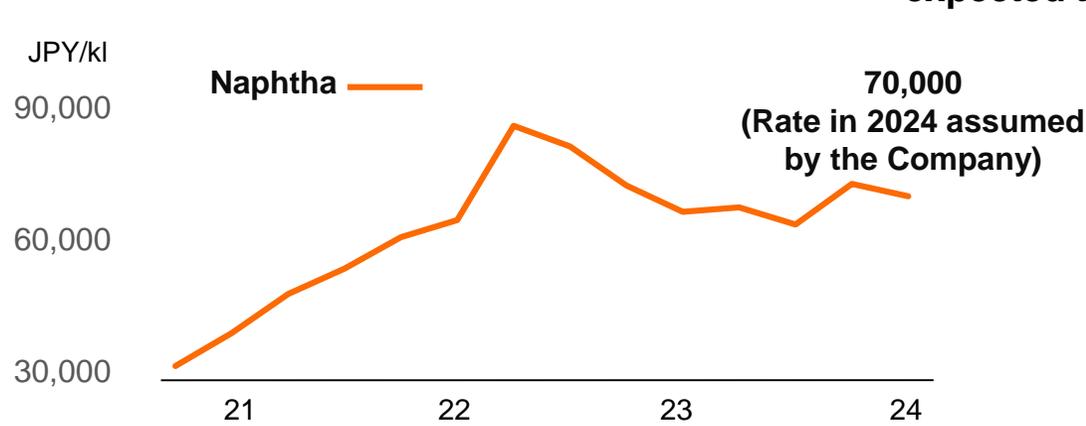
**Maximizing Capital Efficiency and Cash Flow**

**Establishment of Corporate Foundations  
and Sustainability Management Practices**

# Business environment <Naphtha price, exchange rate, and market outlook>

## Trends and outlook of naphtha price and exchange rate

The naphtha price rose significantly during 2021 to 2023 but is expected to be stable in 2024.

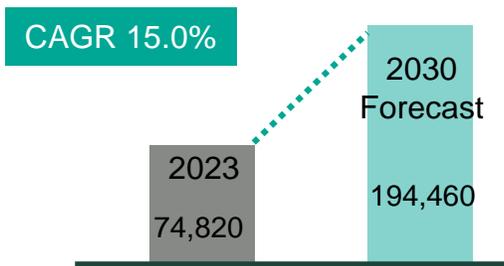


## Global market outlook

The Company's main target markets expecting high growth in the long term.

### Automotive batteries (EVs)

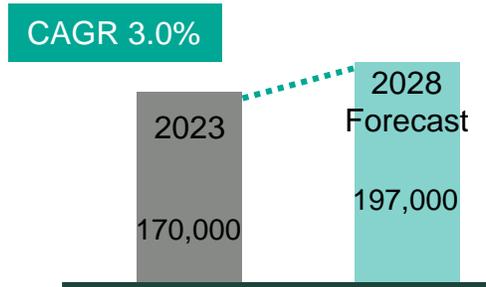
(Billion yen/ln monetary terms)



Source: Estimated by the Company based on *2022-nen-ban Denki Jidisha Kanren Shijo no Saishin Doko to Shorai Yosoku (2022 edition of the latest trends and future outlook of markets related to electronic vehicles)* from Sogo Planning

### Display devices

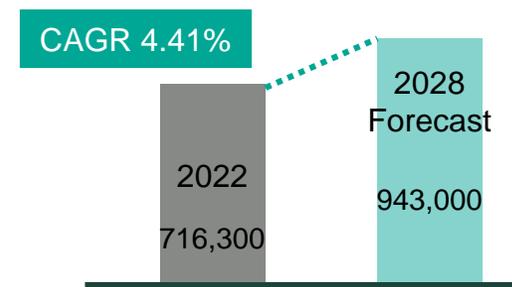
(Billion yen/ln monetary terms)



Source: Estimated by the Company based on various data

### Consumer goods packaging

(Million USD/ln monetary terms)



Source: imarc, 2022

# Management Plan artience2027/2030 “GROWTH”

**Goals**  
 A future all people can live enriched lives  
 Sustainable society  
 Maximizing corporate value



Net sales 322.1 billion yen  
 Operating profit 13.4 billion yen  
 Operating margin 4.2%  
 ROE 4.2%

Net sales 400.0 billion yen  
 Operating profit 25.0 billion yen  
 Operating margin 6.3%  
 ROE 7.0% or higher

Net sales 500.0 billion yen  
 ROE 10.0% or higher

**Business portfolio transformation**

**Maximizing Capital Efficiency and Cash Flow**

**Establishment of Corporate Foundations and Sustainability Management Practices**

<b>Transformation of existing business groups into highly profitable ones</b>	Expansion of growth businesses	Increase in profit of stable earnings base business	Liquidation of unprofitable businesses Reconstruction of strategies
<b>Creation of strategic, high priority business groups</b>	Mobility and batteries	Displays and advanced electronics	Next-generations Businesses (Environmental, biotechnology and energy)
<b>Transformation of management foundation</b>	<b>Personnel, culture and organization</b> Engagement DE & I	<b>Cash</b> CF management Improvement of capital efficiency	<b>Manufacturing</b> asv2050/2030 SCM
	<b>Information/DX</b> Digital transformation Maximum use of SAP	<b>Technologies and intellectual property</b> Construction of the technological foundation Proactive utilization of intellectual property	

# Basic Policies under Medium-Term Management Plan FY2027

## Basic Policy (1)

### Transformation of existing business groups into highly profitable ones

2023 Results   Net sales: 283.4 billion yen   Operating profit: 10.7 billion yen

2026 Targets   Net sales: 305.0 billion yen   Operating profit: 14.0 billion yen

## Basic Policy (2)

### Creation of strategic, high priority business groups

2023 Results   Net sales: 38.7 billion yen   Operating profit: 2.7 billion yen

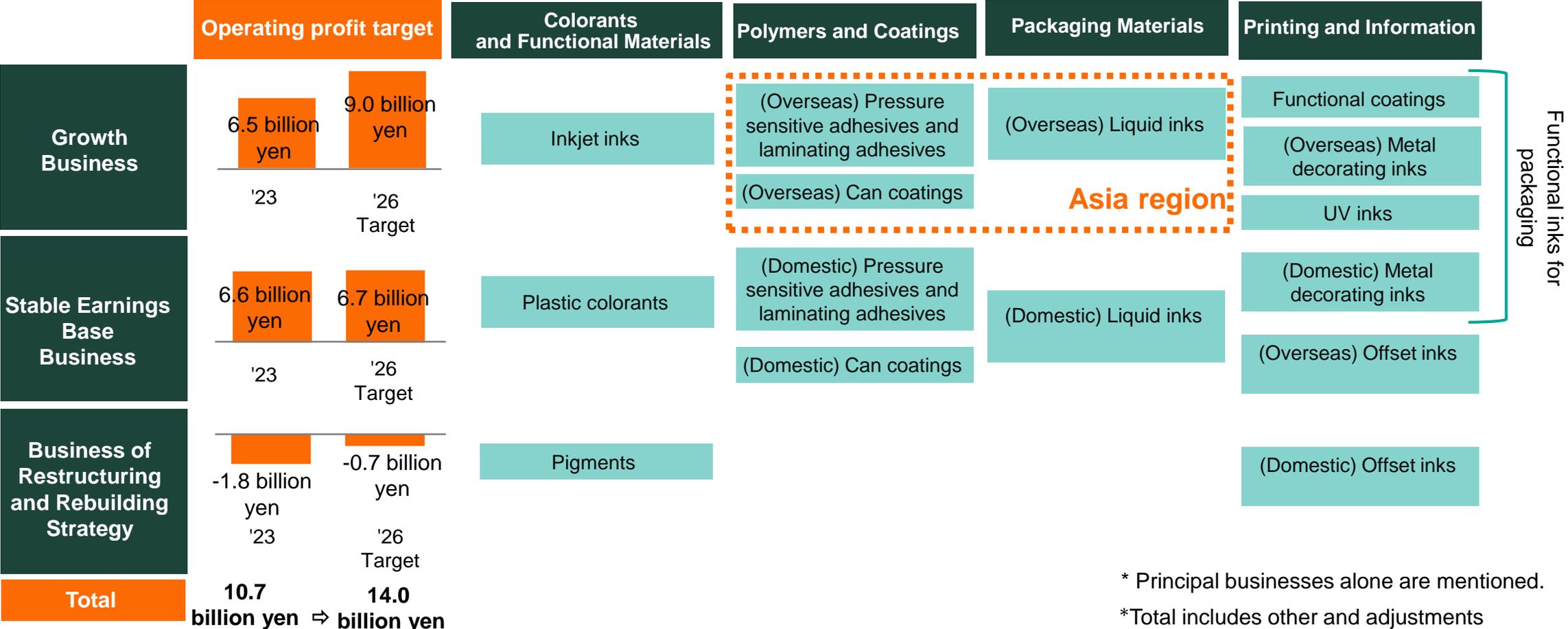
2026 Target   Net sales: 95.0 billion yen   Operating profit: 11.0 billion yen

## Basic Policy (3)

### Transformation of the management foundation

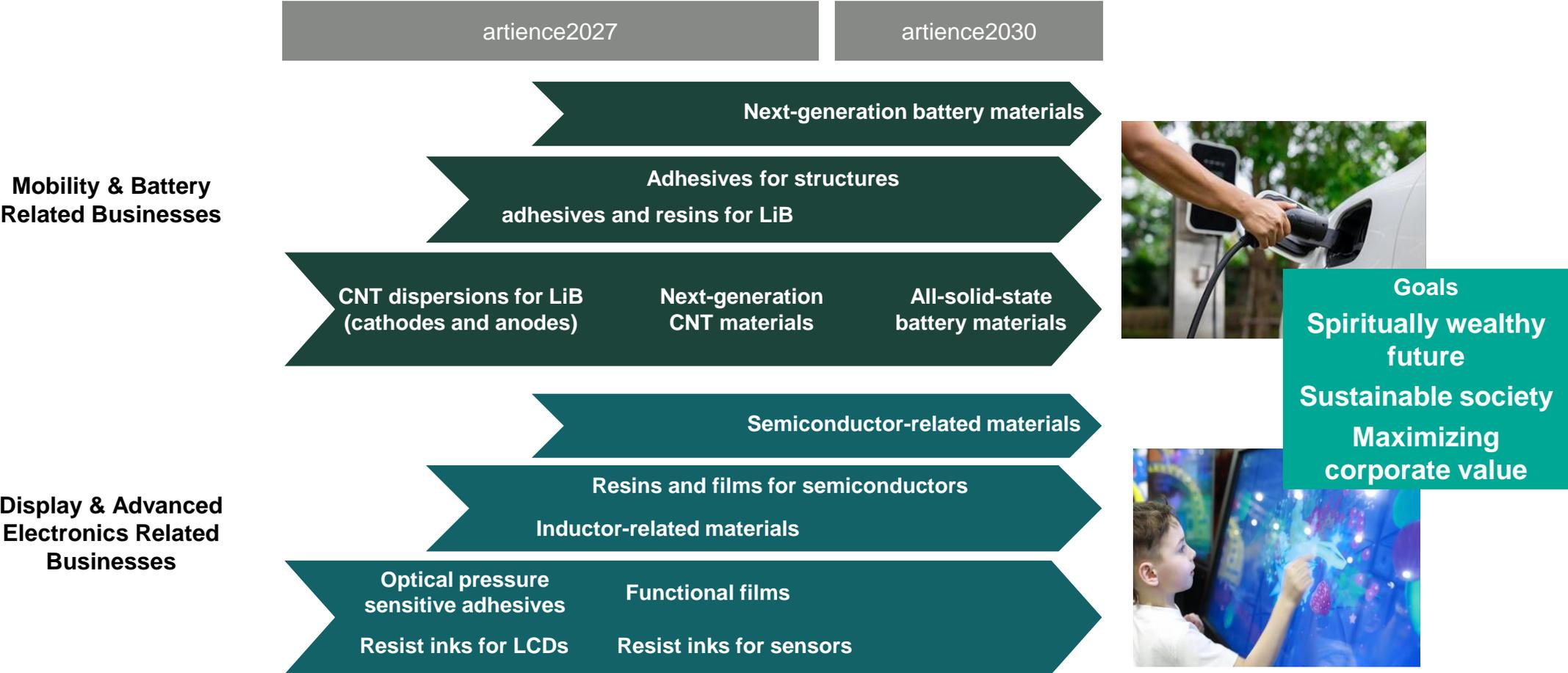
# Basic Policy (1) Transformation of existing business groups into highly profitable ones

- Classify businesses into three groups of growth businesses, stable earnings base businesses, and businesses of restructuring and rebuilding strategy. Carry out reforms including changes in product and market portfolios.
- Achieve high profitability through growth especially in the area of packaging, such as liquid inks, pressure sensitive adhesives and laminating adhesives.
- Capture growth in the global markets, with particular focus on the Asia (Southeast Asia and India).



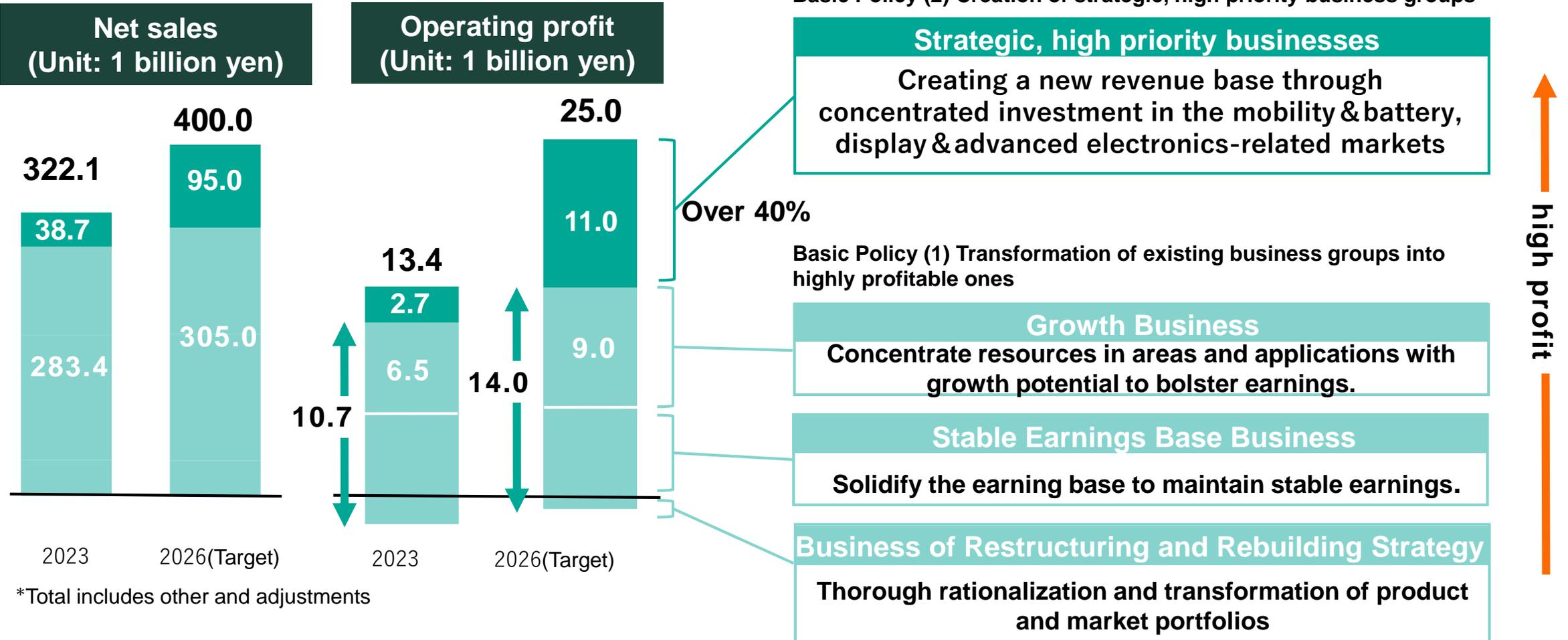
# Basic Policy (2) Creation of strategic priority businesses

■ The artience 2027 plan focuses on two strategic high priority business areas with a view to achieving a future where all people can live enriched lives, which the Group aims to realize.



# Business portfolio transformation with basic policy(1) & (2)

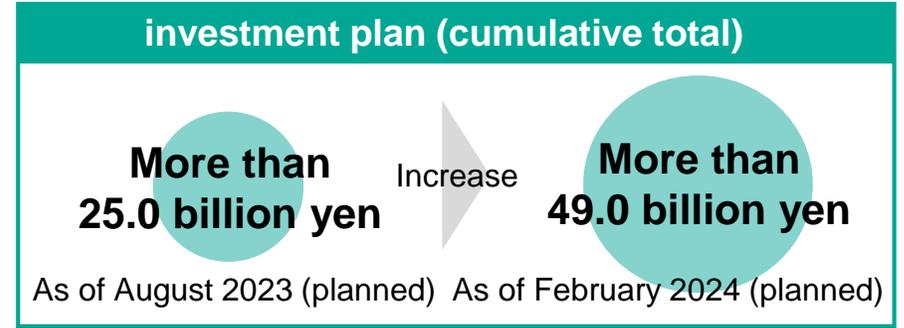
- Expand business in global and other growth markets (overseas sales ratio: 53.7% in FY23 ⇒ 60% or more in FY26)
- Create a pillar of earnings in strategic, high priority business groups (strategic, high priority business groups to exceed 40% of total company operating profit)



\*Total includes other and adjustments

# Mobility & Battery Related Businesses: CNT dispersions for LiB (1)

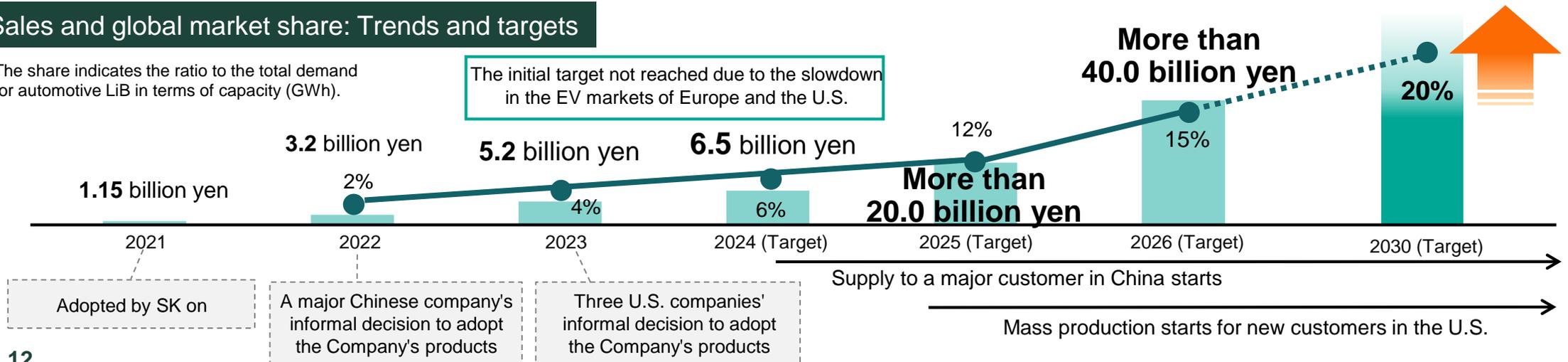
- Increase the planned investment amount from more than 25.0 billion yen to more than 49.0 billion yen toward 2030.
  - Raised 15.0 billion yen from Development Bank of Japan, Inc.
  - Plan to invest 30.0 billion yen during 2024 to 2026, the period under the current medium-term management plan (15.0 billion yen invested already).
- Achieve business expansion by taking advantage of dispersion technology and production at five bases in four regions.



Our plant	Market	Our progress
Georgia, U.S. and Hungary	SK on	Demand declined in Q4 of 2023 due to the slowdown in EV market growth and is expected to begin recovering in the second half of 2024.
Kentucky, U.S.	Customers in North America	Three companies have made an informal decision to newly use the Company's products(Q2 of 2023). A new plant is under construction.
Zhuhai, China	Major Chinese companies	Facilities were increased to increase production capacity, aiming for a market launch in 2024.
Consider responding with the system with five production bases in four regions of the world	Other companies	PEVE Japan adopted the Company's products. Taking actions to major battery manufacturers to have informal decision to adopt the Company's products, including those for anode materials.

## Sales and global market share: Trends and targets

\* The share indicates the ratio to the total demand for automotive LiB in terms of capacity (GWh).

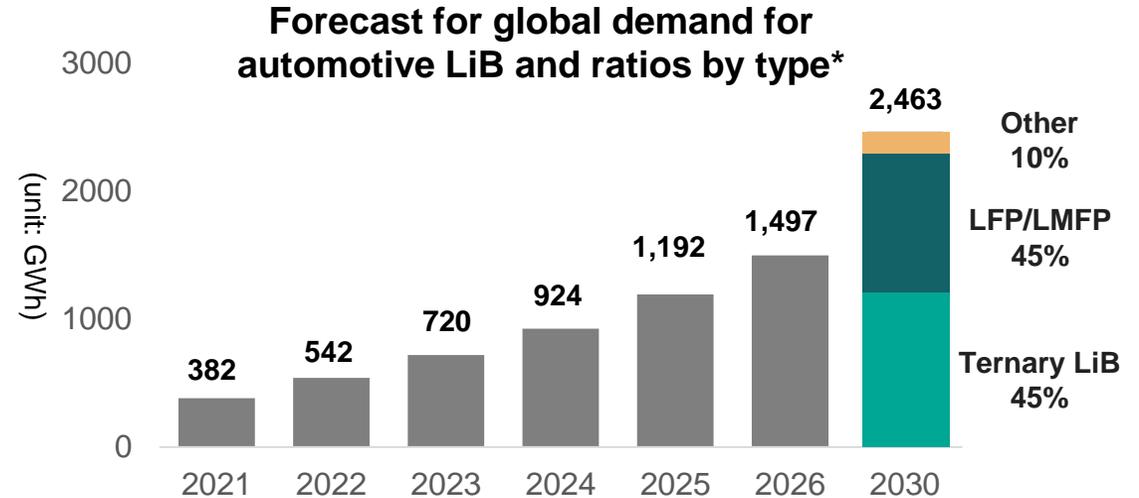


# Mobility & Battery Related Businesses: CNT dispersions for LiB (2)

## Forecast demand for automotive LiB (estimated by the Company)

- In the long run, the EV market is forecast to expand, with progress in polarization into ternary LiB and LFP LiB.
- Growth in EV sales has slowed down at present due to inflation and interest rate hike.

➔ Higher possibility of growth in demand for low-cost, medium-capacity batteries, such as LMFP



\* Estimated by the Company based on 2022-nen-ban Denki Jidoshu Kanren Shijo no Saishin Doko to Shorai Yosoku (2022 edition of the latest trends and future outlook of markets related to electronic vehicles) from Sogo Planning and various other data

## Direction of the Company's technology development

- Short term: Early launch of products for medium-capacity batteries such as LMFP
- Long-term
  - Developing related materials, including those for anode materials, and taking steps to have them evaluated by customers
  - Products for all-solid-state batteries:
    - Joint development with a customer under way
    - Strengthening cooperation with Tokyo Institute of Technology, too

Features	Electrolyte	Cathode material		Anode material	
		Active material	Conductive agent	Active material	Conductive agent
Low cost and low capacity	Liquids	LFP	CB	Graphite	-
Low cost and medium capacity		LMFP	CNT		
High capacity		NCA/Ternary	CNT		
Ultra-high capacity			CNT	Graphite, SiOx	CNT
All-solid-state	Solid	NCA/Ternary	CB/CNT	Graphite	-

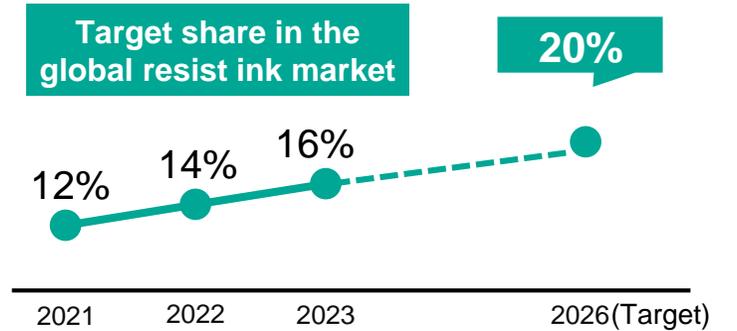
# Display & Advanced Electronics Related Businesses

## Display

Secure earnings by increasing shares in the Chinese market, where demand will continue to grow. Offer materials for next-generation products, too.

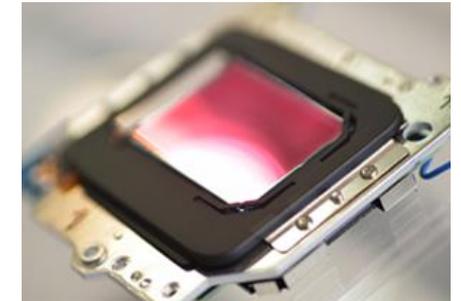
### ■ Color filter materials

- Commodity market (large panels): Expand sales in the Chinese market, the world's largest market.
- High-end market (including small and medium-sized panels and  $\mu$ OLED): Thorough differentiation and development of functional products



### ■ Optical pressure sensitive adhesives

- Strengthen the supply structure from China and increase market share
- Promote materials for next-generation displays.



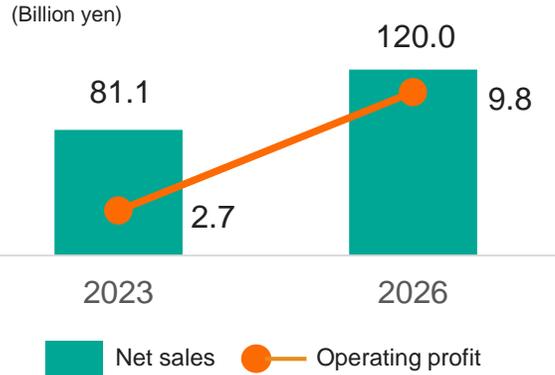
## Advanced electronics

Expand materials for semiconductors and other new materials and accelerate the evaluation of products under development.

- **Semiconductor-related materials**      Apply film technologies and original

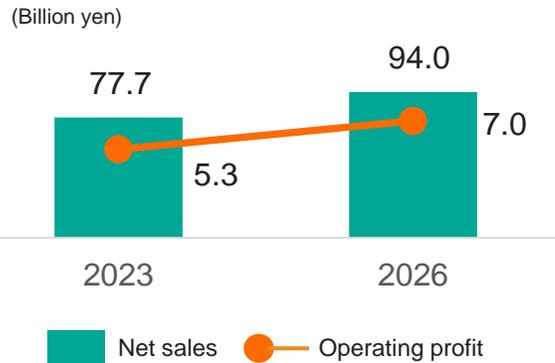
# Strategies in each segment

## Colorants and Functional Materials



- Functional dispersion (CNT dispersions for LiB)
  - Establish a supply system with the five bases in four regions and expand the business by positioning it as the primary source of revenue.
- Inkjet inks: Expand market shares of products for labels and develop technologies for differentiation.
- CF materials
  - Secure earnings by establishing the business foundation in China and increasing global market shares.
  - Offer materials for next-generation products, such as sensors.
- Plastic colorants: Transform the product portfolio with a focus on environmentally friendliness.
- Pigments: Restructuring of the Group's strategies

## Polymers and Coatings

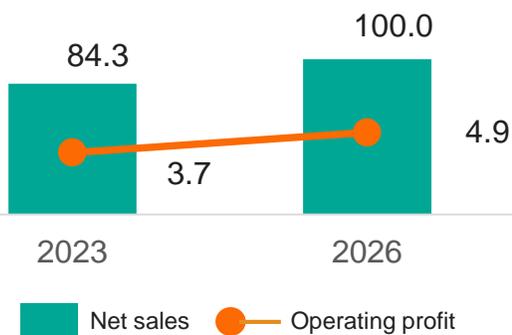


- Adhesives
  - Expand overseas businesses in India, North America, and others and follow the shift of the optical market to China.
  - Achieve expansion in the field of industrial applications
- Laminating adhesives
  - Tap into the growth of the Southeast Asian and Indian markets for packaging materials.
  - Expand products into industrial applications, including those for LiB pouches.
- Can coatings: Achieve overseas expansion with a focus on sustainability contributing products.
- Functional films and tapes: Have insulation protection sheets for semiconductors adopted.

# Strategies in each segment

## Packaging Materials

(Billion yen)



### ■ Liquid inks (Japan)

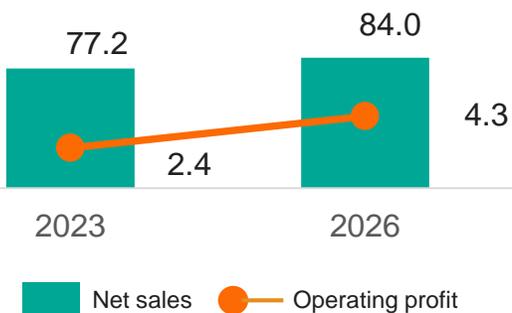
- Strengthen SCM and streamline production to establish an earnings base.
- Suggest solutions to expand products which contribute to sustainability.
- Create a market through the development of products that permit recycling and through co-creation.

### ■ Liquid inks (Overseas)

- Enhance marketing activities to tap into the growth of the Southeast Asian and Indian markets and expand the business in Turkey and its surrounding countries.
- Expand environmentally friendly products (water-based inks and biomass inks).

## Printing and Information

(Billion yen)



### ■ Offset inks

- Continue the business restructuring (Japan).
- Expand the product portfolio into the market of packaging materials such as paper containers (Japan and overseas).

### ■ Functional inks

- Increase shares in the LED-UV market and shift to the packaging material market.
- Expand the earnings base of metal printing inks to overseas markets.
- Expand functional coatings.

# Basic Policy (3) Transformation of the management foundation

E

- Carry out efforts to realize Sustainability Vision asv2050/2030.  
Serve to achieve carbon neutrality in 2050 and the sustainable development goals (SDGs) in 2030.  
Reduce environmental impacts through innovation in production process.
- Carry out actions to address climate change (including disclosures compliant with the TCFD recommendations)

S

## Reforms of personnel, culture and organization

- Enhancing human capital  
Introduce a new personnel system, reform the personnel development program and improve engagement.
- Bolster diversity  
Carry out DE&I initiatives and increase female managers in Japan (with a target of 7% in 2026 from 5.5% in 2023).

G

- Strengthening the governance system (including strengthen SR · IR activities)
- Continue to reduce shareholdings

Information/  
DX

- Carry out digital reforms and make the most of SAP.

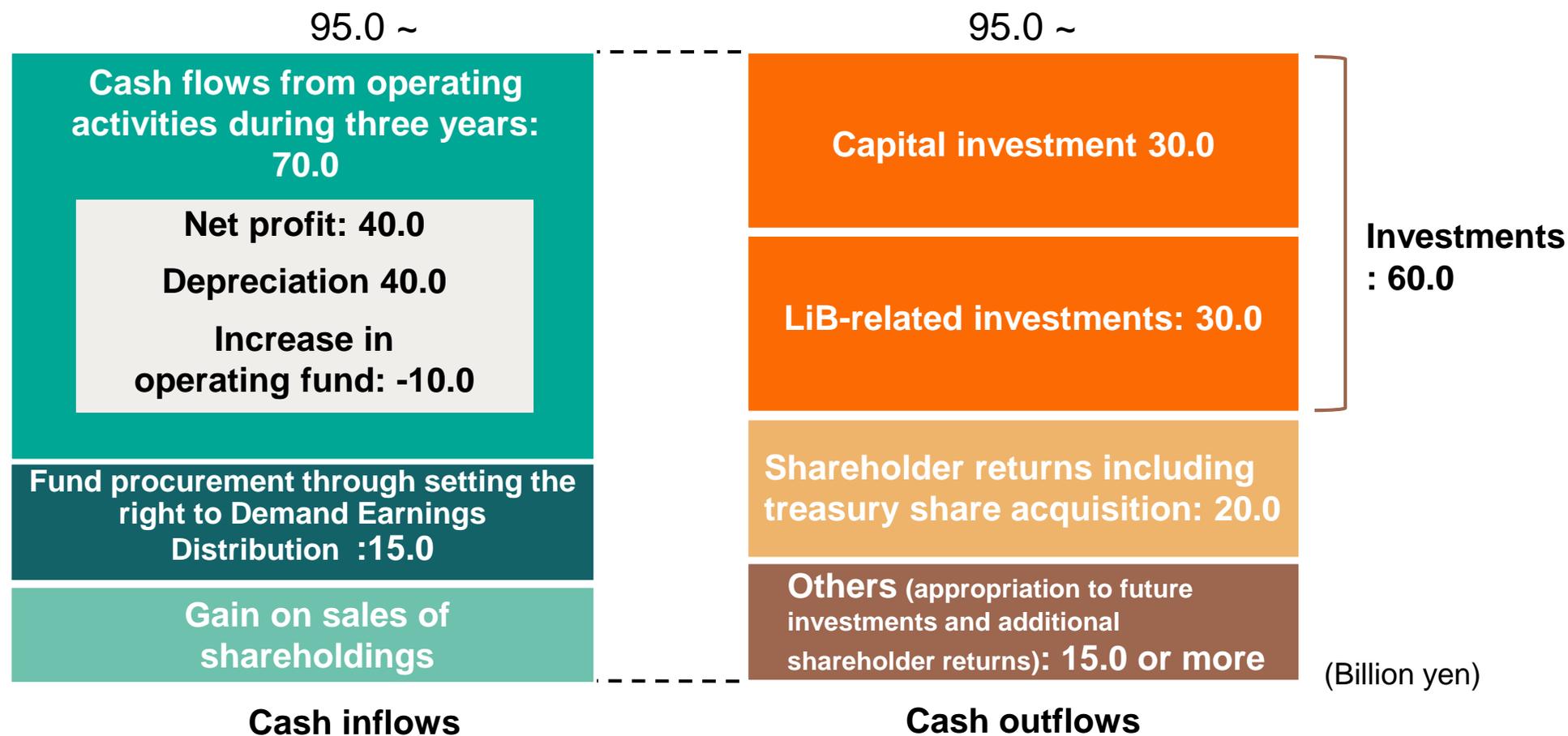
Technologies and  
intellectual property

- Reconstruct a technology platform and make proactive use of intellectual property.

- ✓ Create an **attractive organization and a culture with vigor and discipline** as well as sternness.
- ✓ **Increase productivity and create value** with the use of digital technologies and AI.
- ✓ **Meet social responsibility** based on asv2050/2030.
- ✓ **Construct an artience brand** based on the new philosophy system.

## Capital Policy and Cash Allocation

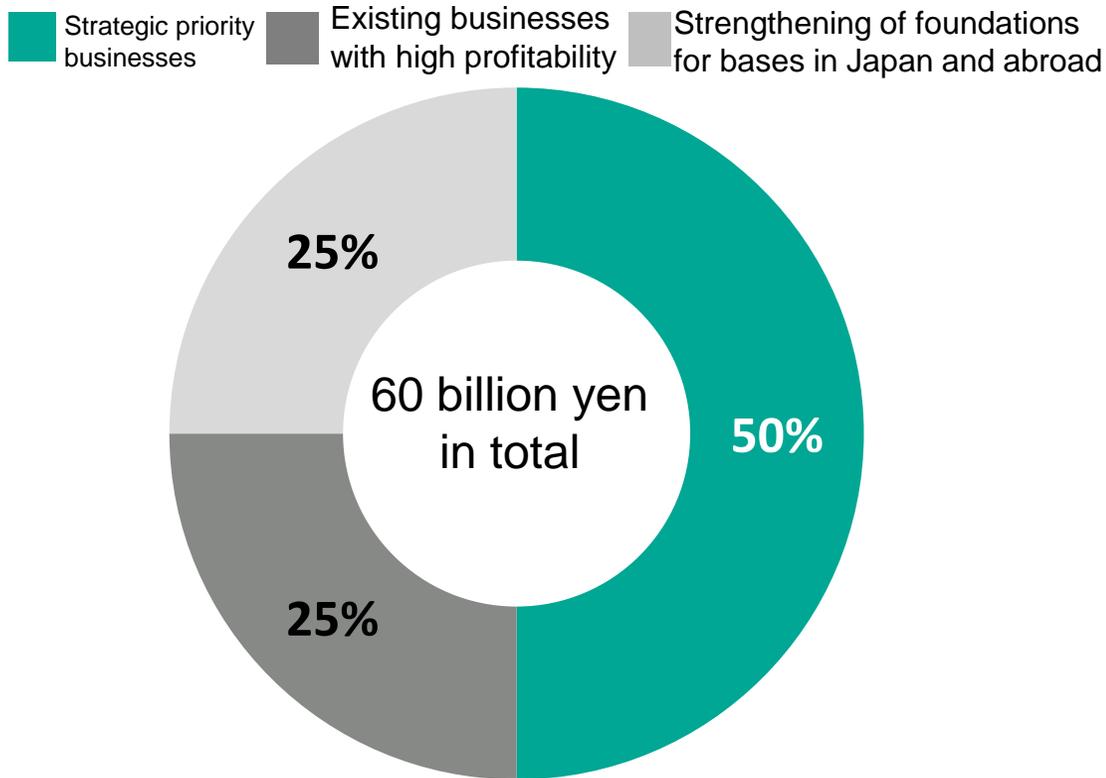
- Consider active shareholder returns while prioritizing investments for future growth.



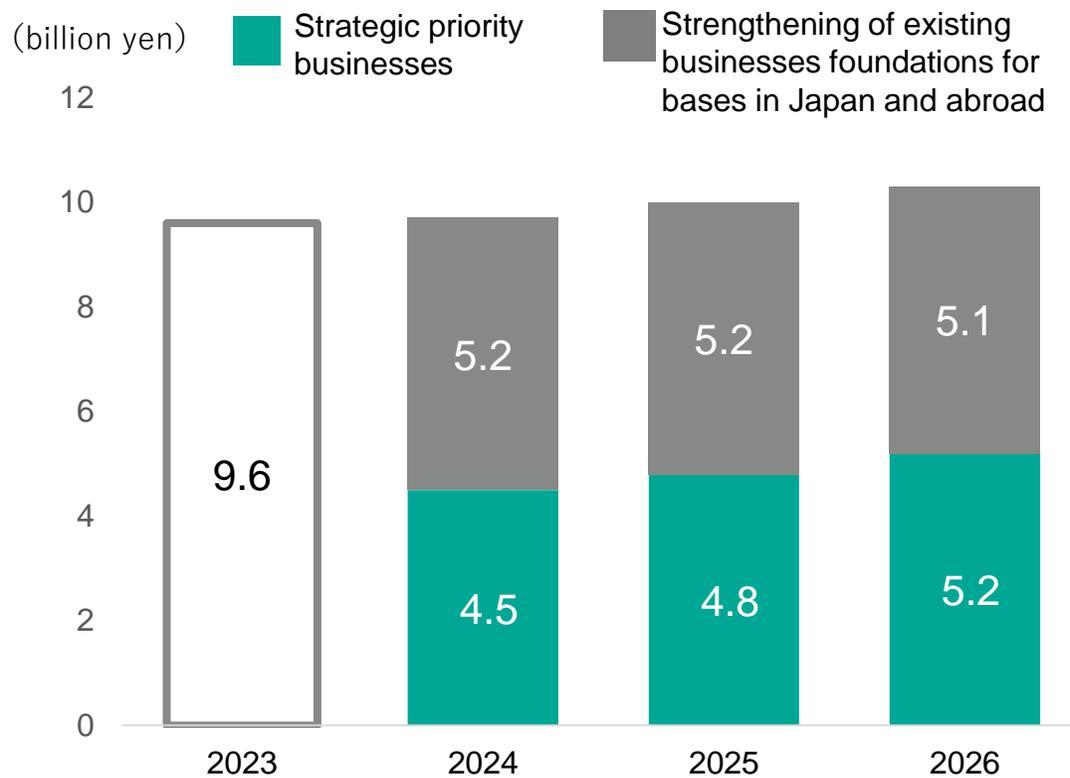
## Capital Investment and R&D Expenses Plans

- The next medium-term management plan expects to make total capital expenditures of 60 billion yen in the three-year period and to expense a total of 30.0 billion yen in research and development.
- Half of the investment planned is heavily allocated to strategic priority businesses.

### Allocations of capital expenditures planned



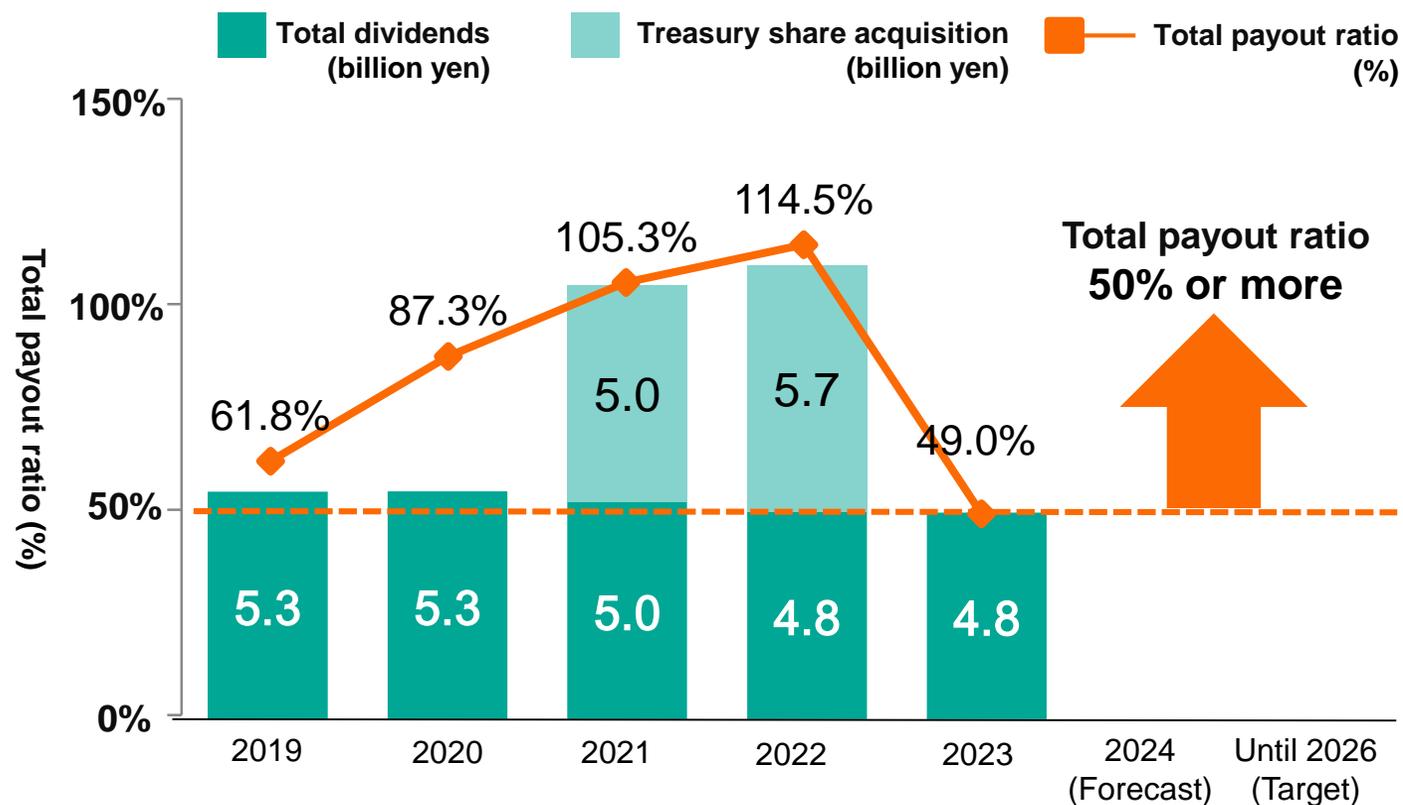
### Allocation of R&D expenses planned



## Shareholder Return Policy

- Introduce a total payout ratio target and aim to raise the level of shareholder returns according to profit growth.

- In the event of securing a profit, allocate the surplus cash to strategic investments and increased shareholder returns including treasury share acquisition while retaining the basic policy of paying stable dividends.
- Set the total payout ratio target at 50% or more.

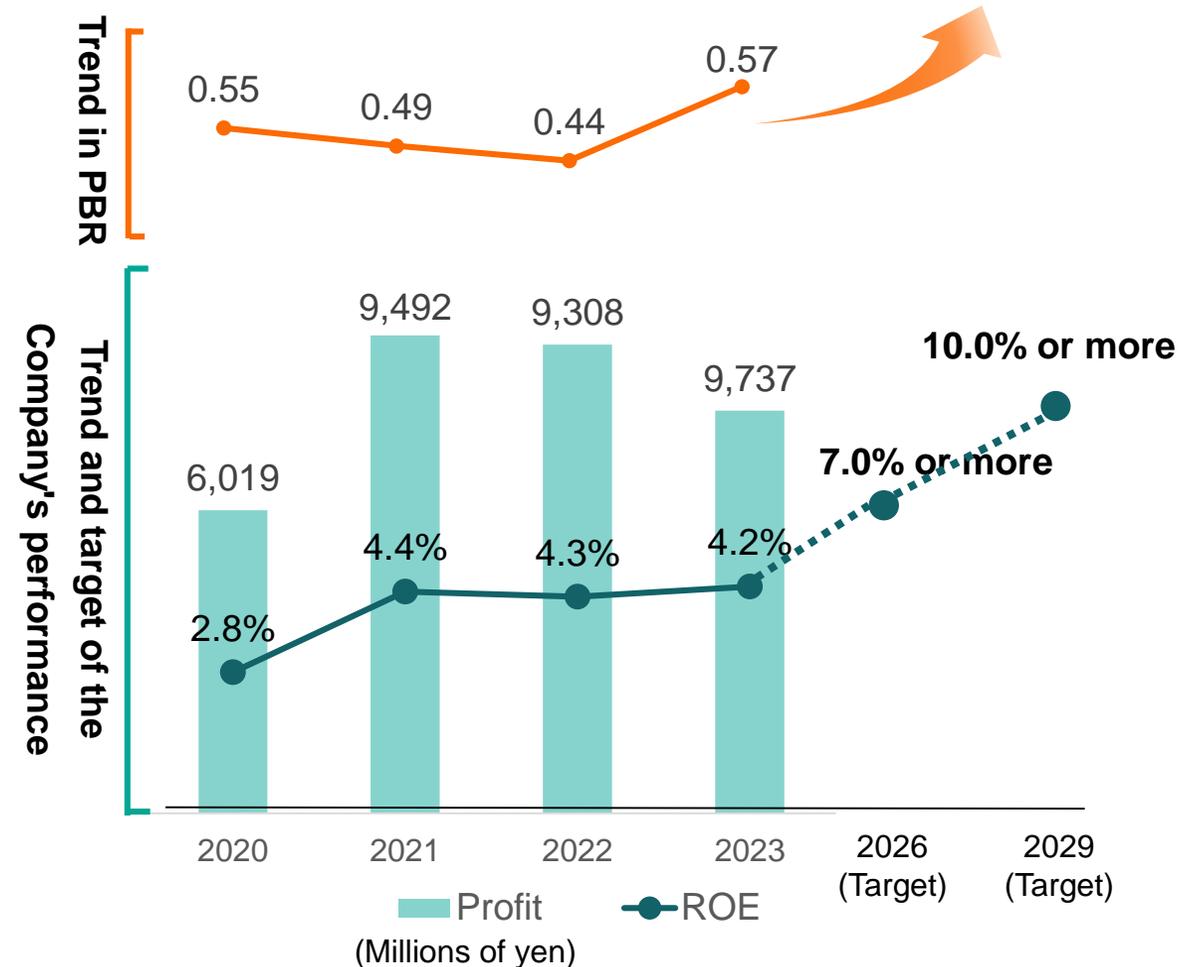


Annual dividend per share	2019	2020	2021	2022	2023	2024 (Forecast)
	90 yen (Forecast)					

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

- Our cost of equity is perceived at about 7%.
- Endeavor to achieve ROE of 7% or more in 2026 and 10% or more in 2029 to improve corporate value as well as PBR.

Business portfolio transformation
<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>
Maximizing capital efficiency
<ul style="list-style-type: none"> <li>• Introduce ROIC as an indicator to the whole company to improve efficiency.</li> <li>• Improve the CCC to reduce operating funds.</li> </ul>
Capital policies
<ul style="list-style-type: none"> <li>• Increase shareholder returns on the basis of the total payout ratio.</li> <li>• Reduction of shareholdings</li> </ul>
Efforts to minimize capital costs
<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>



## Key points on Cash

- "While actively investing for sustainable growth, we aim to optimize capital efficiency and enhance shareholder returns."

	SIC- II (2021-2023)	artience2027 (2024-2026)
	Results	Target
Capital Investments *	46.8	60.0
Minimize share holdings	13.1	10.0 or more
Treasury share acquisition	10.7	20.0
Total dividends (Annual dividends/per share)	14.6(90yen)	+ $\alpha$
Total payout ratio	88.8%	50% or more

## artience2027 Numerical targets

- Net sales 400 billion yen, Operating profit 25 billion yen, Profit attributable to owners of parent 17.5 billion yen, ROE 7.0% or more, Overseas sales ratio 60% or more

		Net sales		Operating profit	
		FY2023 Result	FY2026 Target	FY2023 Result	FY2026 Target
Colorants and Functional Materials	Total	81.1	120.0	2.7	9.8
Polymers and Coatings	Total	77.7	94.0	5.3	7.0
Packaging Materials	Total	84.3	100.0	3.7	4.9
Printing and information	Total	77.2	84.0	2.4	4.3
Others, adjustment	Total	1.8	2	▲0.6	▲1.0
Consolidated	Total	322.1	400.0	13.4	25.0

(Unit: 1 billion yen)

# Measures for FY2024 by Segment

- Colorants & Functional Materials:** Start production of dispersions for LiB in China. Consider the production of color filter materials and improve their profitability in the Chinese market.  
 Make improvements in Japan and expand functional products for plastic colorants. Inkjet inks capture growth in Chinese label application market.
- Polymers and Coatings:** Achieve further growth in adhesives and pressure sensitive adhesives in markets other than Japan, expand sales in the area of industrial materials including those for LiB, and have semiconductor materials adopted.
- Packaging Materials:** Increase shares and improve earnings in markets other than Japan with a focus on sustainability contributing products, and maintain earnings in Japan.
- Printing and Information:** Transform the business portfolio centering on functional inks.

	Result for FY2023 (1 billion yen)		Target for FY2024 (1 billion yen)		Increase/decrease (%)	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Colorants and Functional Materials	81.1	2.7	90.0	3.4	11.0	26.5
Polymers and Coatings	77.7	5.3	82.0	5.6	5.5	6.5
Packaging Materials	84.3	3.7	88.0	4.0	4.4	9.1
Printing and Information	77.2	2.4	78.0	2.5	1.0	5.4
Others and Adjustment	1.8	-0.6	2.0	-1.0	-	-
Total consolidated	322.1	13.4	340.0	14.5	5.6	8.4

## Caution:

The information disclosed by the Company or its Group may contain information on business forecasts or future projections. This information is based on information available at the time of disclosure and certain assumptions that the Company deems reasonable. It may differ from actual results due to various risk factors and other uncertain factors.

The information disclosed by the Company or its Group is intended to provide information for deepening stakeholders' understanding about the Company, and it is not intended to solicit investment. Please note that the Company accepts no liability whatsoever for any monetary or non-monetary damages arising in connection with the information disclosed by the Company or its Group.

All amounts are rounded to the nearest 100 million yen.