Message from the President



Yuto Matsumoto
President and CEO

Pioneering Our Own Future Rather than Waiting for the Tide to Turn
Taking on the Challenge of Discontinuous Growth for the Next 100 Years

The End of the Era of Waiting for Conditions to Improve

In 2026, Hodogaya Chemical marked the major milestone of its 110th anniversary. We have been able to build a history spanning 110 years thanks to the support of our customers and business partners, shareholders and investors, local communities and society, and every one of our officers and personnel. I would like to express my sincere gratitude to all of you.

Yet even as we celebrate this milestone, I feel a profound sense of urgency that our Company is standing at an unprecedented historical turning point. In the past, even when the external environment deteriorated, there was some scope for management to wait for conditions to improve on the assumption that economic cycles would eventually bring recovery. Today, however, what we face is not simply another economic cycle. We are confronting irreversible structural changes that overturn the very assumptions on which management is based, including the normalization of geopolitical risk, dramatic shifts in industrial structure, and the disruption and reconstruction of supply chains driven by economic security concerns. Persistently high raw material, fuel, and energy prices, declining market conditions caused by excess production capacity in China, and severe labor shortages in Japan are making corporate management increasingly complex.

Even with more than half of our net sales generated overseas, we can no longer rely on a formula for success that depends on favorable tailwinds, such as a weaker yen lifting our results. We must make a complete break with the passive management stance of waiting for conditions to improve and dramatically transform ourselves into a high-value-added company that pioneers its own future. Otherwise, we cannot survive this era of upheaval. This acute sense of urgency and determination form the starting point for our new Mid-term Management Plan CODE/CHORD 2030, covering FY2026 through FY2030.

Achievements under SPEED 25/30 (Phase 1) and the Challenges Ahead

Looking back at our previous Mid-term Management Plan, SPEED 25/30 (Phase 1), both achievements and challenges are clear. Net sales reached 48.0 billion yen against our target of 50.0 billion yen. One major achievement was that focused investment in the Functional Colorants Segment, particularly in SFC in South Korea, bore fruit and enabled the OLED materials business to grow into a pillar that drives the Group's earnings.

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We also made significant progress in non-financial areas. Through our support for the TCFD recommendations and the introduction of carbon-free electricity, we achieved our greenhouse gas reduction target well ahead of schedule. In shareholder returns, we achieved dividend increases for five consecutive fiscal years with a focus on DOE. On the profit front, however, results were highly challenging. Consolidated operating profit came in at only half of the target, a substantial shortfall that we take very seriously. One factor was that capital investment and R&D expenses required to maintain our competitive advantage in the rapidly changing OLED market increased, placing a heavy burden on earnings through fixed costs, including depreciation. In addition, the Specialty Polymers business struggled as prices for general-purpose products declined due to overproduction in China. Most importantly, delays in establishing the second and third pillars of growth to follow the OLED materials business left our business portfolio inflexible, and this remains a major issue that we must address.

Nevertheless, I do not regard our upfront investments to date as failures. Through investments in PCR diagnostic kit materials, SFC's BioPark, and the Chungju and Eumseong campuses in South Korea, among other areas, we steadily sowed the seeds for future leaps in growth. The true area for reflection is not that we invested, but that it took longer than expected to harvest the returns and monetize those investments. Simply following precedent may enable us to maintain our existing businesses, but it will not produce discontinuous growth. That is why, while our foundation remains strong and we are still generating profits, we must boldly take risks and move into the next stage of growth. With this firm resolve, we set our course for the new Mid-term Management Plan. Review of the Previous Mid-term Management Plan ►P.12

CODE/CHORD 2030: Taking on the Challenge of Discontinuous Growth Beyond Our Current Trajectory

CODE/CHORD 2030, our new Mid-term Management Plan launched in FY2026, is not simply an extension of the previous plan as Phase 2. In developing the plan, our executives held an off-site retreat and engaged in intensive, candid discussions. What all members of management shared was an acute sense of urgency that there would be no future if we continued doing things the same way.

The previous Mid-term Management Plan, SPEED 25/30, looked ahead to megatrends through 2050 and set out a 10-year scenario by backcasting from our "ideal figure" for FY2030, with a "target figure" for FY2025 as an interim milestone. During implementation, however, we became increasingly occupied with addressing immediate issues. As a result, an approach that should have remained based on backcasting gradually shifted into a forecast-based approach of building forward from the present as an extension of the past. Reflecting on this, if we use the analogy of climbing a mountain, this time we have reset our sights on a summit one level higher and fundamentally redesigned the approach we will take to reach it.

That new approach consists of multifaceted structural reforms, including a shift in the investment paradigm "to put capacity in place first," the execution of M&A, and the renewal of our human capital and financial strategies. At the heart of these reforms is our determination to move away from self-reliance and pursue co-creation with external partners, with speed as our highest priority. This determination is embodied in the name CODE/CHORD 2030. CODE reflects our aspiration to transform into an agile organization in which, like a code blue in a medical emergency, all officers and personnel autonomously understand their roles and move into action in unison when the signal is given. CHORD, meaning a musical chord, expresses our determination not to seek solutions within the Company alone, but to resonate with outstanding external knowledge and technologies, combine our respective strengths, and create new value.

Basic Policies of CODE/CHORD 2030 ►P.13

Management Targets (Financial Targets)

	FY2025 Results	FY2028 Targets	FY2030 Targets
Net sales	48.0 billion yen	65.0 billion yen	80.0 billion yen
Operating profit (Operating profit margin)	3.7 billion yen (7.7%)	6.5 billion yen (10.0%)	10.0 billion yen (12.5%)
EBITDA	7.1 billion yen	13.0 billion yen	17.0 billion yen
ROE	6.0%	6.0%	8.0%
Equity ratio	60.8%	Approx. 50%	Approx. 45%
Shareholder Return Policy	Five consecutive years of dividend increases (DOE: 1.6%)	Continued dividend increases → Progressive dividends	DOE ≥ 3.0%

Building the Second and Third Pillars of Growth: The CDMO Business for Nucleic Acid Medicines and Semiconductor-Related Materials

The two businesses we have positioned as the second and third pillars, new growth engines to follow the OLED materials business, are the CDMO business for nucleic acid medicines and semiconductor-related materials.

Of these, the CDMO business for nucleic acid medicines best embodies our new VISION, "Refining Originality, Co-creating the Future," and efforts to bring it to life are already gaining momentum. The market for nucleic acid medicines, which are expected to be used as treatments for cancer and rare diseases, is projected to expand rapidly. Precisely because the market is still in its infancy, I believe there is great significance in taking on this challenge now. Here too, we will not insist on doing everything ourselves. We will build a collaborative framework that brings together Hodogaya Chemical's global sales network and financial resources, SFC's oligonucleotide synthesis technologies in South Korea, and the advanced GMP expertise of YUKI GOSEI KOGYO CO., LTD. We are also moving ahead with the construction of GMP-compliant manufacturing facilities at the Koriyama Plant. By building an agile development and production structure capable of moving projects rapidly from the research stage through early clinical development, we aim to become a high-value-added niche leader.

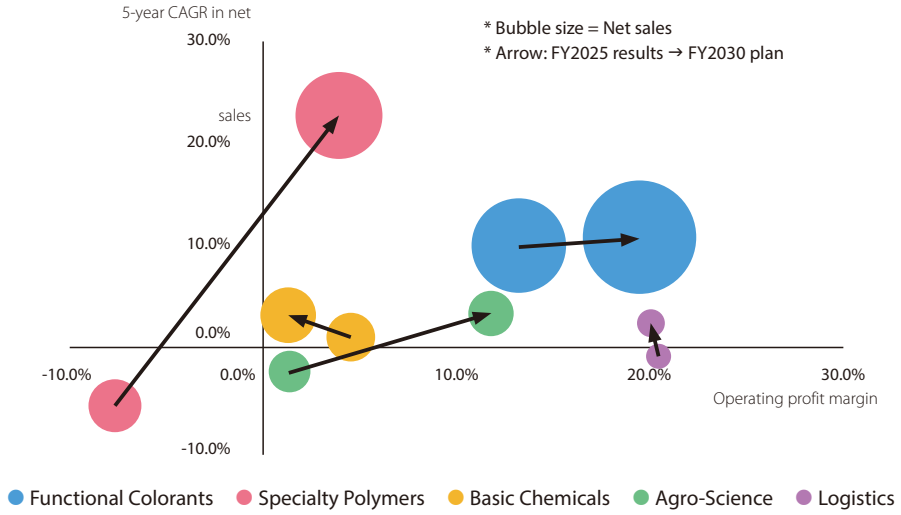
The other pillar, the semiconductor-related materials business, is benefiting from structural growth in demand that extends beyond conventional business cycles, driven by the explosive spread of generative AI and rapidly growing demand for data centers. As semiconductor circuits become increasingly miniaturized, technologies that eliminate impurities to the lowest possible levels are indispensable. Our world-class ultra-high-purity refining technologies and precision organic synthesis capabilities, cultivated through the OLED materials business, are major strengths in meeting these advanced needs. From front-end resist materials to

back-end materials that support next-generation chip stacking, we will pursue distinctive value that only a new entrant can offer by applying our own technologies and advancing co-creation with external partners.

These two businesses are areas in which we will take a proactive approach, accelerating our own efforts to pioneer markets rather than waiting for them to mature over time. We will bring together the full capabilities of the Group and work toward early monetization.

Mid-term Management Plan Pillars of the Growth Strategy ►P.14 R&D and Intellectual Property Strategy ►P.22

Portfolio Direction by Business Segment



A "Buying Time" Strategy: A Bold Shift in the Investment Paradigm

In today's fast-changing environment, we do not have the luxury of waiting for technologies and markets to develop from scratch. To keep pace with the market, we will not insist on self-reliance, but will actively use M&A and capital alliances to execute our "buying time" strategy with agility. Our decision in March 2026 to make Hungary-based Framochem a wholly owned subsidiary was a strategic decision based squarely on this concept, enabling us to secure a position as a global niche top player in the European market at once.

We are also making a bold change in our approach to capital investment. A passive approach of waiting until demand is fully visible before acting can now lead to significant lost opportunities. With construction costs rising and serious labor shortages, we have shifted to a proactive approach of putting scalable capacity in place in advance so that we can capture business opportunities at the right time. Upfront investment naturally entails risk, but in an uncertain era, I believe the greatest management risk is doing nothing because we fear risk.

To support these investments for discontinuous growth, we have also fundamentally revised our financial strategy. Hodogaya Chemical rebuilt its business from a period when interest-bearing debt was roughly equal to net sales and established a robust financial foundation that can be described as virtually debt-free. Today, however, simply maintaining a high equity ratio is no longer enough to earn a strong evaluation from capital markets. Going forward, while maintaining a sound equity ratio of around 45%, we will use appropriate leverage to raise funds and dynamically allocate them to growth investments. Rather than fall into a contractionary approach that merely reduces the "denominator," capital, we will steadily execute our growth strategy and dramatically increase the "numerator" —net profit— along with net sales. I am convinced that this is the path to sustainable enhancement of corporate value.

Financial Strategy and Capital Policy ►P.19, 20

When People Change, the Company Changes: The Essence of Human Capital Management

Ultimately, I believe people are everything. No matter how outstanding our technologies or facilities may be, it is people who connect them to new value. Based on this belief, we have made three areas the pillars of our human capital management: securing talented human resources and improving the work environment, ensuring greater transparency in evaluation and compensation, and creating mechanisms for sharing the rewards of success. Creating an environment in which every employee embraces the Company's VISION, proactively takes on challenges, and is fairly evaluated for the results they achieve will be a driving force behind sustainable growth.

As a symbol of our mechanism for sharing the rewards of success, from this fiscal year we expanded eligibility for the Japan Employee Stock Ownership Plan (J-ESOP) to all employees, including those at Group companies. This is not simply an employee benefit, but a strategic investment designed to give every employee a shareholder's perspective. I believe that increasing the number of employees who take personal ownership of the Company's future through a mechanism that directly links the Company's growth with their own returns will lead to the sustainable enhancement of corporate value.

Furthermore, accelerating business transformation requires not only revitalizing internal human resources through reskilling and career support, but also bringing in new knowledge from outside the Company. The same concept of "buying time" underpins our approach to talent acquisition. By moving swiftly to recruit mid-career professionals with deep expertise and management talent with diverse experience, we will inject positive stimulus into the organization and further accelerate the Company's growth.

Human Resource Strategy ►P.21

Building a Culture that Embraces "Good Failure" and Celebrates Challenges

No matter how compelling a growth strategy we develop or how well we design our systems, results will not follow if the people responsible for execution retreat into a defensive posture for fear of failure. We aim to build an organizational culture that evaluates not only whether an outcome succeeded or failed, but also the process of boldly taking on something new. When we launched an internal job posting program for the CDMO business for nucleic acid medicines, many motivated employees raised their hands from across

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organizational boundaries. I find it extremely encouraging that employees are emerging who are eager to pioneer new value together with colleagues who share their aspirations.

To firmly support these proactive frontline challenges through our systems, in April this year we introduced a hybrid job-based personnel system. While retaining the strengths of the traditional membership-based model, including organizational cohesion and employee development, the new system appropriately evaluates roles, results, and the process of taking on challenges, while giving capable people positions of responsibility regardless of age.

At the root of these reforms is our determination to rekindle for today's era the pioneering spirit of Honpo Koshi that was unmistakably present at our founding. Rather than taking the easy path of following precedent, we will firmly embed within the Company a culture that continually takes on the challenge of creating new value without fear of failure. Human Resource Strategy ►P.21

"The Answers Are on the Front Lines": Maximizing Frontline Capabilities through Integrated R&D, Production, and Sales

Over many years working in a wide range of frontline roles, I have become increasingly convinced that the starting point of value creation is always on the front lines. Even with a highly compelling growth strategy, it is the front lines that identify market and customer challenges, break through technological barriers, and ultimately generate earnings. The observations and ingenuity of each employee working on the front lines, together with their passion to make things better, are the source of Hodogaya Chemical's competitiveness.

The mechanism that elevates these frontline capabilities from individual effort into organizational strength is our "Three-in-One" integrated R&D, production, and sales model. Each function brings its own expertise while collaborating closely across organizational boundaries from the earliest stages. We will further refine and accelerate the continuous cycle from identifying market needs and customer challenges to commercializing technologies, ensuring reliable manufacturing, and providing stable supply. This is the key to determining the speed and profitability of our businesses.

Precisely because change is so rapid, it is more important than ever to bring together the collective wisdom of the front lines and strengthen and accelerate this integrated cycle. We will further enhance our combined frontline capabilities while reinforcing the absolute foundations of a chemical manufacturer: safety, quality, and stable operations. I am convinced that this is what will support discontinuous growth from the ground up and make Hodogaya Chemical's distinctive strengths unshakable.

Dialogue with Capital Markets and Effective Governance

Constructive dialogue with capital markets and effective governance to support it are indispensable to enhancing corporate value over the medium to long term. Under our new Mid-term Management Plan, we have set targets of 8% ROE and a DOE of 3.0% or higher. In improving capital efficiency to achieve these targets, we will not pursue a contractionary approach that simply shrinks our equity base. We will raise funds with the appropriate leverage and substantially increase profit, the numerator, through proactive growth investments. This is the path Hodogaya Chemical should take, and we intend to promptly overcome the urgent challenge of a PBR below 1.0x.

Alongside the implementation of this clear financial strategy, we will sincerely reflect the valuable feedback received from shareholders and investors through dialogue in Board of Directors discussions and in the further refinement of our management strategy.

On the governance front, through the transparent operation of the succession plan for the President and CEO, centered on the Nominating & Compensation Committee, together with active discussions with Outside Directors who bring diverse expertise, we are achieving both bold risk-taking and sound checks and balances at a high level.

I believe that facing market expectations and rigorous scrutiny head-on and delivering results instills healthy discipline in management. We will continue sincere dialogue and steadily demonstrate results, including early improvement in PBR, to further strengthen the trust placed in us by capital markets.

Overview of the Corporate Governance System ►P.40

Remaining a Company Indispensable to Society for the Next 100 Years

The milestone year of our 110th anniversary is not only an occasion to look back on the path we have traveled, but also an opportunity to return to our founding principles and take a firm first step toward the next 100 years. Our mission is to continue creating new value that helps solve social issues, building on the reliable technologies and trust we have cultivated throughout our history.



The driving force behind this mission is the pioneering spirit of Honpo Koshi that has been passed down continuously since our founding, together with the frontline capabilities created through integrated R&D, production, and sales and the passion of every employee. Without being constrained by existing ideas, we will maintain a proactive stance, press ahead with our transformation into a high-value-added company, and place Hodogaya Chemical on a firm growth trajectory even amid a rapidly changing social environment.

I hope you will look forward to the new value Hodogaya Chemical will create and to our continued sustainable growth. I sincerely ask all of our stakeholders for their continued support.

Risks and Opportunities

Based on changes in the internal and external environment, the Hodogaya Chemical Group has identified key social issues that affect value creation and extracted the associated risks and opportunities for each time horizon. By clarifying these risks and opportunities and classifying them by related capital, we have identified management issues that must be addressed. We will address social issues by appropriately responding to risks and taking advantage of opportunities, leading to the realization of further value creation.

Changes in the internal and external environment	Risks	Opportunities	Materiality
Growth investments and business operations • Build a robust business foundation • Expand business opportunities by developing new domains Related capital	• Decrease in profit due to deterioration in market conditions • Decrease in profit due to the emergence of new technologies, products, and services and intensifying competition, including new market entrants • Deterioration in the business environment following M&A and delays in PMI	• Pursue new business opportunities through originality and co-creation • Create demand and capture growth opportunities through new technologies and products • Expand business domains and transform the business structure through the acquisition of new management resources	• Build a business portfolio rich in originality • Address PBR below 1.0x • Maintain technological superiority • Build next-generation core technologies and create new businesses
Global environment • Uncertainty surrounding global environmental issues that could develop into major economic problems • Need to enhance resilience based on temperature rise scenarios Related capital	• Impacts on people and facilities from increasingly severe natural disasters • Higher maintenance costs • Loss of supply chain trust and economic losses due to inadequate environmental consideration or violations of laws and regulations in Japan and overseas	• Expansion in demand for products for climate change mitigation and adaptation and products that reduce environmental impact • Growing demand for products that comply with laws and regulations in each country	• Preserve the global environment • Establish highly efficient production systems • Ensure product and chemical safety
Society and human resources (Company and organization) • Occurrence of quality-related scandals • Increasing diversity • Continued demands for workplace safety and health • Greater respect for human rights and fair labor practices inside and outside the Company • Rise of AI • Geopolitical risks Related capital	• Loss of trust due to deterioration in quality and safety performance • Stagnation of organizational capabilities due to failure to promote workforce diversity, engagement among officers and personnel, physical and mental health, and workplace safety and health • Lawsuits, administrative penalties, and deterioration in reputation due to insufficient attention to business and human rights • Uncertainty in raw material procurement	• Expansion of the market for high-value-added products with superior quality and safety performance • Enhance organizational performance by increasing motivation to work and ease of work among officers and personnel • Improve organizational capabilities by promoting diversity, health and productivity management, and workplace safety and health • Increase trust from society by addressing business and human rights • Dialogue with and contributions to local communities in areas where the Group operates	• Improve product value and reliability • Advance human capital management • Enhance organizational diversity • Promote health and productivity management and workplace safety and health • Put the philosophy of respect for human rights into practice • Contribute to communities
Governance • Continue strengthening corporate governance, compliance, and risk management functions • Occurrence of internal control deficiencies • Geopolitical considerations Related capital	• Inadequate response to increasingly sophisticated corporate governance • Major losses or disruption to business continuity due to legal violations, scandals, deficiencies, and other issues • Deficient measures resulting from inadequate risk recognition and assessment	• Drive corporate value creation by continuing to promote the monitoring model as a function of the Board of Directors under the Company's structure as a company with an Audit & Supervisory Committee • Increase corporate value through thorough compliance and the prevention of legal violations, scandals, and other issues • Minimize losses in risk areas	• Enhance corporate governance • Promote compliance awareness • Ensure thorough risk management

Financial capital | Human capital | Intellectual capital | Manufactured capital | Social and relationship capital | Natural capital

Six Forms of Capital and Materiality for Value Creation

In the process of formulating the Mid-term Management Plan CODE/CHORD 2030, the Hodogaya Chemical Group identified key management issues through its business activities based on the Management Philosophy and established specific monitoring indicators.

As these monitoring indicators underpin the basic strategies of CODE/CHORD 2030, the Group will address them on a company-wide basis as medium- to long-term business issues, together with the "ideal figure" for FY2030.

STEP 1. Identify changes in the external environment that will have a major impact on society

STEP 2. Identify the impact of those changes in the external environment on business

STEP 3. Identify issues that Hodogaya Chemical should give priority to solving

Capital	Current status	Materiality	Enhancement measures	Monitoring indicators	Ideal state	SDGs contributed to
Financial Capital	• Sound, virtually debt-free financial position	• Build a business portfolio rich in originality • Address PBR below 1.0x	• Expand growth and infrastructure investments • Utilize leverage • Implement timely and appropriate shareholder return measures	ROE DOE	• Establish strong earnings power through discontinuous growth and provide shareholder returns through progressive dividends, with a DOE of 3.0% or higher in the fiscal year ending March 31, 2031	
Human Capital	• Measures to improve engagement • Percentage of female managers: 13.0% (consolidated)	• Advance human capital management • Enhance organizational diversity	• Introduce personnel and compensation systems designed to enhance corporate value and linked to performance and roles • Develop flexible work environments that enable diverse human resources to fully demonstrate their capabilities • Proactively recruit highly specialized and highly skilled human resources	Engagement score Ratio of female managers Ratio of male employees taking childcare leave Ratio of paid leave utilization	• Achieve an appropriate balance among "psychological safety," "alignment with the VISION," "growth opportunities," and "evaluation and compensation" • Foster a rich corporate culture that combines flexibility and resilience	
Intellectual Capital	• Core technologies including organic synthesis and ultra-high-purity refining • Aim to increase the ratio of new product sales	• Maintain technological superiority • Build next-generation core technologies and create new businesses	• Strengthen development and sales activities in nucleic acid medicines and semiconductor materials • Expand open innovation • Promote DX in R&D	Ratio of R&D expenses to net sales	• Create innovative new products and businesses that benefit society and contribute to Company profits • Development capabilities that enable rapid responses to market changes through originality and co-creation	
Manufactured Capital	• Five manufacturing bases in Japan and overseas	• Ensure product and chemical safety • Establish highly efficient production systems	• Stable production of existing products • Reconfigure domestic production bases • Promote "smart operations" through AI, data utilization, and other measures • Build timely production systems through strategic advance investment	Strategic capital investment	• Stable production • Predictive maintenance and highly efficient production systems through DX	
Social and Relationship Capital	• Trusted relationships with stakeholders since its founding • Compliance with Procurement Guidelines	• Improve product value and reliability • Promote health and productivity management and workplace safety and health • Put the philosophy of respect for human rights into practice • Contribute to communities	• Maintain and promote quality assurance systems • Sustain and advance workplace safety and health • Responsible procurement throughout the supply chain • Continuously promote respect for human rights • Enhance corporate governance • Promote compliance awareness • Ensure thorough risk management	Zero quality problems Zero occupational accidents Zero legal and regulatory violations FTSE Russell score (Human Rights & Community: 4.0) Results of community contribution activities	• Create value through co-creation with stakeholders • More transparent governance that combines enhanced supervisory functions with stronger executive functions	
Natural Capital	• Energy-related CO_2 emissions: 19,358 t • Energy intensity • Water intake and discharge volumes • Waste volume	• Preserve the global environment	• Contribute to the realization of a hydrogen society • Improve manufacturing process efficiency • Environmentally friendly manufacturing (technologies, services, and products)	Energy-related CO_2 emissions Energy intensity Water intake and discharge volumes Waste volume	• Enhance long-term sustainability of the global environment	

Hodogaya Chemical Group Value Creation Process

The Hodogaya Chemical Group takes its unwavering Management Philosophy, its PURPOSE, which defines its reason for being, and its VISION, the corporate image it aspires to, as the foundation of its day-to-day activities. Through diverse forms of originality and co-creation fostered by a rich corporate culture, we will seek to maximize the value we create and realize a sustainable planet and society.

Management Philosophy

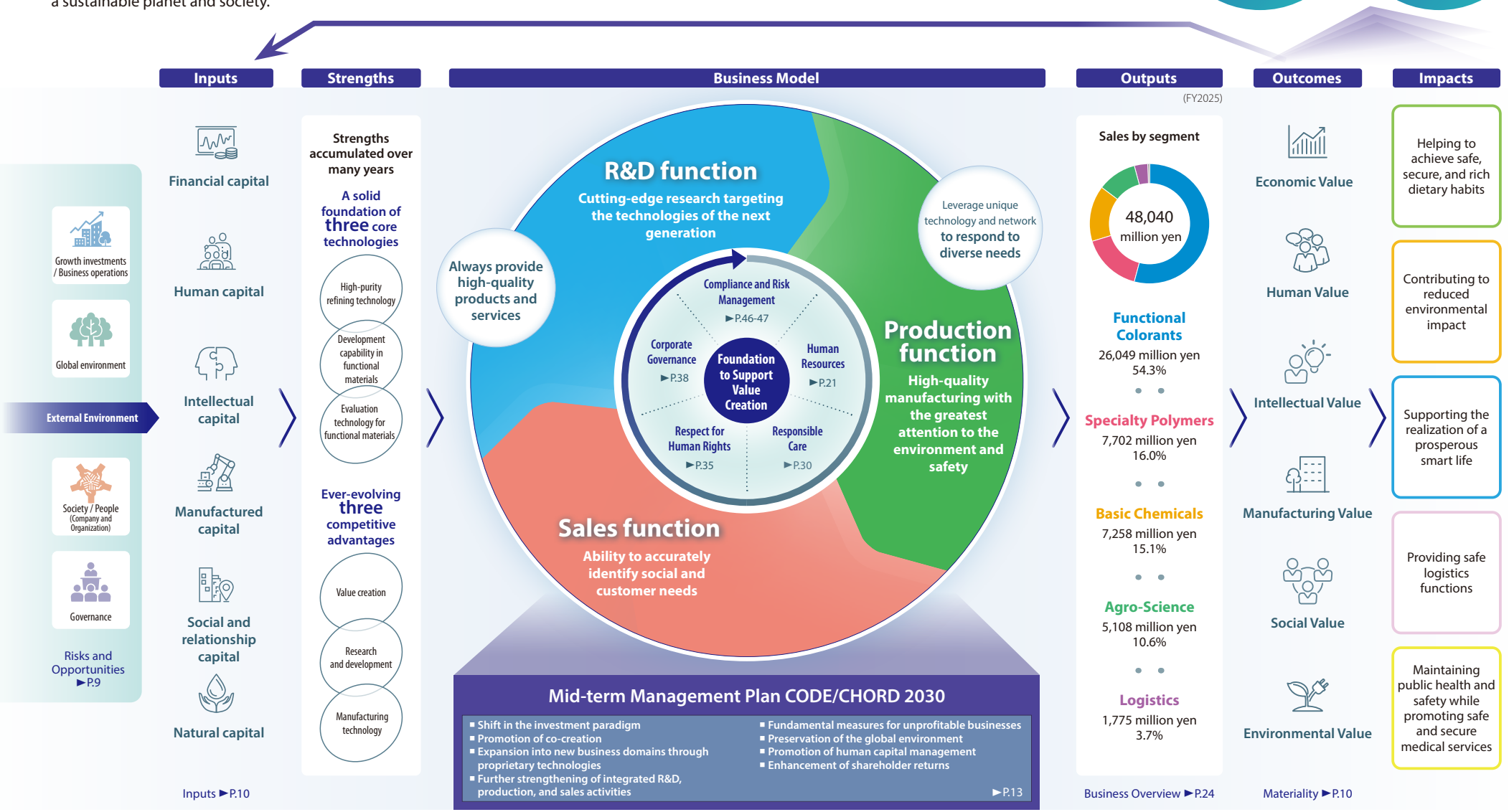
Through constant innovation of chemical technology, we will provide high-quality products and services throughout the world and contribute to the creation of an environmentally conscious society.

PURPOSE

Your Dream is Our Business

VISION

Refining Originality, Co-creating the Future: With our pioneering DNA of Honpo Koshi, we create value and turn dreams into reality

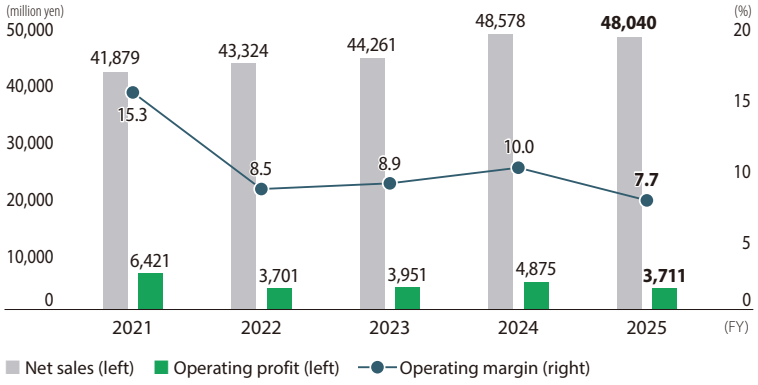


Review of the Previous Mid-term Management Plan

During Phase 1 (FY2021-FY2025) of the previous Mid-term Management Plan SPEED 25/30, net sales reached a reasonable level relative to the target, while operating profit, operating margin, and ROE fell short of their targets. In particular, operating profit was significantly below the initial profit plan because capital investments, mainly in the OLED materials business, exceeded the initial plan in order to drive business growth, resulting in higher depreciation, while R&D expenses also increased as R&D activities were strengthened.

	Target	Result in the final year of Phase 1	Achievement rate
Net Sales	50.0 billion yen	48.0 billion yen	96.0%
Operating profit	7.5 billion yen	3.7 billion yen	49.3%
Operating margin	15.0%	7.7%	-7.3 pt
ROE	9.0%	6.0%	-3.0 pt

Performance trends

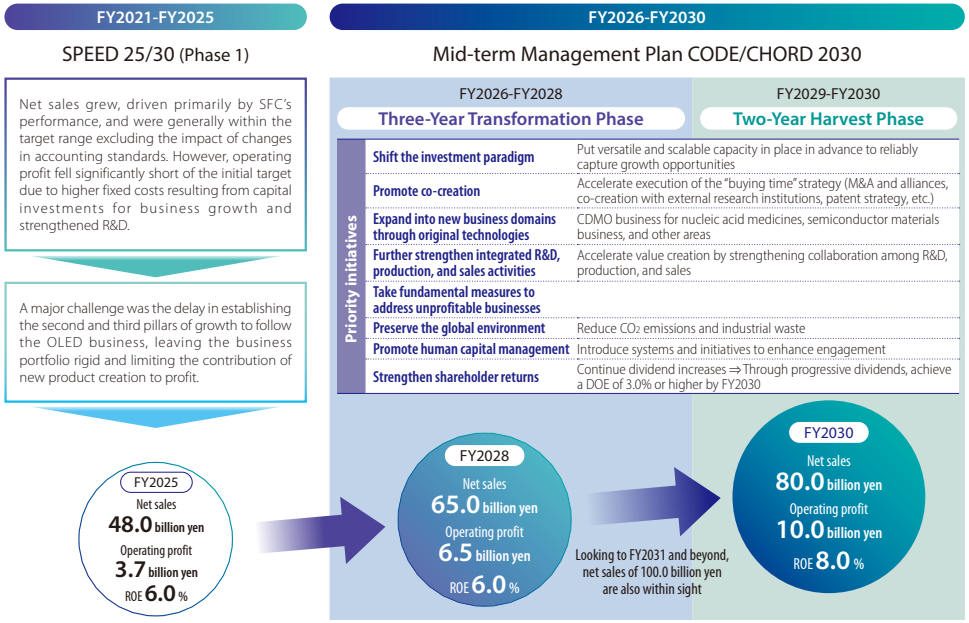


SPEED 25/30 Phase 1

	SPEED 25/30 Phase 1 (FY2021-FY2025)
Vision / Positioning	Aiming for the ideal figure in FY2030, the Company set its target figure for FY2025 as the midpoint of the 10-year Mid-term Management Plan SPEED 25/30 and implemented initiatives to achieve it. **FY2025 targets:** Consolidated net sales of 50.0 billion yen, consolidated operating profit of 7.5 billion yen, consolidated operating margin of 15.0%, and ROE of 9.0%
Framework of the plan	**Framework** • Aim for sustainable growth by proactively undertaking strategic investments in businesses, facilities, IT, and infrastructure, with the promotion of sustainability and DX as twin pillars **Measures** • Generate sustainable growth in both strategic businesses and core businesses and build a new business portfolio - Strengthening operations • Promote technological innovation in strategic businesses, quickly commercialize R&D themes, and continually generate new R&D themes - Creating new products • Establish a system to quickly launch new products and conduct safe and stable production with high productivity - Improving productivity • Improve organizational capabilities and job satisfaction, respond to the growing importance of social value, strengthen finances, and improve operational efficiency – Strengthening the management foundation • Undertake strategic investments that contribute to growth (businesses, facilities, IT, and infrastructure) • Promote sustainability and DX
Review	• Strengthening operations: OLED materials grew as a source of earnings, but contributions from other businesses remained limited and dependence on specific businesses continued • Creating new products: Progress was made in launching metal-free aluminum coloring dyes and other products, but delays in commercializing new themes were not enough to offset stagnation in existing businesses • Improving productivity: Stable production systems were established and energy-related and other targets were achieved ahead of schedule, but the burden of depreciation lowered the operating margin • Strengthening the management foundation: Measures such as engagement surveys and the introduction of J-ESOP were implemented to improve job satisfaction, while shareholder returns were steadily provided through dividend increases for five consecutive fiscal years • Undertaking strategic investments that contribute to growth (businesses, facilities, IT, and infrastructure): Proactive investments were made in OLED materials, BioPark in South Korea, and other areas, and the ratio of R&D expenses to net sales was maintained above 10%, but monetization lagged behind the increase in fixed costs • Promoting sustainability and DX ・Achieved the FY2025 targets for energy intensity and CO_2 emission intensity ahead of schedule ・Improved the FTSE Russell ESG evaluation score through enhanced ESG information disclosure ・Promoted operational efficiency through the renewal of the ERP system and introduction of RPA as part of DX
Results	• **Consolidated net sales** Net sales reached a reasonable level relative to the target, driven by growth in the Functional Colorants business and other factors • **Consolidated operating profit** Operating profit fell short of the target, with an achievement rate of 49.3%, due to increases in fixed costs associated with investments and other factors • **Consolidated operating margin** Delayed monetization of proactive R&D and capital investments pushed down the operating margin, which fell short of the initial target • **ROE** ROE was 6.0%, below the cost of equity, failing to reach the target
Issues	• Establish the second and third pillars following the OLED materials business and rebalance the business portfolio • Accelerate the commercialization and monetization processes for new products and realize investment returns at an early stage • Urgently improve returns on capital through optimization of asset holdings

Basic Policies of Mid-term Management Plan CODE/CHORD 2030

Based on the results of Phase 1 of the previous Mid-term Management Plan SPEED 25/30, we formulated the Mid-term Management Plan CODE/CHORD 2030 with completely renewed content, rather than positioning the next five years as Phase 2, an extension of the existing plan.



* Quantitative targets
Net sales: 50.0 billion yen Operating profit: 7.5 billion yen

Meaning behind the Name CODE/CHORD 2030

The name CODE/CHORD 2030 represents the two English words CODE and CHORD, with each letter embodying multiple aspirations for discontinuous growth, including co-creation and originality.

コード2030
CODE/CHORD 2030

- C : Unlocking new possibilities through co-creation (Collaboration)
- O : Honing our originality (Originality)
- D : Digital transformation and pioneering spirit (DX & DNA)
- E : Environmentally friendly (Environment) / Improving engagement (Engagement)

- C : Taking on challenges during the three-year transformation phase (Challenge)
- H : Two-year harvest phase (Harvest)
- O : A rich corporate culture combining adaptability and resilience (Organization)
- R : Bringing ideas to life (Realization)
- D : Dream

Two-Stage Structure: Transformation and Harvest

To clarify the role of each strategy and the timeline, the five-year Mid-term Management Plan will be implemented in two stages: the three-year transformation phase and the two-year harvest phase.

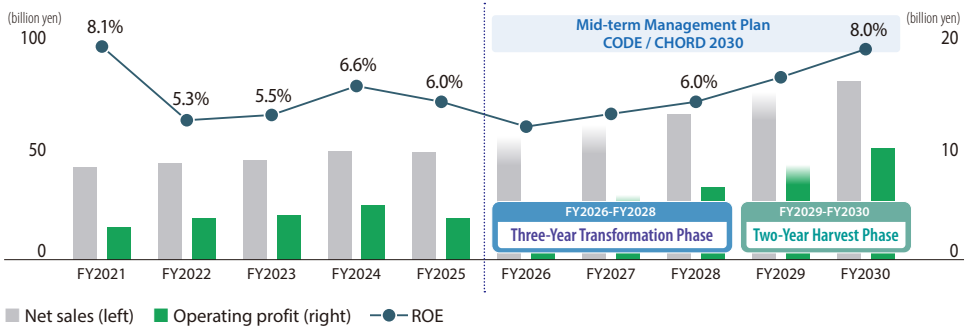
FY2026-FY2028
Three-Year Transformation Phase
- Bold structural reforms and business portfolio transformation
- Sowing seeds for the future and reallocating resources
- Putting mechanisms in place to achieve discontinuous growth

FY2029-FY2030
Two-Year Harvest Phase
- Maximizing the results of transformation and the seeds sown for future growth
- Establishing a highly profitable business structure

Management Indicators under the Mid-term Management Plan

Under the new Mid-term Management Plan, we have set targets that reflect our ability to overcome the challenges we have faced and achieve discontinuous growth.

	FY2025 results	FY2028 targets (Three-year transformation phase)	FY2030 targets (Two-year harvest phase)
Net sales	48.0 billion yen	65.0 billion yen	80.0 billion yen
Operating profit (Operating margin)	3.7 billion yen (7.7%)	6.5 billion yen (10.0%)	10.0 billion yen (12.5%)
EBITDA	7.1 billion yen	13.0 billion yen	17.0 billion yen
ROE	6.0%	6.0%	8.0%
Equity ratio	60.8%	Approx. 50%	Approx. 45%
Shareholder return policy	Five consecutive years of dividend increases (DOE: 1.6%)	Continue dividend increases ⇒ Progressive dividends	DOE of 3.0% or higher



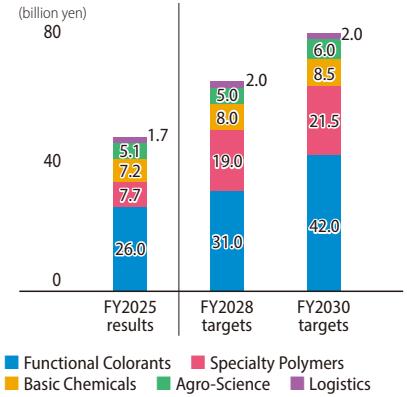
Pillars of the Growth Strategy under the Mid-term Management Plan

Under the new Mid-term Management Plan, we are confronting the issues identified under the previous Mid-term Management Plan and aim to achieve discontinuous growth under our new VISION: "Refining Originality, Co-creating the Future: With our pioneering DNA of Honpo Koshi, we create value and turn dreams into reality." To realize this VISION, we have established three strategic pillars: Business Strategy, which prioritizes speed in investment; Financial Strategy, which aims to improve capital returns and strengthen shareholder returns; and Non-financial Strategy, which advances human capital management and environmental conservation. Through the execution of these strategies, we will work toward achieving our FY2030 targets.

Business Strategy

While securing stable sources of earnings in our core domains, we will actively invest in the Functional Colorants Segment, which we position as a growth business. During the period of the Mid-term Management Plan, we aim to return the Specialty Polymers Segment to profitability at an early stage while expanding into new business domains for discontinuous growth, including the CDMO business for nucleic acid medicines and the semiconductor materials business.

Net sales



Segment	Focus businesses
Functional Colorants	OLED (continuous) Colorant materials (continuous + discontinuous: new domains) Bio - diagnostic oligonucleotides (continuous) Bio - CDMO for nucleic acid medicines (discontinuous: new domain) Semiconductor materials (discontinuous: new domain)
Specialty Polymers	Specialty chemicals (continuous + discontinuous) Polymer materials (continuous + review)
Basic Chemicals	Hydrogen peroxide (continuous + discontinuous)
Agro-Science	Agrochemicals: Herbicides (continuous) Agricultural materials: Peroxide-based materials (continuous)
Logistics	ISO tank container storage (continuous)

Shift to leveraged business strategy and management: "Honing Our Originality, Unlocking New Possibilities through Co-creation"

- Shift the investment paradigm and promote co-creation to support discontinuous growth; accelerate execution of the "buying time" strategy
  - Place the highest priority on investment speed, put versatile and scalable capacity in place in advance, and accurately capture business opportunities
  - Accelerate strategic alliances and M&A: acquire proven management resources to "buy time" for business launches and rapidly establish a market position in the relevant business domains
  - Leverage open innovation in R&D: co-creation with external research institutions, etc.
  - Pursue strategic patent management and licensing: achieve early commercialization through the use of external resources and lay multiple strategic footholds in promising technology domains, etc.
- Expand into new business domains: the CDMO business for nucleic acid medicines, the semiconductor materials business, and other areas through the application of original technologies cultivated in existing businesses and the introduction of external resources

Reinforcing our "Three-in-One" integrated R&D, production, and sales model: Accelerating value creation by enhancing collaboration across functions

Financial Strategy

To achieve ROE above the cost of capital, we will make proactive growth investments while providing stable and appropriate dividends. During the period of the Mid-term Management Plan, we will continue our policy of increasing dividends and plan to provide shareholder returns with a DOE of 3.0% or higher in FY2030. We plan to pay total dividends of 6.0 billion yen or more from FY2026 through FY2030.

Achieve capital returns above the cost of equity

- Implement fundamental measures to address unprofitable businesses
- Implement capital policies that balance capital efficiency and growth potential: optimize assets through a review of holdings, including strategic shareholdings
- Strengthen shareholder returns: continue dividend increases and, through progressive dividends, provide shareholder returns with a DOE of 3.0% or higher in FY2030

Non-financial Strategy

To preserve the global environment, we will focus on addressing climate change and promoting environmentally friendly products, while also strengthening our human capital management initiatives. To realize our Management Philosophy, PURPOSE, and VISION, we regard human resources as a source of corporate competitiveness and the driving force behind sustainable growth, and view investment in human capital as a key management priority for enhancing corporate value.

Sustainability / ESG initiatives

- Preservation of the global environment: reduce CO_2 emissions and industrial waste
- Human capital management: introduce systems and initiatives to enhance engagement
- Contribution to local communities: continue giving back in recognition of our use of social capital
- Enhance Group governance: strengthen risk management and the BCP framework