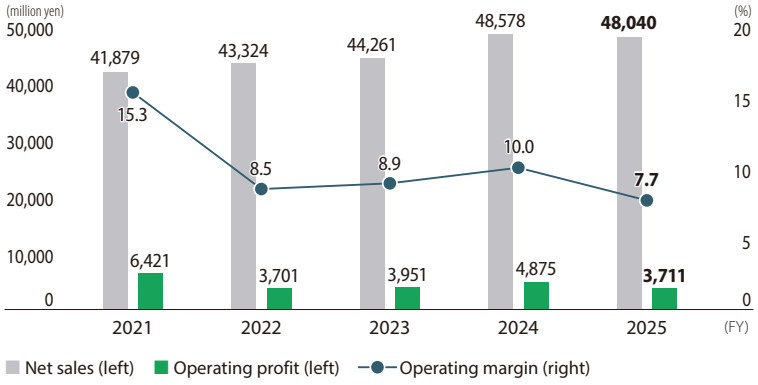
Review of the Previous Mid-term Management Plan

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