

# Message from the COO



**We will refine our technologies and develop our human resources to expand profits while also contributing to an affluent society.**

President, COO and Representative Director

**Hidenori Kobuchi**

## Reaffirming the importance of our unwavering commitment through the exploration of development themes

### Leveraging my project experience in corporate management

With my appointment as President, COO and Representative Director on January 1, 2025, I have been placed at the helm of management as the Chief Operating Officer.

Since joining Toagosei in 1988 as a member of the Nagoya R&D center (now renamed the Nagoya Criatio R&D Center), I gained work experience in the sales and business divisions. Throughout my career, I have focused on development, mainly in the Polymer & Oligomer and Adhesive Material businesses.

Out of many years of struggles and failures, my most memorable experience, and the one that shaped me most, was my involvement in the "Acrylic Products Enhancement Project" launched in 2013.

The Polymer & Oligomer business faced a persistent struggle for profits from the 2000s through the early 2010s. To overcome this situation, we gathered elite members from research, plants, sales, and business divisions, and resolutely began exploring new themes that would shape the future. As the project leader, I worked diligently with team members to identify potential needs from megatrends and relevant literature worldwide. One by one, we verified how these needs matched with the seed technologies we possessed. One of the themes we uncovered was binders for lithium-ion batteries, which now play a significant role as one of the Group's growth drivers. This was a successful example of needs-seeds matching, where we were able to quickly detect customer needs for improved battery performance and match them with our unique seeds technologies, leveraging the polymer synthesis technology in which the Group excels.

This project reaffirmed my belief that exploring new themes requires the "sensitivity" to quickly perceive the future potential of the field, the "judgment" to determine how to leverage our own technology for breakthroughs, and "product development" backed by unique and unparalleled technology that cannot be replicated by our competitors.

### ◆ Profile

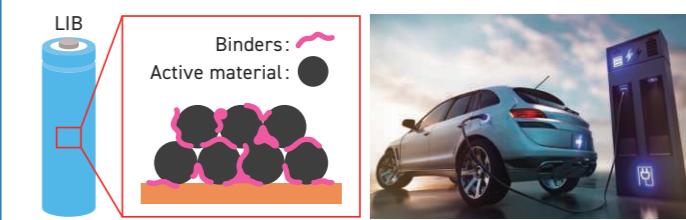
1988	Joined the Company (Nagoya R&D center)
2010	General Manager, Adhesive Group, Functional Chemicals Department
2013	General Manager, Polymer & Photopolymer Group, Acrylic Products Department [Project Leader, Acrylic Products Enhancement Project]
2017	General Manager, Polymer Department, Polymer & Oligomer Division
2018	Executive Officer, General Manager, Polymer & Oligomer Division
2021	Executive Officer of the Company, President Representative Director, MT AquaPolymer, Inc.
2023	Director, General Manager, Supply Chain Management Division and General Manager, Tokyo Sales Department
2024	Vice President and Representative Director and General Manager, Corporate Strategy Division
2025	President, COO and Representative Director (to present)

### ◆ Career highlights and project results

#### Consistently engaged in functional products in the Polymer & Oligomer and Adhesive Material businesses

- Background in R&D
- Helped to establish the theme of solving social issues using unique and unparalleled technology

#### Commercialized binders for lithium-ion batteries (LIB)





### Mission as the new President and the purpose of the Toagosei Group

The Toagosei Group celebrated the 80th anniversary of its founding in July 2024. Over our long history, we have overcome many difficulties and expanded the scale and scope of our business by developing and providing products adapted to our changing market. As the new President, I believe that my mission is to build on this DNA to further enhance corporate value.

The next five to ten years will be crucial. We have entered an era of significant social and industrial change. Under these conditions, I believe that the Group's future depends on us using this five-to-ten-year period to further expand our capabilities so that we can continually produce high-value-added products and win against the competition in sustainable growth areas aligned with megatrends.

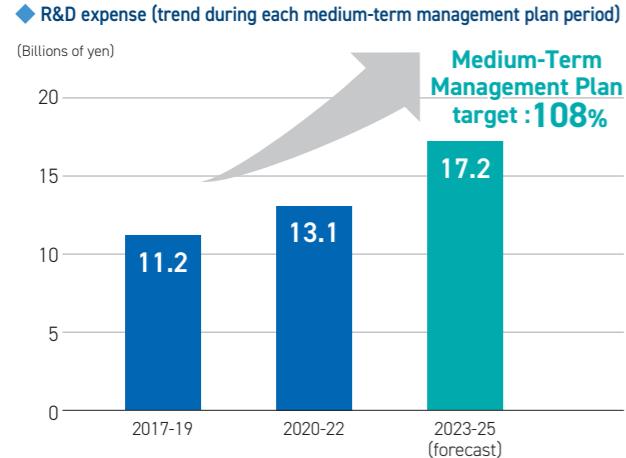
Our Corporate Philosophy embodies our aspirations to "continually tackle new challenges in the creation and provision of new value through the chemicals business with an eye on the future of customers and society" and "contribute to a better world through our indispensable role to customers and society based on the trust earned from society for the value we have created" as a shared value. In order to continue to be needed by society, we will refine our technologies and develop our human resources to expand profits, while simultaneously realizing the Group's purpose.

### Targeting medium- to long-term growth by giving "lateral spread" to the value we provide through growth drivers

#### "Ambidextrous management" – existing businesses and growth businesses

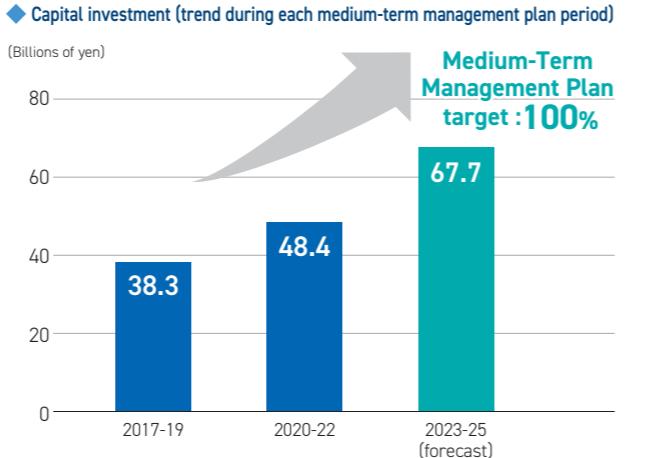
One of the Toagosei Group's great strengths lies in providing commodity chemicals, which generate stable profits with a widespread market base, together with the high value-added products that enable us to achieve growth and expand profitability. By ensuring that these two aspects of the Group's businesses work in tandem, we can support the time-intensive development of growth drivers and take on new challenges.

The Group's growth drivers include mobility-related products, such as the binders for lithium-ion battery launched by the project described above, as well as products used in semiconductor manufacturing processes. Our stable growth so far has been guided by "ambidextrous management" – in other words, simultaneously strengthening the competitiveness of existing businesses and actively investing in growth businesses.



Going forward, we will accelerate the development of cellulose nanofibers and aim for the early commercialization of medical-related materials as potential drivers for the next stage of our growth.

I believe that it is also necessary to break away from the self-sufficiency mindset. Only in this way will we be able to overcome global competition in high-value-added areas that align with megatrends. It is important that we utilize external resources through business alliances and M&A so that we can maintain our competitive advantage by speeding up business development and reducing risks. At the same time, to secure and develop outstanding human resources, we will prepare a stage for active participation by our employees to enhance engagement, as described above, and support the growth of each individual employee.



### Progress of the Medium-Term Management Plan and status of growth drivers

In FY2024, the second year of the current 2025 Medium-Term Management Plan (2023-2025), we achieved an increase in sales across all business segments, primarily in the Commodity Chemicals business. This resulted in a year-on-year increase in both revenue and profit, with operating income of 14.2 billion yen. At the same time, this is still well short of our operating income target of 20.0 billion yen for 2025, the third year of the plan.

The product group we have positioned as growth drivers struggled to grow as expected due to the delayed recovery of the semiconductor market and the slowdown in EV demand. An increase in costs, including R&D-related investments and labor costs, also weighed on income. However, these markets are sure to recover, and their future expansion is beyond doubt.

### Continuing to challenge ourselves to enhance profitability, improve capital efficiency, create and provide new value through our businesses

#### Growth strategy, financial and non-financial strategies to improve PBR

At the Toagosei Group, we are striving to improve our PBR to achieve management that is conscious of the cost of capital and stock price. Specifically, we aim to raise the PBR, currently between 0.7 and 0.8 (as of April 30, 2025), above 1.0. To accomplish this, we are targeting an increase in operating income from 14.2 billion yen in 2024 to 24.0 billion yen in 2027 and an increase in ROE from 5.6% to 8.0%.

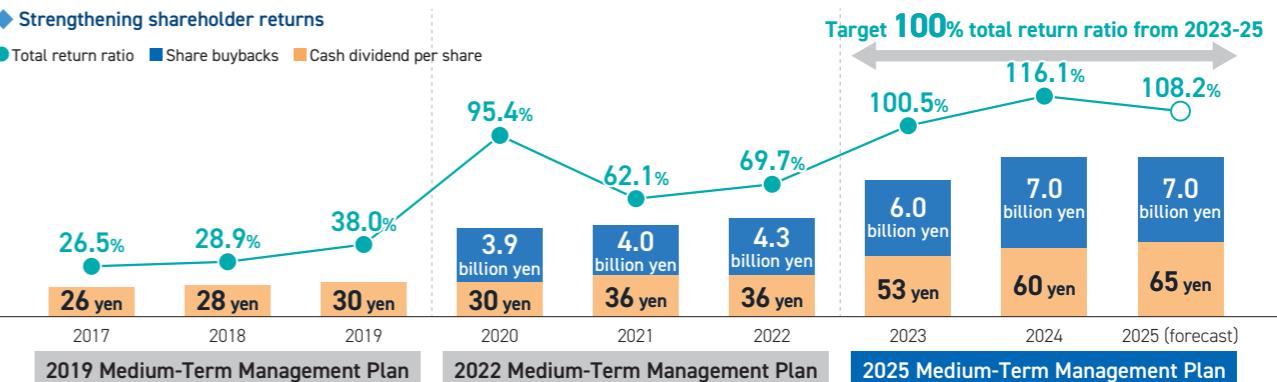
We will continue to strive to enhance profitability through the main focuses of our growth strategy: the development of high-performance products and the expansion of overseas sales. At the same time, we will push ahead with the review of unprofitable businesses and advance initiatives for the efficient utilization of assets, such as enhancing equipment utilization, to improve the overall asset turnover ratio.

In terms of our financial strategy, we will strengthen shareholder returns, implement shareholders' equity control through the sale of cross-shareholdings, and improve capital efficiency. We are targeting a total return ratio of 100% for shareholder returns over the three years of the 2025 Medium-Term Management Plan (2023-2025) through increased dividends and flexible share buybacks, and we will continue to prioritize shareholder interests.

In terms of our non-financial strategy, we will focus on developing the human resources to support sustainable growth, as well as employee engagement. We have been implementing annual salary increases from 2023 to correct salary levels. We are striving to enhance motivation and productivity through improvements to the HR system, such as the introduction of a transfer postponement program (see page 66). The Group's measures to prevent employee

#### ◆ Strengthening shareholder returns

● Total return ratio ■ Share buybacks □ Cash dividend per share



Moreover, our products have been extremely well received by customers, and we believe that they will contribute to performance as anticipated in the medium term. We have made preparations for aggressive expansion, with investments in R&D and capital investments progressing on the largest scale ever, in line with our plan. Furthermore, we aim to expand the applications of binders for lithium-ion batteries beyond anodes to cathodes and related materials. In this way, rather than treating them as a single product, we will give them "lateral spread" to meet the needs of peripheral areas. We are promoting this lateral development of materials and customers across all our growth drivers. We believe it will enable us to expand our presence in key markets and achieve a quicker return on our investments.

illness and our efforts to improve health awareness have been recognized with certification as an Excellent Corporation for Health Management for seven consecutive years since 2019. We will continue to focus on maintaining and promoting health within the Group. We aim to enhance corporate value by creating an organization and workplaces where all employees can make full use of their abilities.

#### The great potential of both growth businesses and existing businesses

At the Toagosei Group, we will continue to create high-value-added products in growth areas aligned with megatrends, aiming to further expand our business scale and scope. These efforts involve many themes that we are engaged with behind the scenes, in addition to the specific cases that are publicly announced. We are leveraging our unique and unparalleled technology to take on challenges in new domains, focused on future needs.

In addition to growth businesses, existing businesses, too, form part of our "ambidextrous management" approach. We will push ahead with investments aimed at rationalizing our existing businesses, primarily in the Commodity Chemicals business, to enhance competitiveness and provide social value that supports life and industry through stable operations. While there are many aspects of our endeavors that cannot be discussed openly due to the nature of the supplier business, we hope that you understand that both our growth businesses and existing businesses have significant potential.

We look forward to the continued support of all our stakeholders as we continue our efforts to provide value.