



**We will seek sustainable growth into the future through four transformations aimed at our Vision and the expansion of the three growth areas of electronics, healthcare and the environment.**

The business environment and people's values are constantly changing in modern society. Tokuyama aims to be a value-creating company that uses human capital and unique technologies to contribute to solving social issues by implementing four transformations to create a new business portfolio ahead of its time. As President and Executive Officer, I will introduce Tokuyama's Vision and medium- to long-term growth strategy.

*Hiroshi Yokota*

Representative Director, President  
and Executive Officer

## Management Approach

# Revitalization of a free and open corporate culture that allows cutting-edge human resources to thrive

Since I was appointed as the President and Executive Officer of the Company in 2015, I have always been mindful of improving corporate value. In Medium-Term Management Plan 2025, which started in FY2021, we are focusing on implementing effective growth strategies and transforming our business portfolio to ensure that we evolve from an energy-consuming company to a value-creating company that contributes to solving social issues using our unique technologies. Although we are only at the halfway point, it has been a major step forward for Tokuyama to achieve a remarkable expansion of the healthcare business among the three growth areas of electronics, healthcare and the environment.

The most important part of Tokuyama's management and business operations is to develop human resources, which are the driving force of business growth, to increase human capital through support of self-fulfillment, and to transform Tokuyama into a youthful corporate group that embraces the challenges presented by new businesses. Founded in 1918 in Tokuyama-cho, Yamaguchi Prefecture (currently Shunan City), the Company has a history spanning more than 100 years and is what could be called a traditional company. In the 1980s, the Company had a unique and free culture that could be described as "being among a select few" or a "group of wandering samurai." However, as time passes, we are seeing an epidemic of large corporations with highly homogenous human resources and at which it is difficult for cutting-edge human resources to exert their abilities. In order to achieve the next stage of growth while adapting to the rapidly changing environment of the times, it is essential to change the mindset of employees, who have a tendency to be stability-oriented,

to instill "Integrity, perseverance, a playful spirit and boldness," which Tokuyama holds as one of its values. In addition, it is necessary to establish a new system for recruiting human resources that will enable people who are striving to solve social issues to demonstrate leadership, and at the same time to foster a corporate culture that respects diversity, making it easier for junior employees, foreign employees and female employees to fulfill their potential.

For the past few years, Tokuyama has focused on strengthening its foundations in both management and business. On the management front, we worked to establish more transparent governance through the addition of external directors. In April 2024, we introduced a job-based personnel system for managers in order to realize the company's human resources strategy, and we have made efforts to further enhance human capital management. I would like to emphasize that our major achievements during this period have been our efforts to expand our management base by making a variety of strategic moves toward sustainable growth in the future. On the other hand, we have focused our efforts on what we want to be in the future, including expanding the growth areas that we expect to generate revenue for the future.

We are now in the process of building a foundation for transformation and stepping up to a new stage to reap the fruits of that. I use the on-site experience I have gained since joining the Company and the knowledge I have accumulated over the nine years as President and Executive Officer in execution of strategy and organizational management, and I will continue to manage the Group with unwavering resolve.

## Progress Status of Medium-Term Management Plan 2025

# Business portfolio transformation is progressing, and achieving targets are within range

We have continued to grow by being a product-focused company developing businesses based on research and development since Tokuyama was founded. During the era of a growing market, such as the high economic growth period in Japan, I believe this was certainly a business model that had a certain economic rationality. However, this is not necessarily appropriate in the current era as the market matures and technology advances in growth areas are quickly emerging. We

are strongly urged to conduct business based on a market-in approach, developing and marketing products and services with a focus on customers' needs and social issues.

Based on this understanding of the era, in 2021 we redefined our management philosophy of having a mission "To create a bright future in harmony with the environment, in collaboration with customers, based on chemistry."

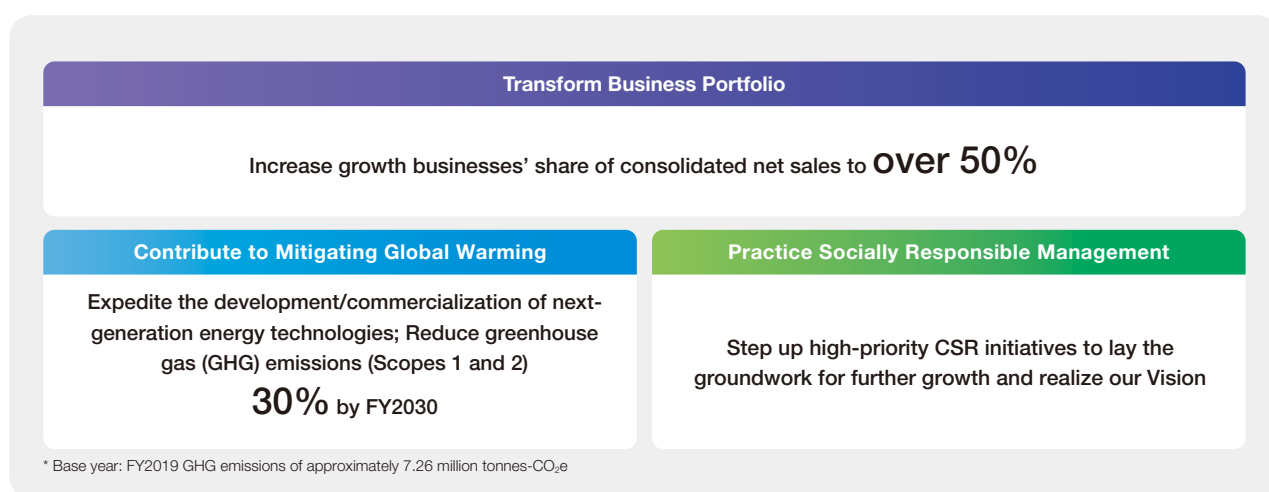
At the same, we formulated and announced Medium-

Term Management Plan 2025, covering the five years through to FY2025. This plan discloses the vision Tokuyama is aiming for and the processes for achieving our goals.

In Medium-Term Management Plan 2025, Tokuyama set “Transform business portfolio,” “Contribute to mitigating global warming,” and “Practice socially responsible management” as three priority issues. In particular, transforming the business portfolio is the most important management issue that will determine the future of Tokuyama. While generating

sustainable cash flow in the traditional Chemicals and Cement business segments that have supported our development for many years, we will concentrate our management resources on the three growth segments: Electronic & Advanced Materials (electronics domain), Life Science (healthcare domain), and Eco Business (environment domain). We plan to increase the share of consolidated net sales of these growth business segments to more than 50% by FY2025 and more than 60% by FY2030.

## Priority Issues in Medium-Term Management Plan 2025



At the present time, we recognize that the progress of the business portfolio transformation has been largely in line with the plan for the final fiscal year, although it has been greatly affected by the stagnation in the semiconductor market that has continued since 2022. In the electronics domain, we have begun overseas production of high-purity IPA for electronics manufacturing, and are promoting advanced technology development in collaboration with users in the area of thermal management materials. In the healthcare domain, we are increasing production capacity in order to meet the strong domestic and overseas demand for dental materials and equipment in addition to medical diagnostic systems. The success of OMNICHROMA®, a dental filling composite resin, will also be a boost to growth as it has won three domestic technical awards, including the 56th Ichimura Prize in Industry for Distinguished Achievement. In the environment domain, a

new factory for the recycling of waste gypsum boards has started operating in Muroran City, Hokkaido, and we are also accelerating our efforts to commercialize solar panel recycling technology, which is also being tested in Hokkaido. In the future, we will continue to strengthen the foundation of our growth businesses, and build a next-generation business portfolio that can flexibly respond to changes in the environment while simultaneously improving the efficiency and maximizing the revenue of our traditional businesses.

In addition, the quantitative targets in Medium-Term Management Plan 2025 were reviewed in April 2023 and April 2024, due to factors such as changes in the depreciation method<sup>1,2</sup>. The revised figures for the final year of the plan (FY2025) have been set to net sales of ¥400 billion, operating profit of ¥45 billion, growth rate of CAGR of 10% or more in net sales of growth businesses, and ROE of 11% or more.

1. Due to changing the depreciation method, the targets for operating profit for FY2025 were updated from ¥40 billion to ¥45 billion and ROE was changed from 10% to 11% (announced April 28, 2023).  
 2. In consideration of business performance trends and the business environment, we have changed our net sales forecast for FY2025 from ¥320 billion to ¥400 billion (announced on April 26, 2024).



### Contribute to Mitigating Global Warming, Practice Socially Responsible Management

**We will pursue the sustainability of the global environment, the economy and society, as well as Tokuyama**

In Japanese corporate society, CSR activities have been understood for many years as a type of social contribution that has no direct relationship with the original business. However, it is my belief that it is our core business itself, working to providing unique value to a wide range of stakeholders, including the economy and industry, the global environment, and local communities, just as the Company delivers products and services to customers.

In formulating Medium-term Management Plan 2025, Tokuyama identified ten material issues that should be addressed as priority CSR issues. These include many initiatives related to the environment and society, including conserving the environment, preventing accidents, preparing for disasters, and developing products and technologies that address social issues. In particular, the contribution to mitigation of global warming, which is treated as an independent pillar in Medium-Term Management Plan 2025, is a necessary condition for a company to exist in perpetuity, and initiatives to address this are one of the major issues for increasing corporate value. In addition to reducing the environmental impact and energy used in the production process, we are also preparing to introduce biomass fuels and other materials to decarbonize our own power generation facilities. Through the development of technologies for various thermal management materials and energy-saving electrolyzers,

we are taking various measures to contribute to customer energy conservation and CO<sub>2</sub> reduction, thereby contributing to the conservation of the global environment and the achievement of carbon neutrality in FY2050. We have also established the Shunan Industrial Complex Decarbonization Promotion Council with Shunan City, Yamaguchi Prefecture, the Society for Chemical Engineers, Japan and the companies in the industrial complex, and have formulated and promoted the “Shunan Carbon Neutral Industrial Complex Vision,” a long-term vision set for 2050. This initiative, which is being implemented by the companies that make up the complex and the local community, is receiving much attention from all sectors as a model case that symbolizes the green strategy of the chemical industry.

The ten material issues also include themes on our sustainability, such as human resource development, diversity, and job satisfaction, as well as the promotion of mental and physical health. Innovative products and services are generated from a vibrant organizational culture that respects diverse values. We will further evolve our unique value creation process through Tokuyama’s human capital and health and productivity management. We will also contribute to the development of global industry and the formation of a sustainable society by sincerely responding to the ten material issues that are visualizations of our Vision.



## Transforming the Company to Embody Our Vision

# Active injection of management resources into the “four transformations” of organizational culture, R&D, DX, and international expansion

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Tokuyama is currently using the Group’s combined strength to take on the challenge of the “four transformations,” with a view to realizing our redefined mission and achieving the goals of Medium-Term Management Plan 2025.

The first is to reform our organizational culture. Looking back on Tokuyama’s history, from the early days of the Company when it supported Japan’s industrial development through to the 1980s, when the Japanese economy entered a period of stable growth, it seems that the frontier spirit on which the Company was founded was shared with employees as the DNA of the organization and passed on to the next generation. The open organizational culture and open discussion among employees led to numerous innovations that contributed to the development of industry and the realization of an enriched lifestyle.

However, our journey from there has not been a smooth one. Accumulated successes push employees’ awareness in an affirmative direction, and the values that favor precedent reduce the creativity of an organization. Middle managers, who will become the next generation of leaders, were also particularly aware of the trend. In order for Tokuyama to continue to take on the challenge of creating new value, I believe it is essential to change the mindset of middle management and to restore the former vitality within the organization. I have been focusing on reinvigorating our

organization and improving productivity by ensuring diversity of human resources through their appropriate allocation and support, as well as the active use of career recruiting, etc.

The culmination of these initiatives is the job-based personnel system for managers that was introduced in April 2024. In the design of the new system, the core mandate was that human resources with a high level of expertise and a challenging spirit lead organizational change as managers, and that they will drive the transformation of our business portfolio and the qualitative evolution of our business structure. We hope that the new system, carefully designed with expertise and challenging minds as its core, will be a key factor in strengthening our organizational capabilities.

The second transformation is to strengthen R&D. Advanced and original R&D is the lifeblood of Tokuyama and is the source of our competitive advantage in the market. Pioneer engineers, who have been driving the growth of our business through to the present, have succeeded in creating new technologies and products and commercializing them by being devoted to their own research themes with every fiber of their being. In order to develop this tradition and pass it on to the next generation, it is necessary to implement substantial R&D investment and to further enhance the R&D system. In 2023, we reviewed our current R&D themes and in April 2024 we redesigned our marketing functions. In view of the fact that



short- and medium-term marketing should be carried out at the location closest to customers, we have established marketing functions in our business divisions, and the R&D Division has a new system that focuses on planning strategies and research on long-term themes with a view to five or ten years later.

In the future, business divisions and corporate R&D teams will work to strengthen their respective foundations, and by combining the functions of both companies organically and seamlessly, they will select themes desired by the market, speed up the development of new products, and optimize the time to market. In addition, the New Business Center (currently the New Business Division), established in 2022, will be the core organization for the commercialization of our new technologies such as alkaline water electrolysis, and this commercialization will be implemented in parallel with technology development and business planning. Moreover, through collaboration with external research institutions, universities, and other companies, and through open innovation, we will actively work to create new value that is difficult for individual companies to handle alone.

The third theme is to promote DX (digital transformation). Using digital technology to improve operational efficiency is not the only thing that DX does. We will introduce the latest AI and

IoT in a wide range of target areas, including the enhancement of supply chains and the improvement of productivity at manufacturing sites, to innovate business and production processes, foster advanced human resources, effectively utilize human resources, and improve competitiveness across our business activities in general.

With regard to the acceleration of international expansion, which is the fourth transformation, we have adopted the policy of continuing to expand our overseas operating bases in order to enhance Tokuyama's presence in the global market. Basically, we intend to work in areas that have growing regions and markets. However, going forward in the materials business, not only is it important to be able to achieve cost advantages, but also to be able to achieve sustainable production, such as through the use of green power. In Japan, we will develop high-value-added products that can be profitable, and we will promote the establishment of production bases and the improvement of supply chains overseas, where low-cost, clean environments are expected. This is Tokuyama's global strategy, in which we aim to achieve a percentage of consolidated overseas net sales of 50% or more. In our global expansion, we believe it is essential to advance our efforts by monitoring medium- to long-term social trends.

## A Message for Our Stakeholders

# Aiming to be a value creation company that contributes to the realization of a sustainable society

Although I have conveyed a harsh perception of Tokuyama's corporate culture and the current state of its business, I am by no means pessimistic about the future of the Tokuyama Group. We have many diligent employees, all of whom are sincere and genuinely committed to their daily work. With the appointment of talented internal personnel and the expansion of the invitation of external directors, the effectiveness of corporate governance and the transparency of management have been greatly enhanced. Furthermore, as mentioned earlier, the introduction of a new personnel system has given us a clear path to improving our human capital. I believe that Tokuyama has unlimited potential as an advanced value creation company. As President and Executive Officer, I believe it is my responsibility to ensure that Tokuyama's potential is fully realized, and that this potential is translated into business results and favorable business performance.

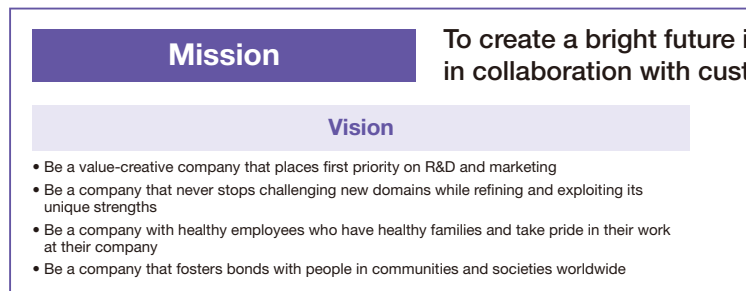
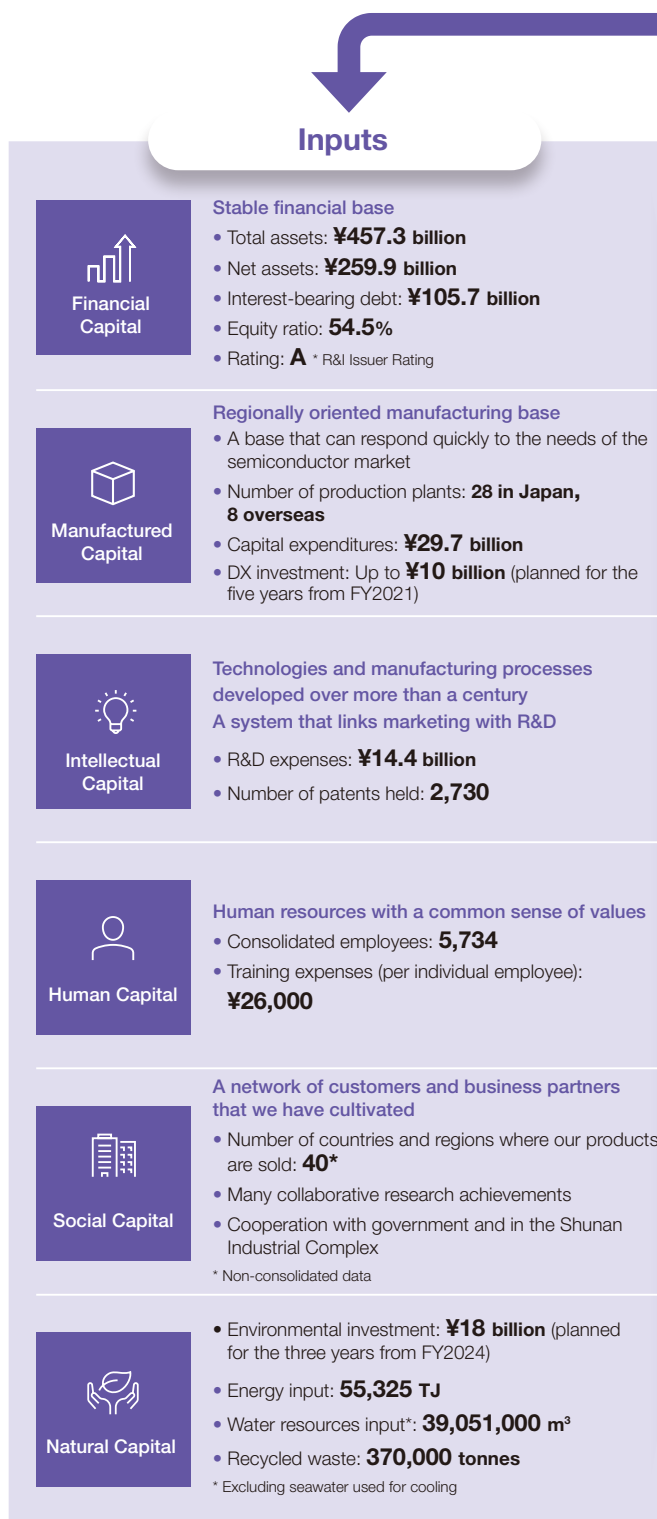
The business environment surrounding the Japanese manufacturing industry will continue to be challenging, as

global geopolitical risks increase, resource and energy prices soar, and human resource difficulties and labor shortages are brought about by a decline in the domestic population. In this uncertain environment, we will use our unique technologies and solid human capital to break new ground in the chemical industry and to further ensure the development of Tokuyama. In addition, we will work to bring together the wisdom of our Group's employees to promote Medium-Term Management Plan 2025 and to ensure that the four transformations allow us to make a leap forward in becoming a value creation company that contributes to the realization of a sustainable society through unique technologies.

We would like to thank all our stakeholders including shareholders, investors, customers, business partners, local communities and Group employees for their continued understanding and support.

## Value Creation Process

The Tokuyama Group is contributing to resolving social issues through business operations and to creating a sustainable future, in line with our Mission. These steps are highlighted in the Value Creation Process.



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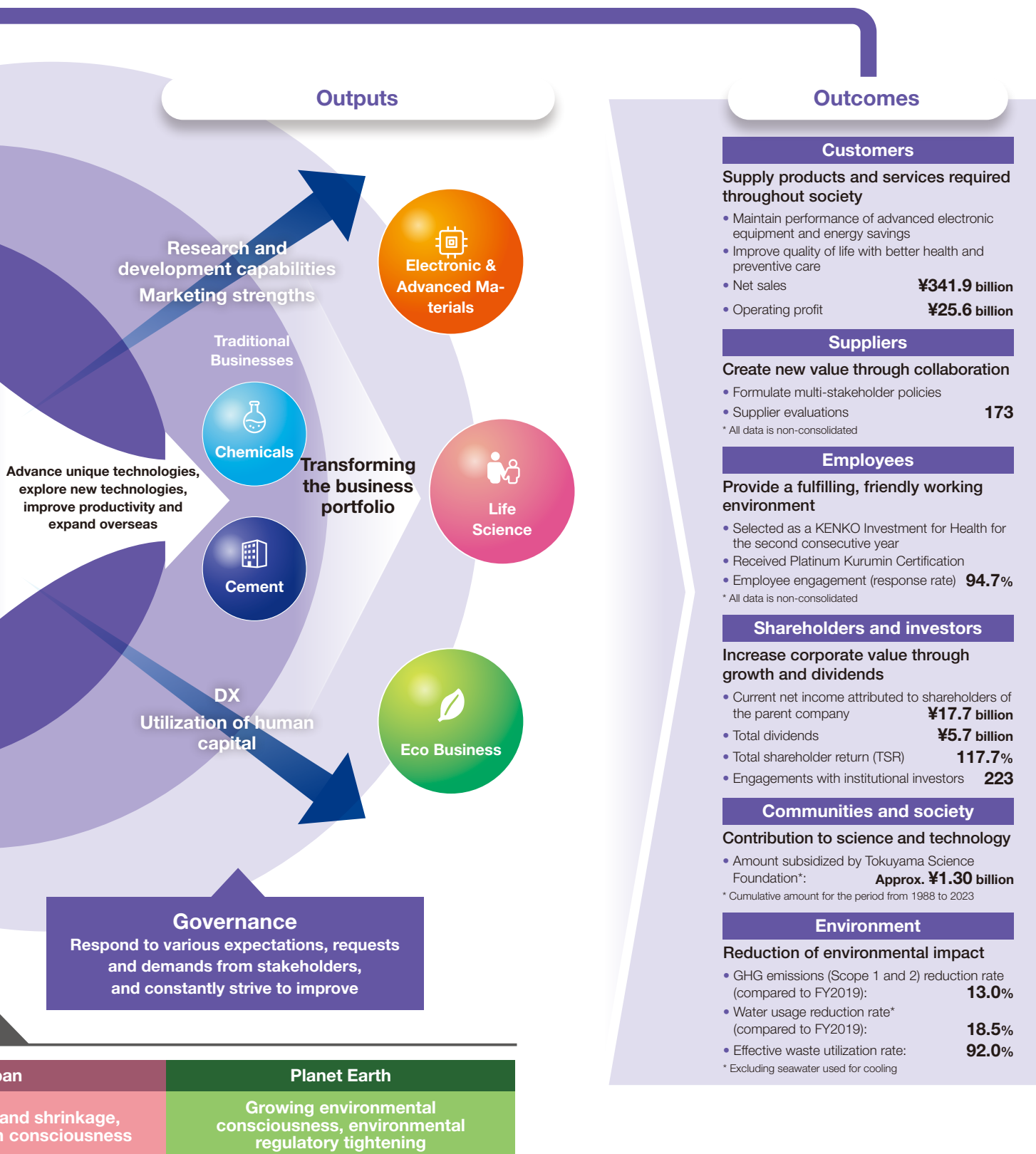
**Management**

in harmony with the environment,  
customers, based on chemistry

### Values

- Commitment to customer satisfaction as a profit source
- A broader, loftier perspective
- Employees who consistently surpass their predecessors
- Integrity, perseverance, a playful spirit and boldness

## Sustainable Growth





## Tokuyama's Strengths Supporting Value Creation

Since Tokuyama was founded in 1918 with the purpose of the domestic production of soda ash, it has grown as a comprehensive chemical manufacturer through the in-house development of a variety of technologies. We are currently developing businesses based on our strength of having an efficient production system based on products created through unique technologies and the characteristics of our business, mainly in the Electronic & Advanced Materials business that support cutting-edge semiconductor manufacturing, as well as Life Science and Eco Business. In addition, the Tokuyama Factory, which is our main manufacturing site, is aiming for zero emissions of waste by ensuring the reuse of byproducts and waste.



### Transforming our business portfolio by leveraging and deploying unique technologies

Tokuyama has strengths not only in inorganic chemistry, the business on which it was founded, but also in analytical chemistry and organic chemistry. We utilize our unique technologies to differentiate our products and develop new products as shown in the figure below.

Ion-exchange membrane and electrode technology, which is primarily used in salt production, refining and producing food, and the recovery of certain valuable resources, is one of Tokuyama's unique technologies. Advanced functions such as selective permeability, which allows only the target substance to pass through, enable the separation of substances according to the application. By making full use of membranes with different properties, we have applied them in various fields, including the development of hydrogen production equipment, which is expected to become the next-generation

energy source, and anion conductive membrane for water electrolyzer and H<sub>2</sub> fuel cell.

Tokuyama has been involved in the development and manufacture of powders such as silica and aluminum nitride (AlN), and has strengths in powder control technologies such as particle shape control and surface treatment. In electronics, we provide products with unique features to the market in accordance with customer needs such as filling in resins and high-level functionality composite materials. We are developing boron nitride (BN), with its unique scale-like shape, for applications in life science in addition to electronics.

To transform our business portfolio from the traditional businesses of Chemicals and Cement to the growth businesses of Electronic & Advanced Materials, Life Science and Eco Business, we will further utilize and widely deploy the unique technologies that we have refined over many years.

#### Utilization of Unique Technologies

• Products • Products under development

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business
<b>Ion-exchange Membranes and Electrodes</b>	<ul style="list-style-type: none"> <li>• Salt electrolysis/caustic soda, chlorine, hydrogen</li> </ul>		<ul style="list-style-type: none"> <li>• Photoresist developer for semiconductors</li> </ul>	<ul style="list-style-type: none"> <li>• Ion-selective electrode (A&amp;T)</li> </ul>	<ul style="list-style-type: none"> <li>• Electrodialyzer (ASTOM)</li> <li>• Ion-exchange membrane (ASTOM)</li> <li>• Anion conductive membrane for water electrolysis</li> <li>• Alkaline water electrolyzer</li> </ul>
<b>High-Purity / High-Sensitivity Analysis Technology</b>	<ul style="list-style-type: none"> <li>• Pharmacopoeia and food additive products</li> </ul>		<ul style="list-style-type: none"> <li>• Polycrystalline silicon</li> <li>• High-purity IPA for electronics manufacturing</li> <li>• Fumed silica</li> <li>• High-purity boron</li> <li>• High-purity chlorosilane</li> </ul>	<ul style="list-style-type: none"> <li>• APIs and intermediates in pharma</li> <li>• Medical diagnosis systems (A&amp;T)</li> </ul>	<ul style="list-style-type: none"> <li>• Photovoltaic panel recycling / silicon recycling</li> </ul>
<b>Powder Control Technology (Particle Shape Control/Surface Treatment)</b>	<ul style="list-style-type: none"> <li>• Layered sodium silicate</li> </ul>	<ul style="list-style-type: none"> <li>• Cement products</li> <li>• Construction materials</li> </ul>	<ul style="list-style-type: none"> <li>• Fumed silica</li> <li>• Sol-gel silica</li> <li>• Hollow silica</li> <li>• Aluminum nitride</li> <li>• High thermal conductivity filler/AlN, BN</li> <li>• Silicon nitride</li> </ul>	<ul style="list-style-type: none"> <li>• Dental materials and equipment (TD)</li> <li>• Spherical silica aerogel</li> <li>• Boron nitride / for cosmetics</li> <li>• Biomass silica</li> </ul>	<ul style="list-style-type: none"> <li>• Waste gypsum board recycling (TCG)</li> </ul>
<b>Ceramic Sintering Technology</b>			<ul style="list-style-type: none"> <li>• Aluminum nitride ceramics (TDPM)</li> <li>• Machinable ceramics</li> <li>• Silicon nitride ceramics</li> </ul>		
<b>Molecular Design / Synthesis Technology</b>	<ul style="list-style-type: none"> <li>• Vinyl chloride monomer</li> <li>• PVC resin</li> <li>• Propylene oxide</li> <li>• Chloromethane</li> </ul>		<ul style="list-style-type: none"> <li>• Chemicals for advanced semiconductors</li> </ul>	<ul style="list-style-type: none"> <li>• Photochromic materials for eyeglass lenses</li> <li>• APIs and intermediates in pharma</li> <li>• Dental materials and equipment (TD)</li> <li>• Polyrotaxane (ASM)</li> <li>• Radiation protection material</li> </ul>	
<b>Composite and Molding Processing Technology</b>	<ul style="list-style-type: none"> <li>• PVC compound (SAK)</li> <li>• Magnesium hydride</li> </ul>		<ul style="list-style-type: none"> <li>• Thermal management materials</li> </ul>	<ul style="list-style-type: none"> <li>• Photochromic materials for eyeglass lenses</li> <li>• Microporous film</li> <li>• Dental materials and equipment (TD)</li> </ul>	<ul style="list-style-type: none"> <li>• Ion-exchange membrane (ASTOM)</li> <li>• Plaster products (FLT)</li> <li>• Anion conductive membrane for water electrolysis</li> </ul>

Note: The company names (partially abbreviated) are shown for technologies that are only implemented by subsidiaries.

FLT: FL Tokuyama, SAK: Sun Arrow Kasei, TCG: Tokuyama Chiyoda Gypsum, TD: Tokuyama Dental, TDPM: TD Power Materials

## Efficient production sites based on business characteristics

Tokuyama has 28 manufacturing bases in Japan and 8 overseas.

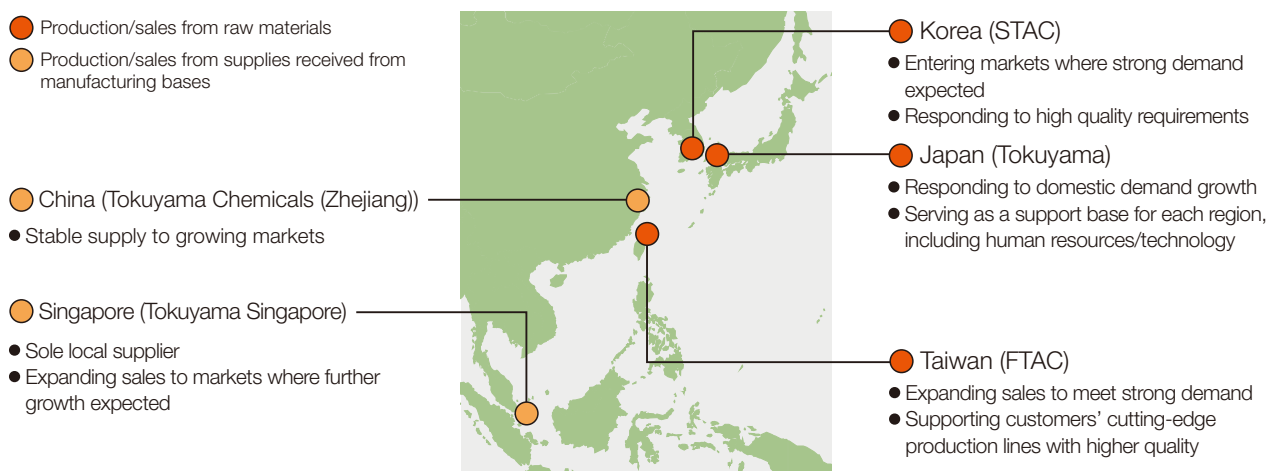
The largest site is our Tokuyama Factory (Shunan City, Yamaguchi Prefecture), which boasts a total area of 1.91 million square meters. Utilizing the adjacent public wharf and over 20 company berths, we receive raw materials such as raw salt and limestone, manufacture mainly so-called bulk products such as caustic soda and cement, and efficiently ship them within Japan.

The Tokuyama Factory is also our main manufacturing base for electronic & advanced materials such as polycrystalline silicon, but we are proceeding to establish overseas production bases with an eye on the expansion of the semiconductor market in Asia. As shown in the figure below, in addition to the Tokuyama Factory, we have built

factories capable of integrated production from raw materials to high-purity IPA for electronics manufacturing, which is used to clean semiconductors, in Taiwan and South Korea, where it is utilized. Full-scale operation has begun in Taiwan, and we aim to commence commercial operation in South Korea. In Singapore and China, we have established a system in which products supplied from the manufacturing sites are filled and shipped to each customer, providing detailed customer support.

Our main manufacturing site for Life Science is the Kashima Factory (Kamisu City, Ibaraki Prefecture). The factory, which has good access to Narita International Airport, ships high value-added products, such as dental materials and equipment, to more than 90 countries and regions worldwide.

### Production Sites for High-Purity IPA for Electronics Manufacturing



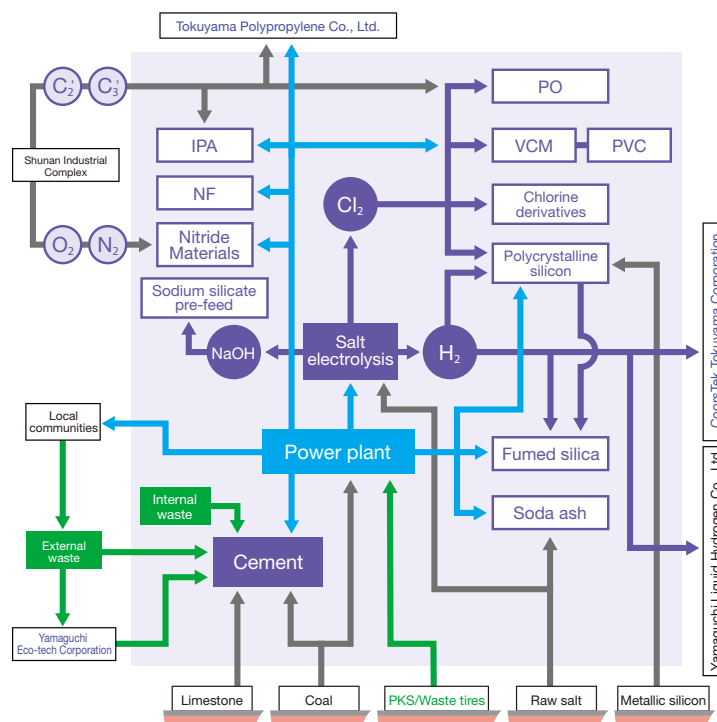
## Zero Waste Emissions Utilizing Cement Plants

Tokuyama Factory is a unique manufacturing site where utilities such as electricity and steam generated by in-house power generation facilities and materials such as chlorine and hydrogen derived from the salt electrolysis plant are supplied to other plants for effective utilization. Waste generated at each factory is recycled as raw materials for cement at the cement plant, and the effective utilization rate of waste in FY2023 was 94.2% for Tokuyama on a non-consolidated basis. The zero emission rate of waste related to landfill disposal was 99.8% on a non-consolidated basis in FY2023.

This highly integrated production system is the source of our competitiveness, but adjustments need to be made based on various factors, including the operating conditions of each plants. We are promoting operational reforms based on TDX\* in order to achieve the goals of Medium-Term Management Plan 2025, and are working to further improve productivity and efficiency at the Tokuyama Factory.

\* TDX: Tokuyama DX

### Open Integration



## Message from the CFO

While maintaining sound financial discipline, we will concentrate Tokuyama's management resources in the three growth areas of electronics, healthcare, and the environment to support our sustainable growth from a financial perspective.

Hideo Sugimura

Representative Director,  
Senior Managing Executive Officer



## Towards Management That is Conscious of the Cost of Capital and Stock Price

In April of this year, Tokuyama announced its policy to focus on management that is conscious of the cost of capital and its stock price. Our basic policy is to steadily implement Medium-Term Management Plan 2025, which includes four specific measures: (1) Enhancement of shareholder returns, (2) Focused investment in growth businesses and review of existing businesses by actively utilizing ROIC (return on invested capital), (3) Reduction of strategic shareholdings, and (4) Dialog with shareholders. We will continue to pursue further improvement

of corporate value by maintaining a certain degree of financial discipline, achieving medium- to long-term growth through strategic investments for the future, and executing capital policies that take into account the interests of our stakeholders. In particular, we intend to evaluate and analyze the current status of our growth businesses and make decisions related to the sustainability of existing businesses by compiling three financial tables for each business unit and referring to ROIC.

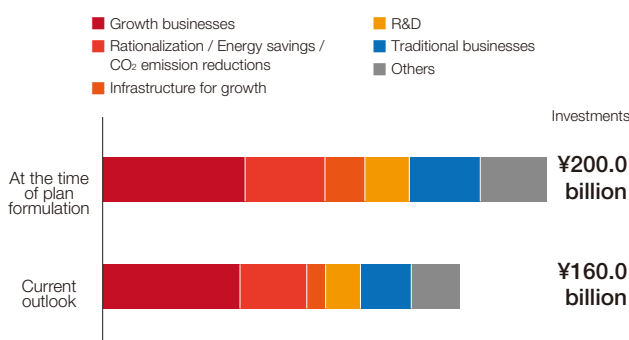
## Review of FY2023 and Outlook for FY2024

In FY2023 (ending March 31, 2024), we fell short of our original plan (formulated at the beginning of the year) due to the sluggish semiconductor market, but we were able to increase profits after five consecutive fiscal years of declining profits due to appropriate measures such as raising selling prices. In September 2023, we made an early repayment of a subordinated loan of ¥60 billion. This redemption eliminated the refinancing restriction clause and expanded the flexibility of the capital policy. In addition, we have been able to reduce short-term borrowings, and cash reserves are returning to an appropriate level.

In FY2024 (ending March 31, 2025), we expect semiconductor market conditions to recover, but we also see some concerns, such as high raw material prices. In this context, we expect to see growth in net sales, ordinary profit, and profit attributable to owners of the parent, as the benefits of the Group's efforts to strengthen profitability, appropriate sales price policies, and strategic investments centered on growth businesses, which we have been focusing on, are expected to materialize.

We will continue to pursue a flexible financial strategy and capital policy, keeping a close eye on ROE, which indicates management efficiency, and PBR, which is a measure of corporate value, in addition to our ability to generate cash.

### Capex Plan Breakdown (FY2021–2025)



Keywords are priority investment in growth fields, reduction of CO<sub>2</sub> emissions, and energy savings

### Major Capex Results

- Construction of the factory of joint venture company in Taiwan for high-purity IPA (FTAC)
- Construction of the factory of joint venture company in Korea for high-purity IPA (STAC)
- Production capacity expansion of dental materials
- Waste gypsum board recycling business Construction of a new plant in Muroran
- Establishment of the Center for Commercialization of Advanced Technology
- Investment related to biomass co-fired generation in power plants

## Financial and Capital Strategy to Lead to Successful Business Portfolio Transformation

Since experiencing an impairment loss related to Tokuyama Malaysia in FY2015, we have focused on establishing sound financial strength by carefully selecting capital expenditures and limiting the amount of investment to within the operating cash flow. As a result, our ability to generate cash as well as tolerance for interest-bearing debt have both been heightened, and we have succeeded in building a solid financial base, providing funds to support growth investments with a medium- to long-term view. Based on these results, in Medium-Term Management Plan 2025, which concludes in the fiscal year ending March 31, 2026, we established “Transform business portfolio,” “Contribute to mitigating global warming,” and “Practice socially responsible management” as our three priority issues. Among these issues, aggressive investment in growth businesses is essential to promote the transformation of the business portfolio. While maintaining a sound and stable financial base, we will pursue continued growth into the future

by concentrating management resources in the three growth areas of electronics, healthcare, and the environment.

We will inject adequate capital after thoroughly reviewing into DX to support our business model transformation, as well as human capital and R&D, our sources of corporate competitiveness. For large-scale projects such as M&A, we will thoroughly assess the timing of investment effects in advance and continue monitoring with ROIC as an indicator after the M&A is completed, aiming to create comprehensive synergies and contribute to the business performance of acquired businesses as soon as possible. In addition, with regard to R&D, which is the lifeline of a manufacturer, we will implement efficient development activities with an awareness of costs and exits (business divisions launching products) to further ensure our evolution into the “value-creative company,” that we are aiming for.

## Toward Further Enhancing Shareholder Returns

Tokuyama’s basic policy for returning profits to shareholders is to increase shareholder value through steady profit growth while maintaining stable dividends. In particular, we recognize that the next five to ten years will be a phase of upfront investment, and therefore, that it is vital to execute an effective investment strategy that utilizes retained earnings to increase EPS. We will carefully consider share buybacks, which are

often employed as a method to improve ROE, while maintaining awareness of PBR. In order to raise ROE above the cost of equity capital, we will deepen dialog with shareholders and investors, and aim to obtain an appropriate evaluation that reflects the reality of the Company by accurately communicating the Group’s superiority and the value it provides, both in financial and non-financial terms.

## A Few Words for Our Stakeholders

The Group has achieved sustained growth on the strength of its stable financial base. As CFO, I am proud that our sound financial position and balanced revenue structure have earned us the trust of our stakeholders. However, the business environment never ceases to change along with the times. In order for Tokuyama to continue to develop as a value-creative company, it is necessary to actively invest management resources into making traditional businesses highly profitable, fostering growth businesses, and expanding our management structure.

I have overseen Tokuyama’s finance and accounting along with corporate management and more since I was appointed

General Manager of the Corporate Planning Division in 2019. I recognize that the responsibility of the CFO is to maintain and strengthen the financial base, which is the backbone of corporate management and the source of trust, and to support the sustainable growth of the Group from a financial perspective. We will continue to drive the Tokuyama Group’s sustainable growth from a financial perspective and strive to create a corporate group that is trusted by all stakeholders. We ask for your continued understanding and support of Tokuyama’s management vision and financial measures.

### Cash Flow Generation and Allocation

