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KIZUNA Bonds Our Future Lives



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Notice Regarding the Formulation of the Outline for the 6th Medium-Term Management Plan

ARAKAWA CHEMICAL INDUSTRIES, LTD. (the "Company") hereby announces that it has formulated the outline for the "6th Medium-Term Management Plan (FY2026-FY2030)" (the "6th MTMP"), starting from fiscal year 2026. This plan aims to transform the Arakawa Chemical Group (the "Group") into its "Future Blueprint" and achieve sustainable enhancement of corporate value.

The Company will celebrate the 150th anniversary of its founding in November 2026. On this major milestone, the Company has established a new slogan, "*V-ACTION for the Future* –Refining our Minds and Mastery, Enriching Life and Society–". Under this slogan, the Company will focus on strengthening its value creation capabilities through challenge and transformation, centered on "Accelerating business portfolio transformation" and "Improving productivity and capital efficiency."

Furthermore, the Company aims to maximize corporate value over the mid-to-long term by placing "Cash Generation" at the core of its transformation and establishing a virtuous cycle of growth investment, human capital investment, financial soundness, and shareholder returns.

1. Basic Policy

- **Management Philosophy:** Develop individuality and realize everyone's dreams through technology and services.
- **Vision:** Chemistrify the Bonds – SPECIALITY CHEMICAL PARTNER
- **Value:** ARAKAWA WAY – The Five KIZUNA
- **Future Blueprint 2030:** Contribute to a sustainable future for the global environment and society by leveraging natural materials, starting with rosin, and continuing to challenge the deepening of "bond" technologies and the creation of new added value.
- **MTMP Slogan:** "*V-ACTION for the Future* –Refining our Minds and Mastery, Enriching Life and Society–"

This slogan builds upon the “Five V-Keywords” of the V-ACTION concept established in the 5th MTMP and represents our firm commitment to the continuous pursuit of value creation for the future. It embodies our aspiration to refine the awareness and mindset (“Minds”) of every employee, as well as our technologies and business models (“Mastery”), thereby contributing to a more prosperous and radiant future society through the Group’s diverse range of businesses.

Under the 6th MTMP, the Company will promote the following core policies:

1. Acceleration of Business Portfolio Transformation

- **Focused Investment:** Intensive allocation of resources to Electronic Materials and Life Sciences (Healthcare, Agriculture, Cosmetics, etc.).
- **Global Expansion:** Simultaneously restructuring “KASEGU” businesses and pursuing growth opportunities in overseas markets.
- **Deepening Environmental Management:** Introducing “Return on Carbon (ROC)” (EBITDA divided by CO2 emissions) as a new performance indicator to link profitability improvement with decarbonization initiatives.

2. Improvement of Productivity and Capital Efficiency

- **Disciplined Resource Allocation:** Continuous review of low-profit and non-core businesses based on business evaluations considering ROIC in addition to growth and profitability.
- **Strengthening Corporate Structure:** Implementing company-wide process transformation to enhance productivity and cash-generation capabilities, aiming for the improvement of PBR.

2. Materiality

The Company has reorganized its key issues (Materiality) that directly link to mid-to-long-term corporate value enhancement. The 6th MTMP is formulated with our commitment to addressing these material issues at its core.

<p>【Materiality Linked to Value Creation】</p> <ol style="list-style-type: none"> 1. Promotion of business portfolio transformation 2. Improvement of capital efficiency and productivity 3. Strengthening global competitiveness <p>【Materiality Supporting Execution】</p> <ol style="list-style-type: none"> 4. Excellence in safety, quality, and compliance 5. Strengthening human resources and execution 6. Addressing environment and resource circulation 	<p>【Example of KPI (KIZUNA Index)】</p> <ul style="list-style-type: none"> Return on Invested Capital (ROIC) Return on Carbon (ROC) CCC Reduction Days Index *1 Overseas Sales Growth Rate Zero Major Accidents/Incidents Value Added per Employee "Iki-iki" (Engagement) Index *2 Sales Growth of Sustainable Products CO2 Emissions Reduction
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*1 CCC: Cash Conversion Cycle. Inventory turnover days + Accounts receivable turnover days - Accounts payable turnover days.

*2 The "Iki-iki" (Engagement) Index is measured based on the Company alone; all other KPIs are planned as consolidated figures.

3. Quantitative Targets (Financial and Non-Financial)

While the Company's Cost of Capital (WACC) is currently in the lower 4% range, it is estimated to reach approximately 5% by 2030 due to rising interest rates and the reduction of interest-bearing debt. During the 6th MTMP period, we recognize the importance of first achieving ROE of 7% and ROIC of 5% as milestones, while aiming for even higher levels, growing our business, and enhancing our cash-generation capabilities.

Item (Millions of yen)	FY2024 (Actual)	FY2025 (Forecast / 5th MTMP)	FY2028 (6th MTMP)	FY2030 (6th MTMP)
Net Sales	80,236	85,000 / 90,000	93,000	103,000
Operating Income	1,057	2,800 / 3,500	5,000	7,000
Ordinary Income	854	2,400 / 3,000	4,200	6,700
EBITDA	6,778	8,300	9,200	10,500
Net Income	2,644	1,800 / 2,100	3,000	4,400
ROE	4.6%	3.0%	5% or higher	7% or higher
ROIC *1	0.9%	2.3%	3.5% or higher	5% or higher
Equity Ratio	47.8%	47.6%	Approx. 50%	Approx. 54%
Interest-bearing Debt	39,381	40,500	39,500	37,000
Safety, Quality, and Compliance	Zero major accidents / Zero compliance violations			
"Iki-iki" (Engagement) Index *2	Ratio of "Iki-iki" type: 25% or higher			

*1 Calculated based on a simplified tax rate of 30% for all years.

*2 While the 5th MTMP set employee satisfaction (target of 50% or more) as the KPI, this target was achieved; therefore, for the 6th MTMP, the "Iki-iki" (Engagement) Index will be measured by "Challenging Change x Passion for Work."

4. Key Measures (Business Strategy)

The Company aims to achieve an operating income of 7.0 billion yen by FY2030 (+150% vs. FY2025 forecast) through the following measures:

1. **Growth and Focused Businesses (NOBASU, SODATERU, KASEGU):** Profit increase of 2.0 billion yen (vs. FY2025 forecast) or higher
 - Expansion of Electronic Materials field (electronic components, AI & data center-related materials, semiconductor-related materials, etc.): +1.2 billion yen or higher.

- Acceleration of Life Sciences field commercialization and profit contribution: +0.3 billion yen or higher.
- Pursuit of growth opportunities in Overseas Markets (paper strength agents, (hydrogenated hydrocarbon resins, rosin-based resins): +0.5 billion yen or higher.

2. **Structural Reform (KASEGU, YAMERU, WATASU):** Profit increase of 2.0 billion yen (vs. FY2025 forecast) or higher

- Drastic improvement in profitability through production process transformation for businesses targeted for restructuring (hydrogenated hydrocarbon resins, sizing agents, etc.).
- Operation process transformation and productivity improvement of indirect operations centered on strengthening cash-generation capabilities.

5. Cash Allocation

CASH FLOW (Billions of yen)		5 th Plan (Est)	6 th Plan
IN FLOW	Operating CF	15.0	34.0
	Investment CF (Asset Sales, etc)	6.0	2.0
	Financing CF (Fundraising)	19.0	—
	Total	40.0	36.0
OUT FLOW	Routine Investment	16.5	16.5
	Growth Investment	15.0	5.5
	Shareholder Returns	4.8	7.8
	Debt Repayment	—	3.5
	Others	3.7	2.7

Primary factors for changes in Operating CF

- Increase in operating income 24.0B yen
- Increase in working capital Δ8.0B yen
- Cash generation from capital efficiency improvements 3.0B yen

Major details of Growth Investments

5th Plan :
Pre-emptive capacity expansion for future demand

- Electronic components 5.5B yen
- Hydrogenated hydrocarbon resin 4.7B yen
- Paper strength agents (Global) 2.2B yen
- New business development (Microalgae, Life sciences) 1.4B yen

6th Plan
Focused investment to nurture the "Next Pillars"

- Production capacity expansion investment (Global) 3.5B yen
- Strategic investment in growth and focused areas (including M&A) 2.0B yen

Figures in the table are approximate.

6. Shareholder Return Policy (6th MTMP period)

The Company's basic policy is to maintain stable and continuous dividends while actively engaging in shareholder returns. Based on this policy, the Company has effectively maintained progressive dividend since fiscal year 2012. In alignment with the goals of the 6th MTMP, the Company formally commits to a progressive dividend approach, in principle. Furthermore, the Company will raise its dividend **payout ratio target to 50%** to strongly promote proactive returns.

7. Upcoming Disclosure Schedule

Detailed explanatory materials for the 6th MTMP are scheduled to be disclosed starting from May 14, 2026.

Date	Event	Disclosure Content (Planned)
May 14, 2026	Financial Results Announcement (Planned for 15:00 JST Timely Disclosure)	Quantitative targets by segment
June 1, 2026	Financial Results Briefing (Scheduled to start at 16:00 JST)	Detailed explanatory materials

Through the execution of this MTMP, the Company is committed to delivering results by balancing the strengthening of cash-generation capabilities with focused investment in growth and priority businesses. In doing so, the Company aims to achieve sustainable enhancement of corporate value with awareness of capital costs.

Notes on Forward-Looking Statements

The contents described in this document are based on various assumptions and do not guarantee or promise the realization of future planned figures or measures described herein.

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