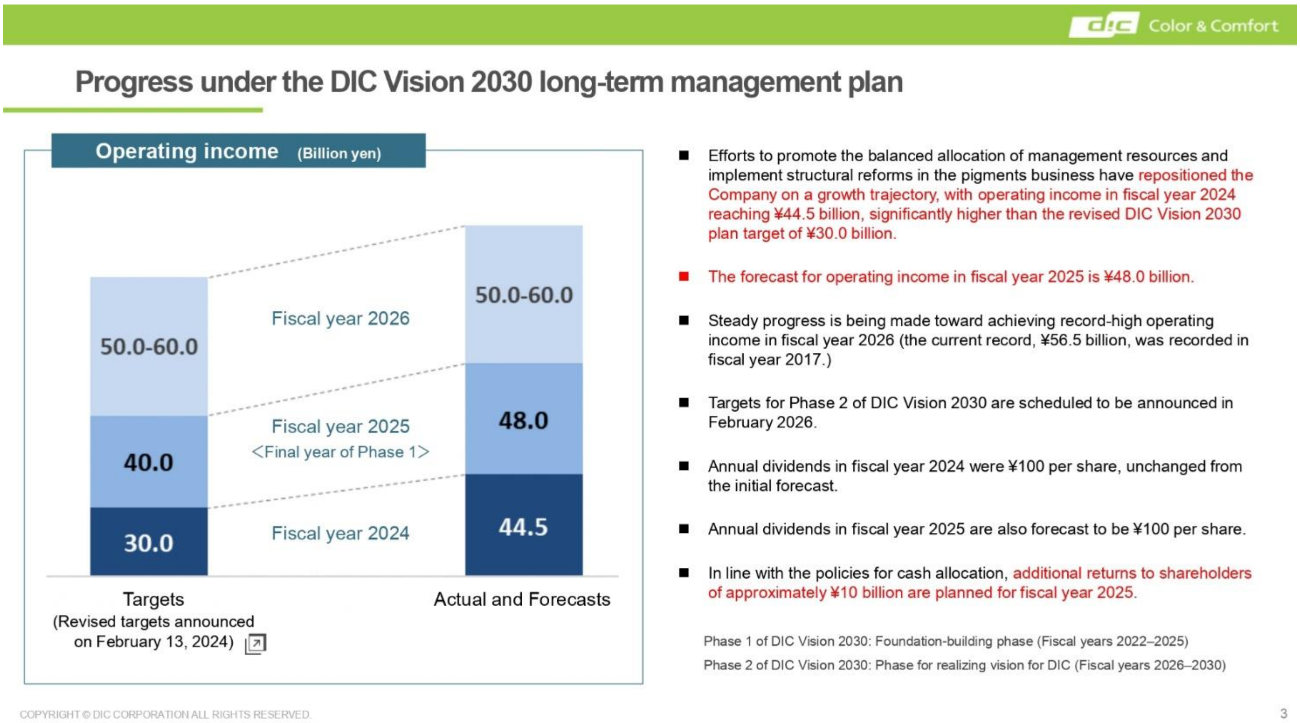
DIC Corporation

Financial Results Briefing for the Fiscal Year Ended December 2024

February 13, 2025

Presentation



Ikeda: My name is Ikeda. I will begin by explaining the highlights of our performance in FY2024 and our thinking for the FY2025 and 2026.

In FY2024, we are on a recovery track as a result of our efforts to restore the profitability of our core businesses of inks, pigments, and polymers, as well as to allocate management resources in a balanced manner and, above all, to implement structural reforms in the pigment business. As a result, operating income was JPY44.5 billion, well above the revised plan of JPY30 billion.

As you can see on the left of this chart, we announced our FY2024, FY2025, and FY2026 revised plans last February. For the 2024 and 2025 plans, which were initially set at JPY30 billion and JPY40 billion respectively, we achieved JPY44.5 billion for the fiscal year 2024 and now expect JPY48 billion for the second year, 2025, compared to the initial plan of 40 billion yen.

Last year, when we set up the plan, we positioned FY2024 and FY2025 as the year for strengthening the business foundation and setting the direction for growth. The main idea was to achieve full-fledged growth in FY2026, especially in order to achieve record profits for our company, with an operating income of JPY56.5 billion.

From this perspective, our basic approach has not changed, and we aim to solidify our business foundation in FY2024 and FY2025, with the goal of achieving a new record of highest profits in FY2026. In this regard, we are aware that the business is progressing smoothly.

The Phase I is the first four years of Vision 2030, from FY2022 to FY2025, as described in the below, and the final year of Phase I is FY2025, after that, Phase II, which is toward FY2030, and the Phase II plan is scheduled to be announced in February next year.

Based on this year's performance, the annual dividend for FY2024 is JPY100, which remains unchanged. For the next fiscal year, FY2025, we plan to pay an annual dividend of JPY100 per share.

On the other hand, last year we formulated a cash allocation policy in conjunction with this three-year plan. Based on this, we plan to additional shareholder return about JPY10 billion other than the regular dividend in FY2025.

As I mentioned, FY2024 and FY2025 are primarily focused on restoring our business base, especially our profitability. Although we are recovering quite well, we are not yet back to the state where we can demonstrate our true strength, and we are aiming for significant growth in FY2026 after a solid footing in FY2025.

Color & Comfort

Priority strategies for bolstering operating income in fiscal year 2026

■ **Underpinned by a recovery in core businesses, businesses in the smart living area will drive growth.**

- **Packaging business: Expand environment-friendly and high-performance products (e.g., recycled polystyrene)** — **¥0.5–1.0 billion**
- **Strengthen the profitability of the pigments business** — Approx. **¥4.0 billion**
- **Expand polymers for coatings, particularly in the People's Republic of China (PRC) and India** — **¥1.0–2.0 billion**
- **Grow businesses in the promising smart living area** * — Total for initiatives below **¥1.5–3.0 billion**
  - Launch next-generation chemitronics products — ¥0.5–¥2.0 billion
    Products that support high-speed communications, materials for next-generation resists, sheet-form functional materials, others
  - Expand battery-related products — ¥0.5 billion
    Materials for liquid lithium–ion batteries and for solid-state batteries, others
  - Capitalize on the Direct to Society mechanism to inaugurate new businesses — ¥0.5 billion
    AI devices (HAGAMOSphere™ (omnidirectional multicopter), robot hand)
    Human technology interface (kansei materials, sensing materials), others

Potential growth in fiscal year 2026
¥7.0–¥10.0 billion

* As it enters Phase 2 of DIC Vision 2030, the DIC Group will focus investments, including in M&As, to further accelerate growth.

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I would like to explain here the priority measures we are focusing on, especially for FY2025 to FY2026 period.

As I have mentioned, we are making various efforts based on the recovery of our core businesses. In particular, we have positioned the smart living area as a core growth area, and we are determined to achieve growth in this area for FY2026.

Specific measures are described here. As I have said many times before, the pigment business is the biggest challenge for us, and the area with the greatest potential for growth, and we will strengthen its profitability. We were able to significantly improve our earnings last year in 2024, and we are in the process of continuing to strengthen our earning power, especially for 2026, in order to get back on our original growth trajectory, not only through rationalization, but also by firmly strengthening our earning power based on the growth of various strategic products.

In addition, we are also working to expand the business of polymers for coatings in Asia by firmly strengthening our foundations in China, India, and other growth regions, based on business expansion, plant expansion, and other factors. The polymer business is also one of our core businesses.

We would like to launch sustainable and new businesses on top of these core businesses. Particularly in the package business, we will expand environmental responsiveness and functional products. In particular, the recycling-related business for packaging will be put on a full-fledged growth trajectory. The recycling Polystyrene plant, which was built last year, will be in full operation from this fiscal year, and we hope to bring it to the point where it will generate a solid profit for next year.

The core of our smart living business expansion is our Chemitronics business. This is also the division we established last fiscal year, which focuses on electronics-related materials, and we will put various strategic electronics-related products in this division on a solid growth track. In particular, we intend to steadily launch new products, such as next generation resist materials and functional sheets, and products using new technologies over the next fiscal year.

In addition, we will expand our battery-related products. In addition to expanding our current lithium-ion battery-related materials, which are used in a variety of components, we will also aim to launch all-solid-state batteries and related materials as a future field.

The third point is the "Direct to Society" policy, which I have been advocating since I took office last year. This means proposing new value to society and end consumers and launching new businesses in a wide range of fields, including materials, devices, and services, with AI devices at the core. We are looking forward to launching new product groups next year with new added value, such as sensory and sensing materials, mainly centered on AI devices.

In order to accelerate growth in these smart living areas, we intend to further concentrate investment, including management resources, capital, and M&A, especially in Phase II.

Including all of the above, we believe that the potential for profit increase from FY2025 to FY2026 is JPY7 billion to JPY10 billion.

Color & Comfort

Future operation of the Kawamura Memorial DIC Museum of Art

- Based on advice provided by the Corporate Value Improvement Committee in August 2024, the Board of Directors reviewed the operation of the Kawamura Memorial DIC Museum of Art and in December 2024 determined a policy regarding operation of the museum going forward.
  - Considering the museum's positioning in terms of both social and economic value, the Board of Directors concluded that continuing operation at an appropriate scale and in a suitable location will not only contribute to growth for the DIC Group by bolstering brand value but also positively impact stakeholders and society as a whole.
  - On the assumption that it finds an appropriate site, the Company will relocate and downsize the museum.
  - The number of works of art owned by the Company will be reduced to approximately one-fourth the current level and the museum will be moved to a facility within the Tokyo metropolitan area where they can be exhibited to the public.
  - Once a new location has been finalized, works of art to be retained will be determined in accordance with a new museum collection policy and consideration will be given to divesting works deemed ineligible for retention.
  - The Company expects the sale of artworks to generate approximately at least ¥10 billion in cash in fiscal year 2025. The Company plans to begin selling the remaining works it owns in fiscal year 2026, after it has determined which works of art it will retain.
  - Applications for cash generated through the sale of works of art will be determined on a case-by-case basis, in accordance with with the Company's policies for cash allocation.

Outlook **The Company aims to reach a final partnership agreement with an organization operating a candidate site in the Tokyo metropolitan area and make an official announcement by the end of March 2025.**

Related news release
Final Report on the Results of the Review of Operation of the Kawamura Memorial DIC Museum of Art and Policy on Future Operation (December 26, 2024)

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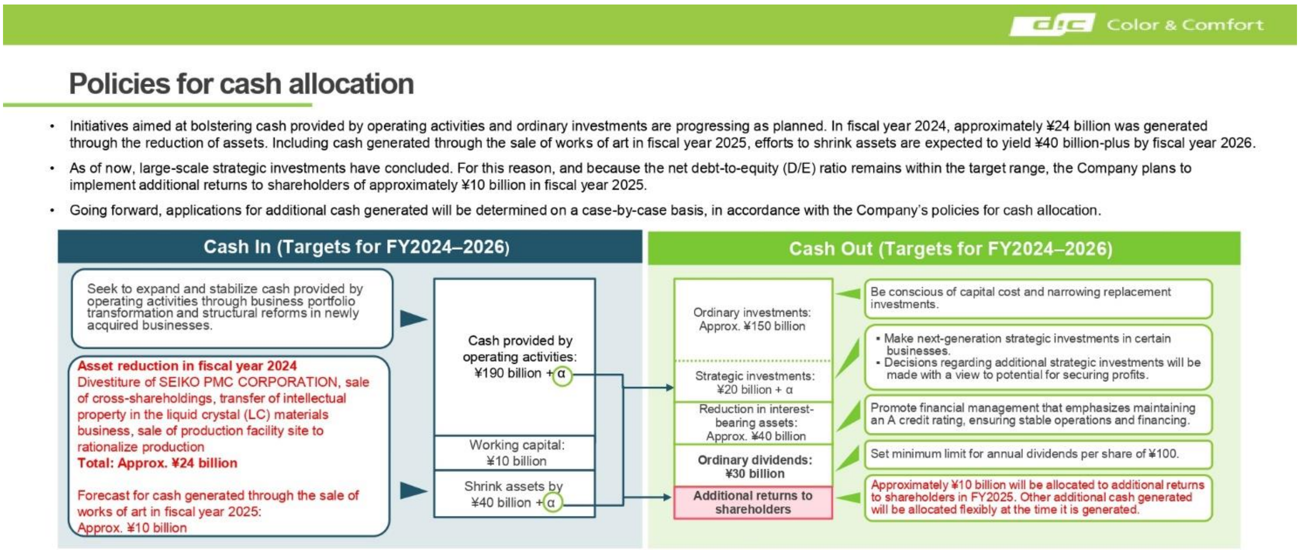
Here I would like to explain our future actions regarding the operation of the museum.

At the end of last year, we presented our final report on the operation of the museum. The basic policy is to review the museum's existing operations in order to achieve both social and economic value, with downsizing and relocation as the final policy to be implemented. During this process, we are still considering the possibility of reducing the size of our holdings by about one-fourth and relocating to a location in Tokyo where the artworks can be shown to the public.

We will aim to reach a final agreement by the end of March and make a formal announcement accordingly, but once the relocation site is finalized and we have determined the works to be held in accordance with the new museum's policies, we will consider selling the works that are no longer eligible. Without waiting for this, our policy is to aim for a cash inflow of at least JPY10 billion in FY2025.

In addition, we will sell the works to be sold in FY2025 and FY2026 onward, in accordance with the policy we have decided to follow. The usage of cash obtained from this will be decided, including additional shareholder returns, in accordance with the cash allocation policy.



	FY2024 (Actual)	Target and Approach for Fiscal Year 2026	
Return on invested capital (ROIC)	3.8%	4.0%–5.0% ≧ Weighted average cost of capital (WACC)	Efforts will focus on achieving a prompt improvement by promoting structural reforms and reviewing the allocation of management resources.
Return on equity (ROE)	5.6%	7.0%–8.0% ≧ Cost of equity	Fiscal year 2026 is simply a transit point in the drive to improve capital efficiency and bolster corporate value.
Net debt-to- equity (D/E) ratio	1.05 times	1.00–1.10 times	Thanks to the progress of structural reforms in relevant businesses, a degree of leverage exists, but financial management will continue to focus on maintaining an A credit rating.

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I would like to explain the progress of the cash allocation policy that I just mentioned.

As shown in this chart, the cumulative cash inflows and outflows for the period from 2024 to 2026, operating cash flows and normal investments are progressing as planned.

In addition to this, as highlighted in red, especially on the left side, with regard to cash-in, we have reduced assets by JPY24 billion in FY2024 by taking various measures as noted there.

As we have also mentioned, we expect to secure asset reduction of JPY40 billion plus by 2026, including JPY10 billion in cash inflows from the sale of art works expected in the current fiscal year.

As for the use of the cash outflow, we have completed a series of large-scale strategic investments, and our net debt-equity ratio has reached the target range. We are planning to pay out about JPY10 billion in additional returns to shareholders in the current fiscal year.

Any additional funds obtained will be used in accordance with our overall cash allocation policy.

As for the progress of various management indices, we are working hard to achieve our targets for ROIC, ROE, and net D/E ratio for FY2026, as shown in the table below. In particular, ROE was 5.6%, and the net D/E ratio was 1.05 in FY2024. The net D/E ratio, in particular, reached the target range. We would like to continue our efforts to further improve ROIC and ROE for FY2025 and FY2026.

That is all for the overall situation.

Komine: Next, Mr. Asai, Chief Financial Officer, will explain the details of the financial results. CFO Asai, please.

Asai: Good morning, everyone. My name is Asai, and I am in charge of the finance and accounting department. I will now explain our performance in FY2024 and our outlook for FY2025.

Color & Comfort

Highlights

FY2024 results

Net sales

¥1,071.1 billion

YoY +**3.1**%

- If the impact of the withdrawal from noncore businesses, including the divestiture of SEIKO PMC CORPORATION, was discounted, consolidated net sales would have risen 7.3%.
- Shipments of packaging inks were up, bolstered by rising demand for consumer goods overseas, underpinned by the easing of inflationary pressures.
- While demand for pigments failed to recover fully, shipments were bolstered by ongoing moves by customers to replenish inventories.
- Shipments of high-value-added products for use in electronics equipment and in mobility solutions increased.

Operating income

¥44.5 billion

YoY +**148.1**%

- Operating income climbed, owing to an increase in shipments of high-value-added products for use in electronics equipment and mobility solutions, as well as to efforts to maintain sales prices for packaging inks in the Americas and Europe, despite price-cutting pressure.
- In the Color & Display segment, structural reforms and efforts to reduce costs significantly shrank the operating loss. If the impact of the recently divested liquid crystal (LC) materials division was discounted, the segment would have returned to profitability.

Net income

¥21.3 billion

Into the black

- Extraordinary income increased due to a gain on sales of non-current assets stemming from the transfer of intellectual property related to the LC materials business, and a higher gain on sales of investment securities arising from the reduction of strategic shareholdings. Extraordinary losses significantly decreased due to the absence of the ¥ 33.5 billion impairment loss recorded in the preceding period.
- Net income attributable to owners of the parent was ¥21.3 billion, up from a net loss of ¥39.9 billion in the previous period.

FY2025 forecasts

Increases in net sales and operating income

Additional returns to shareholders

- Net sales and operating income are forecast to reach ¥1,110.0 billion and ¥48.0 billion, respectively.
- In addition to ordinary annual dividends of ¥100 per share, allocate ¥10 billion to additional returns to shareholders.

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First, please see page eight. Here are the highlights for FY2024.

Net sales totaled JPY1,071.1 billion, up 3.1% from the same period last year. As indicated in the top line, we sold our shares in SEIKO PMC at the beginning of last year and withdrew from the non-core business in FY2023. Excluding this decrease in sales, in real terms, the increase was 7.3% in FY2024.

Operating income was JPY44.5 billion, an increase of 148.1% over the same period last year. Sales growth, inks for packaging, and other areas where sales grew steadily. In addition, we have been proceeding with structural reform of the pigment business in the Color and Display segment, which had been a pending issue, and we have realized the benefits of cost reductions, resulting in improved operating income compared to last year FY2023.

In addition to the improvement in operating income, we have been selling assets through asset reduction as mentioned earlier by Mr. Ikeda, and we recorded extraordinary gains last year, including a gain on the sale of intellectual property related to LC materials and a gain on the sale of investment securities by reducing strategic shareholdings. Since there were no significant extraordinary losses last year, including goodwill impairment in the year before last, FY2023, net income for the year turned around from a large deficit in FY2023 to a JPY21.3 billion surplus.

For 2025, we are currently forecasting net sales of JPY1,110 billion and operating income of JPY48 billion, with annual dividends of JPY100, as planned, plus an additional JPY10 billion or so to be returned to shareholders.

Quarterly trends in operating results

- Quarterly operating income has improved since bottoming out in the third quarter of fiscal year 2023 and remains stable.
- Sales in the fourth quarter were down from the third quarter, owing to seasonal factors, but fourth-quarter operating income remained in the area of ¥10 billion.

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This is the quarterly results, and the rightmost one is the most recent quarter from October to December last year.

Sales were JPY263.5 billion, operating income was JPY10.5 billion, and the operating margin was 4%. I think you can see the significant improvement in the operating profit margin over the last year.

Year-on-year changes in quarterly shipments of principal products by segment

Packaging & Graphic (Packaging inks, Publication inks*)

2023				2024			
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
-8%	-10%	-8%	-4%	-1%	+2%	+3%	+1%

- Sales of packaging inks rose 3% in the Americas and Europe, as the easing of inflationary pressure underpinned a revival in demand for consumer goods.
- In Asia, sales of packaging inks increased 8%, owing to a recovery in demand and efforts to cultivate new customers.
- Sales of packaging inks in Japan declined 2% as rising prices continued to dampen demand for consumer goods.

* Includes news inks

Color & Display (Pigments)

2023				2024			
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
-18%	-17%	-11%	-9%	-4%	+15%	+14%	+8%

- While demand failed to recover fully, the completion of inventory adjustments by customers continued to encourage moves to secure new inventories, particularly of pigments for coatings and for plastics.
- Shipments of pigments rose 8%.

Functional Products (Products for which volume is measured in kg*)

2023				2024			
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
-15%	-10%	-4%	0%	-1%	+5%	-3%	+1%

- Shipments of products for use in electronics equipment, notably epoxy resins, rose significantly, driven by demand in growth sectors such as generative AI.
- Sales of products for use in mobility solutions remained solid.
- Sales of products for use in housing construction and for general industrial applications decreased.

* Among the main products listed on page 15, industrial-use adhesive tapes and hollow-fiber membrane modules are excluded from the calculation as their quantities are not measured in kg.

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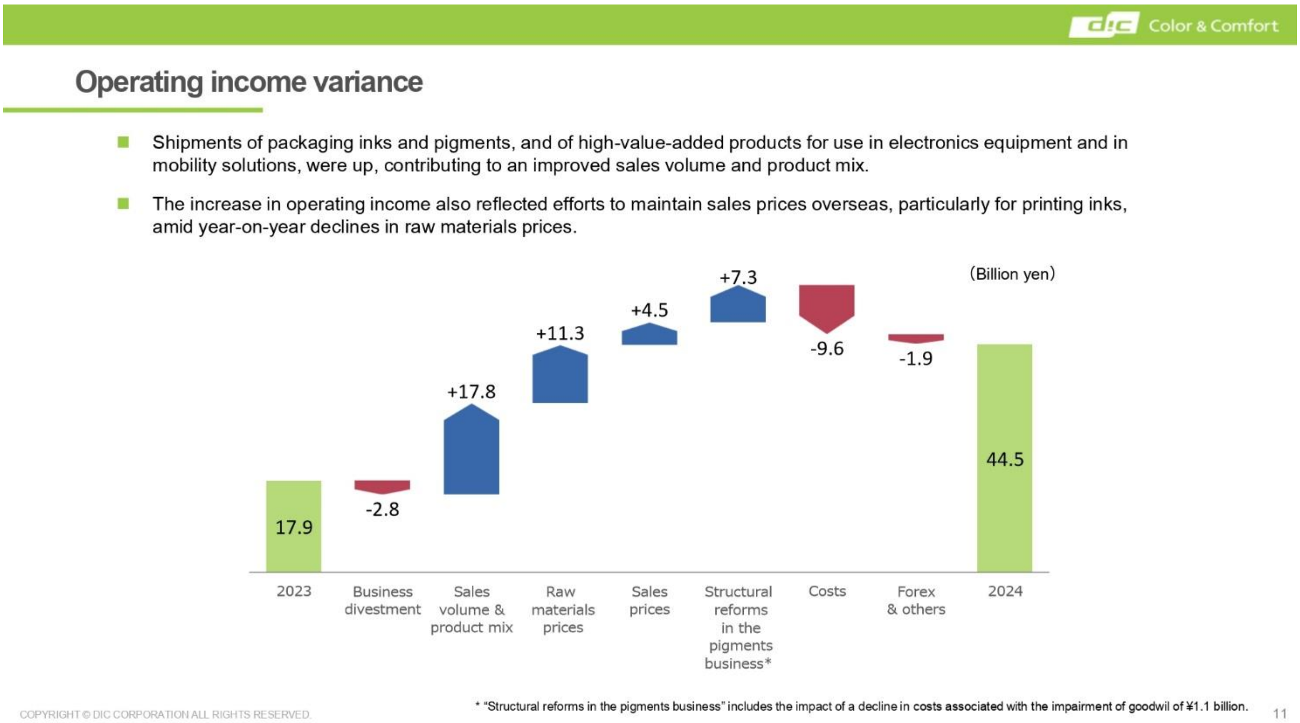
The next page shows YoY changes and volume for each major product.

As you can see in the top, the Packaging and Graphic, the volume of inks for packaging and publishing has been increasing every quarter from the previous year. Over the course of the year, we achieved solid volume growth of about 3% for packaging inks in Europe and the United States. In addition, in Asia, annual volume growth of 8% in packaging inks.

Japan was the only country affected by the decrease in demand for food packaging materials and inks due to price hikes for food products, resulting in a 2% decrease in volume.

In the middle of the table, there are pigments of the Color and Display segment, and the overall shipment volume of these pigments increased by 8% per year. In FY2023, our customers reduced their inventories, but this has run its course, and the volume of shipments, including those for coatings and plastics, has increased.

The bottom line is the Functional Products, and here the volume of epoxy resins used in our electronics has increased as demand has grown in the growth area of generative AI. In addition, sales of PPS and other mobility products for automotive applications also remained strong. On the other hand, housing-related, infrastructure-related, and general industrial products has decreased, resulting in an overall increase or decrease in figures as shown.



Page 11 is a bridge to last year's operating income.

This is a bridge from JPY17.9 billion in 2023 to JPY44.5 billion, but as you can see, the volume increased significantly.

In addition, there is a further improvement in the price gap of nearly JPY16 billion in the areas of raw material prices and sales prices. Particularly in the area of printing inks, especially packaging inks, we were able to raise or maintain prices while the cost of raw materials remained stable on a global basis. This has been a major factor in demonstrating a significantly high profit margin.

The structural reform of pigments and restructuring effects amounted to JPY7.3 billion, absorbing an increase of JPY9.6 billion in costs, resulting in a total of JPY44.5 billion.

Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024
Packaging & Graphic	541.9	569.8	27.8	+ 5.1%	+ 2.4%	22.0	33.6	11.6	+ 52.8%	+ 58.7%	4.1%	5.9%
Japan	124.0	129.0	5.1	+ 4.1%	+ 4.1%	4.6	6.3	1.7	+ 37.5%	+ 37.5%	3.7%	4.9%
The Americas and Europe	349.0	367.0	18.0	+ 5.2%	+ 2.1%	13.1	21.0	7.9	+ 59.9%	+ 72.1%	3.8%	5.7%
Asia and Oceania	82.5	90.3	7.8	+ 9.5%	+ 3.6%	4.2	6.5	2.4	+ 56.5%	+ 48.9%	5.1%	7.2%
Eliminations	(13.5)	(16.6)	-3.1	-	-	0.1	(0.3)	-0.3	-	-	-	-
Color & Display	227.3	257.0	29.7	+ 13.1%	+ 6.9%	(8.9)	(0.3)	8.6	Pared loss	Pared loss	-	-
Japan	32.0	35.2	3.2	+ 9.9%	+ 9.9%	4.1	5.6	1.5	+ 37.8%	+ 37.8%	12.8%	16.0%
Overseas	209.5	236.3	26.9	+ 12.8%	+ 5.9%	(13.0)	(5.8)	7.2	Pared loss	Pared loss	-	-
Eliminations	(14.2)	(14.6)	-0.3	-	-	0.0	(0.1)	-0.2	-	-	-	-
Functional Products	305.9	286.3	-19.6	-6.4%	-8.9%	15.4	21.0	5.6	+ 36.0%	+ 31.6%	5.0%	7.3%
Japan	202.9	181.7	-21.2	-10.5%	-10.5%	7.0	11.3	4.4	+ 63.2%	+ 63.2%	3.4%	6.2%
Overseas	130.2	137.9	7.6	+ 5.9%	-0.2%	8.5	9.7	1.2	+ 14.3%	+ 6.8%	6.5%	7.0%
Eliminations	(27.2)	(33.2)	-6.0	-	-	0.0	(0.0)	-0.0	-	-	-	-
Others, Corporate and eliminations	(36.4)	(41.9)	-5.5	-	-	(10.6)	(9.8)	0.8	-	-	-	-
Total	1,038.7	1,071.1	32.4	+ 3.1%	-0.1%	17.9	44.5	26.6	+ 148.1%	+ 155.8%	1.7%	4.2%
Yen/US$	140.51	151.04		+ 7.5%		140.51	151.04		+ 7.5%			
Yen/EUR	151.98	163.34		+ 7.5%		151.98	163.34		+ 7.5%			

As for sales and operating income by segment, both sales and income increased in each segment.

The only exception is the Functional Products. The blue area shows that sales decreased by JPY19.6 billion, or 6.4%, compared to the previous year. However, as I mentioned in the first highlight, this figure includes the impact of SEIKO PMC and other businesses that we withdrew from, so if we exclude these factors, the actual increase in sales was about JPY20 billion, or 7.8%.

Color & Comfort

Packaging & Graphic

Net sales

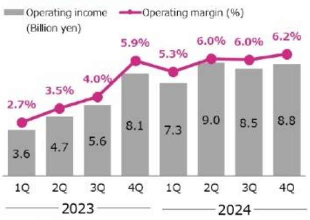
- Shipments in Japan declined as rising prices continued to dampen demand for consumer goods, but sales were buoyed by efforts to adjust sales prices.
- Sales also increased overseas, underpinned by healthy shipments of packaging inks.

Operating income

- Operating income in Japan rose, bolstered by higher shipments of high-value-added jet inks and progress in delayed moves to pass on higher costs in printing inks by modifying sales prices.
- Operating income overseas was also up, buttressed by efforts to maintain sales prices amid falling raw materials prices by ensuring stable supplies and services.

(Billion yen)	Net sales					Operating income					Operating margin	
	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024
Packaging & Graphic	541.9	569.8	27.8	+ 5.1%	+ 2.4%	22.0	33.6	11.6	+ 52.8%	+ 58.7%	4.1%	5.9%
Japan	124.0	129.0	5.1	+ 4.1%	+ 4.1%	4.6	6.3	1.7	+ 37.5%	+ 37.5%	3.7%	4.9%
The Americas and Europe	349.0	367.0	18.0	+ 5.2%	+ 2.1%	13.1	21.0	7.9	+ 59.9%	+ 72.1%	3.8%	5.7%
Asia and Oceania	82.5	90.3	7.8	+ 9.5%	+ 3.6%	4.2	6.5	2.4	+ 56.5%	+ 48.9%	5.1%	7.2%
Eliminations	(13.5)	(16.6)	-3.1	-	-	0.1	(0.3)	-0.3	-	-	-	-

Operating income/margin



Sales of principal products

	% Change	
Packaging inks*	+ 4%	Sales rose, bolstered by higher shipments overseas.
Publication inks*	-6%	Sales were up in Asia, underpinned by efforts to cultivate customers, but down in other regions.
Jet inks	+ 30%	Demand rose, as customers completed inventory adjustments.
Polystyrene	+ 1%	Demand for use in food packaging materials declined, owing to rising food prices, but sales were bolstered by the adjustment of sales prices.
Multilayer films	-1%	Demand for use in food packaging materials declined, owing to rising food prices.

*Change on a local currency basis

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It is the Packaging and Graphic. Please see the graph below.

As you can see on the lower left, we have maintained a high profit margin of 6.2%, with operating income of JPY8.8 billion in the most recent Q4. This is largely due to our ability to maintain a high profit margin through price maintenance on a global basis, as I mentioned earlier. As you can see, the volume of packaging inks has been increasing steadily compared to the previous year.

Furthermore, the sales of jet inks have been very strong, which has also contributed to the increase in profits.

Color & Display

Net sales
- Sales were up, as the completion of inventory adjustments by customers continued to encourage moves to secure new inventories, particularly of pigments for coatings and for plastics.
- In the LC materials business, the withdrawal from which had been announced, production concluded in December as planned.

Operating income
- The segment operating loss narrowed significantly, owing to higher shipments and the progress of structural reforms, which lowered costs.
- If the impact of the ¥0.5 billion operating loss posted by the recently divested LC materials division was discounted, the segment would have posted operating income of ¥0.2 billion.

(Billion yen)	Net sales					Operating income					Operating margin	
	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024
Color & Display	227.3	257.0	29.7	+ 13.1%	+ 6.9%	(8.9)	(0.3)	8.6	Pared loss	Pared loss	-	-
Japan	32.0	35.2	3.2	+ 9.9%	+ 9.9%	4.1	5.6	1.5	+ 37.8%	+ 37.8%	12.8%	16.0%
Overseas	209.5	236.3	26.9	+ 12.8%	+ 5.9%	(13.0)	(5.8)	7.2	Pared loss	Pared loss	-	-
Eliminations	(14.2)	(14.6)	-0.3	-	-	0.0	(0.1)	-0.2	-	-	-	-

Operating income/margin

Sales of principal products

		% Change*	
Pigments for	coatings	+ 8%	While demand failed to recover fully, sales rose, rebounding from the impact of inventory adjustments in the previous fiscal year.
	plastics	+ 11%	While demand failed to recover fully, sales rose, rebounding from the impact of inventory adjustments in the previous fiscal year.
	printing inks	+ 7%	Sales remained robust for use in packaging inks.
	cosmetics	-2%	Sales declined as customers stepped up efforts to adjust inventories.
	displays	+ 5%	Shipments remained firm throughout the fiscal year, although shipments fluctuated depending on display manufacturers' production levels.
	specialty applications	+ 1%	Sales rose, despite the impact of protracted customer inventory adjustments on sales for agricultural use, reflecting robust sales to the construction industry.

*Change on a local currency basis

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Next is the Color and Display, which unfortunately posted an operating loss of minus JPY300 million in FY2024.

However, as I have commented above, we have withdrawn from the LC materials business as of the end of last year. The operating deficit here is about negative JPY500 million. Therefore, looking at the pigment business excluding LC materials, overall operating income was a profit of JPY200 million.

However, looking at the regions individually, Japan has an operating income of JPY5.6 billion, while overseas operations are still in the red. The deficit has decreased significantly compared to the previous year, but it remained in the red.

Functional Products

Net sales

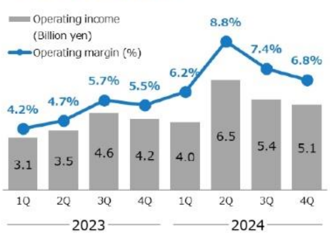
- Excluding the impact of business withdrawals, including the divestiture of SEIKO PMC CORPORATION, sales would have been up 7.8%.
- Shipments of high-value-added products for use in electronics equipment and in mobility solutions increased.

Operating income

- Segment operating income increased, bolstered by higher shipments of high-value-added products for use in electronics equipment and in mobility solutions, which contributed to an improved product mix, as well as to successful efforts to pass on higher costs by revising sales prices.

(Billion yen)	Net sales					Operating income					Operating margin	
	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024	Change	% Change	% Change on a local currency basis	2023	2024
Functional Products	305.9	286.3	-19.6	-6.4%	-8.9%	15.4	21.0	5.6	+ 36.0%	+ 31.6%	5.0%	7.3%
Japan	202.9	181.7	-21.2	-10.5%	-10.5%	7.0	11.3	4.4	+ 63.2%	+ 63.2%	3.4%	6.2%
Overseas	130.2	137.9	7.6	+ 5.9%	-0.2%	8.5	9.7	1.2	+ 14.3%	+ 6.8%	6.5%	7.0%
Eliminations	(27.2)	(33.2)	-6.0	-	-	0.0	(0.0)	-0.0	-	-	-	-

Operating income/margin



Sales of principal products

	% Change
Epoxy resins	+ 6%
Industrial-use adhesive tapes	+ 38%
UV-curable resins	+ 7%

	% Change
polyphenylene sulfide (PPS) compounds	+ 6%
Acrylic resins	0%
Polyurethane resins	+ 5%
Waterborne resins	+ 8%
Polyester resins	+ 5%
Hollow-fiber membrane modules	+ 19%

Shipments of epoxy resins— notably high-value-added products used in generative AI servers, computers and smartphones—were strong. Sales of industrial-use adhesive tapes were bolstered by steady efforts to lock in demand for use in smartphones and other mobile devices. Shipments of products for use in mobility solutions, including polyphenylene sulfide (PPS) compounds, waterborne resins and polyurethane resins, were firm. Shipments of acrylic resins flagged, owing to sluggish demand in the PRC.

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Next is the Functional Products.

As you can see below, our main products, the Chemitronics field such as epoxy resins, industrial tapes, and UV curable resins, which are shown on the left, are growing steadily. This is a major profit contributor.

Also, in the product group on the right, there are PPS compounds at the top, water-based resins in the middle, and hollow fiber membrane modules at the bottom. In the same way, the volume and sales of mobility-related and electronics-related products have increased, and profits have increased as well.

Color & Comfort

Consolidated statement of income

(Billion yen)

	2023	2024	Change	% Change	% Change on a local currency basis
Net sales	**1,038.7**	**1,071.1**	**32.4**	+ 3.1%	-0.1%
Cost of sales	(852.4)	(848.9)	3.4		
Selling, general and administrative expenses	(168.4)	(177.7)	-9.2		
Operating income	**17.9**	**44.5**	**26.6**	+ 148.1%	+ 155.8%
Operating margin	**1.7%**	**4.2%**	-		
Interest expenses	(5.2)	(5.0)	0.2		
Equity in earnings (losses) of affiliates	2.7	3.3	0.5		
Foreign exchange gains (losses)	(4.2)	(2.9)	1.3		
Other, net	(2.1)	(2.0)	0.1		
Ordinary income	**9.2**	**37.9**	**28.7**	+ 311.3%	
Extraordinary income	4.9	12.4	7.5		
Extraordinary losses	(40.6)	(12.6)	27.9		
Income before income taxes	(26.5)	37.7	64.1		
Income taxes	(12.4)	(15.4)	-3.0		
Net income	(38.9)	22.2	61.1		
Net income attributable to non-controlling interests	(1.0)	(0.9)	0.1		
Net income attributable to owners of the parent	**(39.9)**	**21.3**	**61.2**	Into the black	
EBITDA *	**30.8**	**95.7**	**64.8**	+ 210.3%	

Extraordinary income and losses	2023	2024
Extraordinary income		
Gain on sales of non-current assets	1.9	7.0
Gain on sales of investment securities	2.7	4.1
Gain on sales of shares and investments in capital of subsidiaries and affiliates	-	1.3
Insurance claim income	0.3	-
Extraordinary losses		
Loss on sales of shares and investments in capital of subsidiaries and affiliates	-	(4.5)
Severance costs	(4.3)	(3.9)
Loss on disposal of non-current assets	(2.6)	(3.2)
Loss on withdrawal from business	-	(0.5)
Provision for product warranties	-	(0.3)
Impairment losses	(33.5)	(0.2)
Provision for loss on withdrawal from business	(0.2)	-

■Average rate

	2023	2024
Yen/US$	140.51	151.04
Yen/EUR	151.98	163.34

* EBITDA: Net income attributable to owners of the parent + Total income taxes + (Interest expenses – Interest income) + Depreciation and amortization + Amortization of goodwill

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Page 17 is the income statement.

The sales and operating income are as I have just explained, and down from there, you can see interest expenses and foreign exchange losses. Extraordinary income and extraordinary losses are almost offset on a net basis in the end.

The breakdown of extraordinary imcome and losses can be found on the right. As Ikeda mentioned at the beginning of this presentation, we have realized extraordinary imcom in 2024 as a result of asset reductions and other measures, while cash has been used to reduce interest-bearing debt.

Financial health

(Billion yen)	Dec 31 2023	Dec 31 2024	Change
Net interest-bearing debt	441.4	422.5	-19.0
Shareholders' equity	363.9	401.4	37.5
Net D/E ratio*1 (Times)	1.21	1.05	
Equity ratio	29.2%	32.7%	
BPS (Yen)	3,844.70	4,239.67	
ROIC*2	1.5%	3.8%	
ROE	-10.6%	5.6%	

■Closing rate

	Dec 31 2023	Dec 31 2024
Yen/US$	141.32	156.24

*1 Net D/E ratio: Net Interest-bearing debt / Shareholders' equity

*2 ROIC: Operating income x (1–tax rate 28%) / (Net interest-bearing debt + Net assets)

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Next is the financial strength, the balance sheet.

Interest-bearing debt was JPY422.5 billion, a reduction of JPY19 billion compared to last year FY2023. Equity capital increased by JPY37.5 billion compared to the previous year, which means that net D/E improved to 1.05 times. The equity ratio also increased to 32.7% and net assets per share increased. ROIC was 3.8% and ROE was 5.6%.

FY2025 forecasts: Full-term operating results

- In addition to ordinary annual dividends of ¥100 per share, ¥10 billion will be allocated to additional returns to shareholders
- The forecast for net income attributable to owners of the parent does not include income on the sale of works of art.

(Billion yen)		2024	2025 Forecasts	% Change
Net sales		1,071.1	1,110.0	+ 3.6%
Operating income		44.5	48.0	+ 7.8%
Operating margin		4.2%	4.3%	–
Ordinary income		37.9	44.0	+ 16.1%
Net income attributable to owners of the parent		21.3	24.0	+ 12.6%
EPS (Yen)		225.11	253.48	—
EBITDA*1		95.7	102.0	+ 6.6%
Capital expenditure and investment		47.3	49.2	+ 4.0%
Depreciation and amortization		53.9	56.5	+ 4.8%
Average rate	Yen/US$	151.04	150.00	-0.7%
	Yen/EUR	163.34	158.00	-3.3%

	2024	2025 Forecasts
ROIC*2	3.8%	4.2%
ROE	5.6%	6.0%
Net D/E ratio*3 (times)	1.05	1.03
Annual dividends per share (Yen)	100.0	100.0
Payout ratio	44.4%	39.5%

*2 ROIC: Operating income x (1 – tax rate 28%) / (Net interest-bearing debt + Net assets)
*3 Net D/E ratio: Net interest-bearing debt / Shareholders' equity

*1 EBITDA: Net income attributable to owners of the parent + Total income taxes + (Interest expenses – Interest income) + Depreciation and amortization + Amortization of goodwill

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Page 19 is the forecast for FY2025.

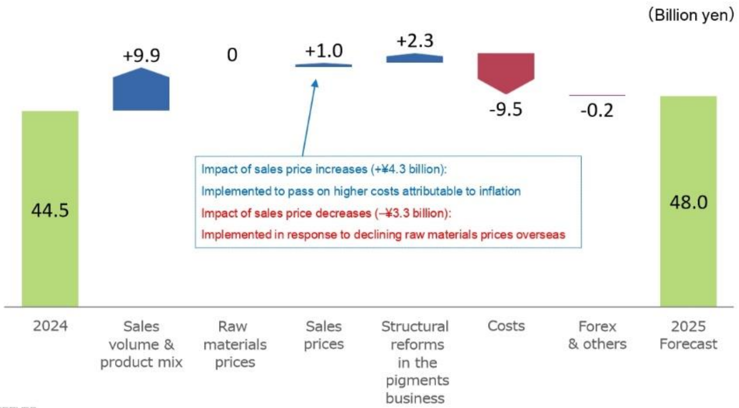
Sales are JPY1,110 billion, up 3.6% from the previous year. Operating income and ordinary income are expected to be JPY48 billion and JPY44 billion, respectively, and net income attributable to owners of the parent is expected to be JPY24 billion, all of which are expected to increase compared to FY2024.

As for the KPI on the right, ROIC improved to 4.2% in 2025. ROE is 6%. For net D/E, the ratio is 1.03 times. As for the dividend, there is no change to the plan here, JPY100 is paid.

Color & Comfort

FY2025 forecasts : Operating income variance

- Global economic conditions are expected to remain uncertain, owing to such factors as policy changes in the United States and sluggish growth in domestic demand in the PRC.
- On the assumption that growth in demand for pigments in Europe will remain low, efforts to expand shipments globally will emphasize bolstering sales of high-performance products and leveraging synergies with acquired businesses.
- Forecasts assume a West Texas Intermediate (WTI) crude oil price of $75–80/barrel, on a par with fiscal year 2024. Accordingly, raw materials prices are expected to remain level.
- The impact of sales price reductions, a consequence of price-cutting pressure overseas, has been factored into forecasts for the Packaging & Graphic segment.
- In inks and pigments, the progress of industry realignment continues to intensify competition. Accordingly, steps will be taken to secure operating income by revising prices in response to specific regional and product characteristics.



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Here is the bridge to operating income for FY2025.

The main factor for this increase is the sales volume and product mix. As Ikeda mentioned at the beginning of this presentation, we aim for steady growth in FY2025 and FY2026, the increase in volume across the all segment is a significant factor.

Raw materials and sales prices are not expected to have much of an impact in the current year. We plan to achieve an operating profit of JPY48 billion by absorbing the JPY 9.5 billion increase in costs through pigment structural reforms and restructuring effects.

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FY2025 forecasts: Full-term segment results

(Billion yen)	Net sales				Operating income				Operating margin	
	2024	2025 Forecast	Change	% Change	2024	2025 Forecast	Change	% Change	2024	2025 Forecast
Packaging & Graphic	560.1	574.8	14.7	+ 2.6%	31.6	29.4	-2.3	-7.1%	5.6%	5.1%
Japan	129.0	131.4	2.4	+ 1.8%	6.1	6.0	-0.0	-0.7%	4.7%	4.6%
The Americas and Europe	357.3	364.7	7.3	+ 2.1%	19.3	17.6	-1.7	-8.7%	5.4%	4.8%
Asia and Oceania	90.3	94.1	3.8	+ 4.2%	6.5	5.7	-0.8	-12.3%	7.2%	6.1%
Eliminations	(16.6)	(15.4)	1.2	-	(0.3)	0.0	0.3	-	-	-
Color & Display	257.0	273.1	16.2	+ 6.3%	(0.3)	6.1	6.4	Into the black	-	2.2%
Japan	35.2	37.5	2.3	+ 6.6%	5.6	5.9	0.2	+ 4.1%	16.0%	15.6%
Overseas	236.3	251.7	15.3	+ 6.5%	(5.8)	0.3	6.0	Into the black	-	0.1%
Eliminations	(14.6)	(16.1)	-1.5	-	(0.1)	0.0	0.1	-	-	-
Functional Products	296.0	302.7	6.8	+ 2.3%	21.4	21.0	-0.5	-2.1%	7.2%	6.9%
Japan	181.7	182.7	1.0	+ 0.6%	10.1	10.0	-0.0	-0.3%	5.5%	5.5%
Overseas	147.5	153.2	5.7	+ 3.9%	11.4	10.9	-0.5	-4.0%	7.7%	7.1%
Eliminations	(33.2)	(33.2)	0.0	-	(0.0)	0.0	0.0	-	-	-
Others, Corporate and eliminations	(41.9)	(40.6)	1.3	-	(8.2)	(8.4)	-0.2	-	-	-
Total	1,071.1	1,110.0	38.9	+ 3.6%	44.5	48.0	3.5	+ 7.8%	4.2%	4.3%
Yen/US$	151.04	150.00		-0.7%	151.04	150.00		-0.7%		
Yen/EUR	163.34	158.00		-3.3%	163.34	158.00		-3.3%		

Effective from fiscal year 2025, the Company revised its segment classification for certain net sales and operating income in “Packaging & Graphic,” “Functional Products” and “Others, Corporate and eliminations.” Accordingly, certain figures for fiscal year 2024 have been restated.

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Page 22 will be a breakdown by segment.

If you look at operating income, we expect to achieve a profit of JPY6.1 billion, with the Color and Display, the middle part, being significantly more profitable than the previous year.

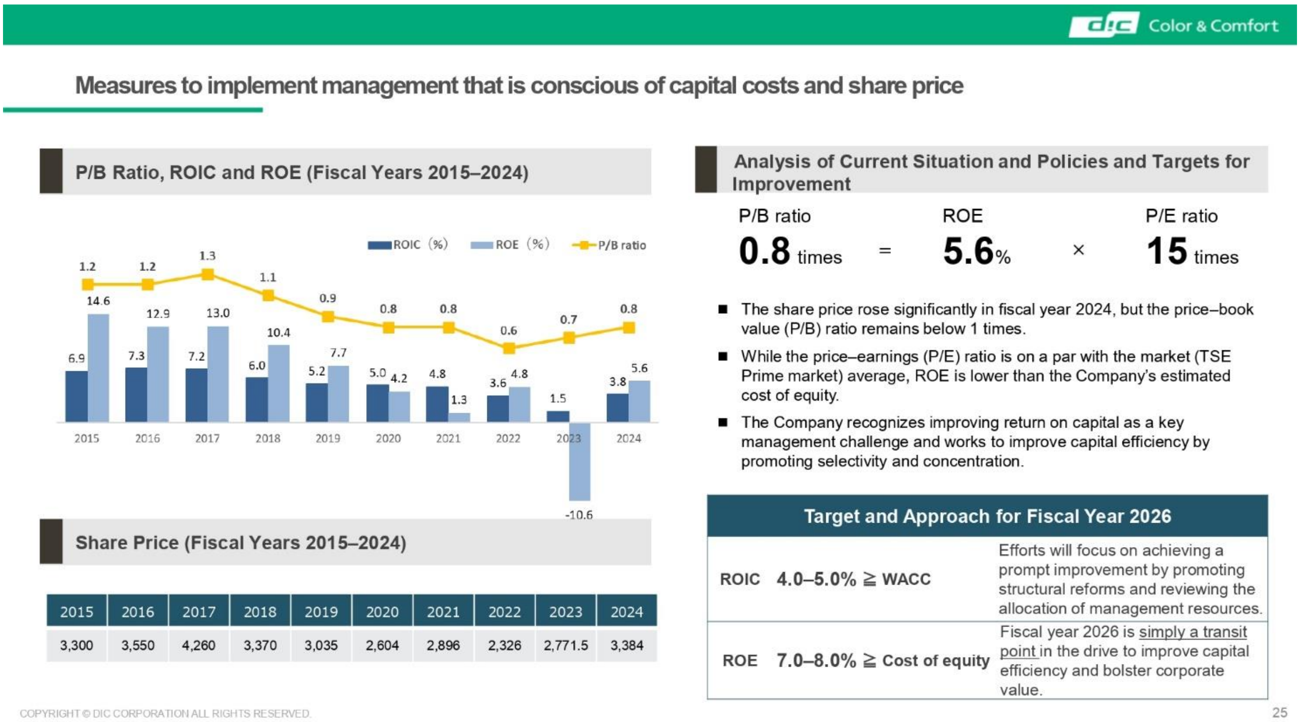
On the other hand, in the Packaging and Graphic, although we will be able to keep the volume at a certain level, we will be forced to lower the sales price slightly, and we plan to reduce profit by JPY2.3 billion.

In the Functional Products, although there was growth in volume, operating income was almost the same as the previous year due to an increase in depreciation from various plant expansions and an increase in IT-related expenses.

That concludes my explanation.

Komine: Next, Mr. Tanaka, head of Corporate Strategy Unit, will explain our efforts to enhance corporate value.

Tanaka: Good morning, everyone. I am Tanaka from the Corporate Strategy Unit. Thank you for your cooperation. I would like to talk to you about our efforts to improve our corporate value.



First of all, to show how we are responding to the issue of cost of capital and stock price conscious management, on the left side of this page, you can see our P/B, ROIC, and ROE historically since 2015, and the stock price at the bottom. On the right side, we have written an analysis of the current situation, policies for improvement, and target values.

As Ikeda and Asai have already mentioned, in 2024, our P/B ratio is 0.8 times, ROE is 5.6%, and P/E ratio is 15 times. As will be discussed on the next page, ROIC is 3.8%.

In FY2024, stock prices increased. Unfortunately, however, the P/B ratio is still below one time at this time. Although the P/E ratio is about the same as the market average of the TSE prime market, our ROE is lower than the expected cost of shareholders' equity, and the P/B ratio is currently below one time.

Therefore, we recognize that improving return on capital is an important management issue in order to further increase corporate value, and we will work to improve capital efficiency through selection and concentration.

This is the goal and approach for FY2026. The figures for this area remain unchanged from the DIC Vision 2030, which was reviewed in February of last year, as for ROIC, we are aiming for 4% to 5%, which is equivalent or better than our WACC, and as for ROE, we would like to achieve an ROE of 7% to 8%, which is higher than cost of shareholders' equity.

However, we consider FY2026 to be a passing point, and we will be discussing internally how to present our goals for 2030 in Phase II of the DIC Vision 2030, which will be announced next year at about this time.

Color & Comfort

Segment ROIC in fiscal year 2024

Segment	Operating Income (Loss)	ROIC	Measures to Address Widening Difference between ROIC and WACC
Packaging & Graphic	¥33.6 billion	8.2%	• Shift focus to products with higher added value, including environment-friendly and high-performance offerings. • Promote structural reforms in the publication inks business and make effective use of management resources by divesting assets, including production facility sites. • Maintain profitability by advancing a strategic pricing policy.
Color & Display	¥(0.3) billon	- 0.1%	• Continue working to dramatically reduce fixed cost by merging production facilities and promoting structural reforms, particularly in the Americas and Europe. • Leverage synergies with acquired businesses to provide diverse, high-performance products.
Functional Products	¥21.0 billion	7.1%	• Broaden lineup of products for use in electronics equipment by focusing management resources on the chemitronics business. • Leverage synergies with acquired businesses to strengthen product development capabilities and expand operations by advancing strategies aimed at achieving polymer market domination, particularly in the PRC and India. • Shift focus to products with higher added value, including environment-friendly offerings. • Replace noncore businesses. • Merge facilities producing commoditized products, notably in Asia.
Total	¥44.5 billion	3.8%	• Work to reduce capital costs through initiatives aimed at, among others, stabilizing business performance and improving the reliability of dividends by setting a minimum limit for annual dividends.

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This is the ROIC by segment for FY2024, which is 3.8% for the entire company, as I mentioned earlier.

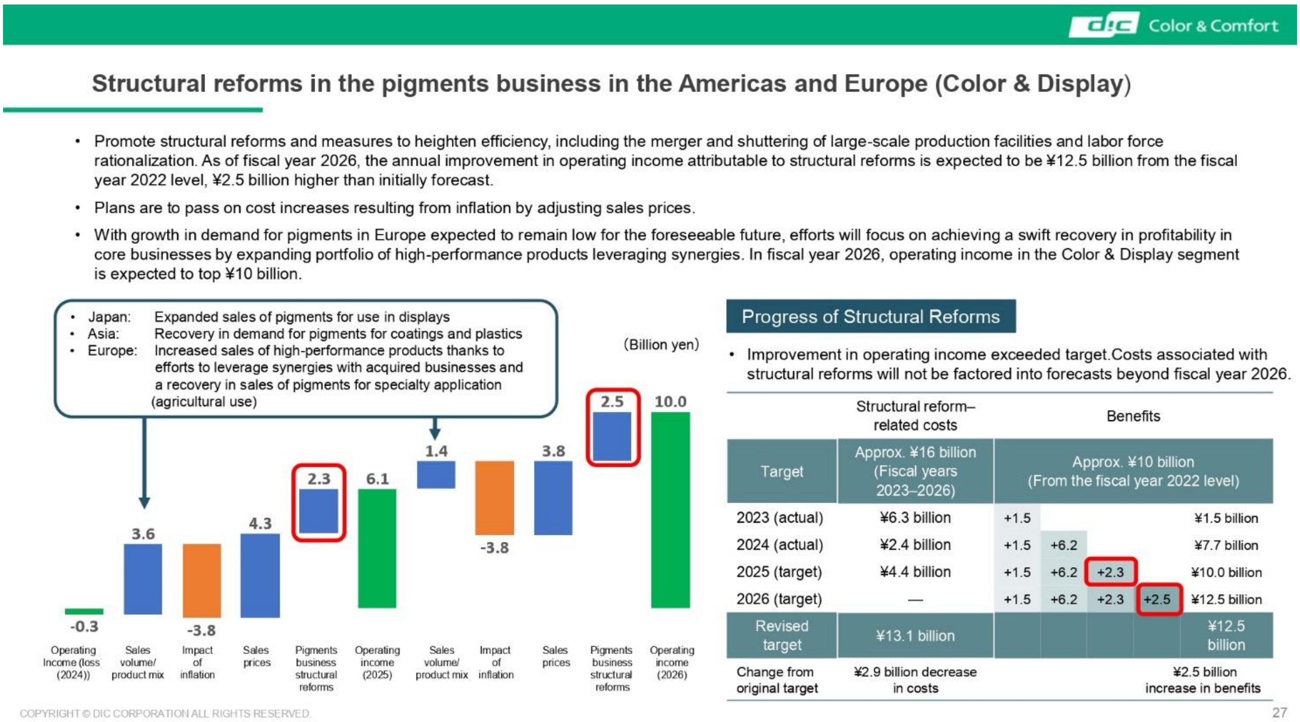
The Packaging and Graphic has a ROIC of 8.2%, and the Color and Display has a negative 0.1% since operating income is negative JPY0.3 billion. Then Functional Products would be 7.1%.

The Packaging and Graphic is 8.2% and it may seem higher than you expect, but the ROIC is relatively high due to the fact that we have been appropriately selling assets in response to demand.

On the other hand, the Functional Products has a relatively high operating profit margin in the Chemitronics business, but at this point we are making capital investments in acquired businesses in anticipation of business expansion, so I think that the operating profit margin has declined a little.

As for the future, by increasing the ROIC-WACC spread, as you can see in the various measures on the right side of this page, we will basically improve operating income and reduce invested capital. We are considering a shift to high value-added products, as well as the promotion of structural reforms and the concentrated investment of management resources, in order to allocate management resources in a well-structured manner.

Furthermore, we believe that our goal is to improve the ROIC of each segment by replacing non-core businesses.



This chart shows the structural reform of the pigment business in Europe and the United States.

There is a summary at the bottom right, which I hope you can see as progress in structural reform. Initially, we planned to spend about JPY16 billion for structural reforms, which would contribute about JPY10 billion per year to earnings from FY2022 level.

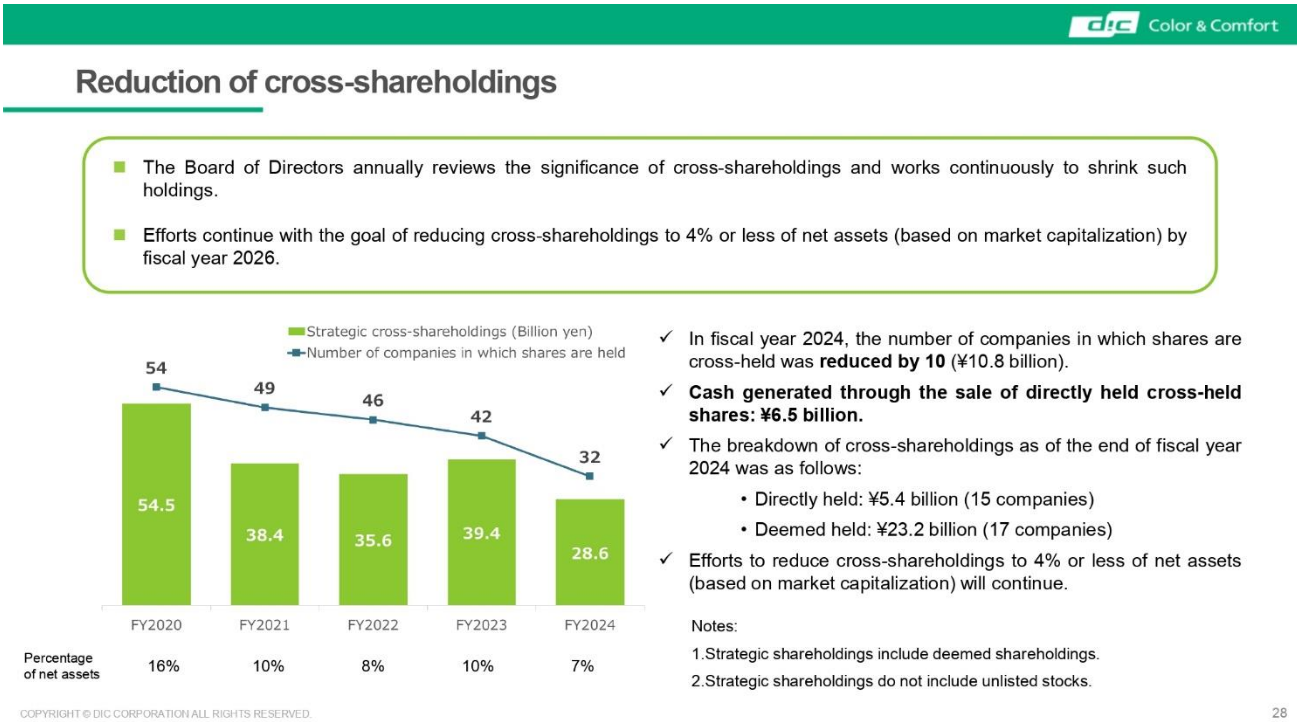
At this time, we are forecasting JPY13.1 billion in structural reform expenses through FY2026, which is about JPY3 billion less than originally planned.

On the other hand, the annual contribution to earnings is JPY12.5 billion, which is JPY2.5 billion more than originally planned.

The bridge on the left side shows how the pigment business, as a whole, will improve its operating income in 2024, 2025, and 2026.

The structural reforms I just mentioned will have the effect of increasing profits by JPY2.3 billion from 2024 to 2025 and by JPY2.5 billion in 2026, but as you can see here in orange, the impact of inflation is very large in both cases, and we are projecting a negative impact of about JPY4 billion.

However, our policy on this is basically to firmly pass this on to the selling price. In any case, we are currently working on a plan to improve operating income to JPY10 billion by FY2026, while expanding our business by taking advantage of acquisition synergies to expand sales of high-functional products.



This is the last page of the presentation, a progress report on the reduction of cross-shareholdings.

Currently, we are working to reduce the ratio of cross-shareholdings to net assets, which is the market capitalization, to 4% or less by FY2026.

Last year, 2024, the number of companies in which shares are held was originally 42 at the end of 2023, so we reduced the number by 10 and now have 32 companies. The percentage of market capitalization, 7% of net assets, has been steadily declining, and we will continue to reduce our cross-shareholdings toward our goal of 4% by 2026.

That is all for now.

[END]

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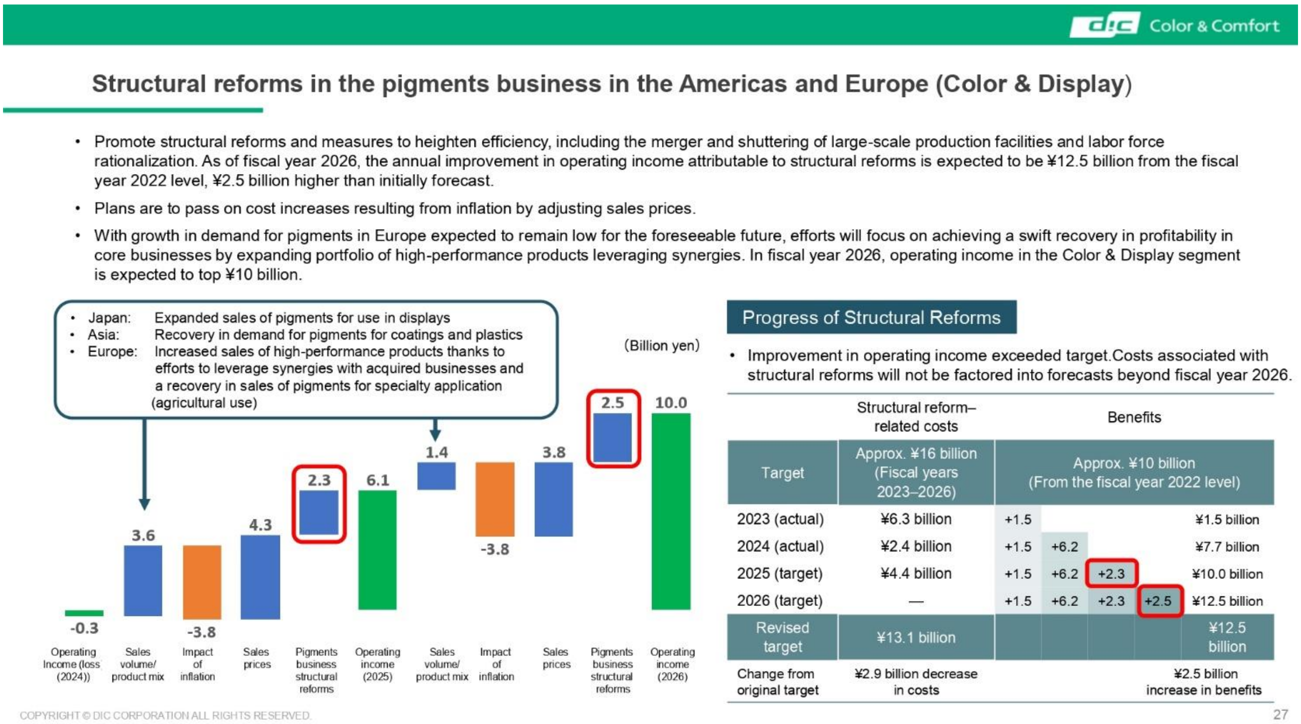
Question & Answer

Komine [M]: Okay, we will now go to the Q&A session. First of all, Questioner1 Please.

Questioner1 [Q]: Thank you for your explanation. Congratulations on your good results.



The first one is the Color and Display, and you mentioned earlier on page 27 structural reforms in Europe and the US. Of the JPY7 billion improvement in overseas operating income in the last fiscal year, JPY6.2 billion was the result of structural reforms, and there were some additional benefits. I would like to know the breakdown of this JPY6.2 billion.

Of the JPY6 billion improvements in overseas operating income this fiscal year, JPY2.3 billion is due to structural reforms, plus another JPY4 billion or so. You mentioned earlier about the structural reforms, what kind of synergies are being generated, and what are the results of the structural reforms for pigments, including the JPY2.3 billion plus the JPY4 billion in this fiscal year. This is the first.

Asai [A]: Okay, I, Asai, will answer. Regarding the structural reforms of pigments in FY2024, one of the major areas is the reduction of personnel. Especially in Europe, and the major factor is the reduction in the number of workers in the factories.

We are also consolidating its production facilities among the segment. This has resulted in a reduction in costs, depreciation, and other areas due to the reduction of the plant's assets in FY2024.

Additionally, in the fiscal year 2025, the full annual effect of the personnel reductions implemented in 2024 will be realized. This accounts for about half of the structural reform effects in 2025.

Furthermore, as I mentioned in FY2024 effects, there are still some effects from the consolidation and closure of production facilities, etc., in this JPY2.3 billion.

Questioner1 [Q]: What are the areas of structural reform plus synergies?

Asai [A]: I think the synergies are included in a separate item from the structural reforms, so the cost reductions from purely personnel reductions, as well as cost reductions from factory consolidation and closure, are included in the amount of the structural reform benefits.

Questioner1 [Q]: So, what are the synergies, what are the additional things that are coming out of it? I would be interested to hear what you say about this area, as we expect to increase profits by JPY4 billion in FY2026 as well.

Asai [A]: With regard to acquisition synergies, R&D and other new product development is progressing steadily between the Company and the acquired company, so one of the factors contributing to increased profits is the launch of such new products.

Questioner1 [Q]: I know the second question is not very easy to answer, but there have been reports that Taiyo Holdings is looking to integrate, so I was wondering if you could tell us what your company is thinking as far as you can tell us.

Ikeda[A]: Our perspective regarding the shares we hold remains unchanged; we hold them from a strategic viewpoint. Other than that, I have nothing particular to mention at this time.

Questioner1 [M]: I understand. Thank you very much.

Komine [M]: Thank you very much. Next, Questioner2. Please ask your questions.

Questioner2 [Q]: Thank you for your explanation. Now I would like to ask you two questions.

First of all, regarding the Chemitronics business division of the Functional Products, last year's operating income was JPY7.6 billion, and this year's is JPY8.4 billion. What kind of growth is expected this year? In the last review of the long-term management plan, I believe that operating income of JPY10 billion to JPY11 billion is expected for the Chemitronics in 2026. What is your current view on this 2026 prospect?

Ikeda [A]: Now I will answer your question. For FY2025, this is included in the supplemental materials, in FY2024, we narrowed down the themes for new businesses and R&D. In particular, we transferred the themes related to Chemitronics technologies to the Chemitronics business division. Related to that, there are some additional costs and expenses that are being incurred, so there is some decrease in operating income.

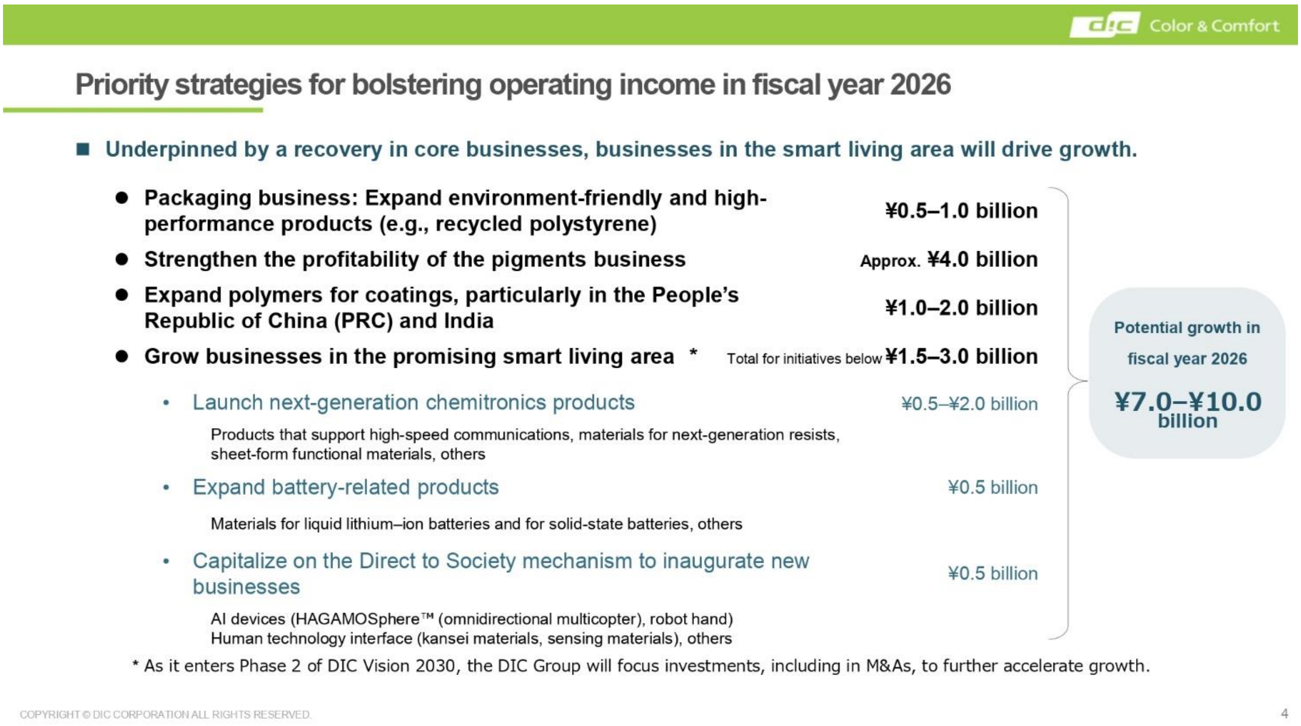
As symbolized by this, the business division will be responsible for new development and the launch of new products. This will be the major driving force for the JPY10 billion in 2026.

As I mentioned at the beginning of this presentation, we are expecting an increase in operating profit of JPY 0.5 to 2 billion by 2026 in relation to the Chemitronics, and the initiatives for profit increase are coming together with a high degree of certainty.

In particular, in FY2025, the epoxy-related products are the most important. High-frequency, low-dielectric related. And industrial tapes, this is where it is used in mobile, smartphones, etc. And photolithography. The core products of our Chemitronics business division will continue to contribute to profits in the fiscal year 2025.

Similarly, we expect to expand sales of these products first through 2026. These three product lines probably account for the majority of the nearly JPY2 billion in operating income. The rest of the new product lines are new themes as I mentioned.

In particular, a new generation of resist materials and functional sheets. This relates to the addition of new functionalities in (semiconductor) packaging and other areas, as well as providing our customers with new functional sheets in response to technological innovations or design changes. We plan to launch these products this year and expand them in earnest in the next fiscal year.



Questioner2 [M]: Okay, thank you. That is all from me.

Komine [M]: Thank you very much. Next, Questioner3. Please.

Questioner3 [Q]: Thank you for your help. Thank you very much. I would like to ask one question each in the area of inks and another in the area of pigments in the Color and Display.

First of all, what is your view of the selling price for the ink? Listening to Q4 results, even though they lowered prices in QoQ, but not that much, I think you are planning profits based on the assumption of price reductions in 2025.

Considering that there has been no major fluctuation in raw material prices recently, I was wondering if there will be price reductions in FY2025, considering that the price reductions have run their course to some extent in Q4 and that the scale of price reductions is slightly lower in Q4 than in Q3. Thank you for your cooperation.

Komine [M]: President Ikeda, please.

Ikeda [A]: First of all, it is necessary to look at the span not by quarter, but by two quarters, or even by fiscal year, as you said. We have been aggressively raising prices, particularly in Europe and the United States, taking into account cost increases due to inflation in 2023 and 2024.

Inevitably, when you look at it in that kind of cycle, the opposite cycle happens in a one- or two-year term, and this is not only the ink, but also polymer business has that kind of cycle.

The reason why we have been able to maintain prices for the past year or year and a half is, of course, due to the cost increase as I mentioned earlier, but more than that, we have received high evaluation not only for our prices but also for our total service, including stable supply and quality. This is due to the fact that, despite the various consolidation in the industry, our clients have chosen us because of their trust in us.

In order to maintain good relationships with our customers, it is inevitable that there will be a cycle of price reductions, and that we will have to cooperate with them in order to maintain a healthy business environment in the long run.

It comes into such a cycle in FY2025. FY2023 and FY2024 are slightly above our baseline when averaged conventionally. We believe that this is, to a lesser or greater extent, included in the increase in the financial results for FY2024.

Questioner3 [Q]: Yes, sir. In that sense, you are looking at FY2024 as a time when things were somewhat exceptional, and you are expecting a slight decrease in FY2025.

Ikeda [A]: Yes, I am.

Questioner3 [Q]: Is your company looking at this area not conservatively, but as if this is the normal level?

Ikeda [A]: Operating margin of 5.9%, or ROIC of 8.2%, as I mentioned earlier, is very good in terms of numbers, but if you look at it in the context of the trend, I think the results in FY2024 were quite excessive.

Questioner3 [Q]: Yes, sir. Thank you very much. Then please tell us about your price concept for the Color and Display, which is also the same here. I think that FY2024 was a year in which you made a big push to raise prices, and I would like to ask you whether you plan to continue to raise prices in the future.

In particular, your company's Color and Display ROIC is very low, and this segment in particular is the reason why the ROIC for the entire company is significantly lower. And due to the bankruptcy of a German subsidiary of a major competitor, I believe your company is in a very good position compared to the past.

Frankly, I think now is the best time to raise prices, but how are you thinking about prices now? What is your enthusiasm?

Ikeda [A]: You are exactly right. In addition to raising prices due to cost increases and inflation in the normal course of business, I believe that it is essential to raise prices in order to meet the demand decline of the past few years and the drastic changes in our competitive environment.

Another reason for this is the fact that volumes have decreased significantly over the past several years. One of our assumptions is to recover the volume of max where there has been a volume decline of perhaps 15% or 18%, and that is what we have been trying to do for the past few years.

In light of the changes in our business and market environment, especially in Europe, it will no longer a return to the past, but rather a completely new stage. This is a game changer in the midst of a changing competitive environment as well as a changing demand environment. It is not a matter of raising prices as an extension of the previous situation, but of achieving appropriate prices to truly survive and win in this new phase of the market.

In this competitive environment, we are raising our prices to establish a new relationship with our customers and the market.

Questioner3 [M]: I understand very well. Thank you very much. That's all from me.

Komine [M]: Thank you very much. I would like to conclude the question-and-answer session.

[END]

Disclaimer Regarding Forward-Looking Statements

Statements herein, other than those of historical fact, are forward-looking statements that reflect management's projections based on information available as of the publication date. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to, economic conditions in Japan and overseas, market trends, raw materials prices, interest rate trends, currency exchange rates, conflicts, litigations, disasters and accidents, as well as the possibility the Company will incur special losses related to the restructuring of its operations.