DIC Corporation

Financial Results Briefing for the Fiscal Year Ended December 2023 and Long-Term Management Plan Update

February 14, 2024

Event Summary

[Company Name]	DIC Corporation
[Event Name]	Financial Results Briefing for the Fiscal Year Ended December 2023 and Long-Term Management Plan Update
[Presentation Materials]	Financial Results https://pdf.irpocket.com/C4631/KKjE/OJQc/yWC4.pdf DIC Vision 2030 https://pdf.irpocket.com/C4631/KKjE/x4Ic/oF8F.pdf
[Number of Speakers]	4

Takashi Ikeda	President and CEO
Shuji Furuta	Representative Director, Executive Vice President
Takeshi Asai	Director, Senior Managing Executive Officer, CFO, Head of Finance and Accounting Unit
Hirotaka Komine	General Manager, Corporate Communications Department

Presentation

Ikeda: Hello, everyone. I am Takashi Ikeda, and I have been serving as President and CEO since January. I would like to thank you for your continued support.

Now that the financial results for FY2023 have been compiled, I would like to begin with an overview, including the outlook for the next fiscal year.

Presentation Material https://pdf.irpocket.com/C4631/KKjE/OJQc/yWC4.pdf

Color & Comfort

Highlights

FY2023 results

Net sales

¥1,038.7billion
YoY -**1.5**%

- Shipments were down for pigments in the Color & Display segment, as well as for digital materials, used principally in electrical and electronics equipment and in displays, and industrial materials,* used primarily in mobility solutions, in the Functional Products segment.

  * DIC uses the term "industrial materials" to describe products for use in mobility solutions, namely, automobiles, railroads and shipping, and for general industrial applications such as construction equipment and industrial machinery.

Operating income

¥17.9 billion
YoY -**54.8**%

- Operating income fell sharply. This was due largely to sinking shipments of high-value-added digital materials and materials for use in mobility solutions, as well as to the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories of pigments.

Net income attributable to owners of the parent

(¥39.9) billion
YoY **Loss**

- A steep increase in extraordinary losses, owing to a ¥19.7 billion impairment loss on goodwill related to the Colors & Effects pigments business, acquired in 2021, pushed results into the red.

FY2024 forecasts

Increases in net sales and operating income

Dividends per share at ¥100

- Fiscal year 2024 full-term forecasts are for net sales of ¥1,100 billion, operating income of ¥30 billion and net income attributable to owners of the parent of ¥10 billion.
- Effective from fiscal year 2024, a minimum limit of ¥100 per share will be introduced for annual dividends.

The fiscal year of all overseas and domestic companies in the DIC Group ends on December 31. This document presents consolidated results for the fiscal year 2023, ended December 31, 2023.

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As you are aware, the financial results for FY2023 were unprecedentedly challenging for the Company.

Net sales fell 1.5% YoY to JPY1,038.7 billion, while operating income fell 55% YoY to JPY17.9 billion. This is the lowest level of operating income since the JPY15.9 billion recorded in 1993. Net income for the year was a loss of JPY39.9 billion, the largest single-year loss ever recorded.

Again, on behalf of the Company, I would like to express our deepest apologies to all stakeholders for this outcome. While it is undeniable that various external factors had an impact on these results, we believe it is necessary to seriously reflect on whether our measures to secure profits in each of our businesses were really appropriate in light of such an environment.

Over the past several years, we have taken a long-term view and have made a number of R&D investments and business acquisitions to explore the possibilities. While this created many results and possibilities, the monetization of business acquisitions, acquired businesses, etc., did not proceed as planned due in part to the dispersion of management resources and delays in the selection of diversified themes.

In particular, the Colors & Effects pigments business acquired in June 2021, combined with the subsequent difficult economic conditions in Europe, a major market, and delays in synergy creation and progress in rationalization, resulted in a significant deviation from the plan drawn up at the time of acquisition.

We believe that our major points of regret are that we did not adequately factor in risks at the time of planning, and that we lacked thorough analysis of the situation and preparation of countermeasures, including backup plans.

Color & Comfort

Summary of financial results

- Pursue synergies with and accelerate rationalization efforts in newly acquired businesses.
- Emphasize measures that will yield swift and consistent results and prioritize the balanced allocation of management resources.
- Promote business transformation and generate cash by shrinking assets over the three years beginning in fiscal year 2024.
- Formulate policies for cash allocation from the perspectives of increasing corporate value and of maintaining sustainable growth and a healthy financial position.
- Effective from fiscal year 2024, a minimum limit of ¥100 per share will be introduced for annual dividends.

(Billion yen)	2022	2023	2024 Forecasts
Net sales	1,054.2	1,038.7	1,100.0
Operating income	39.7	17.9	30.0
Net income attributable to owners of the parent	17.6	(39.9)	10.0
Annual dividends per share (Yen)	100.0	80.0	100.0

Revised Operating Income Target for the Final Year of Phase 1 of DIC Vision 2030 (Fiscal Year 2025) *

Initial target : ¥80 billon ▶ Revised target: ¥40 billion

The target for fiscal year 2026 has been revised to a record ¥50 billion–¥60 billion.
(Current record: ¥56.5 billion (Fiscal year 2017))

* See "Revised targets for Phase 1 of DIC Vision 2030" in the timely disclosure document titled Notice Regarding the Revision of DIC Vision 2030, published on February 13, 2024.

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The FY2024 forecast was prepared with these reflections in mind.

The targets of JPY1.1 trillion in net sales, JPY30 billion in operating income, and JPY10 billion in net income may seem low compared to our previous plans, but we are not optimistic and have set them as goals that we must achieve by returning to reality.

For my part, I would like to first put the Company's performance on a recovery track as soon as possible to achieve a steady increase in sales and profits and to ensure the implementation of the dividend policy, which will be introduced in FY2024, with a minimum annual dividend of JPY100 per share.

In the past, our actual results have often deviated significantly from plans, depending on the impact of the macroeconomic environment. Although the economic environment in FY2024 is by no means optimistic, we will not use this as an excuse, but we will steadily implement what we can to break away from our volatile business structure.

In this context, I would like to first promise you the following five things.

The first is to promote the rationalization of acquired businesses and the pursuit of synergies to quickly improve business performance.

The second is to focus on measures that will yield results quickly and reliably and to thoroughly allocate management resources with a sense of urgency.

The third is to promote business portfolio transformation and generate cash through asset reduction from 2024 onward, over a three-year period.

The fourth is to formulate and implement cash allocation policies from the perspective of increasing corporate value and maintaining sustainable growth and financial soundness.

The fifth, to reiterate, is to introduce a dividend policy with a minimum annual dividend of JPY100 starting in FY2024.

In order to ensure that these are not mere promises, we have decided to revise a part of our long-term management plan, DIC Vision 2030, and in line with this, we have decided to revise the operating income target for Phase I of DIC Vision 2030, which ends in FY2025, from the original JPY80 billion to a new target of JPY40 billion.

I will discuss the details again after CFO Asai explains the details of the actual results for FY2023 and the forecast for FY2024.

I will now turn over to Mr. Asai to explain the details of our business performance.

Asai: Hello, everyone. I am Asai of DIC. I have been in charge of accounting and finance since this fiscal year.

I would like to talk about our financial results for FY2023 and our outlook for FY2024, which we announced yesterday. I will now explain according to the materials.

Color & Comfort

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

Packaging & Graphic (Packaging inks, Publication inks*)

2022				2023			
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
+0%	-0%	-4%	-9%	-8%	-10%	-8%	-4%

- Rising prices caused demand for consumer goods to flag, as a consequence of which shipments were sluggish from the third quarter (July–September) of fiscal year 2022 forward.
- An increase in annual shipments was achieved in the People's Republic of China (PRC) thanks to efforts to cultivate new customers.

* Includes news inks

Color & Display (Pigments*)

2022				2023			
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
-5%	-11%	-19%	-28%	-18%	-17%	-11%	-9%

- While demand remained slack in Europe and the United States, ongoing moves by customers to curtail inventories have caused orders to rally.

* The results of the C&E pigments business are excluded from year-on-year calculations for fiscal year 2022 but included in those for fiscal year 2023.

Functional Products (Performance Materials products*)

2022				2023			
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
-6%	-6%	-5%	-10%	-15%	-10%	-4%	0%

- With efforts to resolve surplus inventories across the supply chain progressing, shipments of materials used in mobility solutions are recovering.
- Despite signs that shipments of digital materials, used principally in electrical and electronics equipment and in displays, had bottomed out, a full-scale recovery is likely to take time.

* The results of listed subsidiaries, Guangdong TOD, acquired in July 2022, and PCAS Canada, acquired in June 2023, are excluded.

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First, see page four of the slide presentation. This is the YoY changes in sales volume of principal products by segment.

As you can see, each segment showed a negative trend in the last quarter compared to the previous year. This can be said to be the reason for the significant deterioration in performance in FY2023.

However, as you can see, the negative difference from the previous year has been gradually narrowing each quarter, and we are now working toward a positive turnaround in Q1 of FY2024.

Color & Comfort

Consolidated statement of income

(Billion yen)	2022	2023	Change	% Change	% Change on a local currency basis
Net sales	**1,054.2**	**1,038.7**	**-15.5**	-1.5%	-5.1%
Cost of sales	(855.0)	(852.4)	2.6		
Selling, general and administrative expenses	(159.5)	(168.4)	-8.9		
Operating income	**39.7**	**17.9**	**-21.7**	-54.8%	-51.0%
Operating margin	**3.8%**	**1.7%**	-		
Interest expenses	(2.5)	(5.2)	-2.7		
Equity in earnings (losses) of affiliates	2.4	2.7	0.4		
Foreign exchange gains (losses)	0.8	(4.2)	-4.9		
Other, net	(0.3)	(2.1)	-1.8		
Ordinary income	**39.9**	**9.2**	**-30.7**	-76.9%	
Extraordinary income	2.8	4.9	2.1		
Extraordinary losses	(7.6)	(40.6)	-33.0		
Income before income taxes	35.2	(26.5)	-61.6		
Income taxes	(16.5)	(12.4)	4.1		
Net income	18.6	(38.9)	-57.5		
Net income attributable to non-controlling interests	(1.0)	(1.0)	0.0		
Net income attributable to owners of the parent	**17.6**	**(39.9)**	**-57.5**	Loss	
EBITDA*	**85.5**	**30.8**	**-54.6**	-63.9%	

Extraordinary income and losses	2022	2023
Extraordinary income		
Gain on sales of investment securities	0.4	2.7
Gain on sales of non-current assets	1.0	1.9
Insurance claim income	0.3	0.3
Settlement income	1.1	-
Extraordinary losses		
Impairment losses	(1.1)	(33.5)
Severance costs	(3.5)	(4.3)
Loss on disposal of non-current assets	(2.4)	(2.6)
Provision for loss on withdrawal from business	-	(0.2)
Loss on withdrawal from business	(0.6)	-

■Average rate

	2022	2023
Yen/US$	130.59	140.51
Yen/EUR	137.71	151.98

* 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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The next page, please. Page five is the P&L for last year, FY2023.

First, net sales were JPY1,038.7 billion, a decrease of 1.5% from the previous year. The impact of foreign exchange rates or the depreciation of the yen are also included here, and it was negative 5.1% in local currency terms, excluding the effect of exchange rates. In addition, some of the prices were raised last fiscal year, so we are aware that on a volume basis, excluding the impact of such price hikes, the negative impact in real terms was nearly 8%.

Operating income was JPY17.9 billion, a significant 54.8% decrease from the previous year. This is due to the decrease in sales and volume.

Ordinary income was JPY9.2 billion, down 76.9% from the previous year.

As you can see, in addition to operating income, there are several non-operating points of interest. One is the interest expenses, which were negative JPY5.2 billion. This was considerably worse than the previous year. As you are aware, interest rates have been rising, especially overseas, and interest-bearing debt, also overseas, has been increasing.

Another non-operating item worth mentioning is foreign exchange gains and losses. This was negative JPY4.2 billion, a JPY4.9 billion decrease YoY.

Actually, there were temporary factors, and one of them was the so-called hyperinflation in Turkey and Argentina, where we are developing our business. This forced the introduction of hyperinflation accounting, which also resulted in a foreign exchange loss. The other factor is the significant devaluation of Argentina's currency in December of last year. These two factors have resulted in a large negative foreign exchange loss.

Extraordinary losses amounted to negative JPY40.6 billion, which was a JPY33 billion decrease, a large decrease YoY. We made a separate external announcement on this matter yesterday in the area of impairment losses. As you can see in the table on the right, the amount of impairment losses in extraordinary losses increased significantly to negative JPY33.5 billion in FY2023.

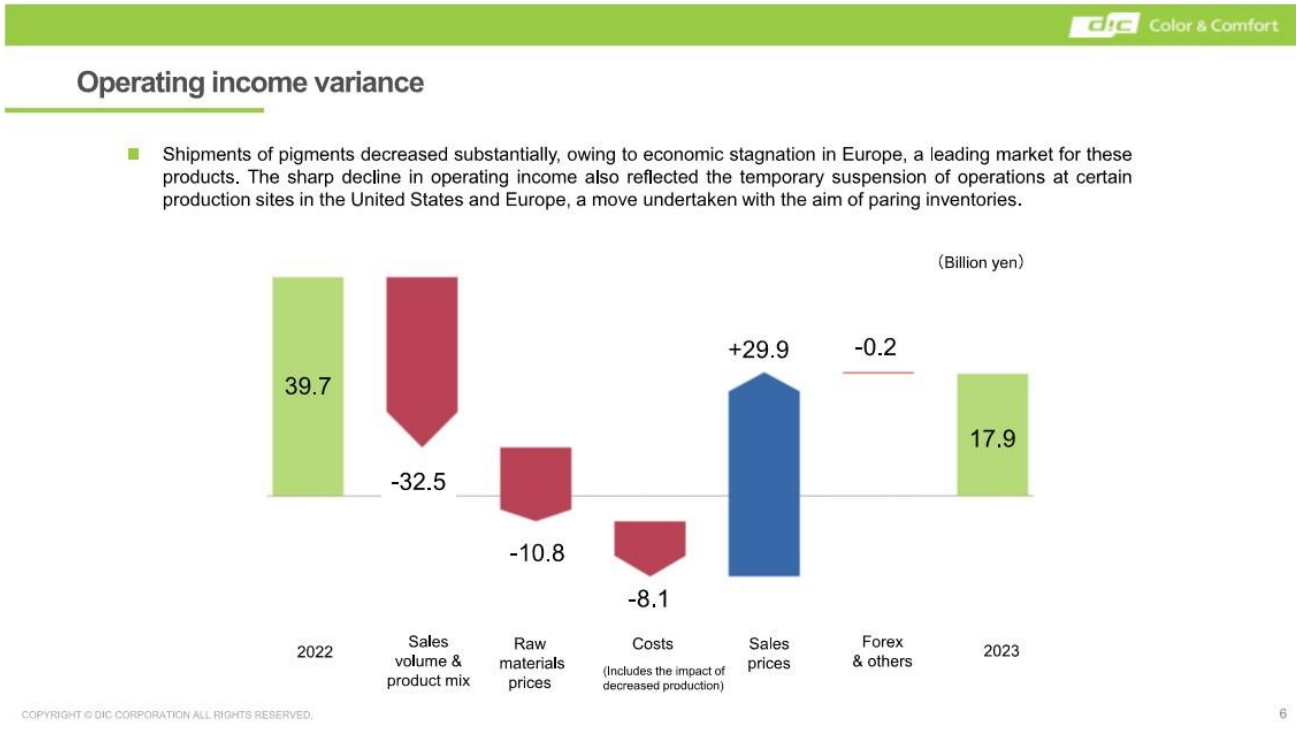
The main breakdown of this was announced yesterday. The largest part, as Ikeda mentioned earlier, is the impairment of goodwill related to the Colors & Effects pigments business that we acquired. This amounted to JPY19.7 billion.

In addition, the Company also recorded impairment loss on fixed assets in connection with the rationalization of the said business and the reorganization of production bases, amounting to JPY2.8 billion.

In addition, JPY3.3 billion in impairment loss on fixed assets was recorded due to the reorganization of production bases in the functional compounding business in Japan.

Moreover, in our new sustainable energy business area, we had been working on a project for electrode additives for lithium-ion batteries, but we had to suspend the project once, resulting in an impairment loss of JPY3.2 billion on fixed assets, including a pilot plant.

Due to these factors, the extraordinary losses were a large negative figure. As a result, net income attributable to owners of the parent was negative JPY39.9 billion, a significant loss.



The next page please. The next page is a bridge chart showing the changes in operating income over the last year.

Again, the biggest negative factor was the sales volume and product mix, which was negative JPY32.5 billion. About 1/3 of this negative amount is mainly in the Colors & Effects pigments business in Europe and the US.

The raw materials prices were negative JPY10.8 billion. The situation was slightly different between H1 and H2. In fact, H1 was negative JPY17 billion because of this raw material prices. On the other hand, H2 was positive JPY6.2 billion, indicating that the market for raw materials has generally remained at a low level in recent quarters.

In contrast, the sales prices were significantly more positive at positive JPY29.9 billion. We have been implementing price increases in response to the sharp rise in raw material prices that has continued since FY2022, particularly in the printing ink business in Europe, the US, and Japan. We have been implementing a considerable price increase here, and this is having a positive effect.

The remaining costs were negative JPY8.1 billion. One of the major factors is the impact of the production cutback in the pigments business in Europe and the US, which was temporarily halted mainly in the latter half of the fiscal year due to a decline in production and shipments, as I have already mentioned. This cost factor was about negative JPY5 billion.

Financial health

- Cash provided by operating activities improved significantly, thanks to the reduction of inventories in the United States and Europe.
- Although net interest-bearing debt was down, shareholders' equity declined as a result of the net loss attributable to owners of the parent, causing the net debt-to-equity (D/E) ratio to deteriorate.
- In line with a financial management policy that emphasizes maintaining an A credit rating, cash generated as a result of asset reduction will be used to improve financial position.

(Billion yen)	Dec 31 2022	Dec 31 2023	Change
Net interest-bearing debt	445.9	441.4	-4.5
Shareholders' equity	387.0	363.9	-23.1
Net D/E ratio *1 (Times)	1.15	1.21	
Equity ratio	30.7%	29.2%	
BPS (Yen)	4,088.60	3,844.70	
ROIC *2	3.6%	1.5%	

■Closing rate

	Dec 31 2022	Dec 31 2023
Yen/US$	132.63	141.32

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

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The next page, please. The next page shows the financial health for FY2023.

As a result of the above results, net interest-bearing debt amounted to JPY441.4 billion. Last year, we had a cash outflow from the acquisition of PCAS Canada in June, however as a result of our efforts to significantly reduce inventories, mainly in Europe and the US, interest-bearing debt decreased by JPY4.5 billion at the end of the period compared to the end of 2022.

On the other hand, shareholders' equity has decreased by JPY23.1 billion compared to 2022. This is the so-called net loss as explained in the income statement earlier. In addition to the net loss of nearly JPY40 billion, the rest is the annual dividend.

While this is a negative figure, the foreign currency translation adjustment due to the yen's depreciation, which is a positive factor, adds about JPY30 billion. This resulted in negative net assets of over JPY20 billion.

Therefore, the net D/E ratio has worsened slightly here, from 1.15x in 2022 to 1.21x.

ROIC remained at a level of 1.5% in FY2023 due to the weak operating income.

Color & Comfort

Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023
Packaging & Graphic	533.0	541.9	8.9	+ 1.7%	-1.9%	20.3	22.0	1.6	+ 8.1%	+ 11.4%	3.8%	4.1%
Japan	127.7	124.0	-3.7	-2.9%	-2.9%	4.2	4.6	0.4	+ 9.0%	+ 9.0%	3.3%	3.7%
The Americas and Europe	337.4	349.0	11.6	+ 3.4%	-1.5%	12.7	13.1	0.4	+ 3.4%	+ 9.5%	3.8%	3.8%
Asia and Oceania	84.1	82.5	-1.6	-2.0%	-5.5%	3.4	4.2	0.7	+ 21.7%	+ 19.0%	4.1%	5.1%
Eliminations	(16.2)	(13.5)	2.7	-	-	(0.0)	0.1	0.1	-	-	-	-
Color & Display	248.2	227.3	-20.9	-8.4%	-14.1%	5.1	(8.9)	-14.0	Loss	Loss	2.1%	-
Japan	34.7	32.0	-2.7	-7.8%	-7.8%	4.7	4.1	-0.6	-13.2%	-13.2%	13.5%	12.8%
Overseas	227.1	209.5	-17.7	-7.8%	-14.2%	0.3	(13.0)	-13.3	Loss	Loss	0.1%	-
Eliminations	(13.7)	(14.2)	-0.6	-	-	0.1	0.0	-0.1	-	-	-	-
Functional Products	315.4	305.9	-9.5	-3.0%	-5.0%	23.6	15.4	-8.2	-34.6%	-36.4%	7.5%	5.0%
Japan	216.9	202.9	-14.0	-6.5%	-6.5%	14.7	7.0	-7.7	-52.7%	-52.7%	6.8%	3.4%
Overseas	128.8	130.2	1.4	+ 1.1%	-3.8%	8.9	8.5	-0.5	-5.1%	-10.9%	6.9%	6.5%
Eliminations	(30.3)	(27.2)	3.1	-	-	(0.0)	0.0	0.0	-	-	-	-
Others, Corporate and eliminations	(42.4)	(36.4)	6.0	-	-	(9.4)	(10.6)	-1.2	-	-	-	-
Total	1,054.2	1,038.7	-15.5	-1.5%	-5.1%	39.7	17.9	-21.7	-54.8%	-51.0%	3.8%	1.7%
Yen/US$	130.59	140.51		+ 7.6%		130.59	140.51		+ 7.6%			
Yen/EUR	137.71	151.98		+ 10.4%		137.71	151.98		+ 10.4%			

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The next page, please. The next page shows the business results by segment, with net sales on the left and operating income on the right.

A particularly large figure is overseas for Color & Display. This is the negative figure of the so-called overseas pigments business.

In addition, in Functional Products in Japan, we have mainly developed high value-added products from Japan, such as materials for automobiles and materials for the digital field.

The sales here decreased due to a slump in sales last year. The decrease in sales of both of these businesses directly resulted in a decrease in operating income, and unfortunately, the overseas Color & Display business posted an operating loss of JPY13 billion. Functional products in Japan saw a decrease of JPY7.7 billion in profit compared to the previous year, which was a large factor.

Packaging & Graphic

Net sales

- Shipments declined as rising prices depressed demand for consumer goods.

Operating income

- In Japan, delayed efforts to counter higher costs by adapting sales prices progressed, pushing up operating income.
- Overseas, operating income increased thanks to a downturn in raw materials prices and moves to maintain sales prices.

(Billion yen)	Net sales					Operating income					Operating margin	
	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023
Packaging & Graphic	533.0	541.9	8.9	+ 1.7%	-1.9%	20.3	22.0	1.6	+ 8.1%	+ 11.4%	3.8%	4.1%
Japan	127.7	124.0	-3.7	-2.9%	-2.9%	4.2	4.6	0.4	+ 9.0%	+ 9.0%	3.3%	3.7%
The Americas and Europe	337.4	349.0	11.6	+ 3.4%	-1.5%	12.7	13.1	0.4	+ 3.4%	+ 9.5%	3.8%	3.8%
Asia and Oceania	84.1	82.5	-1.6	-2.0%	-5.5%	3.4	4.2	0.7	+ 21.7%	+ 19.0%	4.1%	5.1%
Eliminations	(16.2)	(13.5)	2.7	-	-	(0.0)	0.1	0.1	-	-	-	-

Operating income/margin

Sales of principal products

	% Change	
Packaging inks*	-1%	Shipments declined in all regions, except the PRC, as rising prices depressed demand for consumer goods. Nonetheless, sales were level, thanks to efforts to modify sales prices.
Publication inks*	-5%	In Japan, efforts were made to adjust sales prices, but sales were down in the Americas and Europe, as well as in Asia.
Jet inks	+ 7%	Shipments decreased, owing to flagging demand from overseas customers, but sales were level after translation thanks to a weak yen.
Polystyrene	-11%	Rising food prices depressed demand for use in food packaging, resulting in a decline in sales.
Multilayer films	+ 4%	Rising food prices depressed demand for use in food packaging, but sales rose thanks to efforts to adjust sales prices, which boosted unit prices.

*Change on a local currency basis

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The next page, please. The next page shows the results by segment, which I will also briefly discuss.

First, Packaging & Graphic.

On the surface, sales were positive, but this is due to the impact of the yen's depreciation, sales in terms of volume were slightly negative for 2023.

On the other hand, operating income increased compared to FY2022. The sales price effect, which I mentioned earlier, has made great progress.

For Europe and the US, the price gap was positive where selling prices were maintained as much as possible without lowering prices amid falling raw material prices.

On the other hand, in the domestic market, the successful implementation of price increases led to a YoY increase in profits. As a result, both operating income in Japan and overseas increased.

Color & Display

Net sales

- Segment sales declined as demand for pigments shrank. Shipments, notably of pigments for coatings and for plastics were down, with contributing factors including economic stagnation in Europe, a leading market for these products, rising prices in the United States and ongoing moves by customers to adjust inventories.

Operating income

- The segment reported a steep loss, owing to the temporary suspension of operations at certain production sites in the United States and Europe, a moved aimed at paring inventories.

(Billion yen)	Net sales					Operating income					Operating margin	
	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023
Color & Display	248.2	227.3	-20.9	-8.4%	-14.1%	5.1	(8.9)	-14.0	Loss	Loss	2.1%	-
Japan	34.7	32.0	-2.7	-7.8%	-7.8%	4.7	4.1	-0.6	-13.2%	-13.2%	13.5%	12.8%
Overseas	227.1	209.5	-17.7	-7.8%	-14.2%	0.3	(13.0)	-13.3	Loss	Loss	0.1%	-
Eliminations	(13.7)	(14.2)	-0.6	-	-	0.1	0.0	-0.1	-	-	-	-

Operating income/margin

Sales of principal products

		% Change	
Pigments for	coatings	+ 7%	Demand fell, owing to economic stagnation, which pushed down shipments, but sales were up after translation thanks to a weak yen.
	plastics	+ 8%	Demand fell, owing to economic stagnation, which pushed down shipments, but sales were up after translation thanks to a weak yen.
	printing inks	-7%	Demand fell, owing to economic stagnation, which pushed down shipments.
	cosmetics	+ 20%	Shipments flagged in the United States and Europe, a consequence of deteriorating business confidence. In Asia, demand recovered and remained firm.
	displays	+ 27%	Sales rose as shipments recovered following the completion of inventory adjustments by display manufacturers.
	specialty applications	+ 4%	Shipments flagged for agricultural use, owing to inventory adjustments by customers, and shipments for use in building materials continued to slump in Europe, but sales were up after translation into yen.
Health food		-7%	Demand decreased, owing to slowing economic growth in the United States and Europe.

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The next page, please. The next page is Color & Display.

This business segment includes the health food business, but since it accounts for only 1.3% of the total sales of this segment, I will comment only on the pigments business, which is the main business in this segment.

Demand for pigment products declined significantly due to the economic slowdown in Europe, our main market, as well as rising inflation in the US.

In addition to the large drop in sales volume, again, we took measures, such as temporarily suspending production at our main pigment factories in Europe and the US in H2 of the previous fiscal year, which resulted in a production loss of about JPY5 billion.

In the end, we ended up with an overseas operating deficit of JPY13 billion in FY2023.

However, since there has been a gradual improvement in the current fiscal year, we believe that the impact of the production cutback mentioned earlier will disappear in FY2024, and the market will turn to a positive trend.

Functional Products

Net sales

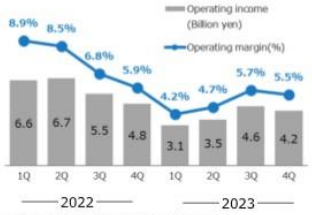
- With vehicle production recovering, shipments of materials for use in automobiles picked up. Despite signs of bottoming out, a full-scale recovery in sales of epoxy resins—the foremost application for which is semiconductors— is expected to take time.

Operating income

- Despite shipments of most products bottoming out and profitability recovering, the pace of improvement remained slow. The substantial decrease in segment operating income also reflected sluggish shipments of high-value-added products.

(Billion yen)	Net sales					Operating income					Operating margin	
	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023	Change	% Change	% Change on a local currency basis	2022	2023
Functional Products	315.4	305.9	-9.5	-3.0%	-5.0%	23.6	15.4	-8.2	-34.6%	-36.4%	7.5%	5.0%
Japan	216.9	202.9	-14.0	-6.5%	-6.5%	14.7	7.0	-7.7	-52.7%	-52.7%	6.8%	3.4%
Overseas	128.8	130.2	1.4	+ 1.1%	-3.8%	8.9	8.5	-0.5	-5.1%	-10.9%	6.9%	6.5%
Eliminations	(30.3)	(27.2)	3.1	-	-	(0.0)	0.0	0.0	-	-	-	-

Operating income/margin



Sales of principal products

	% Change
Epoxy resins	-14%
Polyurethane resins	-7%
Acrylic resins*	+ 30%
Waterborne resins*	+ 3%
Polyester resins*	+ 7%
UV-curable resins	+ 6%

	% Change
polyphenylene sulfide (PPS) compounds	+ 9%
Industrial-use adhesive tapes	+ 5%
Hollow-fiber membrane	+ 9%

In materials for use in automobiles, sales of acrylic resins, waterborne resins, polyphenylene sulfide (PPS) compounds and other products began to recover gradually in the second half. Despite spot demand for use in servers and base stations, a full-scale recovery in sales of epoxy resins is expected to take until at least the third quarter (July–September) of fiscal year 2024.

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* Sales increases reflect the addition of sales from PRC-based Guangdong DIC TOD Resins Co., Ltd., a coatings manufacturer, acquired in July 2022.

Page 11, please. This is Functional Products.

Our main markets are automobiles and digital products.

As you are all aware, although there was a gradual recovery trend in demand for automobiles at the end of the line, it has not yet fully returned at supply chains such as ours during FY2023, and unfortunately, we have been affected by the decline in volume.

In addition, in our mainstay epoxy business centering on semiconductors, the market recovery in the digital field is still a little behind schedule.

In FY2023, the decrease in shipments of our mainstay high value-added products had a significant impact, resulting in a decrease in profit.

Color & Comfort

FY2024 forecasts: Full-term operating results

(Billion yen)

	2023	2024 Forecasts	% Change
Net sales	1,038.7	**1,100.0**	+ 5.9%
Operating income	17.9	**30.0**	+ 67.2%
Operating margin	1.7%	**2.7%**	–
Ordinary income	9.2	**25.0**	+ 171.3%
Net income attributable to owners of the parent	(39.9)	**10.0**	Into the black
EPS (Yen)	(421.06)	**105.64**	–
EBITDA*1	30.8	**82.0**	+ 166.0%
Capital expenditure and investment	73.3	**63.1**	-13.9%
Depreciation and amortization	53.1	**53.9**	+ 1.5%
Average rate Yen/US$	140.51	**145.00**	+ 3.2%
Yen/EUR	151.98	**156.60**	+ 3.0%

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

	2023	2024 Forecasts
ROIC*2	1.5%	**2.6%**
Net D/E ratio *3 (times)	1.21	**1.13**
Annual dividends per share (Yen)	80.0	**100.0**
Payout ratio	-	**94.7%**

*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

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The next page, please. The next page shows our forecast for the current fiscal year.

Here, first of all, we are projecting net sales of JPY1,100 billion, up 5.9% from 2023. Operating income is expected to increase by 67.2% to JPY30 billion, ordinary income by 171.3% to JPY25 billion, and net income attributable to owners of the parent by JPY10 billion, which is expected to be in the black.

Color & Comfort

FY2024 forecasts: First half operating results

(Billion yen)		2023 1st Half	2024 1st Half Forecasts	% Change
Net sales		515.3	**540.0**	+4.8%
Operating income		10.0	**15.0**	+50.6%
Operating margin		1.9%	**2.8%**	–
Ordinary income		7.1	**12.0**	+68.0%
Net income attributable to owners of the parent		1.0	**(6.0)**	Loss
EPS (Yen)		10.53	**(63.39)**	–
Average rate	YEN/US$	135.88	**145.00**	+6.7%
	YEN/EUR	146.91	**156.60**	+6.6%

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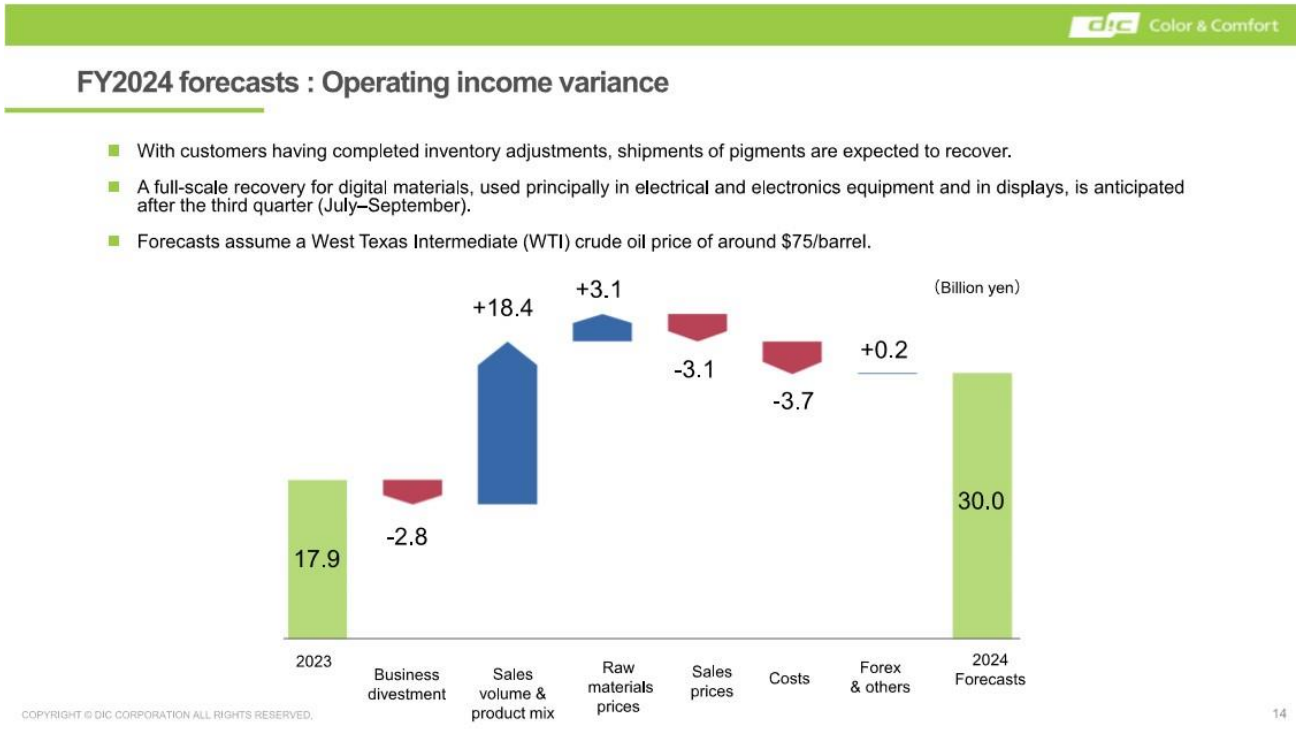
Now, page 13 please. I will also explain the outlook for H1.

As for H1, the figures are as shown here. Net sales, operating income, and ordinary income are almost half of the annual forecasts mentioned earlier and are balanced in H1 and H2, and only net income attributable to owners of the parent is negative at JPY6 billion in H1.

This is actually due to the impact of the extraordinary profit and loss planned for this current fiscal year, FY2024, and we are planning an annual extraordinary loss of about JPY16 billion for this fiscal year. However, we are currently planning for this occurrence in the form of an extraordinary loss of JPY13 billion for H1 and JPY3 billion for H2.

We are also planning extraordinary income to cover these losses, but this is currently planned mainly for H2. As a result, we are planning a budget deficit of negative JPY6 billion for H1, but we are planning to bring forward the extraordinary income we are currently planning for H1 as much as possible. In that case, we will revise the current forecast.



Next, please turn to page 14. Page 14 shows the bridge of changes in operating income for FY2024.

One special item here is a decrease in profit due to the sale of a business in FY2023, which amounted to JPY2.8 billion. This includes about JPY2 billion from the transfer of SEIKO PMC, our listed subsidiary, through a share buyback, which we have already announced externally. This profit will naturally not come in from FY2024, so this is a negative figure once here.

Next, the sales volume and product mix factor is JPY18.4 billion, which is a major point here. Please understand that about 1/3 of this increase is related to the pigments business overseas. Also, Functional Products in Japan and Asia accounts for about 1/3, and the increase in the rest of the businesses accounts for 1/3.

In addition to the recovery of demand in the pigments business in Europe and the US, and to repeat what I said earlier, the negative JPY3.7 billion in costs includes the return of the loss on production cuts that had been incurred in FY2023.

There are also positive factors such as the effects of the restructuring of pigments, which was recorded as an extraordinary loss. This is also incorporated as a positive factor in the negative JPY3.7 billion in costs, but on the other hand, due to inflation and other factors, labor costs and other costs have increased not only in the pigments business, but also on a global basis.

In addition, we are updating our information system this fiscal year, and this temporary increase in costs is also included in this figure, resulting in the negative JPY3.7 billion.

Color & Comfort

FY2024 forecasts: Full-term segment results

(Billion yen)	Net sales				Operating income				Operating margin	
	2023	2024 Forecast	Change	% Change	2023	2024 Forecast	Change	% Change	2023	2024 Forecast
Packaging & Graphic	541.9	577.9	35.9	+ 6.6%	22.0	22.5	0.6	+ 2.6%	4.1%	3.9%
Japan	124.0	130.1	6.2	+ 5.0%	4.6	4.9	0.3	+ 6.3%	3.7%	3.8%
The Americas and Europe	349.0	371.1	22.1	+ 6.3%	13.1	12.7	-0.4	-3.2%	3.8%	3.4%
Asia and Oceania	82.5	90.9	8.4	+ 10.1%	4.2	4.9	0.8	+ 18.2%	5.1%	5.4%
Eliminations	(13.5)	(14.2)	-0.7	-	0.1	0.0	-0.1	-	-	-
Color & Display	227.3	275.2	48.0	+ 21.1%	(8.9)	4.0	12.8	Into the black	-	1.4%
Japan	32.0	37.5	5.5	+ 17.1%	4.1	5.2	1.1	+ 27.2%	12.8%	13.9%
Overseas	209.5	254.5	45.1	+ 21.5%	(13.0)	(1.2)	11.7	Pared loss	-	-
Eliminations	(14.2)	(16.8)	-2.6	-	0.0	0.0	-0.0	-	-	-
Functional Products	305.9	292.2	-13.7	-4.5%	15.4	15.6	0.1	+ 0.8%	5.0%	5.3%
Japan	202.9	177.8	-25.1	-12.4%	7.0	6.8	-0.2	-2.9%	3.4%	3.8%
Overseas	130.2	141.9	11.7	+ 9.0%	8.5	8.8	0.3	+ 3.9%	6.5%	6.2%
Eliminations	(27.2)	(27.5)	-0.3	-	0.0	0.0	-0.0	-	-	-
Others, Corporate and eliminations	(36.4)	(45.4)	-9.0	-	(10.6)	(12.1)	-1.5	-	-	-
Total	1,038.7	1,100.0	61.3	+ 5.9%	17.9	30.0	12.1	+ 67.2%	1.7%	2.7%
Yen/US$	140.51	145.00		+ 3.2%	140.51	145.00		+ 3.2%		
Yen/EUR	151.98	156.60		+ 3.0%	151.98	156.60		+ 3.0%		

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Lastly, see page 15.

As for sales by segment, the recovery in demand for pigments overseas in Color & Display has been a major factor.

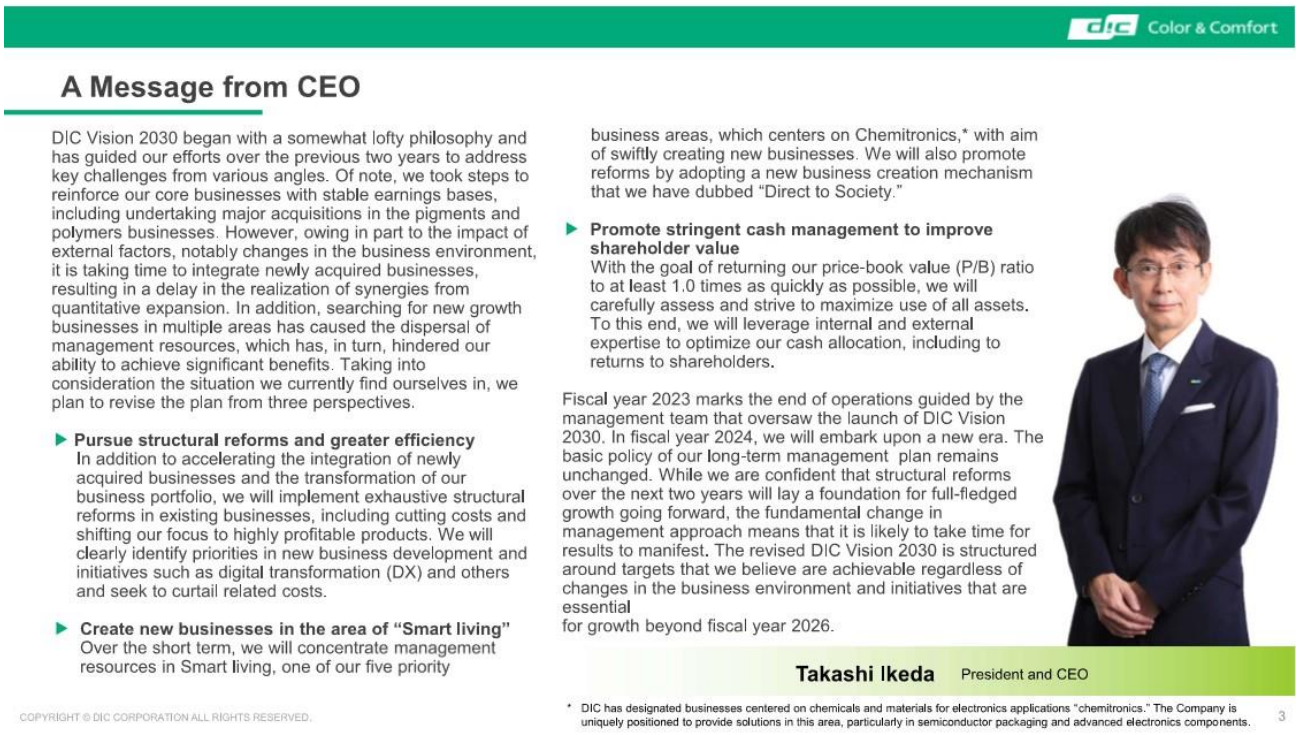
In Functional Products in Japan, the sales are expected to decrease by JPY25.1 billion YoY, but if we exclude the impact of the sale of the Seiko Group, which was announced in FY2023 and had a negative impact of about JPY32 billion, the actual figure increase.

The forecast for Color & Display overseas for FY2024, which is the key point for operating income, is negative JPY1.2 billion, but the pigments business in Europe and the US is included in this figure, and we are planning to bring this to almost break-even.

As mentioned above, as Ikeda mentioned earlier, we believe that the overall figures for FY2024 are somewhat conservative, but I think the key point is whether or not we will see a recovery in volume from Q1, as I mentioned earlier.

That concludes my explanation of our business performance.

Komine: Next, President Ikeda will explain the revision of the long-term management plan. President Ikeda, please.



Color & Comfort

A Message from CEO

DIC Vision 2030 began with a somewhat lofty philosophy and has guided our efforts over the previous two years to address key challenges from various angles. Of note, we took steps to reinforce our core businesses with stable earnings bases, including undertaking major acquisitions in the pigments and polymers businesses. However, owing in part to the impact of external factors, notably changes in the business environment, it is taking time to integrate newly acquired businesses, resulting in a delay in the realization of synergies from quantitative expansion. In addition, searching for new growth businesses in multiple areas has caused the dispersal of management resources, which has, in turn, hindered our ability to achieve significant benefits. Taking into consideration the situation we currently find ourselves in, we plan to revise the plan from three perspectives.

- **Pursue structural reforms and greater efficiency**
  In addition to accelerating the integration of newly acquired businesses and the transformation of our business portfolio, we will implement exhaustive structural reforms in existing businesses, including cutting costs and shifting our focus to highly profitable products. We will clearly identify priorities in new business development and initiatives such as digital transformation (DX) and others and seek to curtail related costs.

- **Create new businesses in the area of "Smart living"**
  Over the short term, we will concentrate management resources in Smart living, one of our five priority business areas, which centers on Chemitronics,* with aim of swiftly creating new businesses. We will also promote reforms by adopting a new business creation mechanism that we have dubbed "Direct to Society."

- **Promote stringent cash management to improve shareholder value**
  With the goal of returning our price-book value (P/B) ratio to at least 1.0 times as quickly as possible, we will carefully assess and strive to maximize use of all assets. To this end, we will leverage internal and external expertise to optimize our cash allocation, including to returns to shareholders.

Fiscal year 2023 marks the end of operations guided by the management team that oversaw the launch of DIC Vision 2030. In fiscal year 2024, we will embark upon a new era. The basic policy of our long-term management plan remains unchanged. While we are confident that structural reforms over the next two years will lay a foundation for full-fledged growth going forward, the fundamental change in management approach means that it is likely to take time for results to manifest. The revised DIC Vision 2030 is structured around targets that we believe are achievable regardless of changes in the business environment and initiatives that are essential
for growth beyond fiscal year 2026.

Takashi Ikeda President and CEO

* DIC has designated businesses centered on chemicals and materials for electronics applications "chemitronics." The Company is uniquely positioned to provide solutions in this area, particularly in semiconductor packaging and advanced electronics components.

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Presentation Material https://pdf.irpocket.com/C4631/KKjE/x4Ic/oF8F.pdf

Ikeda: As I mentioned at the outset, we have made this update based on five key ideas. In particular, we have focused on three key points, including long-term perspectives, in our message here.

The first is the pursuit of structural reforms and greater efficiency. We will accelerate the integration of newly acquired businesses and the transformation of our business portfolio, which have been discussed earlier, and in existing businesses, we will implement exhaustive structural reforms, including cutting costs and shifting our focus to highly profitable products. In addition, we will review the costs of various measures we have been spending and strive to reduce them.

Second, we are creating new businesses in the area of smart living. Initially, the 2030 Plan identified five priority business areas and pursued a variety of possibilities. Among them, we will concentrate management resources in the smart living area, with a focus on chemitronics in the short term, with the aim of swiftly creating new businesses. Chemitronics is a new business division that was established on January 1, 2024 and brings together various business groups within our company, mainly electronics.

As for the third point, we are promoting stringent cash management to improve shareholder value. This will be done by closely examining the status of all assets held by the Company, with the goal of returning to a P/B ratio of 1x as quickly as possible and maximizing the use of such assets. To this end, we will leverage internal and external expertise to optimize our cash allocation, including to returns to shareholders. In terms of governance, we are also committed to strengthening our efforts to enhance shareholder value.

Color & Comfort

Background to the Revision of Targets

- **While the vision for DIC in the future and the basic policy of DIC Vision 2030 remain essentially unchanged, targets for Phase 1*, ending in fiscal year 2025, have been adjusted in light of delays in the execution of plans and recent changes in the business environment.**

Background to revision

- **Dispersal of management resources in new growth businesses and delays in selecting from among diverse themes**
- **New risks and changes in the business environment**
  - Rising inflation worldwide and soaring costs due to high resource prices
  - Economic decline in the People's Republic of China (PRC) and Europe
  - Increasing geopolitical risks arising from, among others, Russia's invasion of Ukraine

▶ New growth businesses have not become profitable as quickly as envisaged.
- Development and investment costs are rising.

▶ Realization of the expected benefits of acquisitions has been held up. – it takes time to realize the benefits of rationalization.
- Existing businesses have stagnated.

Phase 1 targets

(Billions of yen)	FY2025 (Final Year of Phase 1)	
	Original targets	Revised targets
Net sales	¥1,100	**¥1,150**
Operating income	¥80	**¥40**

Address challenges currently faced and realize vision for DIC in the future

Targets for final year of plan

Targets will be carefully reviewed and will be disclosed at the formulation stage of Phase 2 **.

Initial Targets for FY2030 (Reference)	
Net sales	¥1,300 billion
Operating income	¥120 billion

* Phase 1 of DIC Vision 2030: Foundation building phase (Fiscal years 2022–2025)
** Phase 2 of DIC Vision 2030: Phase for realizing vision for DIC (Fiscal years 2026–2030)

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Now, let me explain in detail. See page five. This is the background to the revision of targets.

In 2030, we will maintain the vision and basic policy that we have set forth up to this point, but in light of the recent situation, we will revise the targets for Phase I, which will end in FY2025.

Phase I refers to the first half of the period, from FY2022 to FY2025, as the foundation building phase for the realization of our vision. We had been investing management resources with high expectations in new growth areas, but the dispersion of these resources has gone too far, and we were late in selecting the right themes. Based on our reflections, we have revised the plan this time.

In addition, taking into account the fact that the expected effects of acquisitions have not yet been fully realized and that it will take time for the effects to be realized, we have revised our original forecast of JPY80 billion for operating income to JPY40 billion.

On the other hand, Phase II is the second half, from FY2026 to FY2030, and we still have some time before the final year, FY2030. After firmly establishing Phase I, we would like to present again how Phase II should be.

Color & Comfort

Actual Results and Targets (Fiscal Years 2022–2026)

- **Newly acquired businesses have stagnated substantially, owing to the deterioration of operating conditions as a consequence of Russia's invasion of Ukraine.**
- **Regarding the creation of new businesses, the decision has been taken to eliminate a core development theme of secondary batteries, the commercialization of which was scheduled for Phase 1.**

- The revised target for operating income in fiscal year 2025 is down significantly from the initial target of ¥80 billion.
- Targets for the years up to and including fiscal year 2026 do not assume a significant improvement in the business environment and are expected to be achieved through independent efforts.
- Synergies with newly acquired businesses and the benefits of structural reforms are expected to be realized from fiscal year 2026. Accordingly, a possible range for the revised target for fiscal year 2026 is provided.
- Efforts in fiscal year 2026 will focus on achieving record-level operating income* and bolstering returns to shareholders.

* Current record: ¥56.5 billion (Fiscal year 2017)

(Billions of yen)

	Phase 1					FY2026 Targets
	FY2022 Actual	FY2023 Actual	FY2024 Targets	FY2025		
				Initial targets	Revised targets	
Net sales	¥1,054.2	¥1,038.7	¥1,100	¥1,100	¥1,150	¥1,200–1,250
Operating income	¥39.7	¥17.9	¥30	¥80	¥40	¥50–60

Segment Operating Income (Billions of yen)

Packaging & Graphic	¥20.3	¥22	¥22.5	¥27	¥24.5	¥27–30
Color & Display	¥5.1	(¥8.9)	¥4	¥21	¥9.5	¥12–16
Functional Products [Portion of above generated by chemitronics business]	¥23.6	¥15.4 [¥6]	¥15.6 [¥6]	¥31	¥18 [¥8]	¥22–25 [¥10–11]
Others (R&D, etc.) [Portion of above applied to secondary battery development]	(¥9.4)	(¥10.6)	(¥12.1)	¥1 [¥10]	(¥12)	(Approx. ¥11)

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The next page, please. We have listed here the targets for Phase I for the period 2022 to 2026.

As Asai explained earlier, our plan for FY2024 is to start with an operating income of JPY30 billion as a stepping stone, and then aim for JPY40 billion in the second year, FY2025, and JPY50 billion to JPY60 billion in the third year, FY2026.

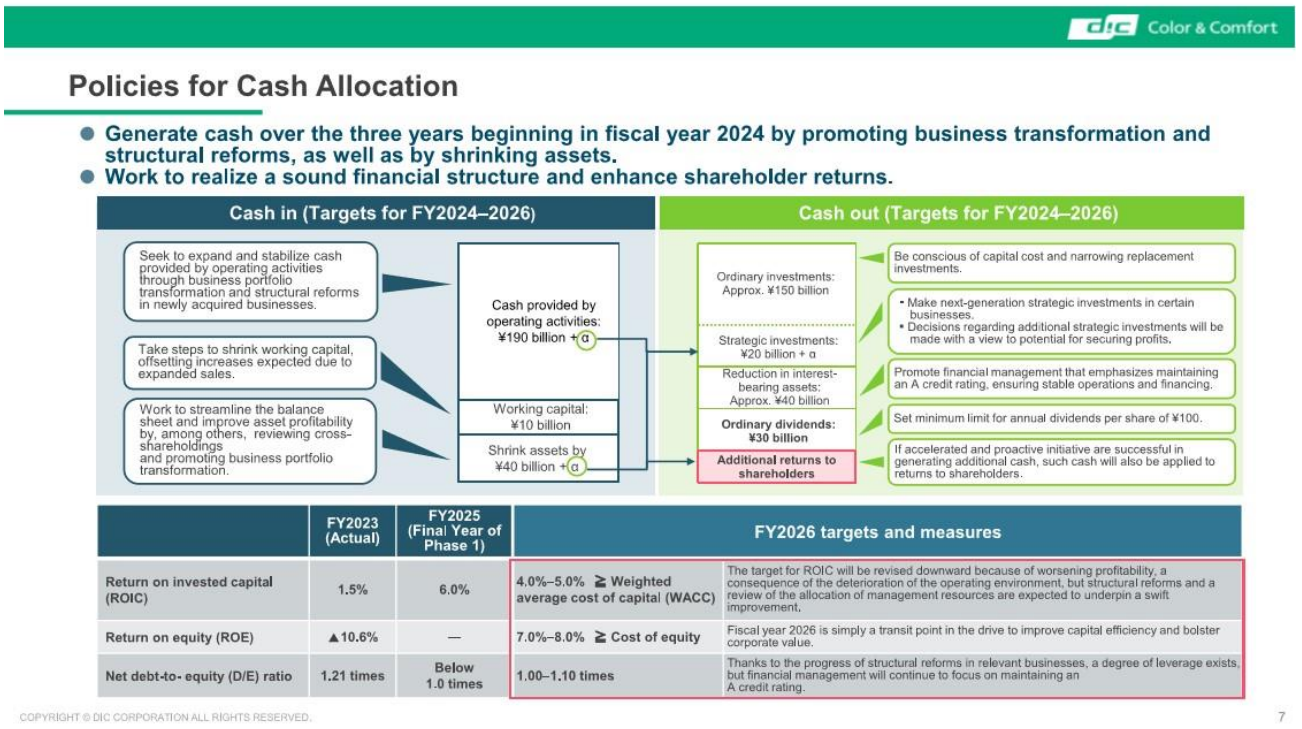
The biggest reason for the revision of the targets, especially for the JPY40 billion in Phase I in FY2025, is that we have decided to discontinue the main development theme of secondary batteries, which we had scheduled to commercialize in Phase I, with regard to the creation of new businesses.

There are other external factors as well, but as I mentioned at the outset, we are focusing on measures that can be achieved largely on our own without factoring in significant improvements in the external environment. Conversely, we believe that the potential to exceed this level exists when there is a significant improvement in the external environment and other factors emerge.

If you look at the figures for FY2025, by segment, Color & Display is expected to return to profitability in FY2024 through major structural reforms, and then steadily move into a growth trajectory for FY2026.

On the other hand, for Packaging & Graphic, mainly the core part of the ink business, we expect to achieve the initial operating income level of JPY27 billion in FY2026, albeit one year later, due to the steady achievement of structural reforms.

The Functional Products segment will play a central role in this new focus on smart living. With the newly established chemitronics business at the core, we plan to achieve a large increase in profits in this segment over 2026.



The next page, please.

Another important concept in this revision is that we would like to clarify and implement our policies for cash allocation. The figures shown here are the cash inflow and outflow targets over the next three years.

First, regarding the cash inflow on the left, JPY190 billion will be generated as operating cash flow. This is the result of business portfolio transformation and business acquisition structural reforms aimed at expanding and stabilizing operating cash flow.

We have factored into this figure the normal increase in working capital associated with sales recovery, showing JPY190 billion as the net amount, and we would like to plan a JPY10 billion reduction in working capital on top of this.

In addition, we plan to shrink assets by more than JPY40 billion in order to streamline the balance sheet and improve assets and profitability by reviewing cross-shareholdings, promoting business portfolio transformation, and replacing businesses.

Moving to the right, in terms of cash outflow, we plan to make regular investments of JPY150 billion, mainly in replacement investments, after carefully selecting investment targets from the standpoint of efficiency and profitability, with an awareness of capital costs.

On the other hand, for stable operations and financing, we plan to allocate about JPY40 billion for reduction of interest-bearing debt to promote financial management that emphasizes maintaining an A credit rating.

In addition, as mentioned at the outset, we plan to set the minimum annual dividend per share at JPY100 as the regular dividend, for a total appropriation of JPY30 billion.

Based on this broad concept, we will aim to generate additional cash inflows by further accelerating or aggressively implementing each of the measures. At that time, we intend to use the funds to return profits to shareholders.

On the other hand, we would like to replace businesses in line with shrinking assets or, after careful selection, allocate more than JPY20 billion for strategic investment only in growth areas.

As important management indicators in implementing these policies for cash allocation, we will naturally place importance on ROIC, ROE, net D/E ratio, etc., as written at the bottom.

We have also presented our target levels for FY2026, which we will strive to achieve.

DIC Color & Comfort

Achievements to Date

- **Investing in multiple development themes and making acquisitions has facilitated the exploration of diverse possible new businesses, creating the seeds for business portfolio transformation.**

	Achievements	
Expand businesses through M&As and shift focus to growth businesses	• PCAS Canada Inc.: Secured technologies used in the manufacture of polymers in the PRC • Guangdong TOD New Materials Co., Ltd.: Expanding the coating resins business in China and the securing of a local production base for waterborne resins • Sapici S.p.A.: Gained Ultra Low Monomer (ULM)* technology, thereby establishing a competitive advantage in Europe, where environment-related needs are high	Smart living Sustainable packaging
Promote Value Transformation	• Commenced production of environment-friendly waterborne polyurethane resin • Developed and Launched PFAS-Free Surfactants • Prepared to implement closed-loop recycling of polystyrene • Launched near-infrared (NiR) reflective black pigment	Smart living Sustainable packaging Color science
Conduct joint R&D and commercialize products in new businesses	• Launched resin lithium-ion battery (LiB) electrode binder and made progress in developing other battery materials • Collaborated with various start-ups to add depth to and commercialize biotechnologies (e.g., expanded algae business and launched *fillwith* skincare brand)	Sustainable energy Healthcare
Withdraw from unprofitable, low-growth, noncore businesses and rationalize businesses in need of structural reform	• Consolidated and rationalized production facilities in the publication inks business • Divested noncore business subsidiary SEIKO PMC CORPORATION** and applied proceeds to the acquisition of promising new businesses • Withdrew from unprofitable and noncore businesses (housing materials, building material coatings, alkylphenols and glass photomasks)	

Sustainable energy, healthcare, smart living, color science and sustainable packaging
DIC Vision 2030 identifies five priority business areas at the intersection of environment, safety and health (ESH)-related issues/social changes and DIC's core competencies by taking into consideration market growth potential and social impact

* ULM is a resin raw material containing minimal harmful substances.
** SEIKO PMC is a manufacturer of papermaking chemicals and resins for printing inks.

Despite exploring possibilities in multiple areas, expected profitability was not achieved due the dispersion of management resources and deterioration of the operating environment.

➡ **The time has come to shift from exploring possibilities to delivering results**

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Let's move on to page nine. I would like to explain some specific measures. A summary of the achievements to date is provided on this page.

We were able to expand our businesses through M&A, shift to growth areas, and promote value transformation. In particular, we recognize that we have run our course with respect to acquisition projects, including large-scale ones.

We have explored business possibilities in multiple areas, but due to the dispersion of resources and the deterioration of the external environment, we have not been able to achieve the planned profitability, and we would like to shift from exploring possibilities to delivering results as soon as possible.

Color & Comfort

Issues to Be Addressed and Future Plans

- **Emphasize measures that will yield swift and consistent results and elucidate the prioritization of management resources allocation.**
- **Pursue synergies with and accelerate rationalization efforts in newly acquired businesses.**

	Issues to be addressed	Future plans
Optimize allocation of management resources	• Limits to available resources in the current harsh business environment ➡ Need to prioritize areas of focus	• Concentrate allocation of management resources on growth businesses with the potential to quickly achieve viability and profitability. ➡ For details, see page 11.
Swiftly create next-generation and growth businesses	• Dispersal of management resources into areas where it is difficult to leverage competitive strengths, making it difficult to choose which businesses to prioritize	• Concentrate allocation of management resources in the priority business area to be emphasized over the short term (Smart living). ➡ For details, see page 12.
Pursue synergies with newly acquired businesses to achieve intended results	• Deterioration of profitability of the pigments business in Europe and the Americas as a result of rising fixed costs	• Merge/shutter production facilities. • Promote a large-scale labor force rationalization. • Review and implement measures to leverage synergies that take into account changes in the business environment. ➡ For details, see page 13.
Accelerate rationalization efforts in businesses in need of structural reform	• Publication inks: Deterioration of profitability due to market contraction and cost increases • Thin-film transistor liquid crystals (TFT LCs): Deterioration of profitability due to intensified price competition, a result of late market entrants from the PRC	• Increase the efficiency of production and sales configurations. • Promote alliances with other company in the same industries. ➡ For details, see page 14. • Continue to consider a drastic restructuring of the TFT LCs business; reach a decision by the end of fiscal year 2024.
Promote sustainable strategies efficiently	• Need to execute strategies in a difficult business environment	• Promote sustainability initiatives while prioritizing measures. ➡ For details, see page 15.

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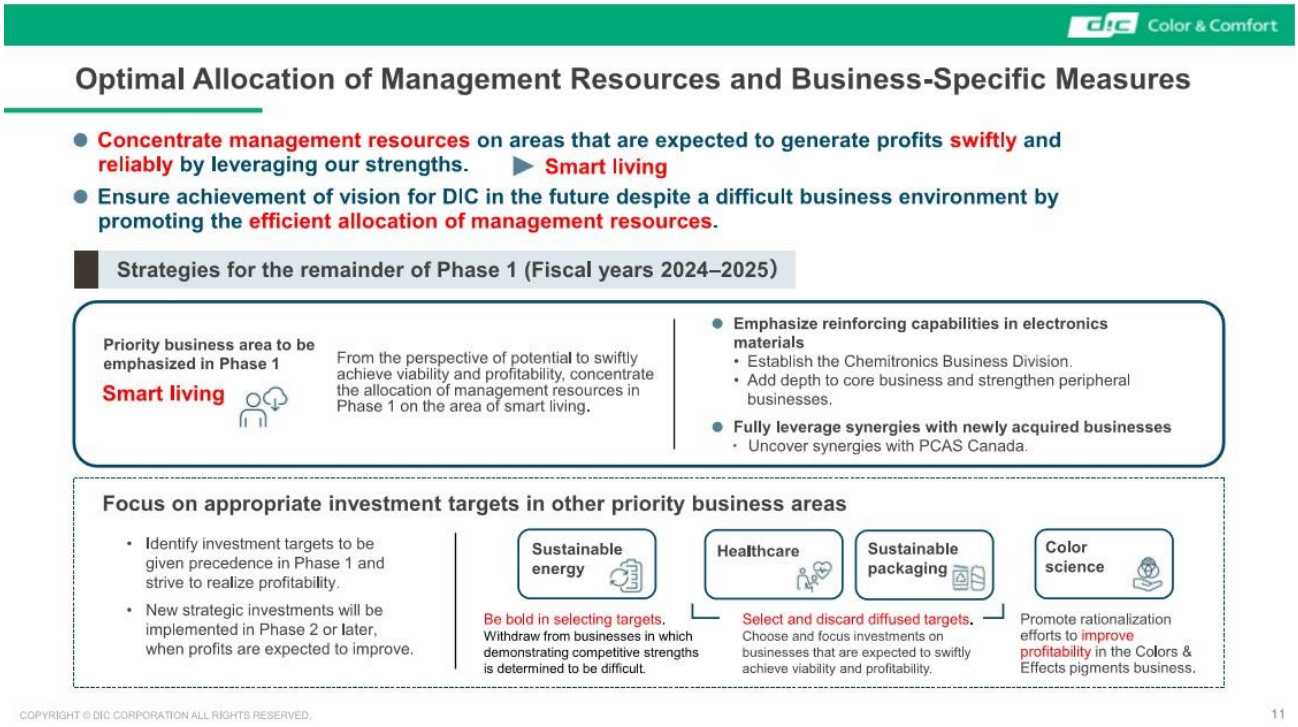
The next page, please.

In terms of issues to be addressed and future plans, based on the recognition I just mentioned, we will elucidate the prioritization of management resources allocation. Specifically, as written here, there is the clarification of areas for investment of management resources and the promotion of rationalization of structural reforms, etc.

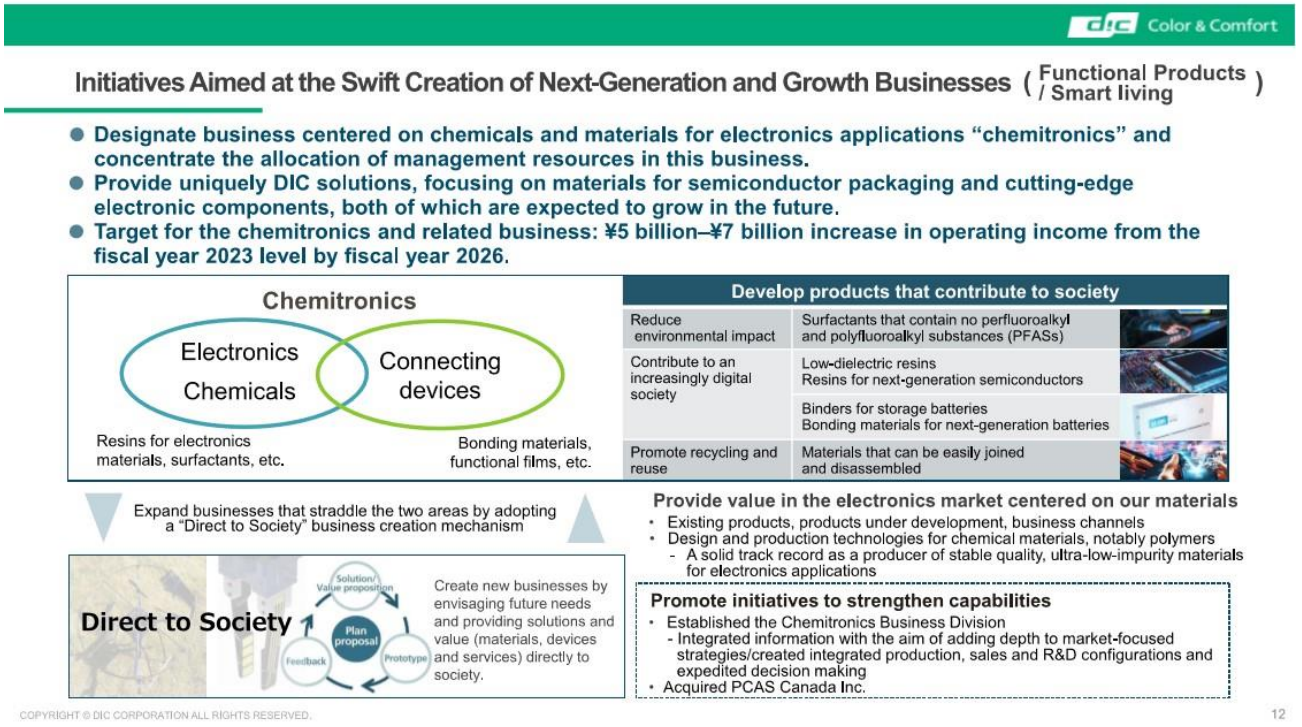
Today, I would like to focus on three areas: first, the smart living area as an investment in a growth area; second, measures to improve the deteriorating profitability of the pigments business; and third, further improvement of the profitability of the publication inks business.



The next page, please.

First of all, regarding the smart living area, we had originally set the five areas of sustainable energy, healthcare, sustainable packaging, and color science together, but we decided to make this smart living area the core.

More details will be explained on the next page.



We have defined chemitronics as the business centered on chemicals and materials for electronics applications, and we will concentrate management resources that were dispersed throughout the Company on this business division to achieve efficient performance and launch new businesses in a short period of time and in a reliable manner.

As for specific products, we are aiming for growth with our polymeric materials as well as devices and a set of combined materials, as circled in the middle square. In addition, as examples of specific products, we will develop a variety of products that contribute to sustainability, as shown on the right, as our core products.

On the other hand, we would like to review our methodology. As you can see on the lower left, we would like to promote the expansion of the area through the direct to society concept. This means that we ourselves will envisage future needs and provide solutions and value directly to society.

Although we are a materials manufacturer, we will also be involved in the development of devices and final products and present their value and solutions as prototypes. We will use the information and needs we obtain there as feedback to brush up our own products and businesses. By continuing this cycle, we aim to make internal development or the launch of new businesses smoother.

On the other hand, as shown in the lower right-hand corner, to strengthen our capabilities, we will aim to add further value by utilizing our accumulated know-how and the newly acquired technology of a Canadian photoresist polymers company, which enables us to mass produce stable quality products with ultra-low impurities, for example.

Thus, although not limited to chemitronics, we aim to increase operating income by JPY5 billion to JPY7 billion in FY2026 compared to FY2023, mainly from product lines related to the smart living area.

Color & Comfort

Structural Reforms in the Pigments Business in Europe and the Americas (Color & Display)

- **Create configurations in Europe and the Americas that maximize synergies by promoting structural reforms and measures to heighten efficiency, including the merger and shuttering of production facilities and labor force rationalization, thereby improving earnings structures, particularly for the newly acquired Colors & Effects pigments business.**

Merged and shuttered production facilities

- Optimized pigments production configuration* in Europe, taking into account future demand
  - * Downsized 4 sites and optimized 12 sites

Rationalized labor force

- In addition to rationalizing operations, a policy since acquisition, rationalized the labor force* in response to the deterioration of the business environment
  - * Phased implementation began in fiscal year 2022. The largest-scale labor force rationalization to date began in fiscal year 2023.

Transformed product portfolio

- Rationalized production of conventional pigments (azo, phthalocyanine, diketopyrrolopyrrole (DPP))
- Expanded high-value-added products (perylene pigments, effect pigments, pigments for displays)

Return to a growth trajectory by promoting structural reforms

Bolster production efficiency and cut costs

- Total structural reform–related costs for fiscal years 2023–2026 will be approximately ¥16 billion.
- The annual improvement in operating income attributable to rationalization is expected to be ¥10 billion-plus from the fiscal year 2022 level as of fiscal year
- Continue to promote additional structural reforms from fiscal year 2027 on to further boost operating income.
- Seek to restore profitability by implementing structural reforms aimed at streamlining assets and personnel reforms.

Invest in strategic growth products

- Bolster profitability and grow businesses by expanding production of perylene pigments, effect pigments, and pigments for displays, demand for which is increasing for specialty applications.

Strive to achieve sustainability

- Establish a more competitive production structure by reducing CO_2 emissions through the optimization of locations and processes.

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The next page, please. This shows structural reforms in the pigments business in Europe and the US.

We will further promote the rationalization measures we have been pursuing up to now, including the merger and shuttering of production facilities and labor force rationalization, in order to reach a clear milestone toward 2026, as shown in the box on the right.

Specifically, we aim to improve operating income by JPY10 billion per year in FY2026 through rationalization measures, compared to the FY2022 level, and by JPY6 billion compared to FY2023. We plan to achieve a 12% reduction in total personnel by then.

On the other hand, we believe that the rationalization efforts will not be temporary or short-term but will be necessary from 2023 to 2026, and even after 2027, and we expect to record a total of JPY16 billion in expenses over the next three years.

Color & Comfort

Structural Reforms in the Publication Inks Business (Packaging & Graphic)

- **Maintain profitability across the publication inks business by optimizing production structure and implementing rationalization measures in preparation for shrinking demand, customer migration and other changes in the competitive environment.**

Formed business alliances in Japan and streamlined production structure in other countries and territories

- Japan: Formed alliances with other company in the same industry, improving the efficiency of production facilities and promoting effective use of logistics capabilities
- Asia–Pacific region: Streamlined production structure by merging facilities close to demand centers and transferring operations to mother plants
- Europe: Optimized production across the region by merging certain production facilities and shuttering others

Plan to implement further rationalization measures in accordance with demand trends

- Japan: Plans include scaling back production capacity, reorganizing sales configuration to improve efficiency and developing alliances in the areas of production and logistics
- Europe and the Americas: Implement rationalization measures optimized to reflect the speed of market maturation; explore effective utilization of the site as a way to improve profitability

Achieve rationalization through business reforms

- Promote structural reforms in Japan and other countries and territories with the goal of achieving cumulative savings from rationalization of ¥2.5 billion for fiscal years 2024–2026.
- Continue exploring various additional rationalization measures in anticipation of market trends and the responses of competitors.

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I will continue with an explanation of the structural reforms in the publication inks business.

As shown in our business performance in FY2023, the rationalization measures we have been implementing are steadily yielding results, and we believe that the profitability of our overall business is improving considerably. The majority of the work has already been completed, and we will focus on optimizing the system to meet demand.

Through the realization of structural reforms in Japan and overseas, we expect to continue streamlining our operations by a cumulative total of approximately JPY2.5 billion over the next three years, or JPY800 million per year, to further improve profitability.

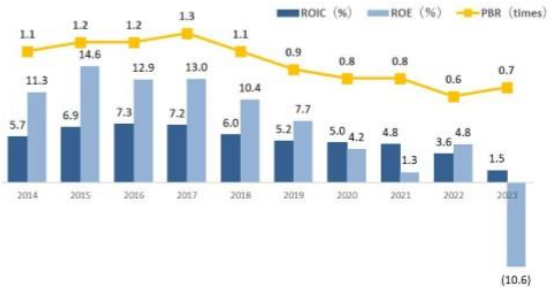
Color & Comfort

Measures to Implement Management that is Conscious of Capital Costs and Share Price

Analysis of current situation

- The price-book value (P/B) ratio has been below 1.0 times since fiscal year 2019.
- Despite active investment in business portfolio transformation, there has been a delay in newly acquired businesses becoming profitable, resulting in a decline in ROIC, a measure of capital efficiency.
- While WACC has been pushed down by an increase in interest-bearing debt, ROIC is currently lower.

P/B Ratio, ROIC and ROE (Fiscal years 2014–2023)



Initiatives for improvement

Policy and targets

- DIC recognizes improving return on capital as a key management challenge and works to improve capital efficiency by promoting selectivity and concentration.
- Target: ROIC of 4.0%–5.0%, exceeding WACC, by fiscal year 2026.

Specific initiatives

- **Promote business portfolio transformation** ➡ For details, see page 10.
  - Prioritize the balanced allocation of management resources.
  - Promote structural reforms to improve profitability in and leverage synergies with the Colors & Effects pigments business.
  - Withdraw from unprofitable and noncore businesses.
- **Clarify policy for cash allocation** ➡ For details, see page 7.
  - The final stage of strategic investments in business portfolio transformation has been reached.
  - Streamline the balance sheet by shrinking cross-shareholdings and other assets.
  - Pursue approach to financial management centered on maintaining an A credit rating and achieving a net D/E ratio of 1.0–1.10 times.
  - Set a minimum limit for annual dividends per share of ¥100. Any additional cash generated will also be applied to returns to shareholders.
- **Reduce capital costs**
  - Strive to reduce capital costs by, among others, working to ensure a stable operating performance, achieving consistent dividends through the setting of a minimum dividend limit.
- **Strive to improve corporate value**
  - Establish the Corporate Value Improvement Committee, which will explore the role of companies in society from a high-level, broad viewpoint and advise the Board of Directors from a third-party regarding the improvement of corporate value over the long term.
  - Appoint outside directors and external experts to be committee members, emphasizing independence and objectivity.
  - Themes for deliberation are general matters related to ensuring management is conscious of capital costs and share price and include measures to improve ROIC and make effective use of owned assets and management of Kawamura Memorial DIC Museum of Art.

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Finally, I will explain, on page 17, about the realization of management that is conscious of share price.

As for our analysis of the current situation, as shown in the graph on the left, we believe that our business situation is not favorable, as represented by the ROIC, ROE, and P/B ratio.

The purpose this time is to implement various initiatives to achieve an early return to a P/B ratio of 1x, and in particular, I would like to conclude the presentation by discussing further initiatives to increase corporate value, as indicated in the lower right-hand corner.

The new Corporate Value Improvement Committee will be established to discuss the role of the Company in society from a high-level, broad viewpoint and to advise the Board of Directors from a third-party regarding the improvement of corporate value over the long-term. This is a completely independent committee that emphasizes independence and objectivity and is composed of outside directors and external experts invited as appropriate.

We would like them to discuss various topics from a high-level, broad viewpoint and make the most of these discussions for our management. Specifically, the themes are general matters related to management that is conscious of capital costs and share price, such as ROIC improvement, effective use of owned assets, and management of the museum.

As for strengthening governance, we have just recently passed a resolution to appoint one additional new outside director, as we have just released. By implementing enhanced oversight of the Board of Directors, based on an expanded skills matrix and improved diversity, we will ensure that the new, updated version of DIC Vision 2030, which I explained today, will be implemented.

That is all from me. Thank you very much.

Question & Answer

Komine [M]: I would now like to start the Q&A session. Questioner1, please ask your questions.

Questioner1 [Q]: Thank you for your explanation. I have seen significant changes and I have an expectation.

On page six of the presentation material explained by the President, regarding Packaging & Graphic and Color & Display each; while various structural reforms have been completed, the operating margin of Packaging & Graphic is 5%. Is a 5% operating margin enough for the world's top ink companies? And in the case of Color & Display, the margin will remain at 6% to 7% due to the improvement of the business. Since this includes digital, what is needed to bring it to double digits?

Ikeda [A]: Now, I, Ikeda, will answer your question. In printing inks and pigments, as for measures to further improve the operating margin in particular, from a broad perspective, when we look at our overall operating profit to exceed 10%, for example, in these two core businesses, is it realistic to expect that we can achieve this overall goal on this scale? I do not think it is realistic.

To further improve the operating margin, the Company's basic approach is to drive this in Functional Products, namely in the smart living area and the Chemitronics business.

For example, the Chemitronics business has consisted of highly profitable products, at 10% to 15% from the beginning, and we would like to improve the company-wide profit margin by increasing the ratio of these products. That is the basic idea.

On the other hand, in very mature businesses such as printing inks, as we did in FY2023, by steadily maintaining a price gap or raising prices in a competitive environment, and by thoroughly looking at costs at a lower level, we would like to maintain a certain level of scale, and our first priority is to maintain the profit amount and profit margin level over the long term.

Questioner1 [Q]: Thank you very much. Secondly, regarding shareholder return and capital allocation, the dividend payout ratio will be considerably higher, with a minimum dividend of JPY100 this time. By what criteria was this decided? And I think the term "carefully assess all assets" means a great deal, and you have assets such as the Kawamura Memorial DIC Museum of Art. What kind of assessment is this?

Also, the extraordinary loss was JPY16 billion again this fiscal year. When will this stop? In terms of the pace of expansion of net income, when can you reach a net income in line with operating income? Please explain about these.

Ikeda [M]: First of all, Asai will answer regarding our policy on dividends.

Asai [A]: As to the question of how we decided on the minimum dividend level of JPY100, we believe that we can stably earn more than JPY10 billion on a net basis from the level of operating income, considering the level of our existing business performance. Therefore, we have decided to set this level as the minimum level of dividends, because we believe that this is the line that we can guarantee in 2024, 2025, and 2026 in the current three-year plan.

As mentioned in the cash allocation section, if our business performance improves and we generate additional profits, we would like to return profits to shareholders in the form of additional shareholder returns, such as an increase in dividends or other forms. That is all for the dividend.

Ikeda [A]: I will now answer your second question regarding the review of fixed assets. Is the museum included in that process? Yes, it is. As for the effective use of the assets, we would like to go back to the purpose and significance of the museum, and also have a discussion at the Corporate Value Improvement Committee, as we have just announced. In this context, based on discussions on the status of the museum and the artworks, we would like to decide how to handle them.

Questioner1 [Q]: When will the extraordinary loss stop?

Asai [A]: As for the extraordinary loss, we are planning to record an extraordinary loss of JPY16 billion for this fiscal year. The large one is the loss incurred from the transfer of the Seiko PMC business, which was already confirmed in Q1.

Also, I am sorry to repeat, but it is from the pigments business overseas. We have been working on this since FY2023, and in H1 of FY2024, we are planning to make major and additional structural reforms, so this is a significant portion of the JPY16 billion extraordinary loss.

As for the outlook for the future, as Ikeda had explained earlier in the presentation, structural reform-related costs will be about JPY16 billion by FY2026, and we expect that most of those will be implemented in 2023 and 2024, with some more to be implemented in the next two years, 2025 and 2026. Basically, we will promote restructuring in pigments in the first two years.

As for other businesses, we do not expect any major restructuring to occur at this time, but as you are aware, there may be some restructuring in the form of optimization in the printing ink business, depending on the outlook for future demand. However, we have not made any plans for anything major to occur by 2026. That is all.

Questioner1 [Q]: Thank you very much. Is it correct to say that there is not much impact on net income/loss, since extraordinary income will be generated accordingly?

Asai [A]: Yes. At least, we have already made some concrete progress in terms of extraordinary income against the JPY16 billion loss in FY2024. Unfortunately, we are unable to discuss specifics with you today, but we will explain each case in the future when we are ready to make that case public. We are planning to cover almost all of those extraordinary losses with extraordinary income. That is all.

Questioner1 [M]: Thank you very much.

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

Questioner2 [Q]: Thank you for your explanation. The improvement in profit and loss of the overseas business in Color & Display in FY2024 is JPY11.7 billion. Please break this down.

Asai [A]: Yes. Now, the question is about Color & Display in FY2024, overseas. I will explain the improvements here. One big factor is the improvement in volume. About one-third of the amount of the volume increase shown in the bridge earlier is attributable to the recovery of pigment volume overseas.

Then there is the loss from the production cutback due to the temporary suspension of business sites that occurred in FY2023. In FY2023, it was negative JPY5 billion, and this will be halted. Since this will become a normal operation, this negative figure will be reversed, resulting in a positive operating income of JPY5 billion. In addition, the rationalization and restructuring that we have been carrying out from 2023 to 2024 will result in a total of more than JPY5 billion.

Therefore, when these factors are combined, we can expect to see an increase in profit of more than JPY10 billion. On the other hand, we also expect some increase in personnel costs due to inflation, so the net impact of these factors will be the amount of improvement as we have just described. That is all.

Questioner2 [Q]: One-third of the increase in volume will be positive JPY6 billion or so, but is it correct to say that to some extent you are seeing an economic recovery?

Asai [A]: Yes. To some extent, we are assuming that the pigments business will return to normal. As far as we are currently looking at the results for January, it doesn't seem like Europe and Japan will recover any time soon. However, in the US and China, orders have been improving significantly, and we have naturally factored in such improvements to some extent in our forecast. That is all.

Questioner2 [Q]: Thank you very much. Is it okay to not worry too much about raw material prices or spreads in that area?

Asai [A]: Yes. For the current fiscal year, there have been no major fluctuations in the prices of raw materials and sales prices, as they have already been offset. The current price of crude oil is within the range of our original plan, so we do not expect any significant impact.

Komine [M]: Thank you very much. This concludes today's briefing. Thank you for joining us today.

[END]

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