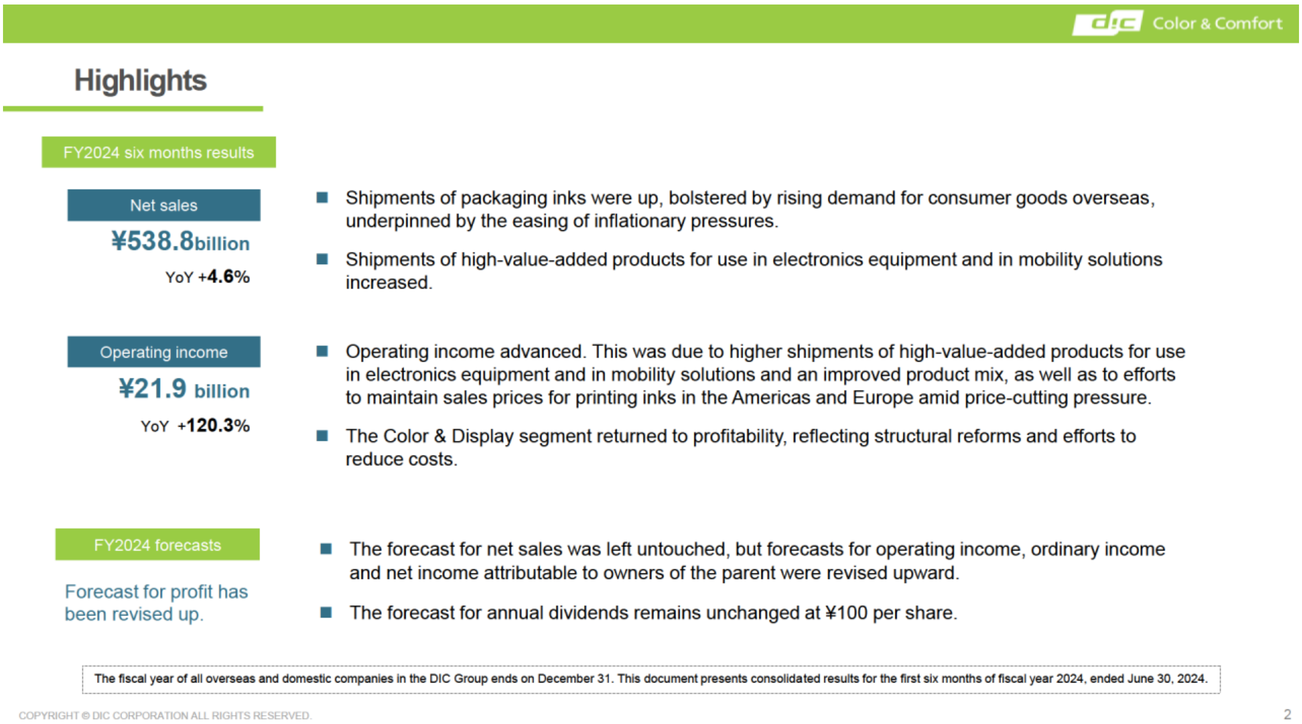
DIC Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending December 2024

August 13, 2024

Presentation



Ikeda: Thank you all for coming to our earnings presentation today. I would like to present some of the highlights of the business performance.

First, net sales totaled JPY538.8 billion, up 4.6% compared to the same period of the previous year. The primary factor was an increase in overseas shipment volumes of packaging inks, driven by the resurgence in demand for consumer goods as inflationary pressures eased.

In addition, there was an increase in shipments of high value-added products related to our electronics equipment and mobility solutions, represented by the Functional Products business.

As a result, operating profit was JPY21.9 billion, a significant increase of 120.3% compared to the same period of the previous year. As I mentioned earlier, the shipment volume of our high-value-added products for electronics equipment and mobility solutions increased and the product mix improved significantly. In addition, despite the pressure, we managed to maintain selling prices in the U.S. and Europe, mainly the prices of printing inks, and the scheme paid off.

On the other hand, in the Color & Display business, we faced an extremely challenging time last year. We managed to regain profitability through structural reforms and cost-reduction efforts.

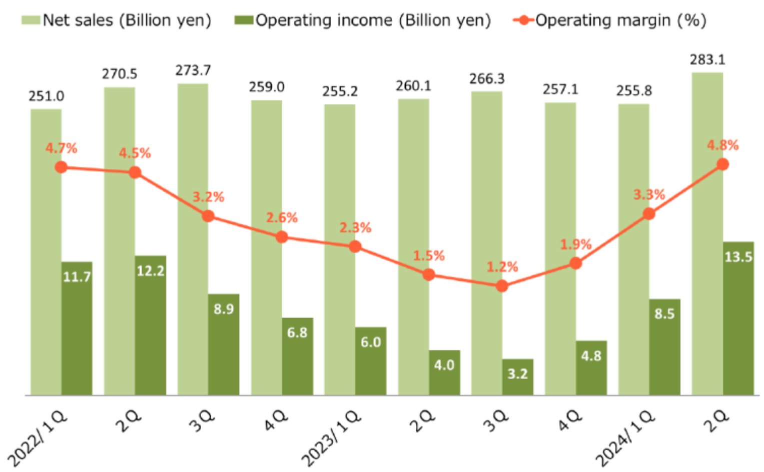
As for the outlook for the full year, there is no revision to the sales forecast. On the other hand, operating income, ordinary income, and net income attributable to owners of the parent have been revised upward.

There is no change in the annual dividend plan of JPY100 per share.

Mr. Asai will now discuss the details.

Quarterly trends in operating results

- Operating income has recovered since bottoming out in the third quarter of fiscal year 2023.



Asai: Good morning, everyone. My name is Asai, and I am in charge of the Finance and Accounting Department. I will now discuss our business results for Q2 following the presentation handouts.

Now, please refer to page three for the quarterly trends in operating results. As you can see, the sales bottomed out in Q3 of 2023, with an operating profit of JPY3.2 billion and an operating margin of 1.2%, from which we are gradually improving.

For the most recent Q2, April through June, the operating income was JPY13.5 billion, and the operating margin improved to 4.8%.

DIC Color & Comfort

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
-8%	-10%	-8%	-4%	-1%	+2%

- Shipments of packaging inks were up in the Americas and Europe, as an easing of inflationary pressures underpinned a revival in demand for consumer goods.
- In Asia, shipments were boosted by efforts to cultivate customers in the People's Republic of China (PRC) and a recovery in demand in Southeast Asia and India.
- In Japan, shipments of packaging inks were sluggish 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
-18%	-17%	-11%	-9%	-4%	+15%

- Customer inventory adjustments have been completed and shipments are increasing, but the pace of demand recovery is slower than the initially expected.
- Shipments of pigments used in displays recovered from the second quarter (April–June), owing to improved operating rates at display manufacturers.

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

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

- Shipments of products for mobility-related solutions were up.
- In digital materials, used principally in electrical and electronics equipment and in displays, shipments are recovering, particularly for epoxy resins, sales of which were brisk for use in servers, computers and smartphones, but a full-scale recovery is likely to take until at least the second half of fiscal year 2024.

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This page displays the quarterly shipment volumes of major products by segment compared to the same period of the previous year. As you can see, in FY2023, the volume of each quarter continued to be negative compared to the previous year. However, Q1 of this year saw a decrease in the negative growth rate, and the April to June period of this year saw positive growth in all segments compared to the same period of the previous year.

First, the Packaging & Graphic business at the top of the list. This is for ink. As for H1, for packaging inks, the global growth rate is about 3%. On the other hand, publishing inks have shrunk by about 7% overall, in line with the market shrink.

Of the printing inks, which include both packaging inks and publication inks, roughly 80% are packaging inks and 20% are publication inks. So the overall figure is as shown.

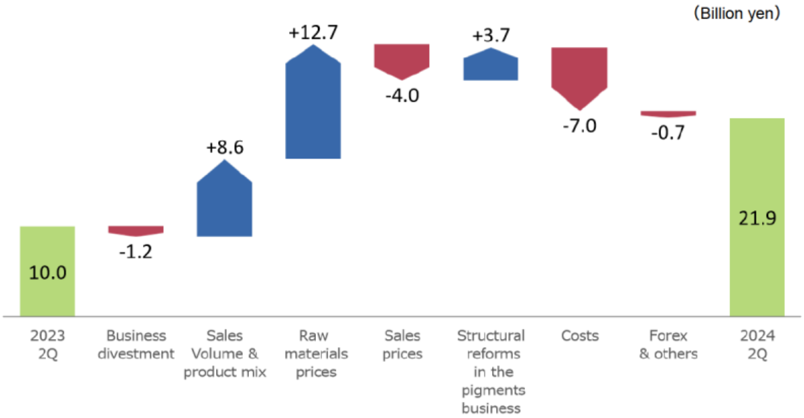
Next is the Color & Display business, the pigments sales. This year, our clients have completed inventory adjustments that they had started last year. Shipments of pigments for both coatings and plastics have been increasing, with double-digit growth in volume. Additionally, the pigments for color filters, used in displays increased the volume compared to the previous year.

As for the Functional Products business, shown at the bottom, as Mr. Ikeda discussed earlier, shipments of products for digital and mobility solutions have recovered, resulting in an increase in volume.

Color & Comfort

Operating income variance

- Shipments of high-value-added products for use in electronics equipment and in mobility solutions increased and the product mix improved.
- The increase in operating income also reflected efforts to maintain sales prices overseas, particularly for printing inks, amid year-on-year declines in raw materials prices.



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This bridge chart illustrates the increase or decrease in operating income. Let me start with the far left, JPY10 billion at the end of H1 of last year. The first block is the sell-off of the business. Last year, we divested our domestic housing materials business. Consequently, at the beginning of this year, the Company deconsolidated SEIKO PMC GROUP, a domestically listed subsidiary from the DIC Group. These actions resulted in a negative impact totaling approximately JPY1.2 billion.

Next is quantity. It added JPY8.6 billion. The increase in volume was due to an increase in pigments. Sales for the Functional Products business increased in electronics equipment and mobility-related products.

Next are raw material prices and selling prices. The net price gap totaled approximately JPY8.7 billion. A significant factor here is the ink division of the Packaging & Graphic business. The contribution here is significant.

The structural reforms in the pigments business added JPY3.7 billion. This is a result of structural reforms and layoffs we implemented last year. On the other hand, costs increased by approximately JPY7 billion. After all things are factored in, we landed at JPY21.9 billion.

The main factor among the cost increases is the impact of inflation on labor and other costs, mainly in Europe and the U.S. This is the most significant key factor.

Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months
Packaging & Graphic	266.6	286.4	19.8	+ 7.4%	+ 1.3%	8.3	16.3	8.0	+ 96.4%	+ 99.3%	3.1%	5.7%
Japan	61.4	63.2	1.8	+ 2.9%	+ 2.9%	1.6	3.6	2.0	+ 122.2%	+ 122.2%	2.7%	5.7%
The Americas and Europe	173.5	187.0	13.5	+ 7.8%	+ 0.1%	5.5	9.9	4.4	+ 80.7%	+ 88.3%	3.2%	5.3%
Asia and Oceania	38.9	44.3	5.4	+ 13.9%	+ 4.9%	1.3	3.0	1.7	+ 123.7%	+ 109.9%	3.4%	6.8%
Eliminations	(7.3)	(8.1)	-0.8	-	-	(0.2)	(0.3)	-0.1	-	-	-	-
Color & Display	117.8	134.3	16.4	+ 13.9%	+ 3.9%	(0.1)	0.4	0.6	Into the black	Into the black	-	0.3%
Japan	16.5	17.0	0.5	+ 3.2%	+ 3.2%	2.4	2.8	0.4	+ 14.7%	+ 14.7%	14.6%	16.2%
Overseas	108.8	125.0	16.2	+ 14.9%	+ 3.6%	(2.6)	(2.2)	0.4	Pared loss	Pared loss	-	-
Eliminations	(7.4)	(7.7)	-0.3	-	-	0.0	(0.2)	-0.2	-	-	-	-
Functional Products	149.4	139.1	-10.3	-6.9%	-10.3%	6.7	10.6	3.9	+ 58.3%	+ 50.4%	4.5%	7.6%
Japan	100.8	87.8	-13.0	-12.9%	-12.9%	2.5	6.3	3.8	+ 152.1%	+ 152.1%	2.5%	7.1%
Overseas	61.7	67.6	5.9	+ 9.5%	+ 0.5%	4.0	4.3	0.3	+ 7.3%	-2.7%	6.5%	6.4%
Eliminations	(13.2)	(16.3)	-3.2	-	-	0.1	(0.1)	-0.2	-	-	-	-
Others, Corporate and eliminations	(18.5)	(20.9)	-2.5	-	-	(4.8)	(5.3)	-0.5	-	-	-	-
Total	515.3	538.8	23.5	+ 4.6%	-1.5%	10.0	21.9	12.0	+ 120.3%	+ 116.7%	1.9%	4.1%
Yen/US$	135.88	152.13		+ 12.0%		135.88	152.13		+ 12.0%			
Yen/EUR	146.91	164.43		+ 11.9%		146.91	164.43		+ 11.9%			

Page six. This is the overall segment breakdown. In terms of sales, Functional Products business that is displayed at the bottom, showed a decrease of 6.9%, or JPY10.3 billion, from the previous year. However, since this is affected by the divestment of the subsidiary, I will later discuss the net figure without the impact.

The operating income on the right-hand side shows improvement in all segments and in regions, compared to the previous year. That said, the overseas segment of the Color & Display business, which is in the middle of the chart, posted a loss of JPY2.6 billion in H1 of last year. The deficit remained at negative JPY2.2 billion in H1 of this fiscal year, showing an improvement of JPY0.4 billion. However, the persistent deficit remains a challenge for our company.

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.
- Despite an increase in shipments of packaging inks, sales in the Americas and Europe remained level on a local currency basis due to price reductions implemented in response to falling raw materials prices.
- Sales in Asia increased, bolstered by efforts to cultivate customers in the PRC and a recovery in demand in Southeast Asia and India.

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 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months
Packaging & Graphic	266.6	286.4	19.8	+ 7.4%	+ 1.3%	8.3	16.3	8.0	+ 96.4%	+ 99.3%	3.1%	5.7%
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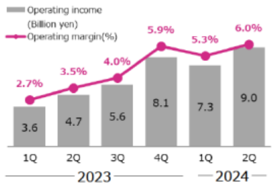
The Americas and Europe	173.5	187.0	13.5	+ 7.8%	+ 0.1%	5.5	9.9	4.4	+ 80.7%	+ 88.3%	3.2%	5.3%
Asia and Oceania	38.9	44.3	5.4	+ 13.9%	+ 4.9%	1.3	3.0	1.7	+ 123.7%	+ 109.9%	3.4%	6.8%
Eliminations	(7.3)	(8.1)	-0.8	-	-	(0.2)	(0.3)	-0.1	-	-	-	-

Operating income/margin



Sales of principal products

	% Change	
Packaging inks*	+ 3%	Sales rose, bolstered by higher shipments overseas.
Publication inks*	-7%	Sales were up in Asia, underpinned by efforts to cultivate customers, but down in other region.
Jet inks	+ 31%	Demand rose, as customers completed inventory adjustments.
Polystyrene	+ 2%	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	-6%	Demand for use in food packaging materials declined, owing to rising food prices.

*Change on a local currency basis

I will move on to a review by business segment.

Page seven, the Packaging & Graphic business. As you can see in the chart below, sales of the main products were up 3% for packaging inks and down 7% for publication inks, while the jet Inks performed well in this category. Thanks to the completion of our customer's inventory adjustment, the volume of shipments has increased considerably. It has grown significantly by 31%.

On the other hand, as for polystyrene and multilayer films, which have the main sale channels in the Japanese market, the demand for packaging materials has shrunk a little due to domestic food price hikes. Therefore, sales are still partially sluggish, and sales are negative compared to the previous year.

Color & Display

Net sales

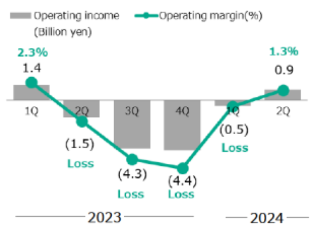
- While customer demand failed to recover fully, shipments increased, as the completion of inventory adjustments by customers pushed up sales.

Operating income

- The segment returned to profitability, reflecting higher shipments and the progress of structural reforms, which lowered costs.

(Billion yen)	Net sales					Operating income					Operating margin	
	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months
Color & Display	117.8	134.3	16.4	+ 13.9%	+ 3.9%	(0.1)	0.4	0.6	Into the black	Into the black	-	0.3%
Japan	16.5	17.0	0.5	+ 3.2%	+ 3.2%	2.4	2.8	0.4	+ 14.7%	+ 14.7%	14.6%	16.2%
Overseas	108.8	125.0	16.2	+ 14.9%	+ 3.6%	(2.6)	(2.2)	0.4	Pared loss	Pared loss	-	-
Eliminations	(7.4)	(7.7)	-0.3	-	-	0.0	(0.2)	-0.2	-	-	-	-

Operating income/margin



Sales of principal products

		% Change*	
Pigments for	coatings	+ 9%	Shipments rose owing to the completion of customer inventory adjustment, but the pace of recovery is slow.
	plastics	+ 6%	Shipments rose owing to the completion of customer inventory adjustment, but the pace of recovery is slow.
	printing inks	+ 4%	Shipments rose owing to the completion of customer inventory adjustment, but the pace of recovery is slow.
	cosmetics	0%	Customer demand flagged in the United States and Europe.
	displays	-1%	Shipments rallied in the second quarter (April–June) with the conclusion of production adjustments by display manufacturers.
	specialty applications	-3%	Sales declined, owing to ongoing inventory adjustments by customers for products for agricultural use.

*Change on a local currency basis

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Next, I will discuss the Color & Display business and its pigments sales. As you can see in the sales of the main products below, sales for coatings and plastics have increased. The sales of inks increased as well. However, for the products displayed below that, namely, cosmetics, displays, and specialty applications, we have yet to see a big rebound.

However, in terms of volume, shipments for displays have been recovering since Q2 and the April to June period, and we expect these shipments to continue to be strong in H2.

As for specialty application, shown at the bottom, the ones for agriculture are still undergoing inventory adjustments. The sales declined slightly in H1.

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Functional Products

Net sales

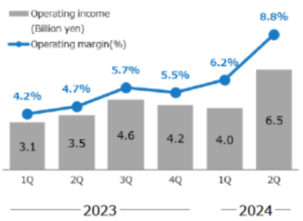
- Excluding the impact of business withdrawals, including the divestiture of SEIKO PMC CORPORATION, sales would have been up 8.1%.
- Shipments of high-value-added products for use in electronics equipment and in mobility solutions increased.

Operating income

- Operating income rose, thanks to a recovery in shipments of high-value-added products for use in electronics equipment and in mobility solution and resulting improvement in the product mix, as well as to successful efforts to revise sales prices.

(Billion yen)	Net sales					Operating income					Operating margin	
	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis	2023 6 Months	2024 6 Months
Functional Products	149.4	139.1	-10.3	-6.9%	-10.3%	6.7	10.6	3.9	+ 58.3%	+ 50.4%	4.5%	7.6%
Japan	100.8	87.8	-13.0	-12.9%	-12.9%	2.5	6.3	3.8	+ 152.1%	+ 152.1%	2.5%	7.1%
Overseas	61.7	67.6	5.9	+ 9.5%	+ 0.5%	4.0	4.3	0.3	+ 7.3%	-2.7%	6.5%	6.4%
Eliminations	(13.2)	(16.3)	-3.2	-	-	0.1	(0.1)	-0.2	-	-	-	-

Operating income/margin



Sales of principal products

	% Change
Epoxy resins	+ 4%
Industrial-use adhesive tapes	+ 28%
UV-curable resins	+ 10%

	% Change
polyphenylene sulfide (PPS) compounds	+ 7%
Acrylic resins	+ 2%
Polyurethane resins	+ 6%
Waterborne resins	+ 16%
Polyester resins	+ 10%
Hollow-fiber membrane modules	+ 7%

Shipments of epoxy resins, notably high-value-added products for use in generative AI servers, computers and smartphones, contributing to an improvement in the product mix. Sales of industrial-use adhesive tapes were bolstered by steady efforts to lock in demand for use in smartphones and other mobile devices. In products for mobility solutions, shipments of polyphenylene sulfide (PPS) compounds, waterborne resins and polyurethane resins among others, were firm.

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Page nine, the Functional Products business. Below are sales trends of major products. The three products listed on the left, epoxy resins, industrial-use adhesive tapes, and UV-curable resins, are what we call "Chemitronics."

On the right side, including PPS compounds, this would be other products for use in mobility solutions and in electronics equipment.

As you can see, the volume of per product group has increased compared to the previous year, and sales are growing very steadily.

Color & Comfort

Functional Products (Supplementary materials)

- Results adjusted to account for the impact of business withdrawals, including from SEIKO PMC

(Billion yen)	Net sales				Operating income				Operating margin	
	2023 6 Months	**2024 6 Months**	Change	% Change	2023 6 Months	**2024 6 Months**	Change	% Change	2023 6 Months	**2024 6 Months**
Functional Products	149.4	**139.1**	-10.3	-6.9%	6.7	**10.6**	3.9	+ 58.3%	4.5%	**7.6%**
impact of business withdrawals	20.7				1.2					
Functional Products after adjustment	128.7	**139.1**	10.4	+ 8.1%	5.5	**10.6**	5.1	+ 92.7%	4.3%	**7.6%**

- Results for the Chemitronics Business Division (accounted for in the Functional Products segment)

(Billion yen)	Net sales				Operating income				Operating margin	
	2023 6 Months	**2024 6 Months**	Change	% Change	2023 6 Months	**2024 6 Months**	Change	% Change	2023 6 Months	**2024 6 Months**
Chemitronics Business Division	24.8	**28.6**	3.8	+ 15.4%	2.7	**4.0**	1.4	+ 50.9%	10.8%	**14.1%**

Principal products: Epoxy and other thermosetting resins for packaging substrates and printed circuit boards, industrial-use adhesive tapes, ultraviolet (UV)-curable resins, photoresist polymers and compounds, surfactants

Please refer to page 10. This is the adjusted version I mentioned at the beginning of the presentation. The table shows result of the Functional Products business excluding the impact of business withdrawals, including the divestiture of SEIKO PMC Corporation.

As you can see in the upper row, the sales of withdrawn business amounted to JPY20.7 billion in H1 of last year. The operating income wasJPY1.2 billion. Excluding this from the previous year, a comparison with the current year shows an 8.1% increase in sales compared to the previous year.

Operating income increased by JPY5.1 billion, or 92.7%. The operating margin is also expected to improve from 4.3% last year to 7.6% in H1 of this fiscal year.

The sales of the Chemitronics business division, a part of the Functional Products segment, are shown at the bottom of this chart. Net sales were JPY28.6 billion and operating income was JPY4 billion, also an increase in sales and profit. The operating margin was 14.1% in Q2.

For reference, the operating margin for the Chemtronics business division in Q1 was 11.8%, which means that the profit margin is also improving here.

Color & Comfort

Consolidated statement of income

(Billion yen)	2023 6 Months	2024 6 Months	Change	% Change	% Change on a local currency basis
Net sales	**515.3**	**538.8**	**23.5**	+ 4.6%	-1.5%
Cost of sales	(420.6)	(425.7)	-5.1		
Selling, general and administrative expenses	(84.7)	(91.2)	-6.5		
Operating income	**10.0**	**21.9**	**12.0**	+ 120.3%	+ 116.7%
Operating margin	**1.9%**	**4.1%**	-		
Interest expenses	(2.4)	(2.7)	-0.2		
Equity in earnings (losses) of affiliates	0.9	1.0	0.1		
Foreign exchange gains (losses)	(1.0)	0.3	1.3		
Other, net	(0.3)	(0.6)	-0.3		
Ordinary income	**7.1**	**20.0**	**12.9**	+ 180.4%	
Extraordinary income	0.5	4.8	4.3		
Extraordinary losses	(2.3)	(9.1)	-6.8		
Income before income taxes	5.3	15.7	10.4		
Income taxes	(4.0)	(8.7)	-4.7		
Net income	1.3	7.0	5.7		
Net income attributable to non-controlling interests	(0.3)	(0.6)	-0.3		
Net income attributable to owners of the parent	**1.0**	**6.4**	**5.4**	+ 543.7%	
EBITDA*	**32.8**	**43.8**	**11.0**	+ 33.6%	

Extraordinary income and losses	2023 6 Months	2024 6 Months
Extraordinary income		
Gain on sales of non-current assets	0.5	3.9
Gain on sales of shares and investments in capital of subsidiaries and affiliates	-	0.9
Extraordinary losses		
Loss on sales of shares and investments in capital of subsidiaries and affiliates	-	(4.5)
Severance costs	(0.8)	(3.2)
Loss on disposal of non-current assets	(0.6)	(1.2)
Impairment losses	(0.9)	(0.2)

■Average rate

	2023 6 Months	2024 6 Months
Yen/US$	135.88	152.13
Yen/EUR	146.91	164.43

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

Next, please see page 11. Here is the consolidated statement of income. I have explained the sales and operating income, so now I will explain the non-operating items. If I may comment on the large change from the previous year, I would like to mention foreign exchange gains/losses. This is an increase of about JPY1.3 billion compared to the previous year, largely due to the positive effect of domestic export business due to the depreciated yen.

Ordinary income was JPY20 billion, an increase of 180.4% over the previous year. Below that are extraordinary gains and losses. While extraordinary gains increased by JPY4.3 billion over the previous year, extraordinary losses increased by JPY6.8 billion over the previous year.

Please see the table for details. There is a breakdown of extraordinary gains and losses. As for extraordinary gains, one of them is a JPY3.9 billion gain on the sale of fixed assets in FY2024. The main part of this is the gain of JPY3.7 billion from the transfer of the intellectual property of our LC materials business which was completed in April of this year.

On the other hand, an extraordinary loss of JPY4.5 billion was posted for loss on sales of stocks and investments in affiliated companies. This is JPY4.5 billion negative impact from the transfer of all the shares held in SEIKO PMC Corporation through the purchase of treasury stock by the latter., which was executed at the beginning of the year.

The severance costs of negative JPY3.2 billion is mainly due to the restructuring costs associated with the structural reform of the SUN CHEMICAL pigment business, which has been ongoing since last year.

Financial health

(Billion yen)	Dec 31 2023	Jun 30 2024	Change
Net interest-bearing debt	441.4	442.6	1.2
Shareholders' equity	363.9	410.6	46.7
Net D/E ratio *1 (Times)	1.21	1.08	
Equity ratio	29.2%	30.7%	
BPS (Yen)	3,844.70	4,336.58	

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

Shareholders' equity rose, as a weak yen led to an increase in foreign currency translation adjustment.

■Closing rate

	Dec 31 2023	Jun 30 2024
Yen/US$	141.32	160.95

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Please refer to page 12. This is the financial strength and balance sheet item. Net interest-bearing debt was JPY442.6 billion at the end of June, which is an increase of JPY1.2 billion compared to December last year, but there was almost no change here.

On the other hand, it is equity capital. It reached JPY410.6 billion by the end of June, which accounted for a surplus of JPY46.7 billion compared to December in the previous year. The largest factor is the increase in foreign currency translation adjustments due to the depreciated yen. This is JPY45.8 billion, and almost all of this increase or decrease is due to foreign currency translation adjustments.

The net debt-to-equity ratio improved from 1.21 times last year to 1.08 times at the end of June, partly due to the increase in equity capital.

Color & Comfort

FY2024 forecasts: Full-term operating results

- The forecast for net sales was left untouched.
- Forecasts for operating income, ordinary income and net income attributable to owners of the parent were revised upward.

(Billion yen)		2023	2024 Forecasts	% Change	Old forecasts
Net sales		1,038.7	**1,100.0**	+ 5.9%	1,100.0
Operating income		17.9	**40.0**	+ 122.9%	30.0
Operating margin		1.7%	**3.6%**	–	2.7%
Ordinary income		9.2	**35.0**	+ 279.8%	25.0
Net income attributable to owners of the parent		(39.9)	**16.0**	Into the black	10.0
EPS (Yen)		(421.06)	**168.99**	–	105.64
EBITDA[*1]		30.8	**93.0**	+ 201.7%	82.0
Capital expenditure and investment		73.3	**58.6**	-20.0%	63.1
Depreciation and amortization		53.1	**55.2**	+ 4.0%	53.9
Average rate	Yen/US$	140.51	**156.00**	+ 11.0%	145.00
	Yen/EUR	151.98	**169.00**	+ 11.2%	156.60

	2023	2024 Forecasts
ROIC[*2]	1.5%	**3.4%**
Net D/E ratio [*3] (times)	1.21	**1.06**
Annual dividends per share (Yen)	80.0	**100.0**
Payout ratio	-	**59.2%**

[*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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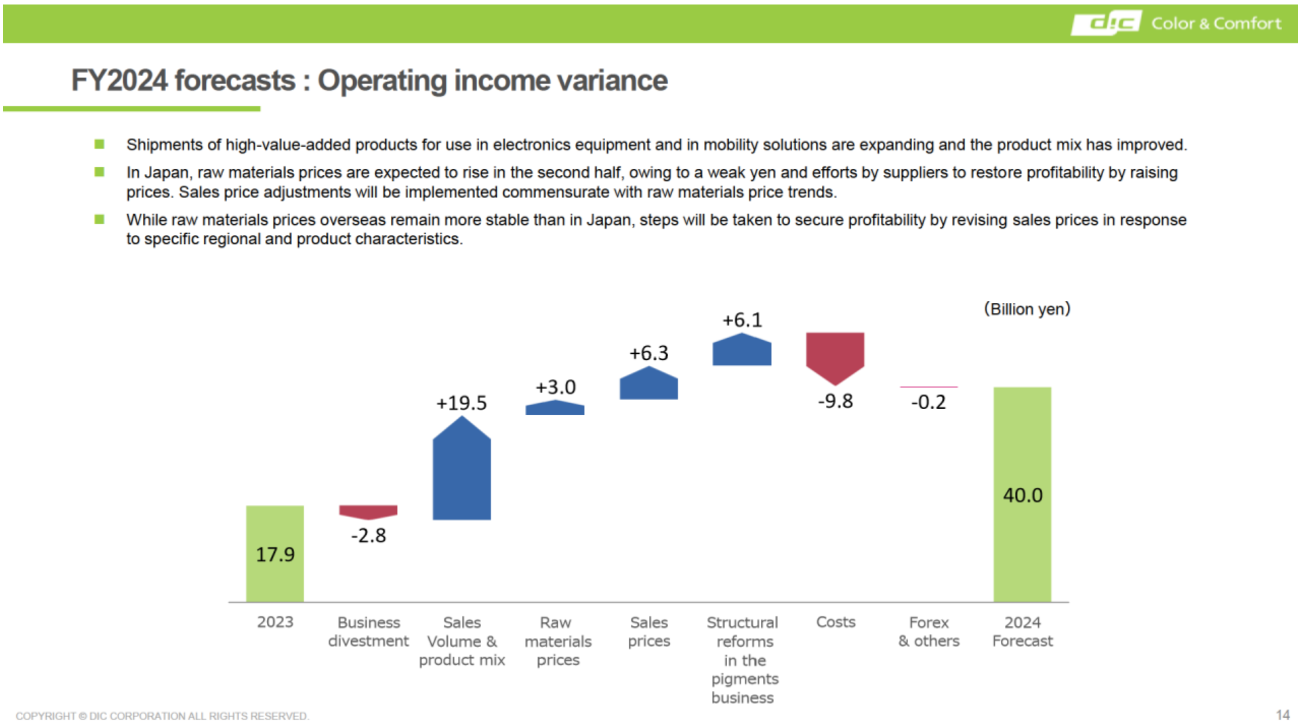
Please refer to page 13. This is the annual forecast for the current fiscal year. As Mr. Ikeda mentioned at the beginning of this presentation, we have made some revisions to this annual forecast. Last time, in Q1, the forecast was announced in May, and there is a column in the middle called Old forecasts, and this is the one announced in May. We are now forecasting annual sales of JPY1.1 trillion. This forecast remains the same.

On the other hand, we increased operating income to JPY40 billion, up JPY10 billion from the previous forecast of JPY30 billion. In conjunction with that, we increased ordinary income from the previous JPY25 billion to JPY35 billion, also an increase of JPY10 billion.

We have revised the net income attributable to the parent company from JPY10 billion to JPY16 billion, reflecting the upward revision of ordinary income and taking into account the tax effects.

On the right, ROIC, we are now forecasting for FY2024, from 1.5% last year to 3.4% so far, with a net D/E ratio of 1.06 times.

The annual dividend remains unchanged at JPY100 per share for now.



Please refer to page 14. This is the annual operating income bridge analysis. Last year, we started with JPY17.9 billion, and the impact of the sale of the business was due to the same factors as those mentioned earlier in H1.

The volume is JPY19.5 billion, this is an increase. Breaking this down by segment, the increase in the volume of pigments and the impact of increased shipments of the Functional Products, electronics equipment, and mobility-related products resulted in an increase of JPY19.5 billion.

The next JPY3 billion in raw material prices and JPY6.3 billion in sales prices, for a total price gap of JPY9.3 billion, a significant portion of which, as in H1, is coming from the ink sales for the Packaging & Graphic business. The price gap also positively impacted some parts of the Functional Products business.

Also, structural reforms in the pigment business brought positive impacts too. We are currently projecting JPY6.1 billion, which is positive compared to the plan at the beginning of the year. On the other hand, the cost increase was negative JPY9.8 billion, which is still a major factor.

One point worth mentioning is that we are currently in the process of updating our ERP system beginning this July, which has resulted in an increase in IT-related expenses this fiscal year. This is about JPY2.5 billion, and is one of the reasons for the cost increase.

As in H1, inflation in Europe and the U.S., particularly with the SUN CHEMICAL, was one of the factors contributing to the JPY9.8 billion of costs increase.

Color & Comfort

FY2024 forecasts : Segment operating income revision

(Billion yen)

	FY2024 Original target	FY2024 1H Actual	FY2024 2H Forecasts	FY2024 Forecasts	Difference
Packaging & Graphic	22.5	16.3	14.6	30.9	8.3
Color & Display	4.0	0.4	(0.4)	0.1	-3.9
Japan	5.2	2.8	3.6	6.4	1.2
Overseas	(1.2)	(2.2)	(4.1)	(6.3)	-5.1
Eliminations	0.0	(0.2)	0.2	0.0	0.0
Functional Products	15.6	10.6	9.0	19.5	3.9
Others, Corporate and eliminations	(12.1)	(5.3)	(5.1)	(10.4)	1.6
Total	30.0	21.9	18.1	40.0	10.0

- Operating income is expected to remain high in the second half, despite the factoring in of sales price reductions overseas.
- With demand recovering and shipments of pigments used in displays expected to be stable, operating income in Japan is likely to exceed the initial forecast.
- Overseas, shipments are likely to be lower than initially anticipated, owing to a delayed recovery in customer demand in Europe. Although overall shipments overseas in the second half are expected to be down from the first half, reflecting seasonal factors, steps will be taken to secure profitability, including increasing sales prices globally and promoting rationalization.
- While shipments of products for use in electronics equipment are expected to continue recovering, operating income in the second half is likely to be down slightly from the first half as a consequence of rising raw materials prices, particularly in Japan.

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Please refer to page 15. The operating income difference that I mentioned last time shows the JPY10 billion increase from JPY30 billion to JPY40 billion, and the details by segments are shown here.

Packaging & Graphic business and Functional Products business both showed significant increases over the previous estimate, while Color & Display business, in the middle, was about JPY3.9 billion below the previous estimate of JPY4 billion. The data are broken down by region, with Japan showing positive growth compared to the previous estimate. However, the pigments in the overseas markets, mainly in Europe and the U.S., have not yet rebounded as planned. The negative figure expanded compared to the previous estimate.

Color & Comfort

FY2024 forecasts: Full-term segment results

(Billion yen)	Net sales				Operating income				Operating margin		Old Forecasts	
	2023	2024 Forecast	Change	% Change	2023	2024 Forecast	Change	% Change	2023	2024 Forecast	2024 Net Sales	2024 Operating income forecasts
Packaging & Graphic	541.9	581.5	39.6	+ 7.3%	22.0	30.9	8.9	+ 40.5%	4.1%	5.3%	577.9	22.5
Japan	124.0	131.2	7.2	+ 5.8%	4.6	6.2	1.6	+ 34.3%	3.7%	4.7%	130.1	4.9
The Americas and Europe	349.0	370.9	21.9	+ 6.3%	13.1	18.3	5.2	+ 39.7%	3.8%	4.9%	371.1	12.7
Asia and Oceania	82.5	95.1	12.6	+ 15.3%	4.2	6.3	2.2	+ 52.2%	5.1%	6.7%	90.9	4.9
Eliminations	(13.5)	(15.7)	-2.2	-	0.1	0.0	-0.1	-	-	-	(14.2)	0.0
Color & Display	227.3	268.2	40.9	+ 18.0%	(8.9)	0.1	9.0	Into the black	-	0.0%	275.2	4.0
Japan	32.0	35.8	3.7	+ 11.6%	4.1	6.4	2.3	+ 56.3%	12.8%	17.9%	37.5	5.2
Overseas	209.5	249.4	40.0	+ 19.1%	(13.0)	(6.3)	6.7	Pared loss	-	-	254.5	(1.2)
Eliminations	(14.2)	(17.0)	-2.8	-	0.0	0.0	-0.0	-	-	-	(16.8)	0.0
Functional Products	305.9	293.1	-12.8	-4.2%	15.4	19.5	4.1	+ 26.2%	5.0%	6.7%	292.2	15.6
Japan	202.9	180.7	-22.3	-11.0%	7.0	10.7	3.7	+ 53.6%	3.4%	5.9%	177.8	6.8
Overseas	130.2	140.9	10.7	+ 8.2%	8.5	8.8	0.3	+ 4.0%	6.5%	6.3%	141.9	8.8
Eliminations	(27.2)	(28.5)	-1.2	-	0.0	0.0	-0.0	-	-	-	(27.5)	0.0
Others, Corporate and eliminations	(36.4)	(42.8)	-6.4	-	(10.6)	(10.4)	0.1	-	-	-	(45.4)	(12.1)
Total	1,038.7	1,100.0	61.3	+ 5.9%	17.9	40.0	22.1	+ 122.9%	1.7%	3.6%	1,100.0	30.0
Yen/US$	140.51	156.00		+ 11.0%	140.51	156.00		+ 11.0%			145.00	145.00
Yen/EUR	151.98	169.00		+ 11.2%	151.98	169.00		+ 11.2%			156.60	156.60

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Please refer to page 16. This is the annual forecast. This forecast for the full year reflects the performance of H1 and H2. As for inks, we expect a gradual recovery in H2 for packaging inks for daily necessities, and sales will continue to be firm. In addition, shipments of jet inks are likely to remain strong in H2.

On the other hand, Europe and the United States. Although there is not much change in volume in H2, we are facing a gradual increase in pressure for price reductions. Therefore, for H2, we factored in a slightly lower profit margin than in H1.

As for the Color & Display business, shown in the middle. In Japan, sales of pigments for color filters grew steadily in H2. In Europe and the U.S., there are seasonal factors in the H1 and H2, and the volume inevitably declines in H2 of each year.

In Europe and the U.S., we raised prices due to the rising costs of raw materials and logistics. When you look at net sales alone, you may not notice a large gap between H1 and H2. However, the volume will be inevitably lower in H2. About pigments for specialty applications, especially for the products for agricultural use, the recovery outlook for this sector is still rough, even in H2 of the fiscal year.

Next, the Functional Products business. Epoxy resins, our main product, performed well in H1 for applications in AI servers. In addition, we expect some recovery in other applications and semiconductors.

As for industrial-use adhesive tapes, there are demand for smartphone applications in H2. As for mobility, automotive. PPS, urethane resins, and waterborne resins are the main products. So far, we have not seen any impact from the approval fraud by domestic automobile companies. Therefore, although we continue to monitor the situation closely, we have not factored in a major negative factor in our current forecast.

In addition, we expect a slight increase in raw material costs, mainly in Japan, and as I mentioned earlier in the operating income bridge chart analysis, we will incur ERP system renewal costs in H2 of this fiscal year in Japan and other Asian regions. This will inevitably lead to a slight increase in costs for the Functional Products segment, and we are forecasting a decrease in profits compared to H1 of the fiscal year.

Functional Products (Supplementary materials)

- Results adjusted to account for the impact of business withdrawals, including from SEIKO PMC

(Billion yen)	Net sales				Operating income				Operating margin	
	2023	2024 Forecast	Change	% Change	2023	2024 Forecast	Change	% Change	2023	2024 Forecast
Functional Products	305.9	293.1	-12.8	-4.2%	15.4	19.5	4.1	+ 26.2%	5.0%	6.7%
impact of business withdrawals	40.4				2.8					
Functional Products after adjustment	265.5	293.1	27.7	+ 10.4%	12.7	19.5	6.8	+ 54.0%	4.8%	6.7%

- Results for the Chemitronics Business Division (accounted for in the Functional Products segment)

Sales of epoxy resins for use in high-frequency printed circuit boards and semiconductor package substrates are increasing, bolstered by efforts to capitalize on the need for low-dielectric materials. The forecast is now for the revised long-term management plan target for operating income of ¥8.0 billion in fiscal year 2025 to be achieved earlier than expected.

(Billion yen)	Net sales				Operating income				Operating margin	
	2023	2024 Forecast	Change	% Change	2023	2024 Forecast	Change	% Change	2023	2024 Forecast
Chemitronics Business Division	53.3	61.4	8.1	+ 15.2%	6.0	8.0	2.0	+ 32.4%	11.3%	13.0%

Finally, on page 17, here are the adjusted amounts for the Functional Products business and the Chemitronics business division.

Lastly, I will review the Chemitronics products. It’s shown at the bottom. JPY61.4 billion in net sales and JPY8 billion in operating profit. Regarding the operating profit of JPY8 billion from the Chemitronics business division, when I updated our long-term management plan in February this year, we had planned to achieve JPY8 billion in operating income for the next year, 2025. We estimate to achieve this amount one year ahead of schedule. The operating income margin is also expected to be 13%, which is naturally an improvement over the previous year.

That concludes my presentation. Thank you.

Question & Answer

Komine [M]: We will now begin the question-and-answer session.

Questioner 1 [Q]: Thank you for your presentation.

The first question is about the overall performance trend. The revised plan for Phase I of FY2025 called for an overall operating profit of JPY40 billion. With the revision of the annual outlook to JPY40 billion for the current fiscal year, you are poised to achieve the planned goal one year ahead of schedule.

You mentioned earlier about Chemitronics. Will you be able to build up on the Packaging and Graphic, as well as the Functional Products? The target for the Color and Display is JPY9.5 billion, and you appear to be far behind the goal, but do you think you can catch up? Any reason for the delay? Also, can you talk about your effort toward the achievement of the Phase I goal, including the development status of new products?

Ikeda [A]: As for the overall performance, as you mentioned, we are likely to achieve the FY2025 plan one year ahead of schedule.

By segment, the Functional Products business performed well.

By maintaining the price gap in the Packaging and Graphic, specifically the overseas ink business, we believe we can maintain the strength of the core business.

On the other hand, as you pointed out, for the Color and Display business, we are aware that we are still behind in terms of the initial speed of improvement and the speed of recovery. Of course, speaking of restructuring and streamlining, which should be done by our own efforts and self-help, we are making progress as planned.

However, the overall revenue base cannot be established without some quantitative return. It depends on regions and applications, the largest one is the pigments for coatings business in Europe. The rebound in this segment has been sluggish, which remains uncertain for the future outlook.

To compensate for this, we are steadily preparing for the shift of management resources to Chemitronics business division, which has been implemented ahead of schedule, and for the new products that will accompany it, and we expect to achieve some upside from these achievements and volume expansion.

Of course, that is not all. For the pigments business, new colorants. New adhesives for P&G, the launch of extremely environmentally friendly products in Europe. Additionally, regional expansion of all these products, such as those from Europe to Asia and Japan. We have new products and strategic products in each division. However, I think the largest contribution comes from Chemitronics business division.

We have several development themes in the pipeline, in line with the expansion of demand, the generative AI servers, and technological innovation in the field of semiconductors miniaturization. A few examples include photoresist polymers of Innovation DIC Chemitronics, which we acquired last year. We are now in the process of developing products with the expectation of launching them sequentially over the next one to two or three years.

Questioner1[Q]: I understand. Thank you.

The second question is about the Packaging and Graphic business. You forecasted the terms of trade will worsen between H1 and H2 of the fiscal year, but are there any signs right now?

Ikeda [A]: First, a look at the overall business. The difference between H1 and H2 of the fiscal year is not necessarily due to a decline in volume. Rather, it is the current circumstance, the price gap that they have maintained until this H1 so far.

In light of the current price pressure on our sales prices amid falling raw material prices overseas, we believe that a decrease in the price gap is unavoidable to some extent given the cycle factor. Therefore, we see such cycle factors as the most significant.

Questioner1 [Q]: Has the increase in your product's market share made it easier to maintain the selling price?

Ikeda [A]: In that sense, we acknowledge that our ability to provide stable services and quality supported us to maintain the existing pricing.

In comparison with our competitors, we have been highly evaluated in this aspect. As a result, our market share has been increasing. We believe that this trend will remain unchanged, or perhaps even contribute to an increase in market share as market conditions deteriorate.

Questioner2 [Q]: Thank you for your presentation. I have two questions.

I'd like to ask about the Functional Products business. First of all, I would like to ask you to discuss this business one more time, as profitability has improved considerably from this Q1 to Q2, especially in Japan and overseas.

Comparing H1 and H2, in the Japanese market in particular, sales are expected to increase, but profit will decline. You mentioned earlier about the high cost of raw materials. Looking at the Chemitronics business division, JPY4 billion in H1 and in H2 of the fiscal year. It doesn't seem to be slowing down that much. Could you please discuss whether the high cost of raw materials can cause profit to fall to this level, focusing on the Japanese market, comparing H1 and H2 of the fiscal year?

Thank you.

Ikeda [A]: First of all, regarding the Functional Products business, we have the products used in mobility and automotive sectors. This is related to PPS, urethane resins. We also have some electronics-related products. Improvement in profitability was largely due to strong sales of both volume and high value-added products. The other factor was the strong sales of epoxy resins and industrial tape in Chemitronics business division.

In addition to raw materials, as I mentioned earlier, there will be an increase in costs in H2 due to the upgrades of ERP system, a system related to our group companies, especially in Japan and Asia. The cost impact is greater in the Functional Products business, which has a relatively higher sales volume in Japan and other Asian markets.

On the other hand, as for industrial tape, we had a very strong H1. In terms of the smartphone production cycle, production is concentrated to some extent in H1. This means that the production will inevitably be lower in H2. With these cycle factors accounted for, the Chemitronics will remain at JPY4 billion and JPY4 billion in H1 and H2 of the fiscal year.

Arguably, when such special factors are removed, the overall recovery and growth trend appears to be continuing, though seasonal factors and cost increases impacted the reported numbers.

Questioner2 [Q]: Understood.

The second question I would like to make is on the analysis of increase and decrease, in particular costs. The fiscal term began with negative JPY3.7 billion, which has grown considerably to negative JPY9.8 billion this time.

Please tell us whether the ERP system upgrades beginning in July and personnel costs increase had not been factored in at the beginning of the fiscal year. Please tell us the reason behind the increase from JPY3.7 billion to JPY9.8 billion.

Asai [A]: First, at the time of February this year, it was disclosed as a net figure. This time, we separated out the structural improvement for the pigments business.

As I look at them at the same level, the positive JPY6.1 billion from structural reforms, combined with the negative JPY9.8 billion for the costs, it is now negative JPY3.7 billion. I would like you to compare this figure with the cost increase in February. In this way, I believe that it has not fluctuated significantly.

Questioner2 [M]: Understood. Thank you. That's all from me.

Komine [M]: Thank you very much.

Next, questioner3, please continue.

Questioner3 [Q]: Thank you.

I think the reason for the lower profit forecast for H2 compared to H1 is that the sales price is expected to be lowered. Based on this assumption for H2, I can assume that the overseas sales price will probably be lowered to the same level as competitors.

That being said, looking at what your company's stable supply needs at the moment, this forecast seems conservative, and I wonder how I should comprehend it. Are you simply taking a conservative approach? I would appreciate your comment.

Asai [A]: That is exactly the nuance of what you are judging as conservative. In fact, looking at July, and then August, those months that have just started, and assessing whether if we are in the right circumstance to carry out price reductions, I think we can hold current pricings for the time being.

In our annual forecast for H2, the figures are based on the assumptions I have just discussed, but I think we will be able to maintain a high profit margin without going so far as to cut prices.

In the meantime, I hope you will understand that today's report is what we want to present.

Questioner3[M]: I see. This was very clear. Thank you. That's all from me.

Komine [M]: Thank you very much.

Questioner1, please go ahead.

Questioner1 [Q]: Sorry for the second time.

Net profit has also been revised upward significantly, but the dividend remains unchanged. You mentioned the current situation, but the minimum dividend of JPY100 is a fairly high dividend payout ratio to begin with, so I am not sure how it would work. Any comments on shareholder returns would be appreciated.

Asai [A]: We set the annual dividend at JPY100, and the reason we decided not to revise it is because this number works for the current financial plan. We will make a final decision next February, when the annual financial results are finalized.

In addition, when we discussed our cash allocation plan in February, we discussed that we would consider additional returns to shareholders based on cash flow from operations, plus an additional cash generated from the sale of various assets and other items in accordance with cash allocation policy.

We would like to discuss whether we will return profits to shareholders by increasing the dividend or by other means after reviewing the results of the full-year business performance. For the time being, please expect the payout of JPY100.

Komine [M]: Thank you very much.

Now, questioner2, please go on.

Questioner2 [Q]: I have one question.

The Corporate Value Improvement Committee's interim report on museum operations is scheduled for the end of August, I believe. Please tell us as much as you can about the current situation and what direction you are currently taking.

Ikeda [A]: As announced in February, the Corporate Value Improvement Committee has held several meetings since April. The first agenda item is the management of the museum, and as initially announced, we are proceeding with our deliberations with a composition of only outside directors, with the addition of outside advisors as necessary.

After the proposal was made in the form of advice to the directors, the Company will make a report based on it, an interim report, which will be made in August, and we are proceeding as planned. The specifics and timing are still being worked out, so I can't say much today, but an interim report will be issued in August as planned. The final report is scheduled for December, so this is only an interim report, but it is progressing as planned.

This is all I can share at the moment.

Questioner2 [M]: Understood. Thank you. That's all.

Komine [M]: Thank you very much.

There are still a few minutes left, but since there are no more questions, we will conclude the question-and-answer session.

This concludes today's sessions. Thank you very much for joining us today. Goodbye.

[END]

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