DIC Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending December 2025

August 12, 2025

Presentation

Color & Comfort

Highlights

(Billion yen)	2024 1st Half	2025 1st Half	% Change	2025 Forecasts	Old forecasts
Net sales	538.8	**523.2**	-2.9%	**1,060.0**	1,110.0
Operating income	21.9	**27.0**	+22.9%	**50.0**	48.0
Ordinary income	20.0	**20.3**	+1.3%	**40.0**	44.0
Net income attributable to owners of the parent	6.4	**13.1**	+104.0%	**24.0**	24.0
Annual dividends per share (Yen)	50.00	**50.00**		**200.00**	100.00

FY2025 six months results

- Net sales slipped. Shipments of pigments and inks slowed from the beginning of the second quarter (April–June 2025), caused by concerns regarding U.S. tariffs.
- Operating income advanced. Factors behind this included a return to profitability in the pigments business overseas, owing to cost reductions achieved through structural reforms, together with the revision of sales prices.
- While foreign exchange losses hindered ordinary income, net income attributable to owners of the parent climbed sharply, with contributing factors including a decrease in extraordinary losses from the corresponding period of the previous fiscal year.

FY2025 forecasts

- Although the full-term net sales forecast has been revised downward from the initial forecast, operating income is now expected to exceed the initial forecast, thanks to efforts to expand sales of high-value-added products and adjust sales prices. The forecast for ordinary income has also been revised downward, owing to an expanded increase in foreign exchange losses, but with extraordinary losses likely to be lower than expected the forecast for net income attributable to owners of the parent remains unchanged.
- Forecasts do not reflect the impact of extraordinary gains from the sale of works of art.

Returns to shareholders

- In line with policies for cash allocation, dividends will be increased to provide an additional ¥10 billion in returns to shareholders. The year-end dividend will be increased by ¥100.00, to ¥150.00 per share. As a consequence, dividends for the period, including a ¥50.00 interim dividend, will be ¥200.00 per share.

Ikeda: Thank you all for attending our financial results briefing for Q2. I am President Ikeda.

Let me begin with some highlights and an overview.

First, let me give you an overview of our performance in H1 of this fiscal year. Net sales decreased 2.9% YoY to JPY523.2 billion, operating income increased 22.9% to JPY27 billion, ordinary income increased 1.3% to JPY20.3 billion, and net income attributable to owners of the parent for the interim period was JPY13.1 billion, up 104% YoY.

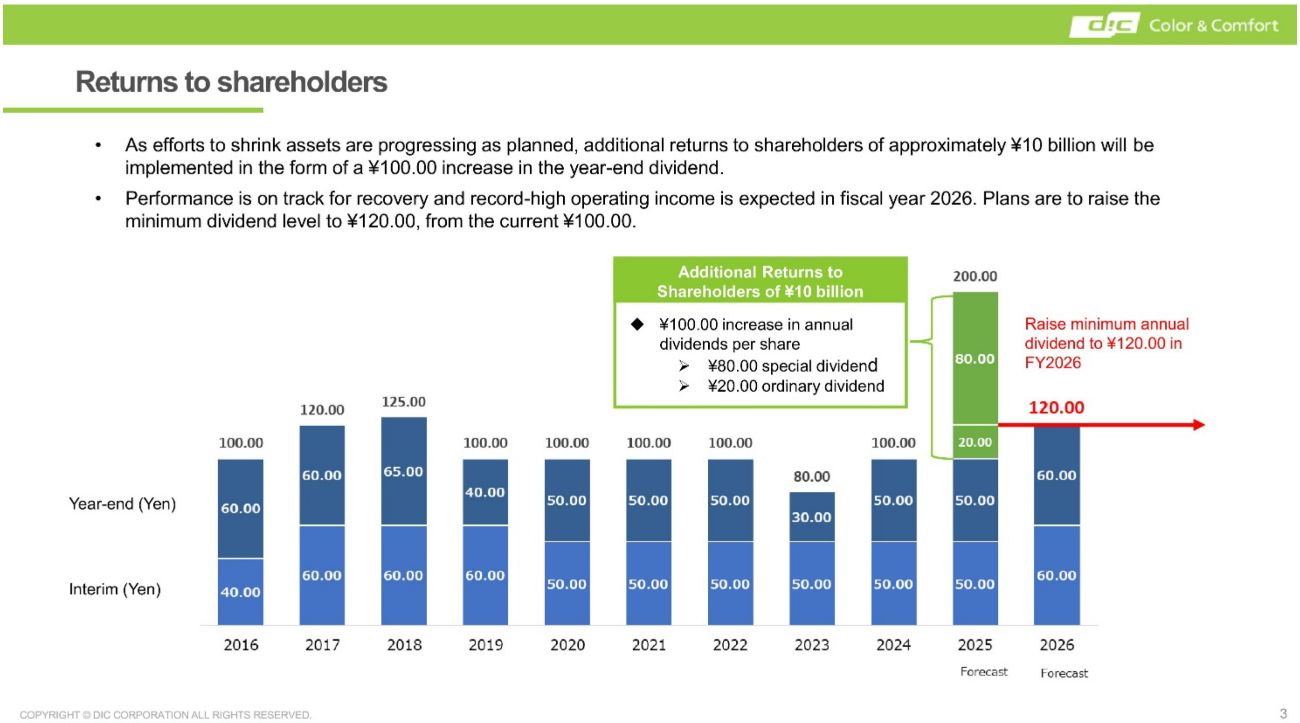
Net sales were mainly affected by a slowdown in shipments of pigments and inks in Q2. Operating income, on the other hand, increased significantly due to price revisions and price maintenance, as well as cost reductions, despite the decrease in shipments. The main reason was that the overseas pigment business became profitable.

Despite this, ordinary income was almost the same level as the same period last year, but this was due to foreign exchange losses, which pushed down ordinary income. The foreign exchange impact has been greatest in Europe. On the other hand, net income for the interim period increased significantly due to a decrease in extraordinary losses compared to the same period last year.

The annual sales forecast for 2025, which was disclosed earlier, has been revised downward slightly from the previous forecast, to JPY1.06 trillion. We continue to expect a slight decrease in shipment volume, mainly due to the volume of inks in Europe and seasonal factors in pigments, but on the other hand, some products, mainly high value-added products in Functional Products, are expected to grow. These products generally have higher profit margins, and together with price revisions, we expect a positive impact on earnings. As a result, we have revised our full-year operating profit forecast upward to JPY50 billion.

On the other hand, ordinary income has been revised downward slightly to reflect an increase in foreign exchange losses, but net income remains unchanged because extraordinary losses are expected to decrease as in H1. The extraordinary gain from the sale of artwork is not included in the forecast in this annual net income.

In line with this outlook, we have decided to pay an additional JPY10 billion worth of dividends to shareholders, in accordance with our cash allocation policy, which we have established for the 2024, 2025, and 2026. The year-end dividend will be JPY150, JPY100 higher than usual, and together with the interim dividend of JPY50, the annual dividend will be JPY200.

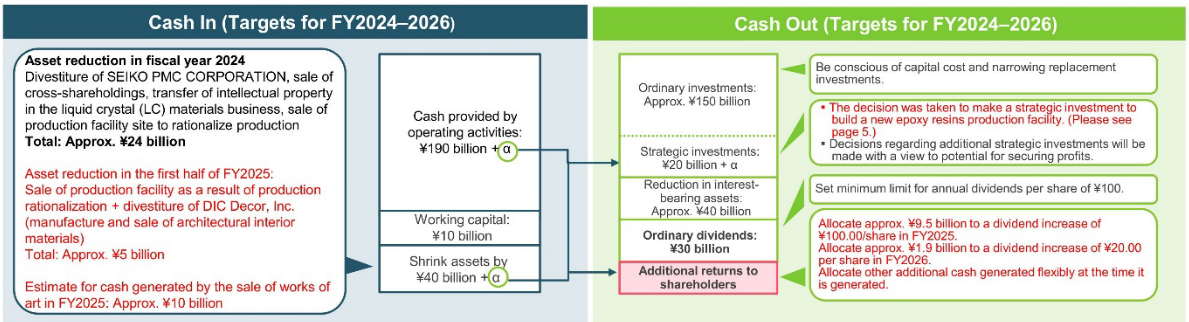


Regarding the details of shareholder returns I mentioned earlier, here is a chart showing our dividend history since 2016. In response to the fact that asset reduction is progressing as planned, we have decided to provide an additional shareholder return of JPY100 per share in FY2025.

Considering various factors, we will make this decision based on a comprehensive judgment. For the contents of this JPY100, we will pay a special dividend of JPY80 and increase the year-end dividend of JPY20. Accordingly, the minimum dividend for 2026 will be raised from JPY100 to JPY120. We have decided based on the significantly improved prospects for record-high profits in 2026.

Policies for cash allocation

- Asset reduction generated approximately ¥24 billion in fiscal year 2024 and ¥5 billion in the six months ended June 30, 2025. Including cash provided by the sale of works of art, asset reduction is expected to generate approximately ¥40 billion-plus by the end of fiscal year 2026.
- Strategic investment of up to ¥20 billion to build a new epoxy resins production facility for electronics at the Chiba Plant. Supply to begin in July 2029.
- Applications for other additional cash generated will be determined at the time it is generated in accordance with the policies for cash allocation.



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

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I would like to reiterate the overview of the cash allocation policy I just mentioned. Shown in the figure here are the planned cash-in and cash-out figures for the three-year period, from 2024 to 2026.

As highlighted in red in the cash-in column on the left, we were able to generate cash inflow of JPY24 billion in FY2024 and JPY5 billion in H1 of this fiscal year, as a result of asset reduction. In addition, we expect cash inflow of JPY10 billion from the sale of artworks expected in H2, and including this cash inflow, we expect to secure the planned JPY40 billion-plus cash by 2026.

Regarding the use of these funds, we had allocated JPY20 billion for strategic investments, and as previously announced, we have decided to use part of this amount to construct a new epoxy resins production facility for electronics applications at our Chiba plant.

As for additional shareholder returns, we plan to implement a dividend increase of JPY100 per share in 2025 and raise the minimum dividend to JPY120 per share in 2026. We will continue to provide additional shareholder returns when we receive additional cash from asset reductions and other sources.

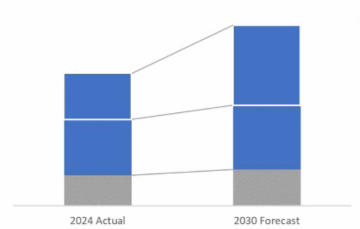
Construction of New Epoxy Resins Production Facility at the Chiba Plant (Chemitronics)

Responding to increasingly advanced needs in the area of semiconductor backend processing and driving business expansion by locking in expanding demand

- DIC is a leading producer of high-performance epoxy resins for low-dielectric substrates and semiconductor packaging, including encapsulants and insulation films.
- The decision to build this new production facility at the Chiba plant was made following approval as a "plan for ensuring stable supply" by the Ministry of Economy, Trade and Industry under Japan's Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures. As a result, DIC is expected to receive a subsidy of up to ¥3 billion and to increase its production capacity for epoxy resins used in semiconductor fabrication by approximately 59%.
- The project aims to secure sufficient production capacity to meet rising demand for epoxy resins—underpinned by the growth of the semiconductor market—over the medium to long term and build a stable supply framework in Japan, as well as to further expand the chemitronics business.

Sales of Epoxy Resins

- Sales for use in low-dielectric substrates and semiconductor packaging, an area of the epoxy resins for electronics applications for which demand is projected to expand, are rising.
- Overall sales of epoxy resins are expected to increase approximately 1.4 times between fiscal year 2024 and fiscal year 2030.



2024→2030 CAGR	
10%	**Resins for low-dielectric substrates and semiconductor packaging**
2%	Other electronics-related applications
3%	Other applications, including coatings

In particular, proprietary active ester epoxy resin hardeners that are highly regarded in the market for materials for high-end high-frequency printed wiring boards

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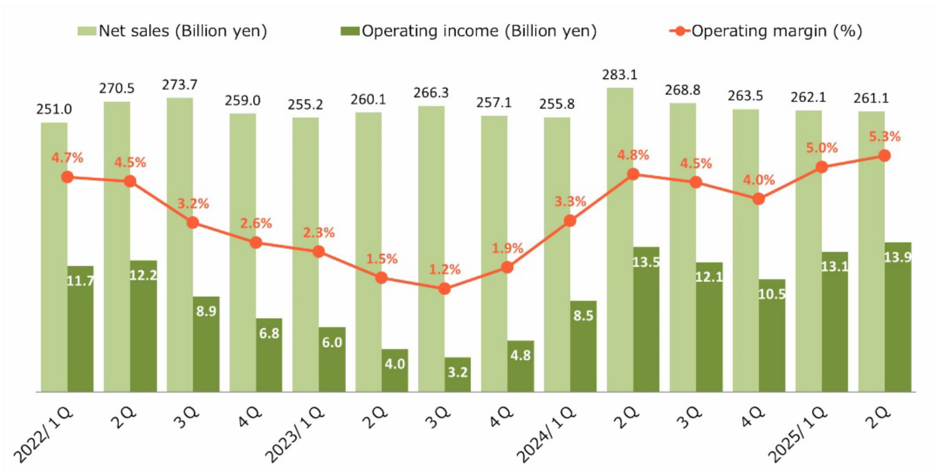
I would like to explain about the strategic investment regarding the construction of a new epoxy resins production facility at the Chiba plant. We have assembled a core set of products as our Chemitronics business and are now focusing on making it a pillar of our next-generation business. Epoxy resins are mainly used for low-dielectric substrates and semiconductor package components. Their demand has been growing steadily, especially due to increased needs for AI servers and related products.

Against this backdrop, we are pleased to announce that we have received approval as a "plan for ensuring stable supply" under Japan's act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures. As a result, we have decided to build a new epoxy resins production facility at our Chiba plant. The construction will be carried out with a maximum subsidy of JPY3 billion, while the total eligible investment amount is up to JPY9 billion. Including other nonsubsidized investments, we plan to increase our production capacity of epoxy resins for semiconductors by about 60%.

We plan to start operations in July 2029. As shown below, we aim to increase sales of resins for low-dielectric substrates and semiconductor packages, mainly for Chemitronics applications, at a CAGR of 10% through 2030, and have decided to invest to achieve this goal.

Quarterly trends in operating results

- Profitability is recovering steadily. Operating income in the second quarter (April–June 2025) was the highest quarterly result since the acquisition of the Colors & Effects pigments business.



Quarterly performance trends are shown for the past three years. Operating profit in the second quarter of 2025 reached its highest level since the acquisition of C&E. The operating profit margin is also on a steady recovery track, and we are gaining confidence as we move toward achieving record-high profits into next year.

That is all for the overview.

Consolidated statement of income

(Billion yen)	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis
Net sales	**538.8**	**523.2**	**-15.6**	-2.9%	-0.5%
Cost of sales	(425.7)	(406.4)	19.3		
Selling, general and administrative expenses	(91.2)	(89.8)	1.4		
Operating income	**21.9**	**27.0**	**5.0**	+ 22.9%	+ 27.9%
Operating margin	**4.1%**	**5.2%**	-		
Interest expenses	(2.7)	(1.8)	0.9		
Equity in earnings (losses) of affiliates	1.0	0.9	-0.2		
Foreign exchange gains (losses)	0.3	(4.8)	-5.1		
Other, net	(0.6)	(1.0)	-0.4		
Ordinary income	**20.0**	**20.3**	**0.3**	+ 1.3%	
Extraordinary income	4.8	2.4	-2.4		
Extraordinary losses	(9.1)	(1.9)	7.3		
Income before income taxes	15.7	20.8	5.1		
Income taxes	(8.7)	(7.4)	1.2		
Net income	7.0	13.4	6.3		
Net income attributable to non-controlling interests	(0.6)	(0.3)	0.3		
Net income attributable to owners of the parent	**6.4**	**13.1**	**6.7**	+ 104.0%	
EBITDA *	**43.8**	**49.1**	**5.3**	+ 12.0%	

Extraordinary income and losses	2024 6 Months	2025 6 Months
Extraordinary income		
Gain on sales of shares and investments in capital of subsidiaries and affiliates	0.9	1.7
Gain on sales of non-current assets	3.9	0.7
Extraordinary losses		
Loss on disposal of non-current assets	(1.2)	(0.8)
Loss on sales of shares and investments in capital of subsidiaries and affiliates	(4.5)	(0.5)
Severance costs	(3.2)	(0.4)
Impairment losses	(0.2)	(0.2)

■Average rate

	2024 6 Months	2025 6 Months
Yen/US$	152.13	148.58
Yen/EUR	164.43	162.72

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

Asai: Good morning, everyone. My name is Asai, and I am in charge of the finance and accounting unit. I would like to present to you the details of the financial results for Q2 of 2025.

The document you are looking at now is the consolidated income statement for H1. Since Ikeda has already given you an overview of net sales and operating income, I will talk about a supplemental explanation about items under operating income.

Looking at operating income and below, interest expenses showed a slight improvement compared to last year. In particular, regarding to overseas, cost reductions due to lower interest rates have been a major factor.

Next is foreign exchange gains/losses on the third. Last year, the foreign exchange gain was JPY0.3 billion. This year, it is negative JPY4.8 billion, marking a sharp turnaround of JPY5.1 billion from the previous year and representing the primary factor behind the decline in profit.

The primary factor behind the sharp decline in foreign exchange gains and losses is the yen's appreciation against other currencies and the depreciation of many currencies, particularly those of emerging countries. In particular, the significant depreciation of the Turkish lira and the Argentine peso has had a notable impact, resulting in substantial foreign exchange losses.

As a result, while operating income increased significantly by an additional JPY5 billion in the previous year, the level of ordinary income was almost the same as the previous year. For the items below ordinary income, changes in extraordinary loss are notable. Last year, there was a loss of JPY9.1 billion, but this fiscal year, the loss is JPY1.9 billion, a decrease of about JPY7 billion here, and a factor in the increase in profit.

As you can see from the breakdown on the right, there were several special factors last year. In particular, the JPY4.5 billion loss on sales of stocks and investments in affiliates, recorded under extraordinary losses, reflects the loss incurred from the transfer of shares in SEIKO PMC, which was a listed subsidiary of the Company.

Below that is restructuring-related severance losses. This is the restructuring cost in Europe and the US, especially in the ink and pigment business, which was negative JPY3.2 billion last year, but has improved significantly.

The reduction in extraordinary losses due to these two main factors resulted in higher income before income taxes compared with the previous year. This, in turn, led to net income attributable to owners of the parent of JPY6.4 billion last year and JPY13.1 billion this year, nearly double the previous year's figure.

Color & Comfort

Financial health

(Billion yen)	Dec 31 2024	Jun 30 2025	Change
Net interest-bearing debt	422.5	424.6	2.2
Shareholders' equity	401.4	396.1	-5.3
Net D/E ratio* (Times)	1.05	1.07	
Equity ratio	32.7%	32.9%	
BPS (Yen)	4,239.67	4,183.85	

Foreign currency translation adjustments declined as a consequence of yen appreciation. (-13.8)

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

■Closing rate

	Dec 31 2024	Jun 30 2025
Yen/US$	156.24	143.91

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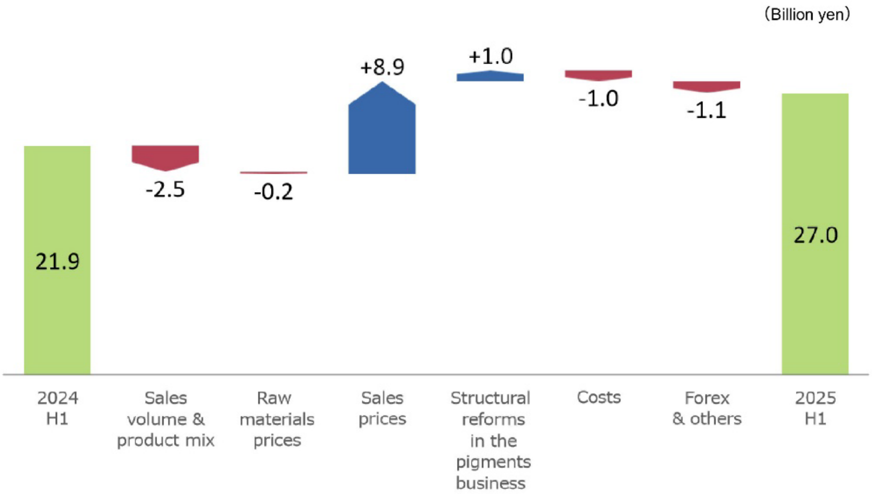
Next page, please. Next is financial health. First of all, at the end of June, net interest-bearing debt was JPY424.6 billion, an increase of JPY2.2 billion from the end of December last year. On the other hand, the shareholders' equity was JPY396.1 billion, a decrease of about JPY5.3 billion compared to last December.

However, as noted beside the figure, the main reason for this negative JPY5.3 billion is the decrease in the foreign currency translation adjustment on the Company's balance sheet caused by the strong yen. That portion was negative by about JPY13.8 billion, which is the main reason for the decrease in the shareholders' equity.

As a result, the net D/E ratio increased slightly to 1.07x from 1.05x at the end of December last year. On the other hand, the equity ratio was 32.9%, almost the same level as at the end of December of the previous year.

Operating income variance

- Profitability improved thanks to exhaustive price-control efforts that emphasized spreads.



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Next page, please. The following are the reasons for the increase or decrease in operating income in this H1. OI, as indicated by the operating income bridge, the leftmost figure is JPY21.9 billion for H1 of last year, and the right one is JPY27 billion for the current year. As you can see, the increase or decrease is clear. The positive factor was this sales price. The price here is significantly higher, a positive JPY8.9 billion.

This is a significant increase of JPY8.9 billion, reflecting the effect of our efforts since last year to adjust selling prices to cover higher costs, as well as a portion of this fiscal year's cost increase from the Trump tariffs, which we have passed on to customers through surcharges.

On the other hand, on the left side, there is sales volume and product mix. This is a negative JPY2.5 billion, and the largest portion of this is related to the Packaging and Graphic segment. This is a significant portion of the negative JPY2.5 billion. Details will be explained later.

Color & Comfort

Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months
Packaging & Graphic	280.8	268.8	-12.0	-4.3%	-1.1%	15.2	13.4	-1.8	-11.9%	-5.2%	5.4%	5.0%
Japan	63.2	62.2	-1.0	-1.6%	-1.6%	3.5	2.5	-1.0	-28.6%	-28.6%	5.5%	4.0%
The Americas and Europe	181.4	172.7	-8.7	-4.8%	-0.4%	9.0	8.2	-0.8	-9.1%	+ 1.6%	5.0%	4.7%
Asia and Oceania	44.3	41.0	-3.4	-7.6%	-5.4%	3.0	2.6	-0.4	-11.9%	-10.4%	6.8%	6.4%
Eliminations	(8.1)	(7.1)	1.0	-	-	(0.3)	0.1	0.4	-	-	-	-
Color & Display	134.3	132.0	-2.3	-1.7%	+ 0.5%	0.4	5.7	5.2	13.1 times	8.0 times	0.3%	4.3%
Japan	17.0	18.0	1.1	+ 6.3%	+ 6.3%	2.8	3.1	0.3	+ 12.0%	+ 12.0%	16.2%	17.1%
Overseas	125.0	123.4	-1.6	-1.3%	+ 1.3%	(2.2)	2.6	4.8	Into the black	Into the black	-	2.1%
Eliminations	(7.7)	(9.5)	-1.8	-	-	(0.2)	(0.1)	0.1	-	-	-	-
Functional Products	144.7	143.0	-1.8	-1.2%	-0.4%	10.8	10.9	0.1	+ 0.8%	+ 1.3%	7.5%	7.6%
Japan	87.8	88.9	1.0	+ 1.2%	+ 1.2%	5.6	5.2	-0.4	-6.5%	-6.5%	6.4%	5.9%
Overseas	73.2	69.8	-3.5	-4.7%	-3.2%	5.3	5.7	0.4	+ 7.6%	+ 8.8%	7.2%	8.2%
Eliminations	(16.3)	(15.7)	0.7	-	-	(0.1)	(0.0)	0.0	-	-	-	-
Others, Corporate and eliminations	(20.9)	(20.5)	0.5	-	-	(4.5)	(3.0)	1.5	-	-	-	-
Total	538.8	523.2	-15.6	-2.9%	-0.5%	21.9	27.0	5.0	+ 22.9%	+ 27.9%	4.1%	5.2%
Yen/US$	152.13	148.58		-2.3%		152.13	148.58		-2.3%			
Yen/EUR	164.43	162.72		-1.0%		164.43	162.72		-1.0%			

See next page, page 10. Here is a breakdown of overall sales and operating income by segment. We have three major divisions, Packaging and Graphic, Color and Display, and Functional Products.

Net sales were down YoY for all divisions, partly due to the strong yen. Packaging and Graphic, in particular, recorded a larger decline. On the other hand, the operating income of the Color and Display business, which is in the middle of the graph, and the overseas business, which is in the middle under Color and Display, went from an operating loss of JPY2.2 billion last year, to a profit of JPY2.6 billion this year, which is an increase of JPY4.8 billion over the previous year. This is the main reason for the increase in overall profit.

Packaging & Graphic

- **Japan**: Operating income decreased as a result of weak shipments, especially in packaging inks and polystyrene.
- **The Americas and Europe**: Shipments of packaging inks deteriorated, owing to slowing demand. Despite rising on a local currency basis, thanks to efforts to maintain sales prices by ensuring stable supplies and services, operating income fell after translation, owing to the depreciation of emerging market currencies.
- **Asia and Oceania**: Markets conditions stagnated in Asia and Oceania. Price competition intensified, pushing down operating income.

(Billion yen)	Net sales					Operating income					Operating margin	
	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months
Packaging & Graphic	280.8	268.8	-12.0	-4.3%	-1.1%	15.2	13.4	-1.8	-11.9%	-5.2%	5.4%	5.0%
Japan	63.2	62.2	-1.0	-1.6%	-1.6%	3.5	2.5	-1.0	-28.6%	-28.6%	5.5%	4.0%
The Americas and Europe	181.4	172.7	-8.7	-4.8%	-0.4%	9.0	8.2	-0.8	-9.1%	+ 1.6%	5.0%	4.7%
Asia and Oceania	44.3	41.0	-3.4	-7.6%	-5.4%	3.0	2.6	-0.4	-11.9%	-10.4%	6.8%	6.4%
Eliminations	(8.1)	(7.1)	1.0	-	-	(0.3)	0.1	0.4	-	-	-	-

Operating income/margin

Sales of principal products

	% Change	
Packaging inks*	+ 1%	Demand slowed and shipments were sluggish, but sales rose thanks to sales price adjustments that emphasize spreads.
Publication inks*	-8%	Demand declined, owing to a continuing shift to digital printing.
Jet inks	+ 6%	A continuing shift to digital printing bolstered shipments and sales.
Polystyrene	-11%	Sales were down owing to the revision of sales prices following a decrease in raw materials prices and buying restraint from July forward in anticipation of further declines.
Multilayer films	+ 5%	Demand for use in food packaging flagged, owing to rising food prices, but sales increased thanks to efforts to maintain sales prices.

*Change on a local currency basis

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Next page, please. Next is the Packaging and Graphic segment. As I mentioned earlier, sales declined compared to the previous year.

Below is a breakdown of sales by region. Sales have declined compared to the previous year in Japan, as well as in the Americas and Europe—particularly in Europe. This is mainly due to sluggish shipments of ink for packaging and, in Japan, polystyrene used for food trays. In both Japan and Europe, rising food prices have led to a decrease in demand, which in turn has reduced shipments of food packaging materials. As a result, shipments of our packaging inks and polystyrene, which is used for packaging, have decreased. These are the main factors behind the decline in sales.

Operating profit decreased by JPY1.8 billion compared to the previous year. In Japan, the negative factors were, as mentioned earlier, the decline in sales of inks for packaging and of polystyrene.

The operating profit margin is 5%, which is slightly lower than the 5.8% in Q2 of last year, but the profit level has been almost stable in Q1 and Q2.

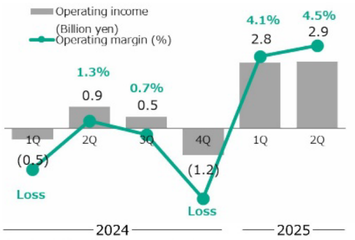
Color & Display

Net sales
- Customers began to curb orders early in the second quarter (April–June 2025), provoked by concerns regarding tariffs, sales rose on a local currency basis thanks to sales prices implemented to improve margins.

Operating income
- Segment operating income soared, as the revision of sales prices improved margins and structural reforms helped trim costs, underpinning a return to profitability overseas.

(Billion yen)	Net sales					Operating income					Operating margin	
	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months
Color & Display	134.3	132.0	-2.3	-1.7%	+ 0.5%	0.4	5.7	5.2	13.1 times	8.0 times	0.3%	4.3%
Japan	17.0	18.0	1.1	+ 6.3%	+ 6.3%	2.8	3.1	0.3	+ 12.0%	+ 12.0%	16.2%	17.1%
Overseas	125.0	123.4	-1.6	-1.3%	+ 1.3%	(2.2)	2.6	4.8	Into the black	Into the black	-	2.1%
Eliminations	(7.7)	(9.5)	-1.8	-	-	(0.2)	(0.1)	0.1	-	-	-	-

Operating income/margin



Sales of principal products

		% Change*	
Pigments for	coatings	+ 2%	Shipments decreased, as customers curbed orders to assess the impact of tariffs, but sales increased, thanks to the revision of sales prices.
	plastics	+ 5%	Shipments decreased, as customers curbed orders to assess the impact of tariffs, but sales increased, thanks to the revision of sales prices.
	printing inks	-3%	Sales declined, owing to customer inventory adjustments.
	cosmetics	-9%	Shipments to cosmetics manufacturers in the Americas and Europe were listless.
	displays	+ 8%	Shipments slowed in the second quarter, owing to minor operating rate adjustments by display manufacturers, but remained firm.
	specialty applications	+ 1%	Shipments for agricultural use, a target of ongoing inventory adjustments, showed signs of recovering.

*Change on a local currency basis

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Next, please. Next is the Color and Display segment, pigments. Sales were almost unchanged from the previous year, but operating income improved significantly. In particular, the overseas pigment business has returned to the black from last year’s deficit. As I mentioned in the bridge section earlier, we raised prices to improve profitability. We also benefited from cost reductions from restructuring and other structural reforms, and these were the factors that helped us turn profitable this fiscal year.

As shown in the quarterly operating income and operating income ratio on the lower left, we are seeing further improvement in the profit margin from Q1 to Q2.

Functional Products

Net sales

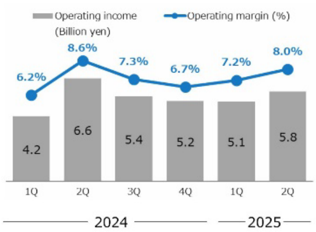
- Sales slipped, despite an increase in shipments of high-value-added products for use in electronics equipment and mobility solutions, as shipments of general-purpose products for housing construction and infrastructure-related applications, and for general industrial applications, declined.

Operating income

- Segment operating income was up, with contributing factors including an improved product mix and successful efforts to maintain sales prices that emphasized spreads.

(Billion yen)	Net sales					Operating income					Operating margin	
	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months	Change	% Change	% Change on a local currency basis	2024 6 Months	2025 6 Months
Functional Products	144.7	143.0	-1.8	-1.2%	-0.4%	10.8	10.9	0.1	+ 0.8%	+ 1.3%	7.5%	7.6%
Japan	87.8	88.9	1.0	+ 1.2%	+ 1.2%	5.6	5.2	-0.4	-6.5%	-6.5%	6.4%	5.9%
Overseas	73.2	69.8	-3.5	-4.7%	-3.2%	5.3	5.7	0.4	+ 7.6%	+ 8.8%	7.2%	8.2%
Eliminations	(16.3)	(15.7)	0.7	-	-	(0.1)	(0.0)	0.0	-	-	-	-

Operating income/margin



Sales of principal products

	% Change
Epoxy resins	+ 5%
Industrial-use adhesive tapes	+ 17%
UV-curable resins	+ 2%

	% Change
polyphenylene sulfide (PPS) compounds	+ 0%
Acrylic resins	+ 2%
Polyurethane resins	+ 1%
Waterborne resins	-1%
Polyester resins	-7%
Hollow-fiber membrane modules	+ 27%

Products for digital applications, including epoxy resins, industrial-use adhesive tapes, UV-curable resins and hollow-fiber membrane modules, performed well. Among other products, those for mobility solutions remained firm thanks to front-loaded demand in certain areas in advance of the U.S. tariffs, but shipments of general-purpose products for housing construction and infrastructure-related applications and for general industrial applications were sluggish. Shipments of polyester resins—many uses for which are in housing construction and infrastructure—fell sharply.

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Next page, next is the Functional Products segment. Sales were almost unchanged from the previous year, but operating income increased by JPY100 million compared to the previous year.

The table below shows the breakdown of sales of principal products. Our main electronics-related products—epoxy resins and industrial-use tapes, which are used in smartphones—as well as UV-curable resins, have all shown growth compared to the previous year. These have contributed to the increase in profits.

The products on the right side of the table are mobility products, which are automotive-related, products related to housing and construction infrastructure, and general industrial applications. The changes vary depending on the product. In particular, sales of polyester resins were down compared to the previous year, but this was offset by increased profits from the products in the Chemitronics and electronics businesses on the left side of the table.

Color & Comfort

Functional Products (Supplementary materials)

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

Net sales

- Shipments of epoxy resins— notably high-valueadded products used in generative AI servers, computers and smartphones—were strong.
- In the area of industrial-use adhesive tapes, steady efforts to lock in demand for use in smartphones and other mobile devices led to the broader adoption of DIC Group products.

Operating income

- Operating income was negatively impacted by increased technology costs, a consequence of efforts to accelerate the development and realization of products, but remained in line with initial forecasts.

(Billion yen)	Net sales				Operating income				Operating margin	
	2024 6 Months	2025 6 Months	Change	% Change	2024 6 Months	2025 6 Months	Change	% Change	2024 6 Months	2025 6 Months
Chemitronics Business Division	28.6	30.0	1.4	+ 4.9%	3.8	3.3	-0.6	-15.5%	13.5%	10.9%

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

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Next, please see page 14. This is the Chemitronics business division among the Functional Products segment. Sales were up 4.9% over the previous year, but operating income was negative 15.5% in H1, unfortunately. Shipments of epoxy resins and other high value-added products, such as those for AI servers, PCs, and smartphones, were strong. However, this division is now increasing various technical costs to accelerate implementation in product development, resulting in an increase of about JPY1.4 billion in costs. As a result, operating income decreased by JPY600 million from the previous year.

Color & Comfort

FY2025 forecasts: Full-term operating results

- Although the full-term net sales forecast has been revised downward from the initial forecast, operating income is now expected to exceed the initial forecast, thanks to efforts to expand sales of high-value-added products and adjust sales prices. The forecast for ordinary income has also been revised downward, owing to an expanded increase in foreign exchange losses, but with extraordinary losses likely to be lower than expected the forecast for net income attributable to owners of the parent remains unchanged.
- Forecasts do not reflect the impact of extraordinary gains from the sale of works of art.

(Billion yen)		2024	2025 Forecasts	% Change	Old forecasts
Net sales		1,071.1	1,060.0	-1.0%	1,110.0
Operating income		44.5	50.0	+ 12.3%	48.0
Operating margin		4.2%	4.7%	–	4.3%
Ordinary income		37.9	40.0	+ 5.5%	44.0
Net income attributable to owners of the parent		21.3	24.0	+ 12.6%	24.0
EPS (Yen)		225.11	253.48	–	253.48
EBITDA*1		95.7	99.0	+ 3.5%	102.0
Capital expenditure and investment		47.3	49.2	+ 4.0%	49.2
Depreciation and amortization		53.9	54.0	+ 0.1%	56.5
Average rate	Yen/US$	151.04	145.00	-4.0%	145.00
	Yen/EUR	163.34	158.00	-3.3%	158.00

	2024	2025 Forecasts
ROIC*2	3.8%	4.3%
ROE	5.6%	6.0%
Net D/E ratio*3 (times)	1.05	1.03
Annual dividends per share (Yen)	100.0	200.0
Payout ratio	44.4%	78.9%

*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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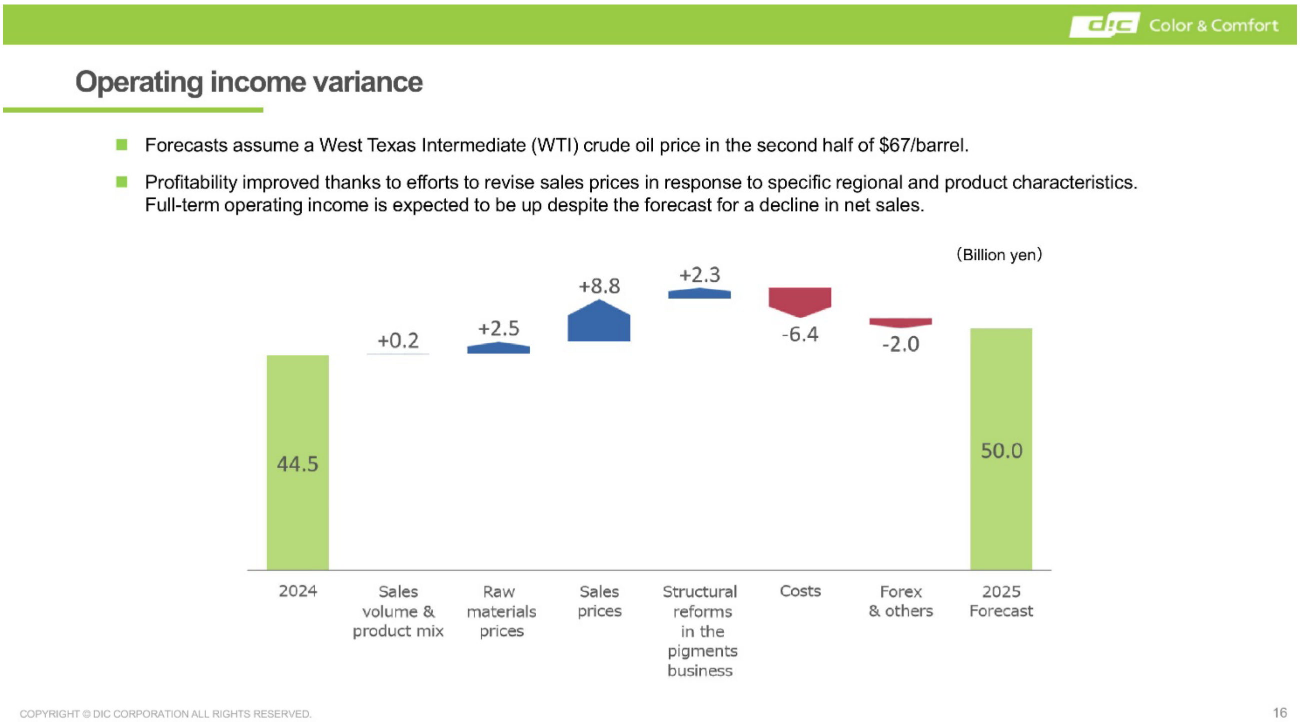
Next, please move to page 15. This is the annual forecast. As Ikeda mentioned at the beginning of this presentation, compared with the previous forecast announced in May, net sales and ordinary income are down. However, operating income is expected to be higher, and net income attributable to owners of the parent remains unchanged at JPY24 billion. The JPY24 billion in net income does not currently include gains from the sale of artworks.

The net-negative impact of extraordinary gains and losses has been reduced considerably from the original plan. We are currently projecting the net impact for the year to be approximately JPY1 billion.

The results and key KPIs are shown to the right. ROIC, ROE, and net debt-to-equity ratio all improved compared to last year. The dividend is JPY200 per share.



Next, please see page 16. Here are the factors behind the YoY change in operating income shown in the bridge graph. The trend is generally the same as in H1. The positive impact from sales prices is significant. As in H1, we have also factored into the sales price a portion of the raw material cost increase due to the Trump tariffs, which we will cover by passing the raw material cost increase onto the customer.

In addition to the cost increases incurred during H1 of the fiscal year, costs are expected to be negative JPY6.4 billion, due to inflation and other cost increases compared to the previous year. As a result, the current projection for annual operating income is JPY50 billion.

That is all from me. Thank you very much.

Question & Answer

Komine: Thank you very much. We will now begin the question-and-answer session.

First, Questioner1, please ask your questions.

Questioner1: Thank you for your explanation. Two questions, please.

First of all, you mentioned that you are aiming for the highest profit in the next fiscal year. Based on the company's current plan of JPY 50 billion in operating profit for this fiscal year, we understand that there is a projected increase of approximately JPY 6.5 billion toward achieving record-high profit next fiscal year.

If the current fiscal year continues as it is, profit will increase by JPY5.5 billion, and I believe the improvement in the spread of sales prices is the biggest factor. As this is expected to reach its peak in the current fiscal year, how do you plan to further increase profit then? Can you please explain the certainty of your confidence in this area? This is the first point.

Ikeda: I will answer your question.

We are currently undergoing structural reforms in the pigments business, which involve significant costs, including special losses. These reforms are still in progress, but are expected to be largely completed within this fiscal year. As a result, we anticipate that the full benefits of these reforms will be realized in the next fiscal year.

Furthermore, we are planning to launch new products and increase sales volume based on these reforms. This includes efforts to gain a competitive edge in the market, and as a result, we are expecting a significant increase in profit from the pigments business.

As I mentioned earlier, within Functional Products, Chemitronics in particular is greatly affected by economic conditions, but we are seeing a recovery in this area this year.

Although there remains some uncertainty regarding the impact of Trump tariffs on the automotive and semiconductor sectors, we believe that our product competitiveness, along with the strong and reliable demand outlook, positions us well. Based on this, we expect a significant increase in profit from the Functional Products segment.

The other is to aim for more efficient management from a company-wide perspective, including cost improvements and rationalization, and we expect these initiatives to produce company-wide benefits. We will work company-wide on rationalization and cost reduction to achieve higher profits and record earnings.

We hope to achieve an increase in profit mainly through these three initiatives.

As for our growth plan for 2027 and beyond, we are formulating a plan that focuses mainly on the smart living area within Functional Products, with Chemitronics, as mentioned earlier, as the main pillar.

We are also planning to expand into business domains that extend to the periphery of this area. We have already achieved some promising results toward this goal, and we will announce them again in February next year as Phase 2 of our plan for 2030, beyond 2027.

That is all.

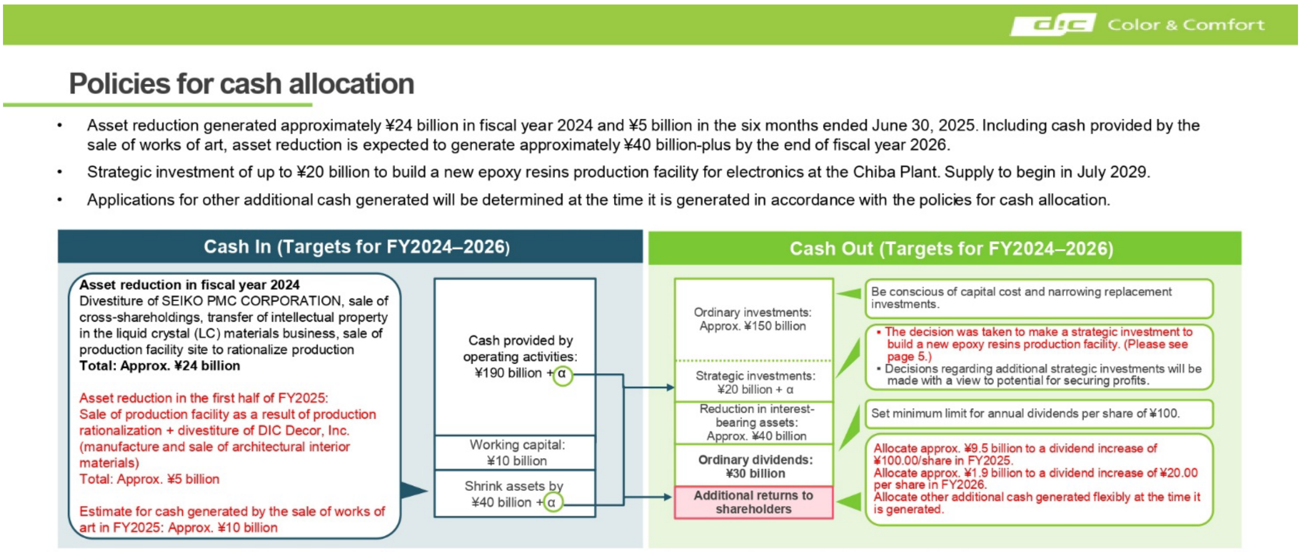
Questioner1: Thank you very much.

I am concerned that the inventory has increased somewhat, but I understand that profit growth is achievable, thanks to the ongoing structural reforms in the pigments business, etc.

The second question is about cash allocation, including dividends. First, regarding the reason why the gain on the sale of artwork has not been included in extraordinary income this year, is it because the amount might increase, or because there might be an extraordinary loss? I would like to ask about this.

Also, this fiscal year you added a special dividend of JPY80 to make a total of JPY200, and the base for next fiscal year will be JPY120. If the total is reduced from JPY200 to JPY120, the yield and other factors will change, so could you explain your current thinking on the JPY120 base plus any additional amount for next year, as far as you can at this time?

Ikeda: Thank you.



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

First of all, for artworks, as written on the cash allocation page, we expect to generate JPY10 billion in cash over the three-year period from 2024 to 2026. Taking this projection into account, along with our cash allocation policy, we have decided to increase dividends in the year-end.

The reason we are not projecting the amount as extraordinary income is due to timing and the fact that the amount remains uncertain while the sale process is ongoing. As mentioned earlier, we are proceeding with the sale process and expect to achieve the targeted amount within 2026.

We cannot say when the sale will be finalized; it could possibly be at the end of the fiscal year, but we will make the appropriate public announcement and record the sale when it is finalized.

In addition, over the next fiscal year, we are naturally considering further asset reduction and cash generation for additional shareholder returns. We will announce our dividend policy for FY2026 and our policy for additional shareholder returns in February next year, and at that time, we would like to present the next steps. Providing additional returns will be an important priority, and we will continue to pursue it.

Questioner1: Understood. Thank you very much.

Komine: Thank you very much. Next, Questioner2.

Questioner2: I have two questions.

First, regarding the construction of the new epoxy resins plant at the Chiba Plant, is the total investment over JPY9 billion? Also, you mentioned that construction will start this August, but operations will not begin until July 2029. Why will it take so long?

Ikeda: First of all, as you understand, the investment amount is JPY9 billion, which is eligible for a JPY3 billion grant. In addition to these subsidies, we are planning to make other capital investments, including various peripheral facilities. We are trying to increase production capacity by combining these.

It is a very large investment, so it will certainly take some time from the start of construction to completion. However, during that time, we will continue to increase supply capacity through various production process innovations.

In parallel, we will also proceed with marketing activities and product development aimed at expanding sales, so that we can achieve a smooth and rapid ramp-up upon completion.

Questioner2: So, the total investment for this epoxy resins is JPY9 billion, and there will be additional investments in ancillary facilities?

Ikeda: The auxiliary facilities are also related to the epoxy resins equipment. Among them, the main equipment eligible for the subsidy amounts to JPY 9 billion.

Questioner2: So, that is JPY9 billion.

Ikeda: Yes.

Questioner2: I understand. I assume that the reason you decided to build a new epoxy resins plant is its growth potential in the mid- to long term. Could you comment on how much growth you expect and over what period of years?

Ikeda: As you can see in the chart here, we believe that resins for low-dielectric substrates and semiconductor packaging can continue to grow at a CAGR of around 10%. This growth is primarily driven by the increasing demand for high-speed communication semiconductors, particularly those used in AI servers, which require low-dielectric substrates.

As semiconductor applications continue to advance in functionality, we are actively focusing on the development of next-generation and even next-next-generation high-performance materials. These products are expected to be gradually introduced, and together with the ongoing market expansion, we believe that a sustained growth rate of around 10% is achievable.

Questioner2: Okay, thank you.

The other thing I would like to ask is about Functional Products. First of all, I would like to know the background behind the decrease in sales and increase in profit in your forecast for the full year, and also the background behind the growth in both sales and profit from H1 to H2.

Thank you.

Ikeda: Functional Products cover a wide range of product applications, and when viewed as a whole, we see steady or growing demand particularly in the electronics and mobility (automotive-related) sectors.

On the other hand, housing, construction, and general industrial applications, which account for a larger share in terms of volume, include more commodity-type products such as polyesters. In these areas, we are seeing a decline in demand, and as a result, we are projecting a decline in overall sales due to the product mix.

However, as mentioned earlier, the growth of high-margin Chemtronics products is contributing to an increase in operating profit in absolute terms.

Even in areas where volumes are declining, we have been able to maintain pricing, and with raw material costs slightly decreasing, we expect to achieve profit growth through this positive price-cost gap.

Questioner2: In terms of H1 to H2, do you feel that electronics and mobility will be the driving forces in this area?

Ikeda: Yes.

Questioner2: In this area, for example, is it correct that the advance due to the impact of the US tariff policy this time was not reflected much in H1 of the year?

Ikeda: We have been assessing the various impacts of the Trump tariffs. First of all, as Asai mentioned in his explanation, we expect a price increase mainly in North America for raw materials, JPY3.4 billion, but it is relatively limited.

Mobility-related products, which you just mentioned, also account for about 25% of Functional Products sales. In addition, we have a variety of products, especially in functional products, such as PPS, resins for coatings, plasticizers, and so on. Due to the nature of our production processes and supply chain, there is a time lag before changes in demand affect our shipment volumes. As a result, in the first and second quarters, we have not observed any significant fluctuations in volumes for our Functional Products. The adjustments on the customer or end-user side, as you pointed out, have not yet impacted the first half. While we anticipate that some effects may begin to appear in the second half, we expect them to emerge more in the fourth quarter than in the third.

Moreover, as of now, we have not factored in any volume declines due to demand-side changes, since such impacts are not yet foreseeable.

Questioner2: I understand. That is all from me. Thank you very much.

Komine: Thank you very much. Next, Questioner3. Please.

Questioner3:

I would like to ask one question each on Packaging & Graphic and Color & Display. First, I would like to ask about the Packaging & Graphic segment. Looking at the data, it seems that demand is weak in Europe and Asia. Please tell us about the demand situation and your pricing strategy.

Also, I believe there is an impact from the acquisition of your competitor Huber by a fund in April 2025. Could you tell us whether you were able to benefit from this in Q2, or whether you expect to benefit from it going forward?

Thank you.

Asai: I will now answer your question about Packaging & Graphic.

First of all, regarding the situation in Asia, it is true that the market is slightly weakening in terms of volume.

One reason is that some products previously shipped from China to the US and other countries have gradually shifted to Asia due to the ongoing impact of the Trump tariffs and other factors. As a result, our customers' markets in Asia are facing stronger competition from Chinese products. Therefore, we are also under pressure regarding the volume of products we supply to Asia.

In our case, within Asia, Indonesia in particular is currently facing a very difficult situation. Demand for packaging inks has been declining, and we believe that we are probably a little behind our competitors in this area.

However, we are focusing our efforts on the Asian region, especially in South Asia, centering India, and we will work to cover this part of the market as much as possible in H2 of the year.

As for Huber, newspaper inks may have some positive impact on our business. However, since the portion of newspaper inks in the overall market and in our ink business is not large, we do not expect a significant effect on our performance. At this point, we do not see it as a factor that would drive a major increase in results.

These are the answers to your questions.

Questioner3: Thank you.

In the last part regarding Huber, they are going to discontinue newspaper ink. Is it correct to understand that, as in the previous year, it is also difficult to expect your company to benefit in terms of pricing in other areas?

Asai: It is true that there has been some impact on our company, including on volume, but overall, it is not significant. We hope you understand that it will not have a major effect on our business performance.

Questioner3: Understood. Thank you very much.

Moving on to the next question, I would like to ask about the situation in the Color & Display segment.

Looking at quarterly profits, while domestic profits were good, overseas sales declined QoQ, and the situation appears bad. I wonder if this is due to a temporary suspension of orders caused by Trump's tariffs or some other temporary factor. Or is it more due to weakened demand for products such as paints and plastics? Which of these factors is having the greater impact?

Another point is that, since March 2025, India has been imposing anti-dumping measures on azo pigments produced in China. Although I am not certain about our Indian competitors, they have indicated that they would like to capture some market share in the Americas. What are your company's thoughts on these changes in the market?

Thank you.

Asai: Regarding the outlook for pigment volume, there is certainly some weakness in the area of pigments for plastics and coatings. However, with the impact of the Trump tariffs, our customers have been monitoring how prices will be raised, and it is true that volume growth has been somewhat sluggish since Q2.

Although there are uncertainties as to what will happen in H2 of this fiscal year, we have made a somewhat conservative estimate of annual profits based on our current forecast that a decrease in volume may occur to some extent.

In addition, regarding the impact of competitors in India, they are gradually but surely pushing low-priced products from India to Europe.

However, we believe we can maintain prices in areas where our product lines do not necessarily compete directly with those of our competitors, particularly in high-value-added products where there is little competition from Indian manufacturers.

In addition, as I mentioned in Q1, our production base for pigments in the US is an advantage to no small extent compared with final products from India. We believe this gives our company competitiveness in various ways over Indian final products.

That is all.

Questioner3: Thank you very much for your very detailed answers. That's all from me.

Komine: Thank you very much. Now, Questioner1. Please ask your questions.

Questioner1: I'm sorry, this is the second time. I just have one question.

With regard to Taiyo Holdings, there have been various movements, such as moves to review the capital alliance and to oppose the reappointment of the president. As far as you can tell us at this time, what are your thoughts on how to address these issues?

Ikeda: I will answer your question.

In conclusion, there is nothing new to discuss at this time. Since the new management structure has been put in place, we have naturally had various communications with it.

We have already conveyed our expectations and perspectives, and we hope new management team will make timely decisions and take appropriate actions.

While we are continuing internal discussions, we are hoping that Taiyo Holdings will present some form of response or direction by the end of this year.

Questioner1: Understood. Thank you very much.

Komine: Thank you very much.

This concludes the briefing. Thank you for joining us today. Excuse us.

[END]

Disclaimer regarding forward-looking statement

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