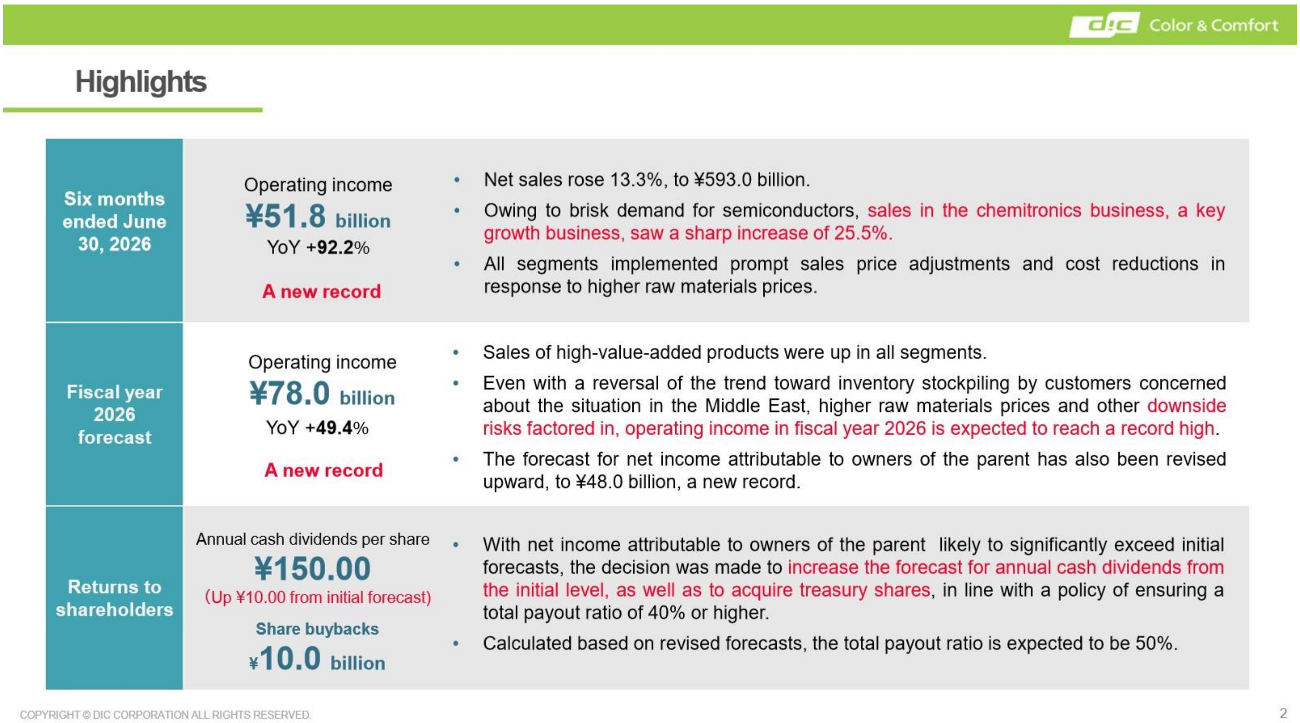
DIC Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending December 2026

August 12, 2026

Presentation

Ikeda: Thank you very much for joining our financial results briefing for Q2 of the fiscal year ending December 2026. I am Ikeda, President of the Company.



Let me begin by discussing the highlights of our overall performance.

To summarize H1 as a whole, net sales totaled JPY593 billion, up 13.3% YoY. The chemitronics business, on which we are placing particular emphasis, performed well with a significant 25.5% increase in sales. As a result, operating income reached a record high of JPY51.8 billion, up 92.2% YoY.

Under our full-year outlook, including H2, we expect to continue making progress in expanding sales of high value-added products across all segments. However, our H1 results were affected by such factors as inventory stockpiling due to the situation in the Middle East and some orders being frontloaded, and we project a corresponding decline henceforth. Even after factoring in those risks, we still expect our annual operating income to reach a record-high level. We anticipate that it will jump 49.4% YoY to JPY78 billion. Furthermore, we have revised our net income forecast upward to JPY48 billion. We also expect to record an all-time-high profit this fiscal year.

Based on the full-year outlook shown here, since we project that our net income in particular will significantly exceed our forecast, we have decided to raise dividends and acquire treasury shares beyond our initial plan, in line with our policy of maintaining a total payout ratio of 40% or higher. Accordingly, we plan to pay an annual dividend of JPY150 per share and repurchase our own shares amounting to JPY10 billion. With this, we project that our total payout ratio will be above 40%, as we expect it to reach 50%.

DIC Color & Comfort

Impact of the Middle East crisis on the DIC Group's operations

As of May 2026
(announcement of operating results for the three months ended March 31, 2026)

- Approximately 70% of raw materials used by the DIC Group are petrochemical-derived. Accordingly, the Group expects to be directly affected going forward by the deteriorating situation in the Middle East, through constraints on procurement and increases in raw material prices.
  - Risk of raw material procurement constraints: expected to be concentrated in Japan, where reliance on Middle East–sourced naphtha is particularly high.
  - Risk of raw material price increases: expected across all regions, including Japan, the Americas and Europe, and Asia.
- The Group is working as one to minimize the impact of this crisis on its operations by securing the necessary raw materials, responding to cost increases in a timely manner, and implementing additional cost-cutting measures.
  - The Group is leveraging its competitive advantage as a global organization to reduce the impact of the current situation through mutual supplies of raw materials and products among regions.
  - The Group is striving to ensure stable raw materials supplies by diversifying its procurement sources, as well as by implementing timely sales price adjustments.

(Q1 FY2026 presentation material)

As of August 2026
(announcement of operating results for the six months ended June 30, 2026)

- While the risk of constraints on raw materials procurement has declined significantly, renewed tensions in the Middle East continue to underscore uncertainty.
- **The need for stable supplies is growing worldwide and efforts to adjust sales prices to counter higher raw materials prices are proceeding at a faster pace.**
- While spreads are expected to narrow in the second half, owing to shipments of high-cost inventories, the operating margin for the full term (after the deduction of a one-time gain) is expected to remain near the first-quarter level.

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Please turn to the next page.

Regarding the situation in the Middle East that I just mentioned, we have been monitoring it very closely since H1 and have been doing our utmost to address it.

The top section shows the details we announced during the Q1 briefing. Based on that announcement, we have summarized our current outlook and views, which are highlighted in the green box at the bottom.

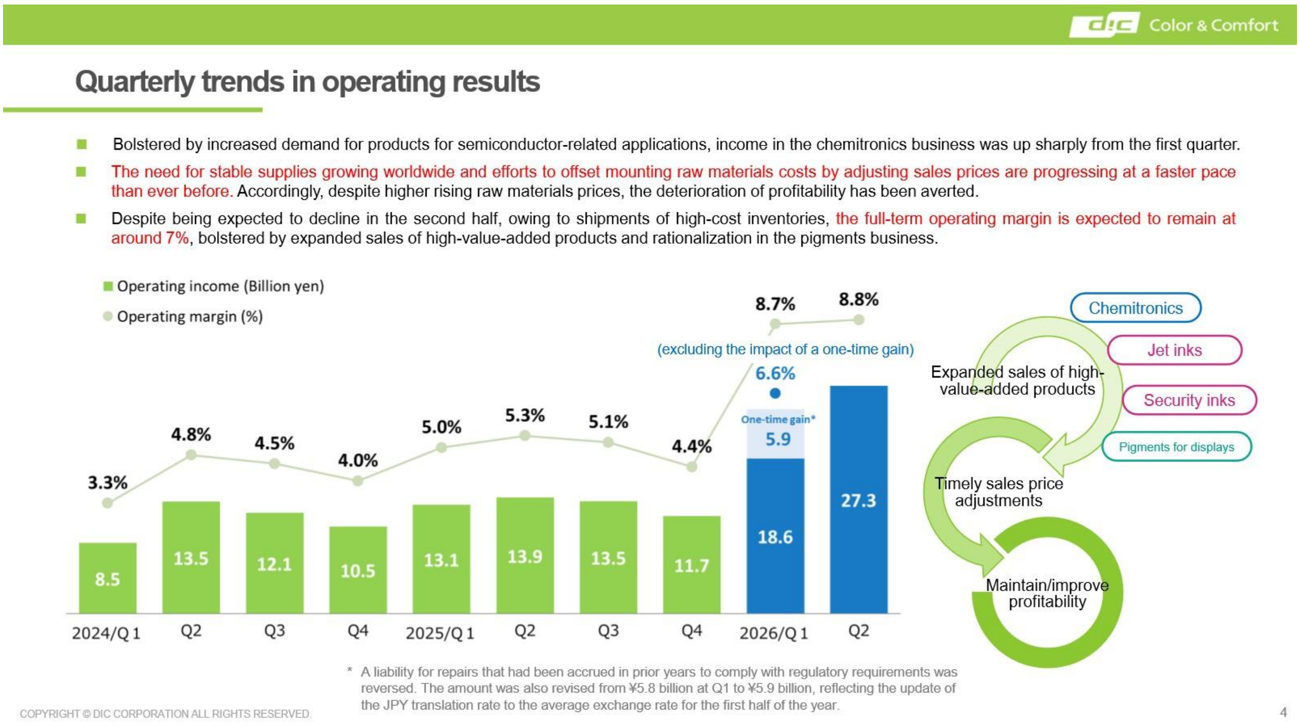
Although the risk of supply constraints has decreased significantly compared to Q1, the situation has recently become tense again, so we cannot afford to be complacent. We continue to monitor developments with a sense of urgency as we look ahead.

That said, we have gained a reasonable degree of visibility regarding the procurement of raw materials, and we are working closely with suppliers and customers across the supply chain to address the situation. Overall, demand for a stable supply has increased substantially.

In Asia and Japan, in particular, there was a period when the supply of raw materials became quite tight, so we made securing raw materials our top priority and focused our efforts on securing materials rather than worrying about prices.

In light of this, we explained the situation to our customers and gained their understanding about the fact that raw material costs are surging more quickly than in the past, so were able to make progress on price adjustments.

On the distribution and sales side, we managed to navigate the situation successfully. However, as expected, there will be some rebound effects from the extraordinary measures we took. In H2, spreads are expected to narrow due to shipments from inventories produced at higher costs. Nevertheless, for the full year, we expect to maintain a relatively high level of operating profit margin.



Please turn to the next page. Here, we have summarized the quarterly trends in our results, particularly in terms of operating income.

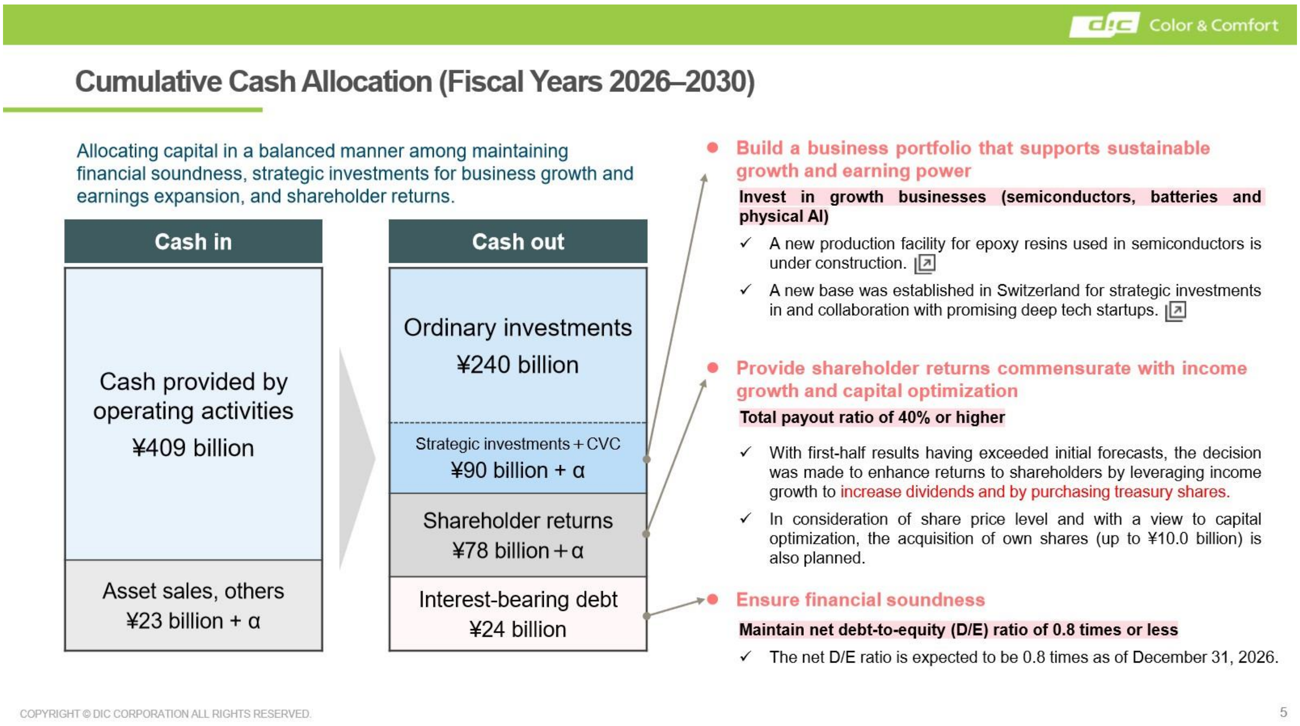
Our performance has been extremely strong since the turn of this year, or from Q1. This was driven by the strong demand and the significant increase in profit in our chemitronics business.

And as I mentioned earlier, we were fortunate enough to have been able to adjust our prices to reflect rising raw material costs at an early stage, so our operating margin and, consequently, our operating profit, hovered in the higher levels.

Our Q1 results did include a onetime gain of JPY5.9 billion, but even if we exclude that, our profit in Q2 grew bigger than in Q1.

As shown on the right, in addition to chemitronics, we successfully expanded sales of other high value-added product lines, comprising jet inks, security inks, and pigments for displays, and those sales made a significant contribution to our profit.

We are also seeing that our efforts to maintain and improve the profitability of our core business, represented by pigments, are proceeding as planned, and thanks to that, our results continue to be solid every quarter.



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Last February, we formulated our cash allocation plan covering 2026 through 2030.

In particular, in the cash out portion, we have set three pillars on the uses of the cash in we are anticipating, and those three are strategic investments, shareholder returns, and interest-bearing debt.

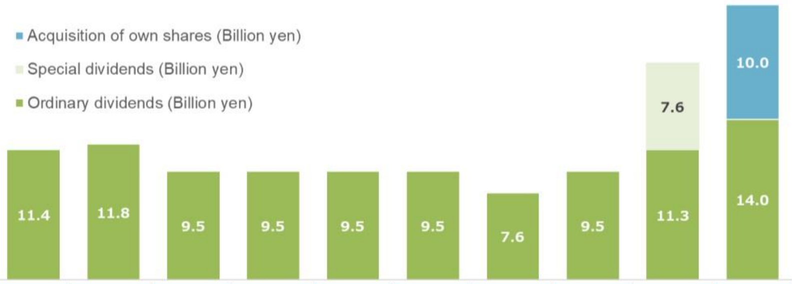
Since we are currently generating cash somewhat ahead of schedule, we intend to make substantial investments in our growth businesses of semiconductors, batteries, and physical AI in particular. Specifically, with regard to physical AI, we have launched a dedicated fund and have begun strategically engaging with promising start-ups, and we intend to redouble our efforts in this area.

Based on our policy of maintaining a total payout ratio of 40% or higher, we have decided to provide additional returns through dividend increases and share buybacks.

Even taking these returns into account, our financial position remains sound, as we have maintained a net D/E ratio of 0.8 times or less.

Trends in shareholder returns

- The forecast for annual dividends per share for fiscal year 2026 is ¥**150.00** (initial forecast: ¥140.00), comprising an interim dividend of ¥**70.00** (initial forecast: ¥70.00) and a year-end dividend of ¥**80.00** (initial forecast: ¥70.00).
- The acquisition of own shares at a cost of up to ¥10 billion is planned, with the acquisition period beginning August 12, 2026.



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 Forecast
Total payout ratio (%)	29.4	36.9	40.3	71.5	216.8	53.7	–	44.4	58.5	50.0
Dividend per share (yen)	120.00	125.00	100.00	100.00	100.00	100.00	80.00	100.00	200.00	150.00

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We will now go to the next page. This shows the trend in our shareholder returns.

As we announced last fiscal year, we were able to significantly increase our total payout ratio last year through a regular dividend of JPY120 plus a special dividend of JPY80.

For the current fiscal year, as I have said earlier, we intend to continue to provide shareholder returns through a combination of dividend increases and share buybacks.

We plan to pay an interim dividend of JPY70, as scheduled, and a year-end dividend of JPY80, representing an increase of JPY10 from our initial forecast, for a total annual dividend of JPY150.

Also, effective today, we will proceed with the acquisition of our own shares at a cost of up to JPY10 billion.

With this, our current target is a total payout ratio of 50%, as stated here.

That concludes my presentation on the overview of our financial results.

Continuing on, Mr. Asai will now provide further details.

Asai: Good morning, everyone. My name is Asai, and I am the Group CFO, in charge of the Finance and Accounting Unit.

Consolidated statement of income

■ New records were set for net sales, operating income, ordinary income and net income attributable to owners of the parent.

(Billion yen)	2025 6 Months	2026 6 Months	Change	% Change	% Change on a local currency basis
Net sales	**523.2**	**593.0**	**69.7**	+ 13.3%	+ 5.8%
Cost of sales	(406.4)	(447.8)	-41.3		
Selling, general and administrative expenses	(89.8)	(93.4)	-3.6		
Operating income	**27.0**	**51.8**	**24.9**	+ 92.2%	+ 79.8%
Operating margin	**5.2%**	**8.7%**	-		
Interest expenses	(1.8)	(1.4)	0.4		
Equity in earnings (losses) of affiliates	0.9	3.5	2.6		
Foreign exchange gains (losses)	(4.8)	(0.2)	4.7		
Other, net	(1.0)	(1.4)	-0.5		
Ordinary income	**20.3**	**52.3**	**32.0**	+ 157.7%	
Extraordinary income	2.4	3.2	0.8		
Extraordinary losses	(1.9)	(3.4)	-1.5		
Income before income taxes	20.8	52.1	31.3		
Income taxes	(7.4)	(14.0)	-6.6		
Net income	13.4	38.0	24.7		
Net income attributable to non-controlling interests	(0.3)	(0.9)	-0.6		
Net income attributable to owners of the parent	**13.1**	**37.2**	**24.1**	+ 184.1%	
EBITDA *	**49.1**	**80.9**	**31.8**	+ 64.8%	

Extraordinary income and losses	2025 6 Months	2026 6 Months
Extraordinary income		
Gain on sales of works of art	-	2.8
Subsidy income	-	0.4
Gain on sales of shares and investments in capital of subsidiaries and affiliates	1.7	-
Gain on sales of non-current assets	0.7	-
Extraordinary losses		
Severance costs	(0.4)	(0.9)
Loss on liquidation of subsidiaries and associates	-	(0.9)
Loss on disposal of non-current assets	(0.8)	(0.8)
Loss on withdrawal from business	-	(0.4)
Loss on valuation of investment securities	-	(0.3)
Loss on sales of shares and investments in capital of subsidiaries and associates	(0.5)	-
Impairment losses	(0.2)	-

■Average rate

	2025 6 Months	2026 6 Months
Yen/US$	148.58	**158.32**
Yen/EUR	162.72	**184.54**

* 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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I will now discuss the details of our Q2 financial results according to the slides on the screen.

What you are looking at is our income statement for H1 of the fiscal year.

Our net sales and operating income are as presented by Mr. Ikeda earlier.

Below the operating income level, we saw an increase in equity in earnings of affiliates and a positive swing in foreign exchange gains on a YoY basis.

The surge in equity earnings of affiliates was attributable to the strong performance of TAIYO HOLDINGS, an affiliate of our company.

Regarding foreign exchange gains and losses, the prior year's results were negatively affected by the impact of hyperinflation accounting, particularly reflecting depreciation of currencies such as the Turkish lira and the Argentine peso. This fiscal year, those currencies have remained relatively stable, leading to a substantial improvement compared with the previous year.

As a result, ordinary income was JPY52.3 billion, up JPY32 billion from the previous year. This is also a record-high figure.

With respect to the other items, we recorded extraordinary income and extraordinary losses, and our net income attributable to shareholders of the parent company stood at JPY37.2 billion, representing a significant 184.1% YoY surge of JPY24.1 billion.

The breakdown of extraordinary income and extraordinary losses is provided on the right side.

In terms of extraordinary income, we posted an income of JPY2.8 billion from sales of works of art, but this figure remained unchanged from Q1.

Color & Comfort

Financial health

- The Company's cash allocation policies are to maintain a net debt-to-equity (D/E) ratio of 0.8 times or less, while balancing cash applied to strategic investments and to shareholder returns.

(Billion yen)	Dec 31 2025	Jun 30 2026	Change
Net interest-bearing debt	389.4	**382.8**	-6.6
Shareholders' equity	470.9	**510.0**	39.2
Net D/E ratio*1 (Times)	0.83	**0.75**	
Equity ratio	37.0%	**38.3%**	
BPS (Yen)	4,973.39	**5,385.05**	

Increase in retained earnings (+¥22.9 billion)
Higher foreign currency translation adjustment, owing to a weaker yen (+¥17.7 billion)

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

■Closing rate

	Dec 31 2025	Jun 30 2026
Yen/US$	156.60	**162.30**

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Please turn to the next page. These are the key KPIs that indicate financial health, as reflected in our financial statements.

First, our net interest-bearing debt was JPY382.8 billion at the end of June 2026, down JPY6.6 billion from the end of last fiscal year, or 2025. This figure shows that we have managed to reduce our interest-bearing debt.

Meanwhile, regarding shareholders' equity, it stood at JPY510 billion, representing an increase of JPY39.2 billion compared to the end of the previous fiscal year.

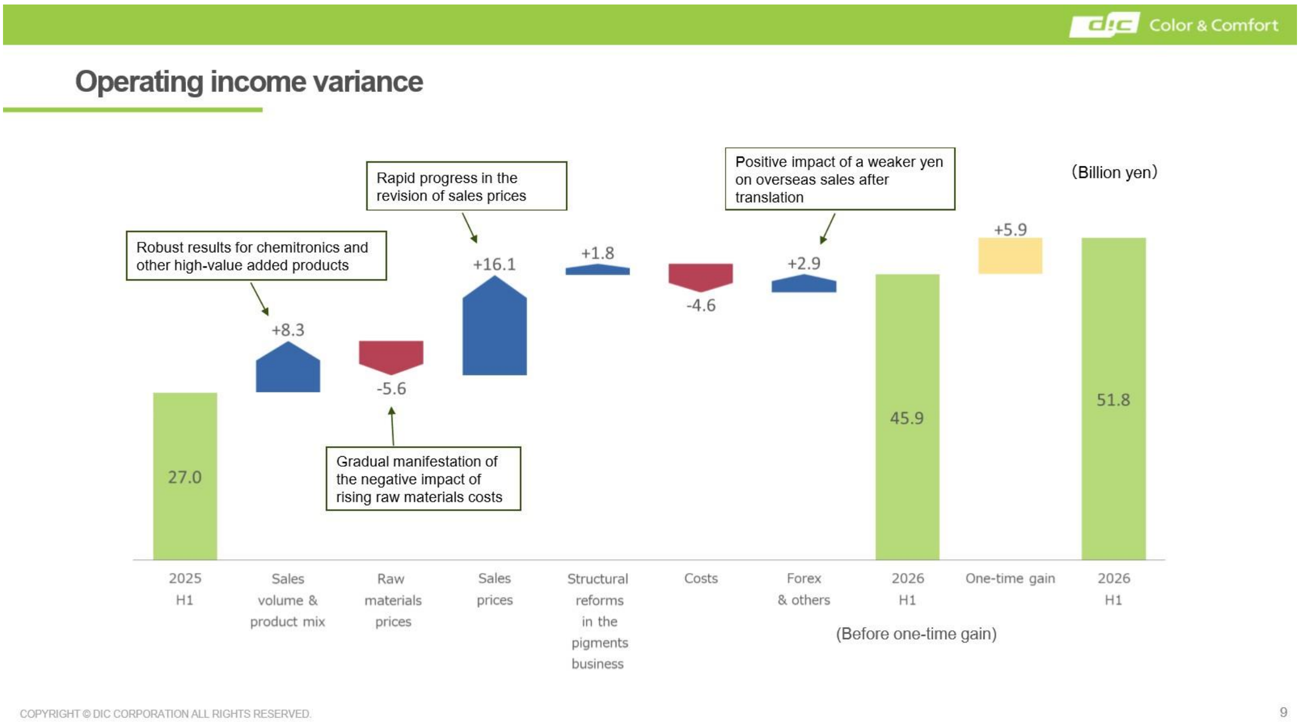
Shown next to these figures are the main factors contributing to these changes.

One factor was the increase in retained earnings, which was positive JPY22.9 billion after deducting the dividends at the end of the previous fiscal year from the increase in profit in the current fiscal year.

Another factor was the result of foreign currency translation adjustment due to the weaker yen. If you look at the year-end exchange rates in the lower right corner, the exchange rate was JPY156.6 to the US dollar at the end of FY2025, but it became JPY162.3, so there was a depreciation of approximately JPY6. Consequently, foreign exchange translation accounted for positive JPY17.7 billion.

As a result, the net D/E ratio improved from 0.83 times at the end of the previous fiscal year to 0.75 times as of the end of H1.

The equity ratio also improved to 38.3%.



The next page is that of a bridge chart showing the change in our operating income in the first six months up to Q2.

We start with the figure on the far left, which shows JPY27 billion for H1 of FY2025, and this figure ultimately reached JPY51.8 billion, owing to various factors.

First, operating profit from sales volume and product mix, shown on the left, was positive JPY8.3 billion. This increase in profit was primarily driven by the robust shipments of high value-added products, such as chemitronics.

Next are raw material prices, and then sales prices. On a net basis, it was positive JPY10.5 billion, representing a significant improvement in the price-cost spread. While we are certainly feeling the impact of rising raw material prices, as Mr. Ikeda mentioned earlier, we still managed to record a positive turn in the price gap because the price adjustments we had implemented for our customers proceeded smoothly, and the cost of goods sold in H1 did not yet fully reflect these higher raw material costs.

As for the pigments business, restructuring and organizational reforms proceeded as planned, and costs were on track.

Furthermore, regarding foreign exchange, the weakening of the yen had a positive impact.

Now, with the onetime profit of JPY5.9 billion recorded in Q1, our operating income at the end of H1 stood at JPY51.8 billion, as shown on the bridge chart.

Segment results

(Billion yen)	Net sales					Operating income					Operating margin	
	2025 6 Months	**2026 6 Months**	Change	% Change	% Change on a local currency basis	2025 6 Months	**2026 6 Months**	Change	% Change	% Change on a local currency basis	2025 6 Months	**2026 6 Months**
Packaging & Graphic	268.8	**307.2**	38.4	+ 14.3%	+ 6.5%	13.4	**21.7**	8.4	+ 62.6%	+ 52.7%	5.0%	**7.1%**
Japan	62.2	**67.4**	5.2	+ 8.4%	+ 8.4%	2.5	**4.5**	2.0	+ 79.4%	+ 79.4%	4.0%	**6.6%**
The Americas and Europe	172.7	**199.9**	27.1	+ 15.7%	+ 5.3%	8.2	**13.6**	5.5	+ 67.0%	+ 52.9%	4.7%	**6.8%**
Asia and Oceania	41.0	**47.9**	6.9	+ 16.9%	+ 9.3%	2.6	**3.7**	1.0	+ 39.6%	+ 32.6%	6.4%	**7.7%**
Eliminations	(7.1)	**(8.0)**	-0.9	-	-	0.1	**(0.1)**	-0.1	-	-	-	**-**
Color & Display	131.3	**142.5**	11.2	+ 8.6%	+ 0.1%	5.7	**12.0**	6.3	2.1 times	2.0 times	4.3%	**8.4%**
Japan	18.0	**18.2**	0.2	+ 1.1%	+ 1.1%	3.1	**3.0**	-0.1	-3.3%	-3.3%	17.1%	**16.3%**
Overseas	123.4	**134.5**	11.1	+ 9.0%	-0.6%	2.6	**9.1**	6.4	3.4 times	3.0 times	2.1%	**6.7%**
Eliminations	(10.1)	**(10.2)**	-0.1	-	-	(0.1)	**(0.0)**	0.0	-	-	-	**-**
Functional Products	143.0	**161.6**	18.6	+ 13.0%	+ 7.6%	10.9	**21.3**	10.5	+ 96.4%	+ 86.8%	7.6%	**13.2%**
Japan	88.9	**97.8**	8.9	+ 10.1%	+ 10.1%	5.2	**12.2**	7.0	2.3 times	2.3 times	5.9%	**12.4%**
Overseas	69.8	**83.3**	13.5	+ 19.4%	+ 8.1%	5.7	**9.4**	3.7	+ 65.7%	+ 47.6%	8.2%	**11.3%**
Eliminations	(15.7)	**(19.5)**	-3.9	-	-	(0.0)	**(0.3)**	-0.2	-	-	-	**-**
Others, Corporate and eliminations	(19.8)	**(18.3)**	1.5	-	-	(2.9)	**(3.2)**	-0.3	-	-	-	**-**
Total	523.2	**593.0**	69.7	+ 13.3%	+ 5.8%	27.0	**51.8**	24.9	+ 92.2%	+ 79.8%	5.2%	**8.7%**
Yen/US$	148.58	**158.32**		+ 6.6%		148.58	**158.32**		+ 6.6%			
Yen/EUR	162.72	**184.54**		+ 13.4%		162.72	**184.54**		+ 13.4%			

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Next, we have the results by segment.

From left to right, we have net sales, and then operating income.

In all our business segments, the trend was generally one of increased sales and profit.

Incidentally, these sales and operating income figures reflect the impact of the weaker yen, so the changes that did not include the impact of the weaker yen are presented on a local currency basis. I will provide further details on the following page and beyond.

Packaging & Graphic

Net sales

- Demand for packaging inks was weak, as elevated consumer prices led to a decrease in consumption, but certain customers brought forward procurement amid concerns surrounding the situation in the Middle East.
- Thanks to efforts to adjust sales prices, sales increased in all geographic operating regions.

Operating Income

- Steps taken to expand sales of high-value-added products, including jet inks and security inks, and to revise sales prices in response to raw materials price increases underpinned sharp operating income gains in all geographic operating regions.

(Billion yen)	Net sales					Operating income					Operating margin	
	2025 6 Months	2026 6 Months	Change	% Change	% Change on a local currency basis	2025 6 Months	2026 6 Months	Change	% Change	% Change on a local currency basis	2025 6 Months	2026 6 Months
Packaging & Graphic	268.8	307.2	38.4	+ 14.3%	+ 6.5%	13.4	21.7	8.4	+ 62.6%	+ 52.7%	5.0%	7.1%
Japan	62.2	67.4	5.2	+ 8.4%	+ 8.4%	2.5	4.5	2.0	+ 79.4%	+ 79.4%	4.0%	6.6%
The Americas and Europe	172.7	199.9	27.1	+ 15.7%	+ 5.3%	8.2	13.6	5.5	+ 67.0%	+ 52.9%	4.7%	6.8%
Asia and Oceania	41.0	47.9	6.9	+ 16.9%	+ 9.3%	2.6	3.7	1.0	+ 39.6%	+ 32.6%	6.4%	7.7%
Eliminations	(7.1)	(8.0)	-0.9	-	-	0.1	(0.1)	-0.1	-	-	-	-

Operating income/margin

Sales of principal products

	% Change	
Packaging inks*	+ 5%	Sales were up, owing to frontloaded demand and the progress of sales price revisions.
Publication inks*	+ 4%	Sales were up, owing to frontloaded demand and the progress of sales price revisions.
Jet inks	+ 8%	Sales increased, underpinned by brisk shipments.
Polystyrene	+ 12%	Sales rose, reflecting the adjustment of sales prices to counter higher raw materials prices.
Multilayer films	+ 11%	Sales rose, reflecting the adjustment of sales prices to counter higher raw materials prices.

*Change on a local currency basis

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Next, please. Here, we have the Packaging & Graphic segment.

In terms of sales volume, there was a slight increase compared to the previous year. Given the concerns over the situation in the Middle East, in particular, we saw some customers front-loading their procurement. As a result, sales volume grew steadily.

On the other hand, when it comes to prices, as I have already mentioned earlier, we were able to pass on the portion of the surge in raw material costs to our selling prices. As we were able to do that not only in Japan, but also in all regions worldwide, we ended up posting increased sales.

Regarding operating income, while there were such factors as the higher selling prices and positive price gaps mentioned earlier, sales volumes of our high value-added product lines, such as jet inks and security inks, were extremely strong, leading to a significant rise in our operating income.

You can see our quarterly operating income and operating margin in the lower left portion. In the most recent Q2, operating income was JPY13.4 billion, and the operating margin was 8.3%, which is a very high rate. This was due to the improvement in the price-cost spread, as I just explained.

Color & Display

Net sales
- Despite uneven demand and higher raw material costs, overall segment sales were level in local currency thanks to frontloaded demand and pricing actions. Segment sales increased, reflecting the positive impact of a weaker yen on sales overseas after translation.

Operating income
- A ¥5.9 billion reversal of a previously recorded liability for repairs, among others, led to a one-time gain in the first quarter.
- Sales price revisions and efforts to reduce costs, primarily through structural reforms, bolstered profitability, leading to a significant increase in segment operating income.

(Billion yen)	Net sales					Operating income					Operating margin	
	2025 6 Months	**2026 6 Months**	Change	% Change	% Change on a local currency basis	2025 6 Months	**2026 6 Months**	Change	% Change	% Change on a local currency basis	2025 6 Months	**2026 6 Months**
Color & Display	131.3	**142.5**	11.2	+ 8.6%	+ 0.1%	5.7	**12.0**	6.3	2.1 times	2.0 times	4.3%	**8.4%**
Japan	18.0	**18.2**	0.2	+ 1.1%	+ 1.1%	3.1	**3.0**	-0.1	-3.3%	-3.3%	17.1%	**16.3%**
Overseas	123.4	**134.5**	11.1	+ 9.0%	-0.6%	2.6	**9.1**	6.4	3.4 times	3.0 times	2.1%	**6.7%**
Eliminations	(10.1)	**(10.2)**	-0.1	-	-	(0.1)	**(0.0)**	0.0	-	-	-	**-**

Operating income/margin

Sales of principal products

		% Change*	
Pigments for	coatings	+ 2%	Sales were firm for Architectural and Industrial Coatings.
	plastics	+ 7%	Sales rose, bolstered by an expanded market share.
	printing inks	+ 3%	Frontloaded demand led to an increase in sales.
	cosmetics	-2%	Business stable, strategic decision to discontinue sale of low value products.
	displays	+ 8%	Sales were increased, as display manufacturers stepped up operating rates.
	specialty applications	-3%	Shipments advanced for agricultural use, but were down for other applications.

*Change on a local currency basis

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Please turn to the next page. The next page shows the Color & Display segment, centering on pigments.

Regarding net sales, as you can see in the middle, they totaled JPY142.5 billion, representing an 8.6% increase in sales from the previous year. However, this figure included a significant impact from the weaker yen, so if we exclude such impact, then it was more of a modest surge in sales.

In the lower right corner, we have sales by principal product. Among our pigment products, the highest value-added product category is pigments used in color filters for display applications. Sales of these pigments jumped 8% from the previous year. In addition, sales of pigments for plastic applications rose by 7%. While sales volume of these pigments for plastics expanded, sales of pigments for some other applications showed a somewhat sluggish growth compared to the previous year.

Meanwhile, with respect to operating income, in addition to the onetime gain of JPY5.9 billion recorded in Q1, we implemented cost reductions through structural reforms and restructuring, and we worked on various measures to improve profitability. As a result, the operating income of this segment went up compared to the previous year.

Functional Products

Net sales
- Shipments of high-value-added products for use in electronics equipment were brisk. This, together with customers bringing forward procurement of coating resins amid expectations surrounding the situation in the Middle East, boosted net sales.

Operating income
- Increased sales of high-value-added products and the progress of sales price adjustments implemented in response to rising raw materials price underpinned a sharp increase in segment operating income.

(Billion yen)	Net sales					Operating income					Operating margin	
	2025 6 Months	2026 6 Months	Change	% Change	% Change on a local currency basis	2025 6 Months	2026 6 Months	Change	% Change	% Change on a local currency basis	2025 6 Months	2026 6 Months
Functional Products	143.0	161.6	18.6	+ 13.0%	+ 7.6%	10.9	21.3	10.5	+ 96.4%	+ 86.8%	7.6%	13.2%
Japan	88.9	97.8	8.9	+ 10.1%	+ 10.1%	5.2	12.2	7.0	2.3 times	2.3 times	5.9%	12.4%
Overseas	69.8	83.3	13.5	+ 19.4%	+ 8.1%	5.7	9.4	3.7	+ 65.7%	+ 47.6%	8.2%	11.3%
Eliminations	(15.7)	(19.5)	-3.9	-	-	(0.0)	(0.3)	-0.2	-	-	-	-

Operating income/margin

Sales of principal products

	% Change		% Change
Epoxy resins	+ 23%	Resins for coatings	+ 12%
Industrial-use adhesive tapes	+ 14%	Polyphenylene sulfide (PPS) compounds	+ 8%
UV-curable resins	+ 26%	Hollow-fiber membrane modules	+ 6%

In the area of digital materials, results were brisk for epoxy resins, industrial-use adhesive tapes and ultraviolet (UV)-curable resins. Shipments of polyphenylene sulfide (PPS) compounds were robust for both mobility solutions and housing equipment. Sales of resins for coatings increased, reflecting customer efforts to stockpile inventories, particularly in overseas markets.

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Please turn to the next page. Next, we have the Functional Products segment, which includes chemitronics.

In this segment, shipments of high value-added products, primarily in the electronics and chemitronics fields, were exceptionally strong.

The chart in the lower right shows the trends in the sales of our principal products. The three on the left, comprising epoxy resins, industrial-use adhesive tapes, and UV-curable resins, are what we refer to as chemitronics-related products, and all three products saw double-digit sales growth compared to the previous year.

Also, among the other products in the Functional Products segment, sales of what we call resins for coatings were robust, as shown in the right half of the same table. This relates to what I mentioned earlier regarding the Packaging & Graphic segment, but in anticipation of the impact of the situation in the Middle East, we saw a significant volume of front-loaded demand from customers. That led to the rise in sales in this segment.

As a result, as you can see in the bottom left portion showing the segment's quarterly operating income and operating margin, operating income grew steadily in both Q1 and Q2, while the operating margin reached 14.5% in the most recent Q2.

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 rose significantly, bolstered by higher demand for semiconductors for AI-related applications.
- Industrial-use adhesive tapes were buttressed by steady efforts to lock in demand for use in smartphones and other mobile devices, which led to broader adoption.

Operating income

- Segment operating income increased significantly, reflecting robust shipments of high-value-added products, together with the progress of efforts to adjust sales prices to counter higher raw materials prices.

(Billion yen)	Net sales				Operating income				Operating margin	
	2025 6 Months	**2026 6 Months**	Change	% Change	2025 6 Months	**2026 6 Months**	Change	% Change	2025 6 Months	**2026 6 Months**
Chemitronics Business Division	30.0	**37.6**	7.6	+ 25.5%	3.3	**8.1**	4.9	2.5 times	10.9%	**21.6%**

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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On the next page, we provide the results for the chemitronics business alone.

Here, net sales totaled JPY37.6 billion, up 25.5% YoY. Operating income stood at JPY8.1 billion, which is 2.5 times the previous year's figure. Furthermore, the operating margin improved significantly, rising to 21.6% this year compared to 10.9% in H1 of last year.

This was particularly due to the large volume of shipments of epoxy resins owing to the demand for AI semiconductors. In addition, in the area of industrial-use adhesive tapes and other products, demand for those used in smartphones and other mobile devices rose, leading to improved profit margins and increased sales and profit.

Color & Comfort

FY2026 forecasts: Full-term operating results

- Even with a reversal of the trend toward inventory stockpiling by customers concerned about the situation in the Middle East, higher raw materials prices and other downside risks factored in, operating income in fiscal year 2026 is expected to reach a record high.
- Ordinary income and net income attributable to owners of the parent are also expected to set new records.

(Billion yen)

		2025	2026 Forecasts	% Change	Old forecasts
Net sales		1,052.2	**1,140.0**	+ 8.3%	1,100.0
Operating income		52.2	**78.0**	+ 49.4%	56.0
Operating margin		5.0%	**6.8%**	–	5.1%
Ordinary income		44.2	**73.0**	+ 65.0%	48.0
Net income attributable to owners of the parent		32.4	**48.0**	+ 48.4%	33.0
EPS (Yen)		341.71	**507.99** !	–	348.54
EBITDA[*1]		109.3	**130.0**	+ 19.0%	111.0
Capital expenditure and investment		42.6	**53.4**	+ 25.4%	53.4
Depreciation and amortization		55.0	**54.7**	-0.5%	54.7
Average rate	Yen/US$	150.08	**150.00**	-0.1%	150.00
	Yen/EUR	169.58	**175.00**	+ 3.2%	168.00

	2025	2026 Forecasts
ROIC[*2]	4.4%	**6.4%**
ROE	7.4%	**10.1%**
Net D/E ratio[*3] (times)	0.83	**0.80**
Annual dividends per share (Yen)	200.00	**150.00**
Payout ratio	58.5%	**50.0%**

! Takes into account the impact of the purchase of treasury share

*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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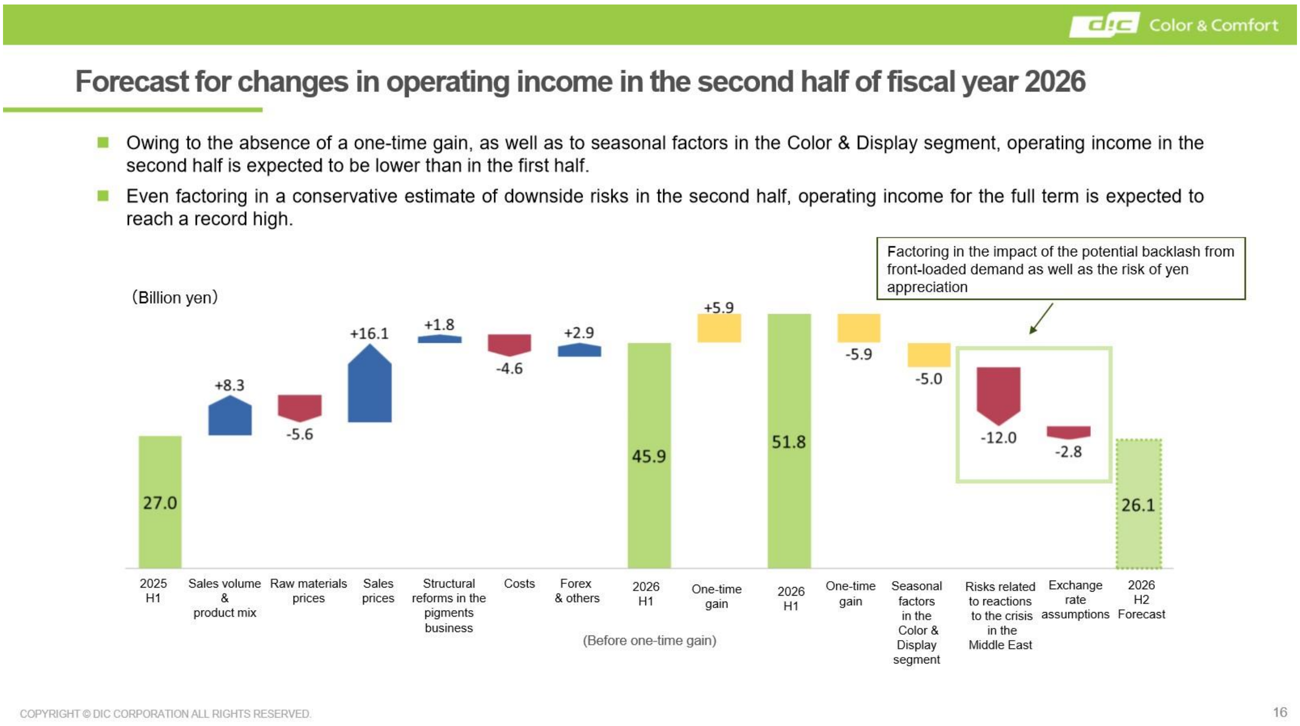
Please turn to the next page. These are our forecasts for the full year.

We project annual net sales for 2026 to reach JPY1.14 trillion, up 8.3% YoY. To the right of that is our previous forecast. This forecast was announced in May this year, during Q1, and we have revised it upward.

We project that our operating income will reach JPY78 billion, ordinary income will be JPY73 billion, and net income attributable to owners of the parent will stand at JPY48 billion. We expect both net sales and profit to reach record highs.

The key financial KPIs are listed on the right. With regard to ROIC, the current forecast is 6.4%, and ROE is 10.1%. We project that the net D/E ratio will be 0.8 times. As for the net D/E ratio, as I mentioned earlier, even after reflecting the JPY10 billion for share buybacks, we intend to maintain it at 0.8 times or less.

The annual dividend has been increased by JPY10 to JPY150. As a result, the total payout ratio is set to 50%.



Next, please turn to page 16. Here, we combined the analysis of the operating income bridge in H1 and H2 of the current fiscal year.

I will skip the left half since it shows the changes in H1 that I discussed earlier.

In the middle, operating income was JPY51.8 billion in H1 of 2026, while in the far right, operating income is JPY26.1 billion for H2. These are the differences between H1 and H2. Since these are quite large, we analyzed them.

First, in H2, we expect a negative JPY5.9 billion impact, owing to the fact that the onetime gain of JPY5.9 billion that we recorded in Q1 will no longer exist.

Next, the second-largest factor is in our Color & Display segment, centering on pigments, where net sales and operating income fluctuate significantly due to seasonal factors in H1 and H2 of every year, not only this fiscal year. This impact is expected to result in a decline amounting to about JPY5 billion for now.

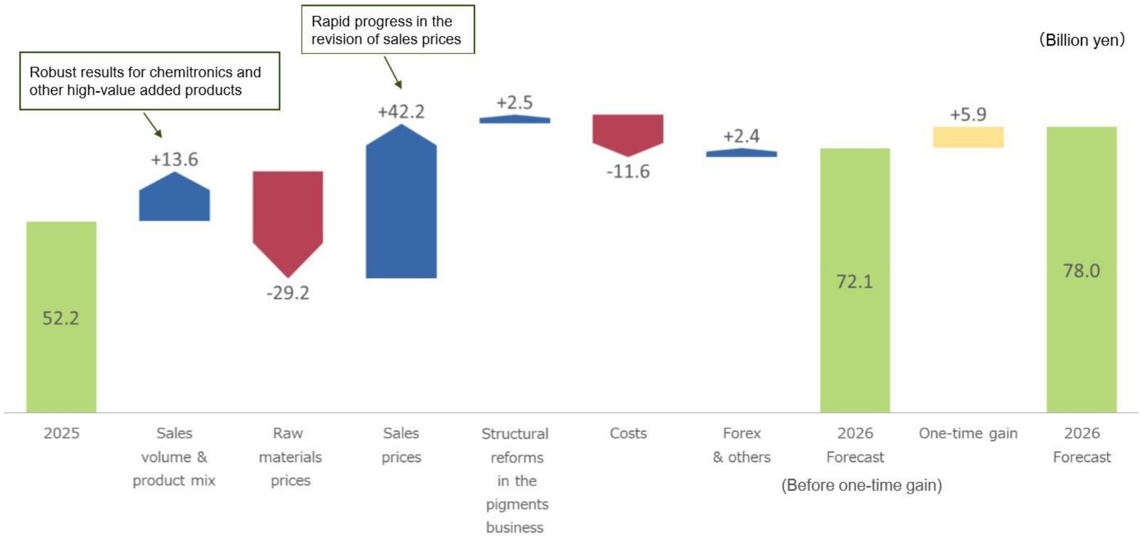
As for the other factors, various impacts, such as the risk of a backlash from the situation in the Middle East, as well as the reversal of the front-loaded demand from customers that I mentioned earlier in relation to some inks resins for coatings, are expected to be seen in H2, and they will act as negative factors on our profit.

Then, there are also the impacts of inventories and product costs. We expect margins to compress in H2 as higher-cost inventory is shipped and elevated raw material costs are more fully reflected in cost of sales. Taking all factors into account, we are currently projecting a negative impact of approximately JPY12 billion.

Furthermore, we have factored in a JPY2.8 billion impact from exchange rate assumptions. In H1, the actual exchange rate was JPY158.32 to the US dollar. Since we initially projected that on an annual basis, it will be JPY150. As a result, a negative adjustment of approximately ¥2.8 billion has been incorporated to reflect the stronger-yen assumption relative to the first-half actual rate. We do not yet know what the full-year exchange rate will be, but we are taking a conservative view for now.

Color & Comfort

Operating income variance



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Next, on page 17, we have the bridge chart for full-year operating income.

In terms of the trend, it looks like the trend seen in H1 will linger.

Color & Comfort

FY2026 forecasts: Full-term segment results

(Billion yen)	Net sales				Operating income				Operating margin		Old Forecasts	
	2025	**2026 Forecast**	Change	% Change	2025	**2026 Forecast**	Change	% Change	2025	**2026 Forecast**	2026 Net Sales	2026 Operating income
Packaging & Graphic	549.7	**591.7**	42.1	+ 7.7%	31.1	**37.5**	6.4	+ 20.7%	5.7%	**6.3%**	577.0	30.0
Japan	125.5	**127.7**	2.2	+ 1.8%	5.8	**7.7**	1.9	+ 32.1%	4.6%	**6.0%**	128.0	6.0
The Americas and Europe	353.0	**386.3**	33.3	+ 9.4%	18.6	**23.0**	4.4	+ 23.4%	5.3%	**5.9%**	373.0	17.5
Asia and Oceania	85.0	**91.6**	6.7	+ 7.8%	6.5	**6.9**	0.4	+ 6.7%	7.6%	**7.5%**	88.0	6.5
Eliminations	(13.8)	**(13.9)**	-0.2	-	0.2	**(0.1)**	-0.2	-	-	**-**	(12.0)	0.0
Color & Display	246.4	**266.1**	19.7	+ 8.0%	5.0	**13.9**	8.9	2.8 times	2.0%	**5.2%**	255.0	8.5
Japan	34.4	**35.9**	1.5	+ 4.3%	4.9	**6.1**	1.2	+ 24.4%	14.3%	**17.0%**	36.0	6.1
Overseas	230.3	**248.2**	17.9	+ 7.8%	0.1	**7.8**	7.7	85.7 times	0.0%	**3.1%**	236.0	2.4
Eliminations	(18.4)	**(18.1)**	0.3	-	(0.0)	**(0.0)**	0.0	-	-	**-**	(17.0)	0.0
Functional Products	290.9	**314.9**	24.0	+ 8.3%	23.1	**34.1**	11.0	+ 47.5%	7.9%	**10.8%**	298.0	24.5
Japan	179.7	**192.8**	13.1	+ 7.3%	10.8	**18.5**	7.7	+ 71.4%	6.0%	**9.6%**	181.0	11.4
Overseas	143.1	**157.0**	13.8	+ 9.7%	12.3	**15.8**	3.5	+ 28.9%	8.6%	**10.1%**	147.0	13.1
Eliminations	(32.0)	**(34.9)**	-2.9	-	0.0	**(0.3)**	-0.3	-	-	**-**	(30.0)	0.0
Others, Corporate and eliminations	(34.7)	**(32.6)**	2.0	-	(6.9)	**(7.4)**	-0.5	-	-	**-**	(30.0)	(7.0)
Total	1,052.2	**1,140.0**	87.8	+ 8.3%	52.2	**78.0**	25.8	+ 49.4%	5.0%	**6.8%**	1,100.0	56.0
Yen/US$	150.08	**150.00**		-0.1%	150.08	**150.00**		-0.1%			150.00	150.00
Yen/EUR	169.58	**175.00**		+ 3.2%	169.58	**175.00**		+ 3.2%			168.00	168.00

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Now, on page 18, we have the breakdown of our forecasts by segment.

The trends in H1 continue into H2, but we are generally taking a rather conservative stance when it comes to our profit in H2 compared to H1 in various areas.

Color & Comfort

Functional Products (Supplementary materials)

- While spreads are expected to narrow in the second half, owing to shipments of high-cost inventories, efforts to lock in demand for products for semiconductor-related applications are expected to support high growth.

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

(Billion yen)	Net sales				Operating income				Operating margin	
	2025	**2026 Forecast**	Change	% Change	2025	**2026 Forecast**	Change	% Change	2025	**2026 Forecast**
Chemitronics Business Division	65.3	**78.1**	12.8	+ 19.7%	7.8	**14.1**	6.3	+ 80.6%	12.0%	**18.1%**

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Page 19 shows the current status of the chemitronics business.

For the full year, we expect our operating profit margin to improve from 12% in 2025 to 18% in 2026. Although this represents a decline from the 21.6% margin achieved in H1, we believe that maintaining at least this level of profitability for the full year is achievable.

That concludes my presentation.

Question & Answer

Questioner1 [Q]: Thank you very much for your explanation. Congratulations on your solid financial results. I would like to ask two questions, please.

Your full-year operating income forecast is JPY78 billion, but I believe that figure would be around JPY72 billion if you exclude the onetime factors. I would like to know where the level of profit on an actual value basis, excluding various special factors such as front-loaded demand due to the impact of the situation in the Middle East, stands right now.

That is my first question.

Ikeda [A]: Let me answer that question.

It is quite difficult to gauge the situation, and as you pointed out, there are various factors at play in H1 and H2. However, from our perspective, we believe that the current figures, or the actual values, are definitely rising.

I mentioned that the JPY12 billion difference between H1 and H2 is due to the impact of the situation in the Middle East, but we estimate that about JPY10 billion of that is attributable to factors such as front-loaded demand, the benefit from lower raw material costs being recognized ahead of cost increases, and inventory effects. While these factors would naturally occur throughout the year, on average, they would amount to JPY5 billion in each half of the year. With that, we are currently projecting JPY26.1 billion in H2. If we averaged them out, it would only be normal to get approximately JPY31 billion.

Given the adjustments for H1 that take that into account and the presence of such factors as the strong performance of chemitronics and other businesses, if we view it based on the JPY56 billion operating income under our initial full-year plan for the current fiscal year, then we believe that the actual value is also rising by approximately JPY5 billion to around JPY10 billion. In other words, we estimate that our baseline would be somewhere between JPY60 billion and JPY65 billion.

While there is certainly some growth factored in those figures, it is difficult to gauge the impact of the portion that exceeds actual demand. Anyway, that is generally how we view the situation.

Questioner1 [Q]: Thank you. The actual value of JPY5 billion to JPY10 billion being higher than expected is due to chemitronics growing more than anticipated and also, of course, cost increases being passed on to product prices to a greater extent than expected. This means that, even without the Middle East, the current supply-and-demand structure is such that you can now quickly address future increases in raw materials, which is something that used to take quite a long time for you to do. Is my understanding correct?

Ikeda [A]: Yes, you are right. I would also like to add that structural reforms in the pigments business have progressed, leading to a significant improvement in our baseline.

Also, as you pointed out, our business has always been, and continues to be, subject to cyclical effects. One of the key challenges for us is how to address price gaps in a timely manner, but as you just said, we have now reached a point where we can implement measures very quickly in response to the situation.

This goes beyond simply eliminating delays, as it also demonstrates that, in this competitive environment, our customers recognize our strength, which is being able to consistently secure products and maintain stable quality, and understand the value of the services we provide, no matter the circumstances. With that, they have been willing to accept our fair pricing, I think.

Consequently, in our core business, we are able to adjust operations in a timely manner while strengthening our market position as our strength, thereby transforming our business structure to ensure we can consistently generate profit.

Questioner1 [Q]: Thank you.

My second question is about chemitronics. For the full fiscal year, you are projecting net sales of a little above JPY78 billion and an operating income of JPY14 billion. I believe the chemitronics business division includes products other than epoxy resins, but given your plans to expand epoxy production capacity going forward, what are your thoughts on this? It seems like the outlook of chemitronics for the next three years is very bright, but what kind of figures are you currently projecting?

Regarding the rise in profit, I would appreciate it if you could touch on the factors contributing to the increase outside of the epoxy business. You can discuss it in relation to the full year or H1.

Ikeda [A]: Semiconductor-related applications account for roughly 30% of our core epoxy resin business. In addition, we continue to see strong growth prospects for photoresist polymers, UV-curable resins, and industrial-use adhesive tape, all of which are expected to serve as key growth drivers going forward.

In addition to this, within the Functional Products segment, although we do not classify them under chemitronics, we offer semiconductor-related products, such as functional devices and membranes. These products are used in systems that help prevent static electricity buildup in ultrapure water applications within semiconductor manufacturing equipment. This business is also performing very well. We are supplying a wide range of products covering both front-end and back-end processes.

We have a very positive outlook for all of these areas going into the next fiscal year and beyond, and while it might be a bit of an exaggeration to say that the outlook from our customers and supply chain is improving day by day, it is certainly improving steadily. It is difficult to make accurate predictions in such situations, but we are definitely moving in a positive direction.

Our challenge is determining how to strengthen our production system, including quality, to ensure we can reliably meet the demand, and we believe that we need to address this by expanding our facilities.

If we can successfully realize our initiatives, we believe it may be possible to achieve chemitronics' targets for 2030 ahead of schedule. However, at this point, taking into account factors such as the accuracy of the forecast I mentioned earlier, we do not yet have specific figures.

Questioner1 [M]: Thank you very much. I am looking forward to that.

Quetioner2 [Q]: Congratulations on your solid financial results. Thank you for your explanation, too. I would like to ask two questions as well.

My first question concerns the analysis of the change in operating income from H1 to H2, or page 16 of the presentation materials. I would like to ask you to explain this section. In particular, please elaborate on the risk of a reactionary decline due to the situation in the Middle East, amounting to JPY12 billion. I would appreciate a more detailed explanation of this.

Furthermore, as a factor not included here, could you comment briefly on whether we can expect an increase in the volume of high value-added products from H1 to H2?

That is my first question. Thank you.

Asai [A]: Thank you very much for your question.

Let me provide additional explanations about the bridge chart on page 16.

Regarding the item on the right side that you asked about, or the main breakdown of the negative JPY12 billion from such factors as the reactionary decline due to the situation in the Middle East, please understand that JPY5 billion of this JPY12 billion is attributable to the reversal of the favorable raw material cost timing effect recorded in H1.

In addition, we expect to see a reactionary decline from the front-loaded demand that caused shipments to customers to expand in H1, which will lead to a drop in sales volume. We estimate that this will have an impact of approximately JPY3 billion to JPY4 billion. On top of that, there are other factors, such as expenses, and the impact of such items being carried over from H1 to H2 is currently estimated to be in the range of JPY1 billion to JPY2 billion.

As for whether there is any possibility of an increase in sales volume, based on our current estimates, sales volume is expected to remain flat, with the exception of the reduction in sales volume resulting from the reactionary decline of customers' front-loaded demand that I mentioned earlier. Therefore, at this point, our full-year outlook does not assume an increase in sales volume during H2.

However, as Mr. Ikeda said earlier, demand for chemitronics, especially semiconductor-related products such as epoxy resins, remains strong, so I believe it is possible that actual shipments in that area could exceed our current forecast. Having said that, please understand that these current figures do not take into account the increase in sales volume.

That concludes my answer.

Questioner2 [Q]: Thank you. I would like to follow up. Since you probably have not changed the full-year sales volume forecast, I understand that sales volume was concentrated in H1 and will shrink in H2. However, regarding products that performed strongly in H1 due to last-minute demand, in short, products driven by last-minute demand that are somewhat different from high value-added items like epoxy, will those actually see a decline? Are you already seeing that kind of trend at present?

Asai [A]: We have seen some declines in certain regions. For example, in Asia, including China, we are witnessing a slight drop in volume right now. However, we are currently reviewing the financial results for July and the situation for that month, and the reactionary decline has not been as strong as we expected.

Therefore, as things stand, shipments of inks and other products that had considerable front-loaded demand, as well as resin-related products, such as coating resins in the Functional Products segment, have not declined. That is the current situation.

Quetioner2[Q]: I understand very well. Thank you.

For my second question, could you share your view on your profit margins? I believe profit margins were quite high across all segments in H1. However, factors such as front-loaded demand, differences in inventory receipts and disbursements, and onetime accounting gain in the case of Color & Display may have contributed to results that were perhaps a bit too strong. Based on your company's forecasts, I understand that profit margins are expected to decline in H2.

Could you break down the strengths and weaknesses by segment? Regarding Packaging & Graphic, the operating margin in H2 is around 5.5%, and it is expected to hover at roughly this level next fiscal year and beyond. Can we think of it in such a way that this is essentially like your cruising speed once the difference between inventory receipts and disbursements is excluded?

As for the Color & Display segment, operating income is expected to be around 1.5% in H2. However, since H2 is typically a weaker period seasonally, I expect that it will rise slightly in H1 of next fiscal year. Additionally, if you implement structural reforms in the pigments business, I believe this figure will rise a bit further. So, can we reasonably expect the segment to return to its previous level of a little below 5% on a full-year basis next fiscal year?

With regard to the Functional Products segment, in H2, the operating margin is expected to be 8.3%, which represents a significant drop from H1. Should we take it that the results in H1 were exceptionally high, and factors such as differences in inventory receipts and disbursements helped push the margin up for the Functional Products segment, so the margin will fall to this level in H2, and then continue around 8% for the next fiscal year and beyond?

Please share your thoughts on profit margins.

Asai [A]: As for the Packaging & Graphic and Functional Products segments, there is no doubt that we will see an improvement compared to the FY2025 level.

However, as you pointed out, the levels seen in H1 are not likely to continue as is. So, even if there is a slight adjustment in H2, we believe that, on a full-year basis, the operating margin will remain at a level higher than that of FY2025, and that level will become our standard cruising speed going forward.

The most important point here is the Color & Display segment. As you have said, we recorded a onetime gain in Q1, making the results somewhat irregular. It distorted the profit margin slightly. However, even after adjustments were made for that, the profit margin improved compared to Q1 and Q2 of last year.

We expect that the structural reforms implemented this fiscal year will continue to drive growth into the next fiscal year and beyond. Additionally, while demand for display applications remained insufficient in H1 of this year, we are seeing a trend toward improvement, and we anticipate their shipments to grow.

Now, as volumes rise starting next year, these products have high profit margins, so we expect profit levels to exceed those of previous years. Therefore, looking at the full year, we intend to work toward improving this figure to around 4% to 5%.

That is all.

Questioner2 [M]: I understand very well. Thank you. That is all from me.

Questioner3 [Q]: Congratulations on your solid financial results. I would like to ask two questions about your ink business.

First, I would appreciate it if you could provide an update on the status of ink price increases. As far as I remember, back in April, your company announced price increases of more than 30% for gravure ink, around 15% for commercial offset printing ink, and more than 10% for UV-curable ink. Could you tell me how much progress was made on these increases during the quarter from April to June? May I ask, first of all, whether the actual figures were slightly lower or higher than those?

Thank you.

Ikeda [A]: While I will refrain from going into specific details about individual cases, I can say that, on the whole, they were accepted without issue. We know that the price increases have proceeded as planned.

As I said in my answer earlier, the reason we did that at a very early stage was, first and foremost, to ensure a reliable supply. It required considerable effort on our part, but we implemented these price increases on the premise that we will ensure the reliable delivery of products, and we believe that we have successfully achieved that. It was not simply a matter of whether or not we were able to raise prices. We understand that, overall, it also helped use secure sufficient sales volumes.

Questioner3 [Q]: Thank you very much. I understand.

For my next question, I would appreciate it if you could tell us if there is potential for your company, or Japanese companies in general, to increase your market share in the ink market as a result of the PPWR initiative (Packaging and Packaging Waste Regulation).

Under the PPWR, using nitrocellulose at a certain level would make the product non-compliant with the PPWR.

European ink manufacturers generally have a strong presence in nitrocellulose-based inks, which are widely used in the market. In contrast, companies in Asia tend to have strengths in polyurethane-based inks.

Given the PPWR-driven trend away from nitrocellulose-based inks, is there a possibility that companies such as yours, which have strengths in polyurethane-based inks, could gain market share in Europe and North America? Thank you.

Asai [A]: From an environmental perspective, demand for products that do not contain nitrocellulose is on the rise. As you mentioned, we are currently working to replace these products with our mainstay products, such as urethane-based products, so we believe this external environment will serve as a tailwind for our company going forward.

In Europe, as you pointed out, I think it is fair to view it as a region that will be particularly beneficial for us.

[END]

Disclaimer regarding forward-looking statement

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