Stock Code：4116

Dainichiseika

Fiscal Year Ended March 31, 2025
Supplemental Materials of Financial Results

BEYOND COLOR
Explore the unknown to reach a better future.

Dainichiseika Color & Chemicals Mfg. Co., Ltd.

May 15, 2025

Contents

- ■ Summary P3
- ■ Consolidated Financial Results for the Fiscal Year Ended March 31, 2025
  - • Consolidated Statements of Income P4
  - • External environmental trends P5
  - • Factors for Changes in Consolidated Operating Profit P6
  - • Overview by Segment P7
  - • Consolidated Balance Sheets P11
  - • Consolidated Statements of Cash Flows P12
- ■ Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026
  - • Consolidated Statements of Income P13
  - • Factors for Changes in Consolidated Operating Profit P14
  - • Overview by Segment P15
- ■ Shareholder Return P19
- ■ Consolidated Performance Trends P20
- ■ Action to Implement Management That is Conscious of Cost of Capital and Stock Price P21

Summary

Full Year Results for the Fiscal Year Ended March 31, 2025

	Results	YoY
Net sales	¥124.7 billion	+¥4.9 billion +4.1%
Operating profit	¥7.0 billion	+¥2.4billion +53.9%

- Automotive product sales were strong in North America, and the domestic market is showing a recovery trend after bottoming out in the second quarter.
- Sales of products for LCDs were weak for pigments and strong for coating materials.
- Cost reduction effects from the completion of the integration of the Bando plant.
- Major overseas subsidiaries performed well overall.

Earnings Forecast for the Fiscal Year Ending March 31, 2026

	Forecast	Compared to current fiscal year results
Net sales	¥127.3 billion	+¥2.5 billion +2.0%
Operating profit	¥7.2billion	+¥0.1 billion +2.8%

- In addition to the information and electronics industries, where sales expansion themes are driving growth, each segment is projected to remain solid.
- Expenses increase due to higher labor costs, depreciation costs, and logistics costs.
- Overseas subsidiaries operations remain solid, following significant growth in the current fiscal year.

Shareholder Return

	Fiscal Year Ended March 31, 2025	Fiscal Year Ending March 31, 2026
Annual dividend per share	¥156 (126+30)	¥174 (144+30)
Total dividends	¥2.68 billion	¥2.99 billion

- Full-year dividend of ¥156 for the fiscal year ending March 31, 2025 (+¥46 YoY)
- Year-end dividend of ¥90 (ordinary dividend of ¥75+special dividend of ¥15)
- Full-year dividend of ¥174 for the fiscal year ending March 31, 2026 (+¥18 YoY)

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Consolidated Statements of Income

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Net sales | Compounds, colorants, and polyurethanes for automobiles are performing well in the U.S. market, while the domestic market is on a recovery trend. For LCDs, pigments trended downward from the second quarter onwards, while coating materials remained strong throughout the year.

Operating profit | Major overseas subsidiaries performed well overall.
Expenses decreased (due to rationalization effects from the completion of the transfer to the new Bando plant, etc.).

Profit attributable to owners of parent | Extraordinary income includes gain on sale of non-current assets (former site of the Kawaguchi Production Plant) of ¥7.7 billion.
Extraordinary loss includes a ¥1.1 billion loss on sale of investments in capital of subsidiaries and associates.

100 million yen Truncate	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2025	Amount of Change	Ratio of Change
Net sales *1	1,198	1,247	+49	+4.1%
Operating profit	45	70	+24	+53.9%
Ordinary profit	50	77	+27	+55.2%
Profit attributable to owners of parent	36	102	+66	+181.1%
EBITDA *2	97	119	+21	+22.5%
Research and development expenses	30	29	(0)	(1.7%)
Ratio of overseas sales	24.6%	27.1%	+2.5%	-
Profit per share	¥207.95	¥599.63	+¥391.68	-
Foreign exchange rates	$1/¥143.34 €1/¥156.74	$ 1/¥152.36 €1/¥162.21	¥9.02 weaker ¥5.47 weaker	
Naphtha price	¥69,100	¥75,625	+¥6,525	

*1 Amounts of materials supplied for a fee included in net sales and offset against cost of sales as a result of the adoption of the Accounting Standard for Revenue Recognition: ¥41.0 billion for the fiscal year ended march 2024, and ¥40.5 billion for the fiscal year ended march 2025.
*2 EBITDA = Operating profit + Depreciation

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

External environmental trends -Sales, external environment and results by industry-

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Industry	Compared to Plan YoY*	External Environment	Results for the Fiscal Year Ended March 31, 2025
Transport equipment	(3.9%) (3.7%)	• Although production volume had decreased due to factors such as the suspension of operations by automobile manufacturers, production volume started to show an increasing trend from the second half of the fiscal year as the suspensions were lifted. • Despite the weak performance of Japanese automakers in China, sales in Asia and the United States remained strong. • Amidst market changes driven by CASE, electrical components are experiencing growth exceeding the number of vehicles produced.	◆ Up to the second quarter, performance remained sluggish due to a deteriorating external environment compounded by prolonged supply chain inventory adjustments. From the third quarter onwards, shipments increased in line with the recovery in production volume, but the recovery was gradual. ◆ Compounds, colorants, and high-durability urethane resins all experienced sluggishness in the domestic market, while performing strongly in overseas regions excluding China. ◆ The launch of new themes overseas contributed to growth. ◆ Sales of water-based surface treatment agents (environmentally friendly urethane resins) saw significant growth.
Information/ electronics	+9.1% +4.0%	• Panel manufacturers' capacity utilization remained generally steady, despite some fluctuations. • The display market is projected to grow, driven by the trend towards larger televisions. • Demand is expanding for digital printing, which does not require printing plates, shifting away from traditional offset printing that uses plates. • The trend in home appliances is towards higher functionality and miniaturization.	◆ For pigments for color filters, although there was the launch of new adoptions, we were affected by shifts in trade areas triggered by model changes. ◆ Coatings for liquid crystal panels and semiconductors performed strongly. ◆ Sales of heat-resistant, high-performance resins saw significant growth.
Packaging	+3.7% +6.2%	• In Japan, supply chain inventory adjustments progressed due to the intense heat and increased inbound tourism, leading to a recovery based on actual demand. • Overseas markets are expected to expand due to solid economic growth. • The trend towards moving away from plastics and simplifying packaging is progressing.	• For gravure inks, the domestic market was steady and overseas markets performed well. There was also an increase in revenue due to price revisions. • Sales of sustainability-contributing products, including biomass inks and water-based flexographic inks, are growing.
Industrial materials	+4.7% +9.4%	• For thermal transfer ribbons, excess inventory in the supply chain has been resolved. • Power cables maintained a steady performance, supported by replacement demand and the demand for renewable energy.	• Thermal transfer coatings recovered, primarily driven by demand for food packaging applications. • Power cables maintained a stable and steady performance.
Building materials and equipment	+1.1% +1.3%	• While the number of housing starts in Japan has recovered from the slump caused by the COVID-19 pandemic, a gradual downward trend is expected going forward. • Demand for renovations is trending upward.	• Wallpapers and flooring materials maintained a steady performance, supported by renovation demand. • Exports performed strongly, supported by our customers' overseas expansion, particularly in North America.

* Sales on a simple aggregation basis

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Factors for Changes in Consolidated Operating Profit (YoY Comparison of Results)

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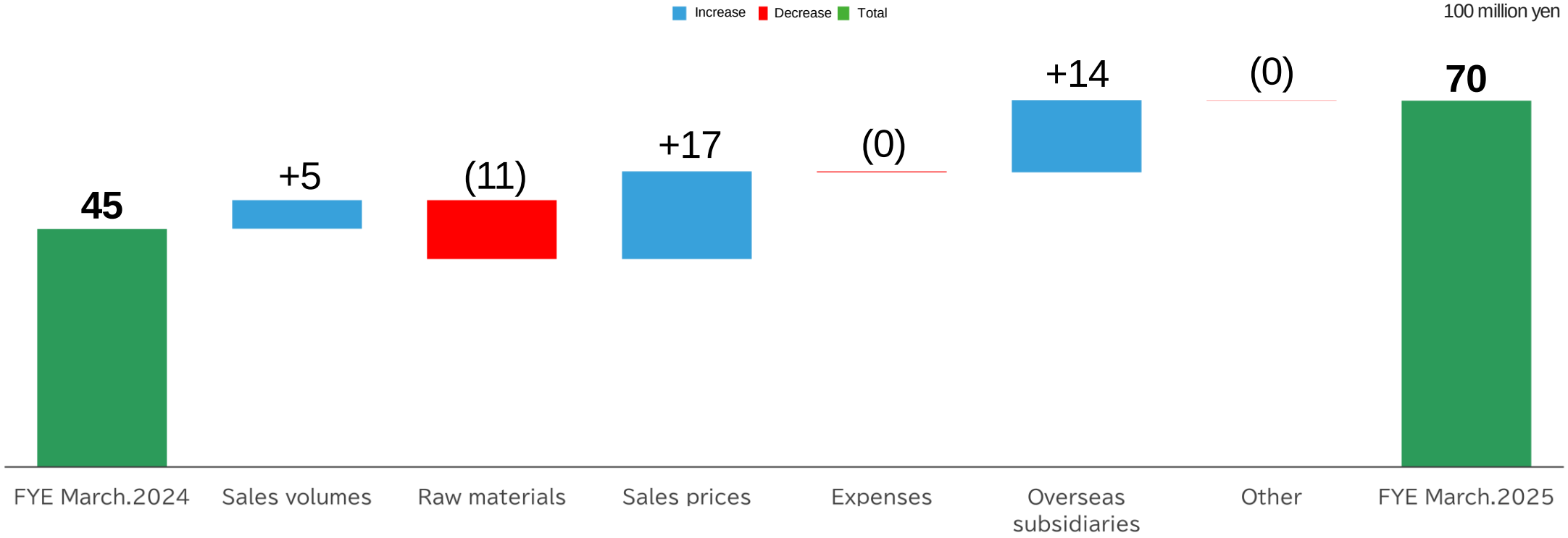
Sales volumes	Compounds, colorants, and polyurethanes for automobiles were strong in the U.S. market, while the domestic market is on a recovery trend after bottoming out in the second quarter (July to September). For LCDs, pigments trended downward from the second quarter onwards, while coating materials remained strong throughout the year.
Raw materials and sales prices	Raw material prices increased for organic pigments, etc., and sales prices reflect the price revisions made during the previous fiscal year that contributed to sales from the beginning of the current fiscal year.
Expenses	Rationalization due to completing the relocation to the new Bando plant had a positive effect.
Overseas subsidiaries	Sales of compounds, colorants, and gravure inks at overseas subsidiaries in Southeast Asia and polyurethanes at subsidiaries in China remained strong.



Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Overview by Segment

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100 million yen Truncate	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2025	Amount of Change	Ratio of Change
Color & Functional Products (C&F)	655	673	+18	+2.8%
Polymers & Coating Materials (P&C)	239	253	+14	+6.0%
Graphic & Printing Materials (G&P)	303	320	+16	+5.6%
Net sales total	1,198	1,247	+49	+4.1%
Color & Functional Products (C&F)	24	31	+6	+27.7%
Polymers & Coating Materials (P&C)	26	31	+4	+18.3%
Graphic & Printing Materials (G&P)	(5)	7	+12	-
Operating profit total	45	70	+24	+53.9%

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Overview by Segment (Color & Functional Products)

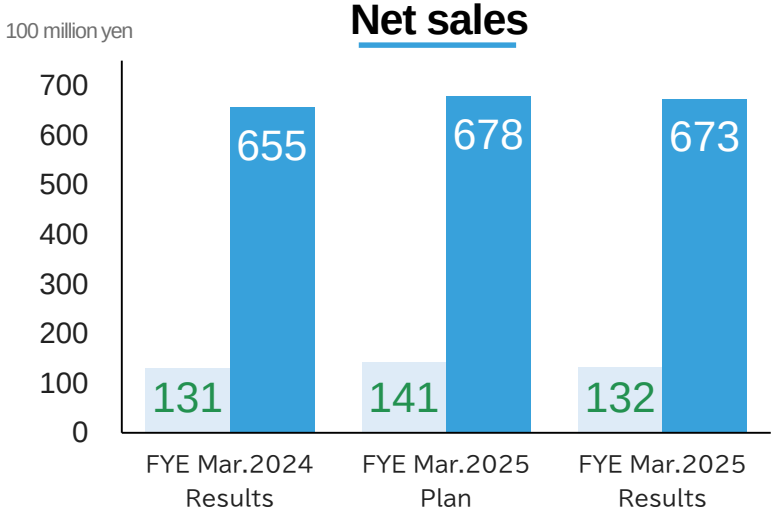
Dainichiseika

Color & Functional Products — Pigments and secondary processed products of pigments

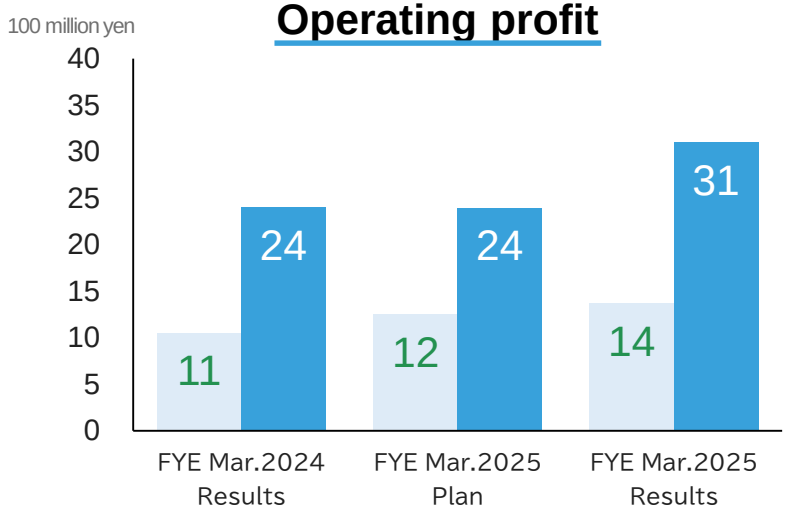
Strong demand in the Asian region, new projects, and price revision contributed to profit growth despite sluggish sales of products for automobiles and LCD panels in Japan.

Key industries	Strategic products	YoY (Net Sales)	Compared to plan (Net sales)	Remarks on results for the fiscal year ended March 31, 2025
Information/electronics	Pigments and dispersion liquids for inkjet inks	+5.6%	(6.7%)	While the domestic market maintained a steady performance, the launch of new themes overseas was delayed.
Information/electronics	Pigments for color filters	(5.3%)	(12.2%)	Although there were new product adoptions, we were affected by shifts in trade areas triggered by model changes.
Transport equipment	Compounds and colorants for automobiles	+1.4%	(4.4%)	Overseas markets performed well, supported by new initiatives, but the domestic market was sluggish due to production cuts by automobile manufacturers.
Information/electronics	Functional materials	(7.2%)	(27.9%)	Paints for semiconductors were sluggish due to inventory adjustments. We are actively promoting new products through exhibitions and other means.

Net sales



Operating profit



Capital investment・R&D expenses

100 million yen

	FYE Mar.2024	FYE Mar.2025
EBITDA *1	52	59
R&D expenses	15	15
Capital expenditure *2	27	41

*1 EBITDA = Operating profit + Depreciation
*2 Cost of asset acquisition

Bar graphs for each fiscal year
Left: strategic products, Right: all segments

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Overview by Segment (Polymers & Coating Materials)

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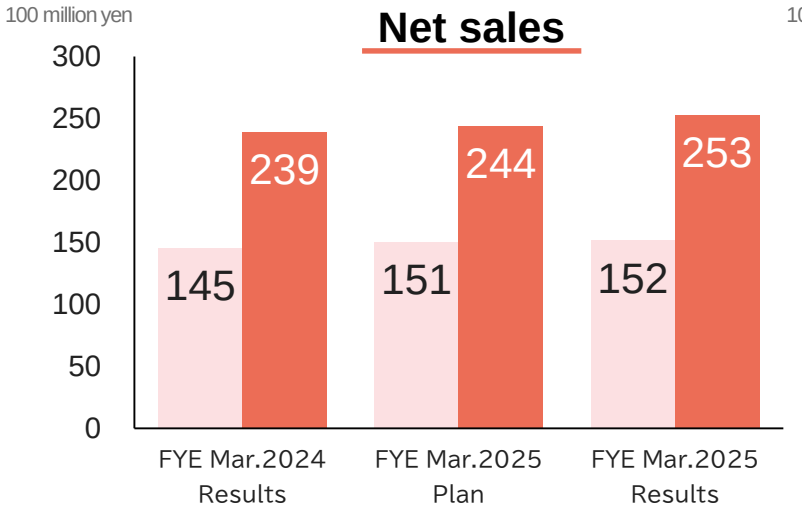
Polymer & Coating Materials — Synthetic resins and special coating materials

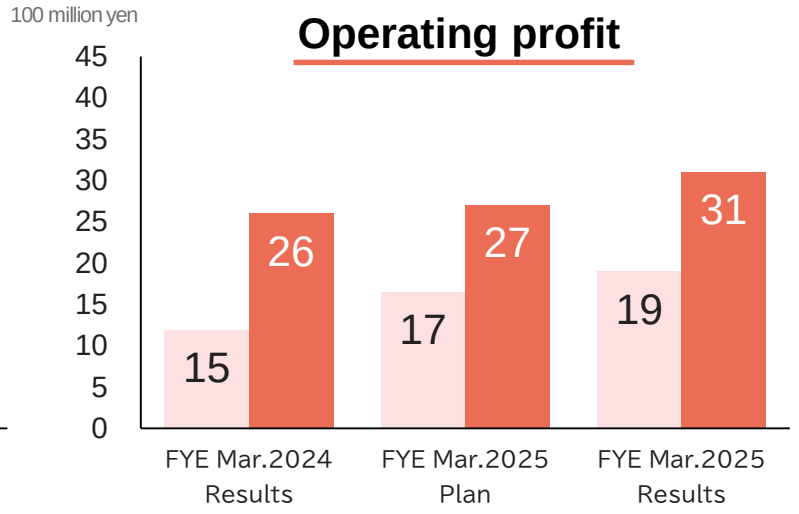
Although automotive product sales were sluggish in Japan due to production cutbacks, sales of products for automobile applications in North America and apparel applications in China grew and brought profits.

Key industries	Strategic products	YoY (Net Sales)	Compared to plan (Net sales)	Remarks on results for the fiscal year ended March 31, 2025
Transport equipment	Highly durable polyurethanes	+0.7%	(2.8%)	While the automotive sector was impacted by production cuts, the apparel sector showed growth.
Transport equipment	Environmentally friendly polyurethanes	+5.0%	+2.7%	Sales of water-based surface treatment agents, a sustainable product, grew in Japan, China, and the U.S.
Information/electronics	Heat-resistant and high-performance resins	2.9 times	+63.5%	Sales of products for smartphones with higher functionality continued to be strong.
Information/electronics	Coating materials for information/electronics industry	+13.3%	+10.1%	Shipments of products for LCD panels and semiconductors remained high.

Net sales



Operating profit



Capital investment・R&D expenses

100 million yen

	FYE Mar.2024	FYE Mar.2025
EBITDA *1	40	45
R&D expenses	10	10
Capital expenditure *2	13	13

*1 EBITDA = Operating profit + Depreciation
*2 Cost of asset acquisition

Bar graphs for each fiscal year
Left: strategic products, Right: all segments

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Overview by Segment (Graphic & Printing Materials)

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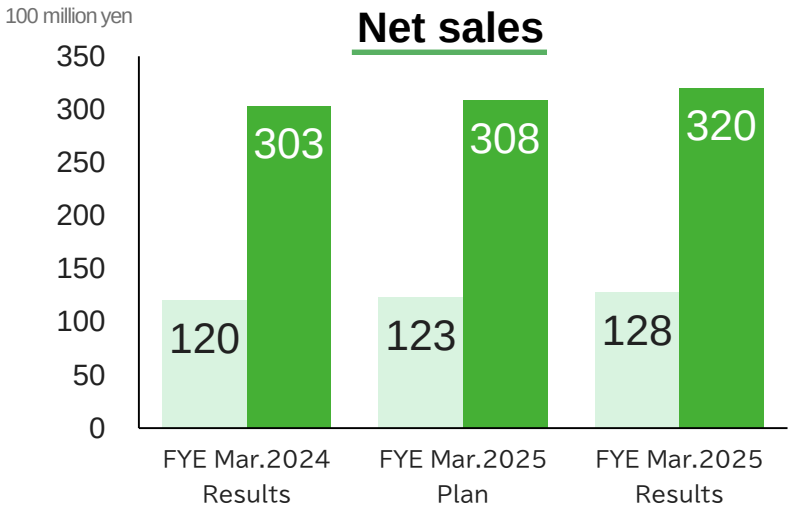
Graphic & Printing Materials — Inks for packaging, advertising and publishing

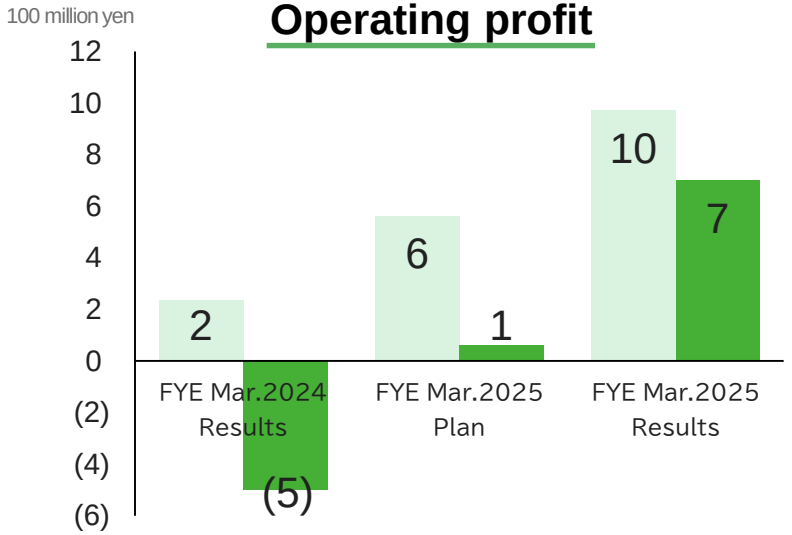
Rationalization due to the completion of the relocation to the new Bando plant and price revisions, on top of the strong performance of overseas operations, significantly improved operating profit in Japan and moved the business into profitability.

Key industries	Strategic products	YoY (Net Sales)	Compared to plan (Net sales)	Remarks on results for the fiscal year ended March 31, 2025
Packaging	Label inks and water-based flexographic inks	+9.0%	+5.2%	Sales of label inks grew due partly to the heat wave and increased consumption from inbound tourists, and sales of water-based flexographic inks for labels were also firm.
Information/ electronics	Sales expansion to growth areas	+8.0%	+3.8%	Sales of products for the information/electronics industry were mainly for smartphones. Sales in the Chinese market bounced back this fiscal year from last year's slump.
Packaging	Inks for Asia	+4.8%	+3.4%	Profit increased due to the optimization of sales prices and cost reductions through rationalization measures.

Net sales



Operating profit



Capital investment・R&D expenses

100 million yen

	FYE Mar.2024	FYE Mar.2025
EBITDA *1	4	13
R&D expenses	4	4
Capital expenditure *2	6	3

*1 EBITDA = Operating profit + Depreciation
*2 Cost of asset acquisition

Bar graphs for each fiscal year
Left: strategic products, Right: all segments

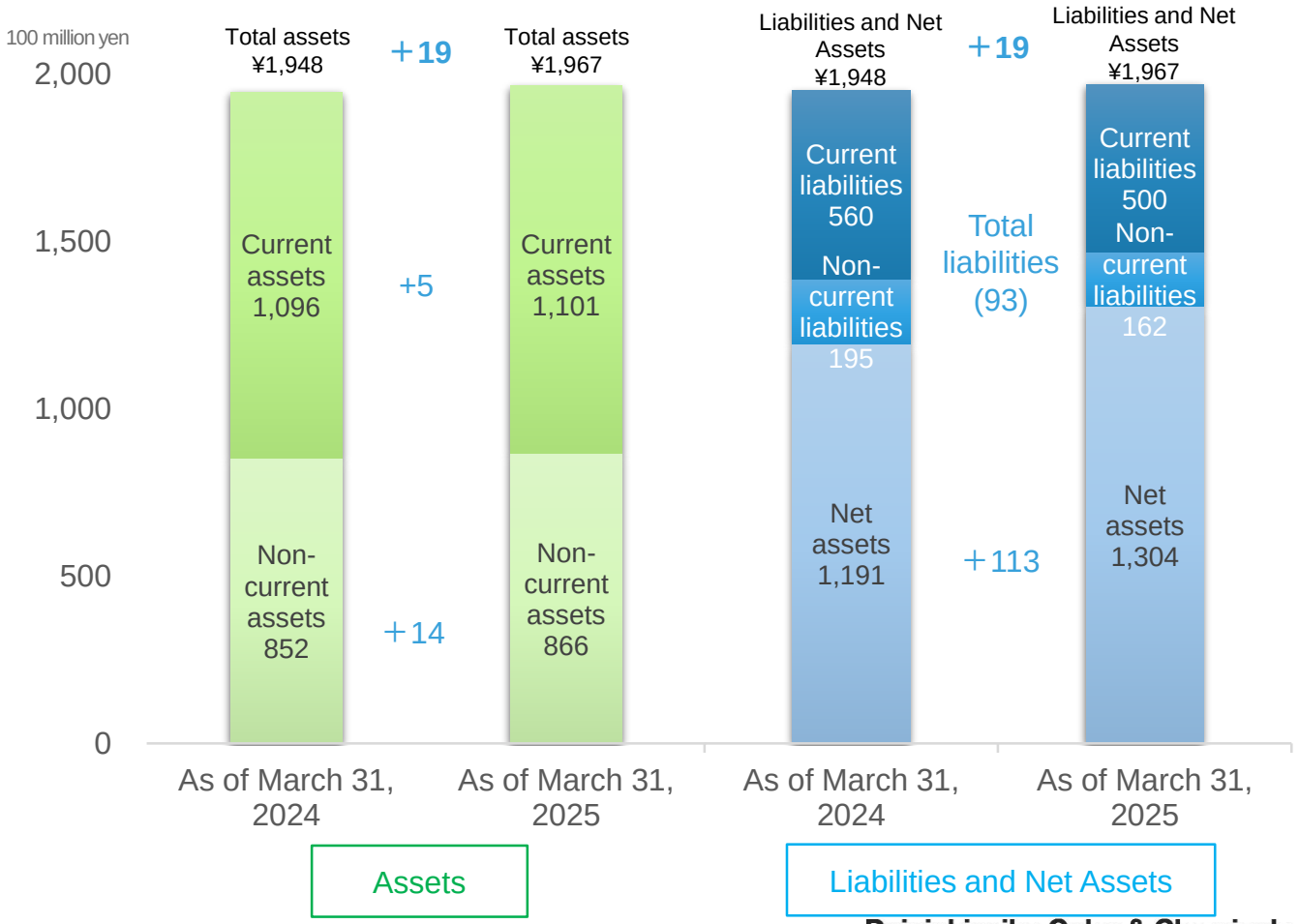
Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Consolidated Balance Sheets

Assets | Total assets: +¥1.9 billion
(Current assets: +¥0.5 billion; Non-current assets: +¥1.4 billion [Tangible assets: +¥1.1 billion; Investments: +¥0.2 billion])

Liabilities | Total liabilities: - ¥9.3 billion (Current liabilities: - ¥6.0 billion; Non-current liabilities: - ¥3.3 billion)

Net assets | Net assets: +¥11.3 billion (Shareholders' equity: +¥7.9 billion; Accumulated other comprehensive income: +¥3.2 billion)



	As of March 31, 2024	As of March 31, 2025	Amount of Change
Interest-bearing debt	¥25.2 billion	¥21.0 billion	(¥4.2 billion)
DE ratio	0.22	0.16	(0.06)
Equity ratio	59.9%	65.0%	+5.1
Net assets per share	¥6,804.81	¥7,459.16	+654.35
ROA	2.6%	4.0%	+1.4
ROE	3.2%	8.4%	+5.2

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

Consolidated Statements of Cash Flows

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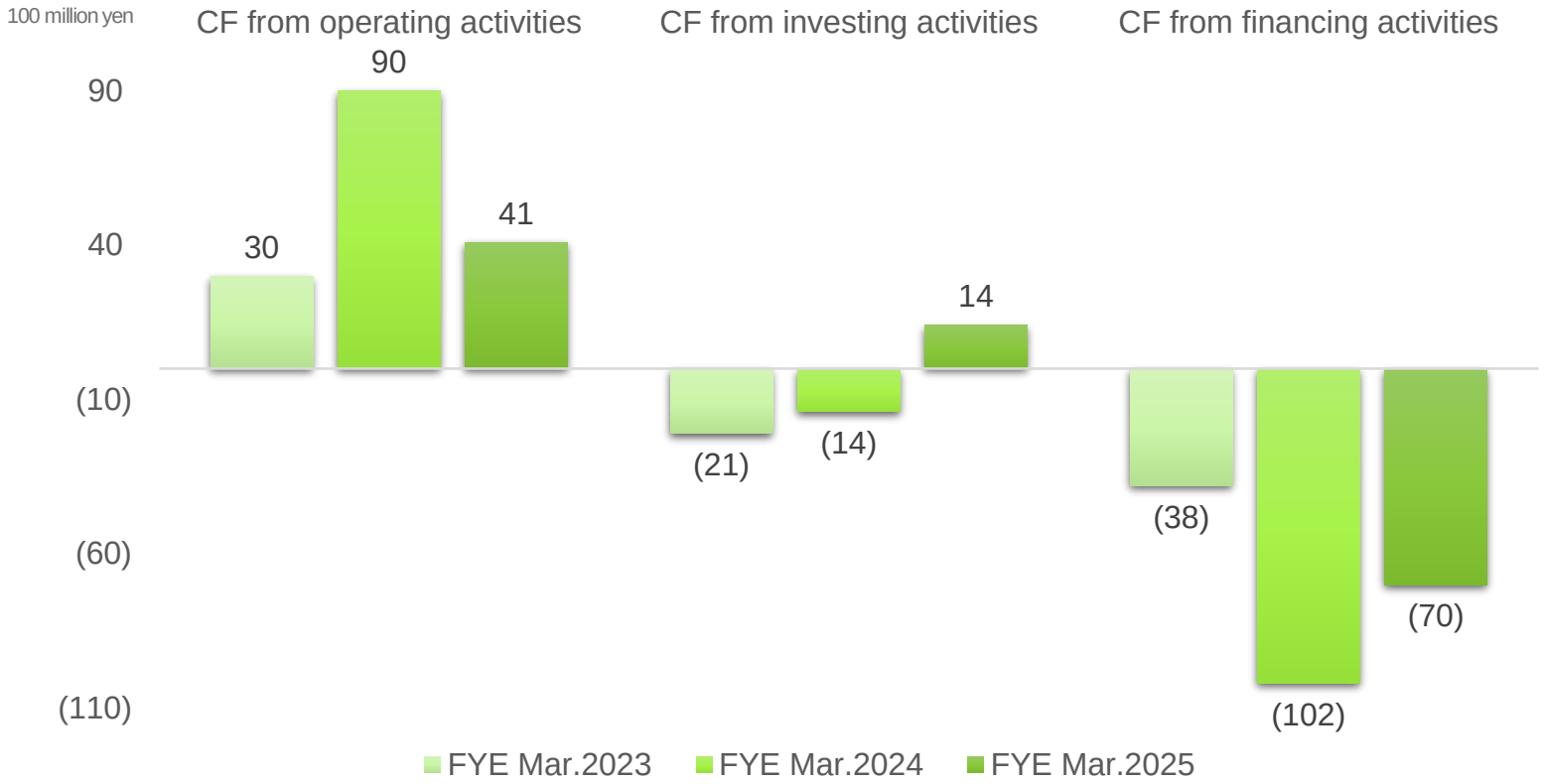
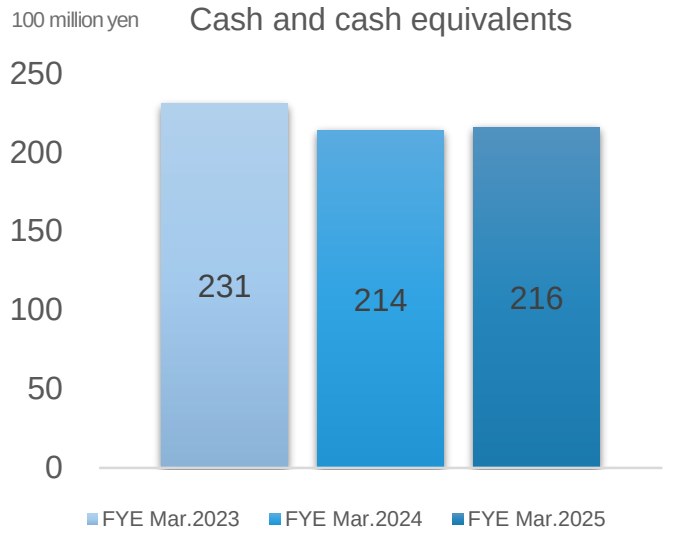
CF from operating activities | Profit before income taxes +¥14.3 billion; depreciation +¥4.9 billion; working capital (receivables, trade payables, inventories, and other) -¥2.2 billion

CF from investing activities | Capital investment -¥5.6 billion; sales of property, plant and equipment +¥7.5 billion

CF from financing activities | Long-term and short-term loans -¥4.1 billion; payment of dividends -¥2.3 billion





	As of March 31, 2023	As of March 31, 2024	As of March 31, 2025
Debt repayment period *1	10.3 years	2.8 years	5.1 years
Interest Coverage Ratio *2	10.3	32.4	16.7

*1 Debt repayment period = Interest-bearing debt / CF from operating activities
*2 Interest Coverage Ratio = CF from operating activities / Interest expense

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026

Consolidated Statements of Income

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Trends in customer industries

Transport equipment industry: Inventory adjustments in the supply chain are progressing, and a gradual recovery is expected.

Information/ electronics industry: A continued stable trajectory is anticipated, supported by the growing demand for larger panel sizes.

Packaging industry: A stable growth trend is expected to persist, supported by the positive impact of increased inbound tourism and greater demand for beverage bottles.

Construction materials industry: While the number of new housing starts is sluggish, demand for renovations is expected to remain steady.

Profit attributable to owners of parent

The absence of the ¥7.7 billion gain on the sale of the former Kawaguchi manufacturing site, which was recorded as extraordinary income in the previous fiscal year, led to a decrease in profit.

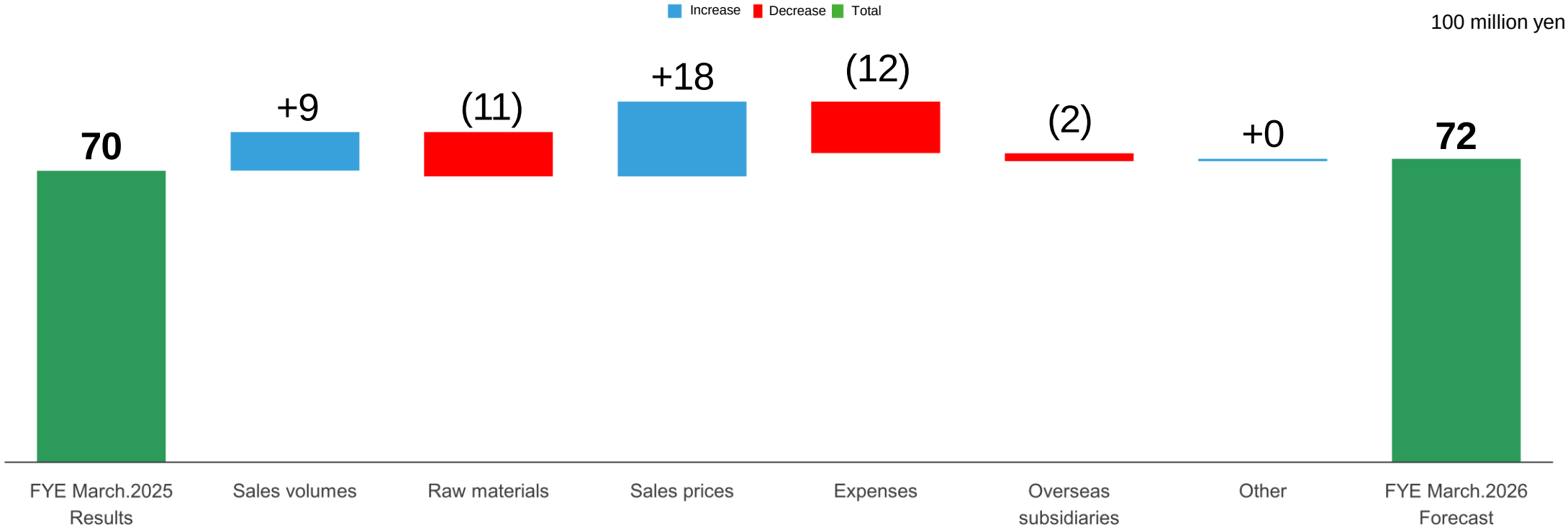
100 million yen Truncate	FYE March 2025 Results	FYE March 2026 Forecast	Amount of Change	Ratio of Change
Net Sales	1,247	1,273	+25	+2.0%
Operating profit	70	72	+1	+2.8%
Ordinary profit	77	82	+4	+5.6%
Profit attributable to owners of parent	102	61	(41)	(40.7%)
EBITDA *	119	122	+3	+3.1%
Profit per share	¥599.63	¥355.45	(¥244.18)	-
Foreign exchange rates	$1/¥152.36 €1/¥162.21	$1/¥148.00 €1/¥159.00	¥4.36 stronger ¥3.21 stronger	
Naphtha price	¥75,625	¥67,000	(¥8,625)	

* EBITDA = Operating profit + Depreciation

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026

Factors for Changes in Consolidated Operating Profit (FYE March, 2025 Results vs. FYE March, 2026 Forecast)

Sales volumes	In addition to the information and electronics industries, where sales expansion themes are driving growth, other industries are also expected to show steady performance.
Raw materials and sales prices	The costs of raw materials such as organic pigments and titanium dioxide increased in the prior year. Sales prices reflect the impact of mid-year revisions from the fiscal year ended march, 2025, which were aimed at correcting profitability and have contributed from the start of the fiscal year ending march, 2026.
Expenses	Labor costs, depreciation costs, logistics costs, and other expenses increased.
Overseas subsidiaries	Performance is expected to remain solid, following significant growth in the current fiscal year.



Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026

Overview by Segment

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100 million yen Truncate	Results for the Fiscal Year Ended March 31, 2025	Forecast for the Fiscal Year Ending March 31, 2026	Amount of Change	Ratio of Change
Color & Functional Products (C&F)	673	696	+22	+3.4%
Polymers & Coating Materials (P&C)	253	252	(1)	(0.6%)
Graphic & Printing Materials (G&P)	320	325	+4	+1.5%
Net sales total	1,247	1,273	+25	+2.0%
Color & Functional Products (C&F)	31	31	(0)	(1.1%)
Polymers & Coating Materials (P&C)	31	32	+0	+1.7%
Graphic & Printing Materials (G&P)	7	8	+0	+11.6%
Operating profit total	70	72	+1	+2.8%

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026

Overview by Segment (Color & Functional Products)

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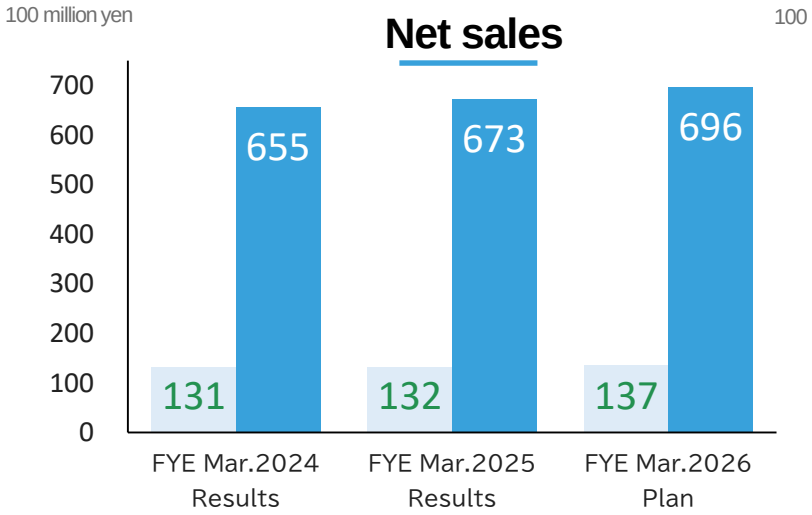
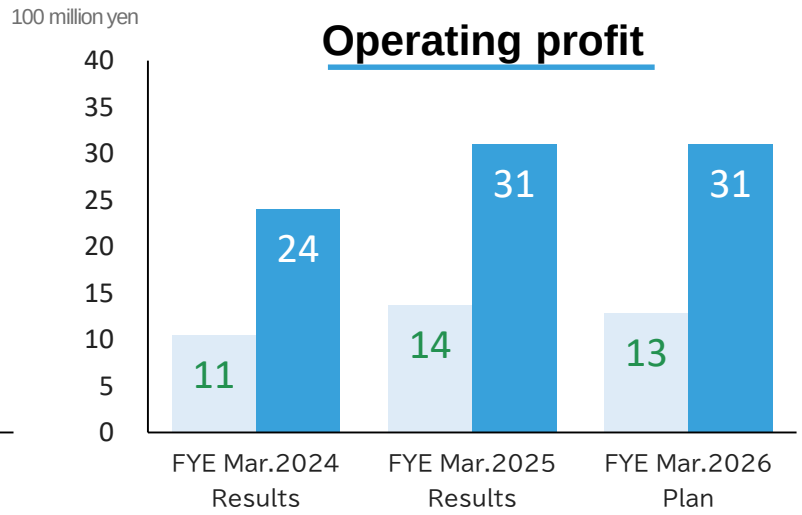
Color & Functional Products — Pigments and secondary processed products of pigments

Globally expanding its portfolio of high value-added products, with a primary focus on the information and electronics industries, as well as the transportation equipment industry.

Key industries	Strategic products	YoY (Net Sales)	Remarks on plans for the fiscal year ending March 31, 2026
Information/electronics	Pigments and dispersion liquids for inkjet inks	+2.8%	Amid the ongoing digital transformation of the printing industry, demand for commercial printing is trending upward, and the Company aims to drive sales growth accordingly.
Information/electronics	Pigments for color filters	+3.1%	In addition to the global increase in demand for displays, the Company aims to expand market share through new product adoption.
Transport equipment	Compounds and colorants for automobiles	+2.2%	Inventory adjustments across the supply chain are progressing, and a gradual recovery is expected.
Information/electronics	Functional materials	+92.1%	Demand for semiconductor-related coatings remains sluggish. The Company aims to achieve new product adoption for differentiated functional materials.





Bar graphs for each fiscal year
Left: strategic products, Right: all segments

Strategic Actions from the FYE March 2026

- Continue to implement price revisions to address rising costs, including logistics and labor expenses, as well as unprofitable products.
- Work to strengthen the existing business structure by maintaining market share and promoting efficiency.
- Accelerate the development and expansion of strategic products, including automotive compounds and colorants, pigments and dispersions for inkjet inks, pigments for color filters, cellulose powder, thermal management materials, and functional materials.

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026

Overview by Segment (Polymers & Coating Materials)

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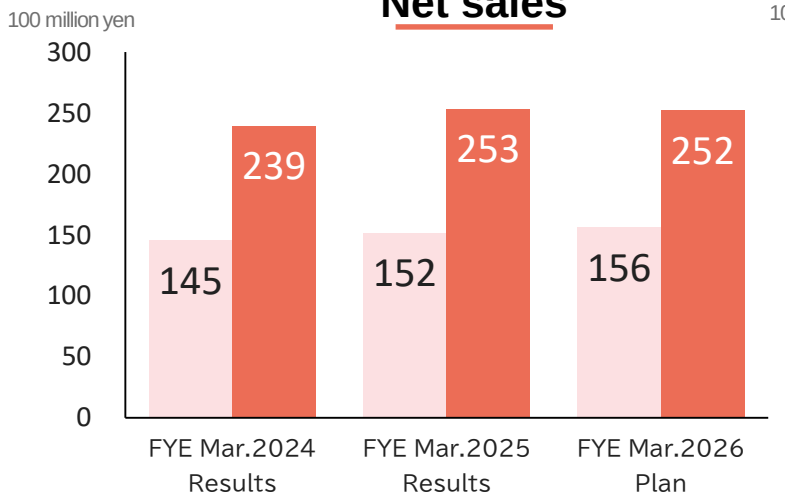
Polymer & Coating Materials

Synthetic resins and special coating materials

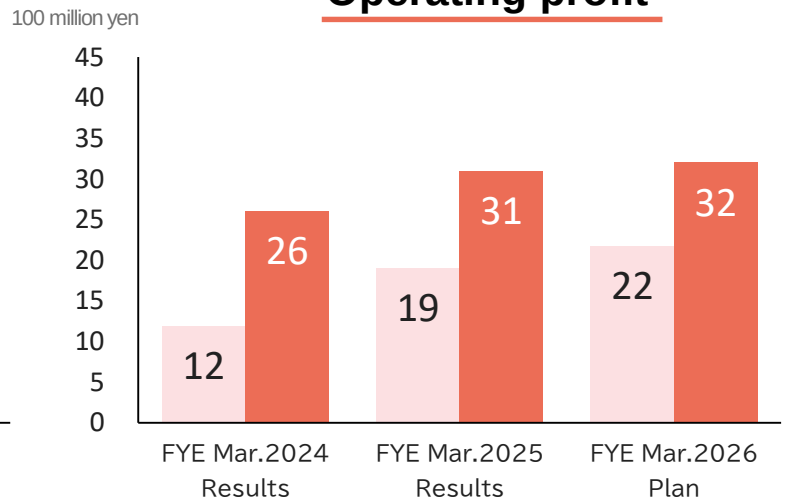
Sales expansion strategy leveraging a wide lineup of polyurethane resins, and the development and deployment of distinctive, highly unique products.

Key industries	Strategic products	YoY (Net Sales)	Remarks on plans for the fiscal year ending March 31, 2026
Transport equipment	Highly durable polyurethanes	+2.2%	The automotive sector continues its gradual recovery. The apparel sector remains robust, following the strong performance last year.
Transport equipment	Environmentally friendly polyurethanes	+0.9%	Focus on expanding sales of water-based and solvent-free polyurethane resins, particularly water-based surface treatment agents.
Information/electronics	Heat-resistant and high-performance resins	+24.0%	Expect growth in the smartphone sector, aiming for increased adoption, and in the next-generation vehicle sector.
Information/electronics	Coating materials for information/electronics industry	+5.4%	Continued growth anticipated in the liquid crystal display (LCD) panel and semiconductor sectors, where new applications are expanding.

Net sales



Operating profit



Bar graphs for each fiscal year
Left: strategic products, Right: all segments

Strategic Actions from the FYE March 2026

- Advance the development and sales expansion of strategic products, including heat-resistant high-performance resins and environmentally friendly polyurethanes (water-based surface treatment agents, water-based urethane resins, hot-melts, etc.).
- Proceed with expanding the lineup of high-value-added products in India.

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2026

Overview by Segment (Graphic & Printing Materials)

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Graphic & Printing Materials

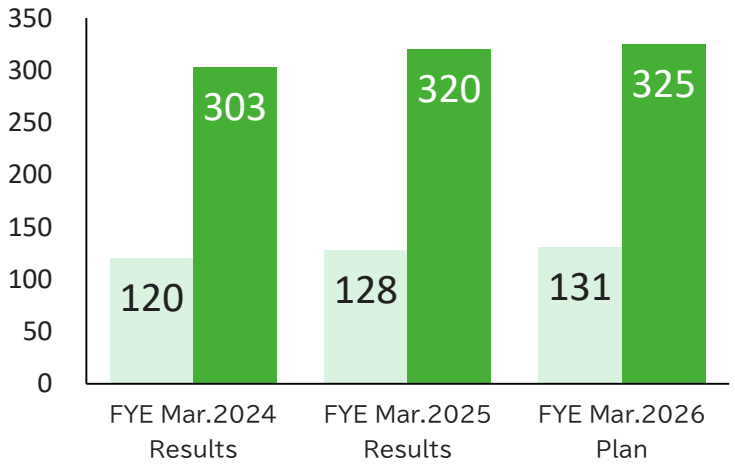
Inks for packaging, advertising and publishing

In the domestic market, operational efficiency is being enhanced, along with strategic emphasis placed on core product strengths and growth segments. In overseas markets, sales expansion initiatives are being actively pursued to accelerate global growth.

Key industries	Strategic products	YoY (Net Sales)	Remarks on plans for the fiscal year ending March 31, 2026
Packaging	Label inks and water-based flexographic inks	(1.3%)	Anticipate results similar to last year, driven by the intense heat and the expansion of inbound tourism consumption.
Information/ electronics	Sales expansion to growth areas	+2.4%	Focus on the development of high-value-added products, such as functional coatings for the industrial materials sector.
Packaging	Inks for Asia	+5.6%	Consider strengthening production capacity in response to growing demand for packaged foods, supported by a high economic growth rate.

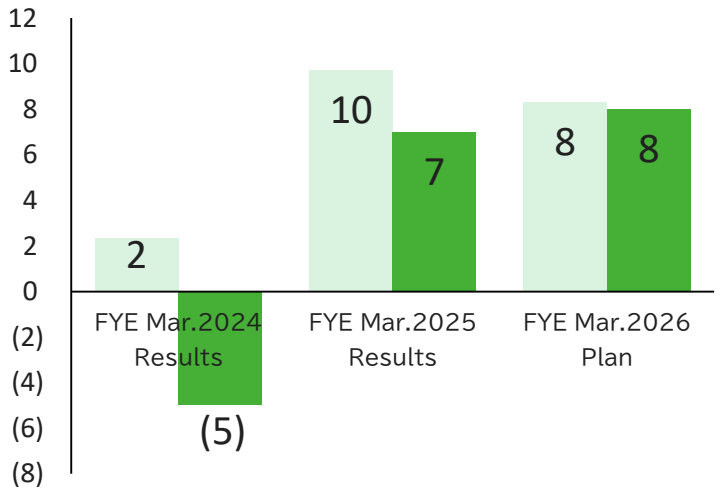
100 million yen

Net sales



100 million yen

Operating profit



Bar graphs for each fiscal year
Left: strategic products, Right: all segments

Strategic Actions from the FYE March 2026

- Continue to implement price revisions to address rising costs, including logistics and labor expenses, as well as unprofitable products.
- Work to strengthen the existing business structure by maintaining market share and promoting efficiency.
- Aim to improve profitability by exploring new markets in the information and electronics and industrial materials sectors, in addition to food packaging.
- Promote the sales expansion of sustainability-contributing products, such as biomass inks and water-based flexographic inks.

Shareholder Return

Dividend policy

The Company, based on the perspective of sustainable growth and enhancement of medium- to long-term corporate values, makes it a principle to continuously pursue a dividend policy in which the return of profits to shareholders is regarded as an important management priority, yet with broader consideration to matters such as business development in the future, reinforcement of its operating basis, and enrichment of internal reserves.

Dividend plan

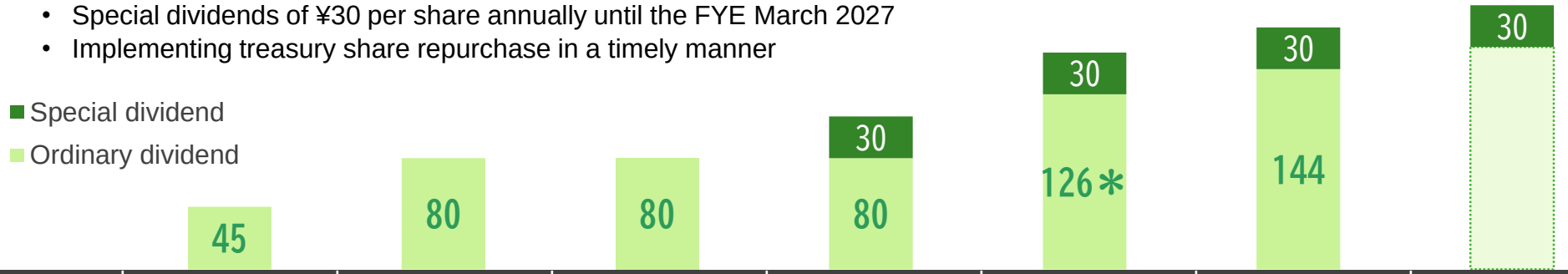
■ Year-end dividend of the FYE March 2025

- ¥90 per share (ordinary dividend:¥75; special dividend:¥15)

＊¥156 annual dividends per share (including interim dividends of ¥66)

■ Updated shareholder return policy for the three-year medium-term management plan period (until the FYE March 2027)

- Targeting a total payout ratio of 50% or more on the three-year average during the medium-term management plan
- Dividend payout ratio of 40% or more（excluding special dividend）
- Annual dividends of at least ¥100 per share
- Special dividends of ¥30 per share annually until the FYE March 2027
- Implementing treasury share repurchase in a timely manner

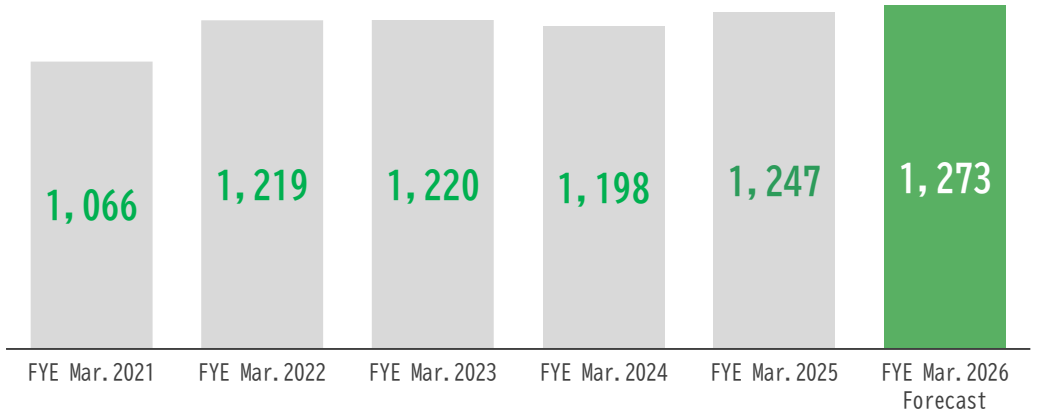


	FYE Mar.2021	FYE Mar.2022	FYE Mar.2023	FYE Mar.2024	FYE Mar.2025	FYE Mar.2026	FYE Mar.2027
Annual dividend per share	¥45	¥80	¥80	¥110	¥156	¥174	Standard dividend payout ratio ＋¥30
Dividend payout ratio	13.2%	24.0%	73.7%	52.9%	26.0%	**40% or more**	**40% or more**
Treasury share repurchase（100 million yen）	220	0	0	2,864	1	Implementing in a timely manner	
Total payout ratio	16.6%	24.0%	73.7%	129.8%	**50% or more on the three-year average**		

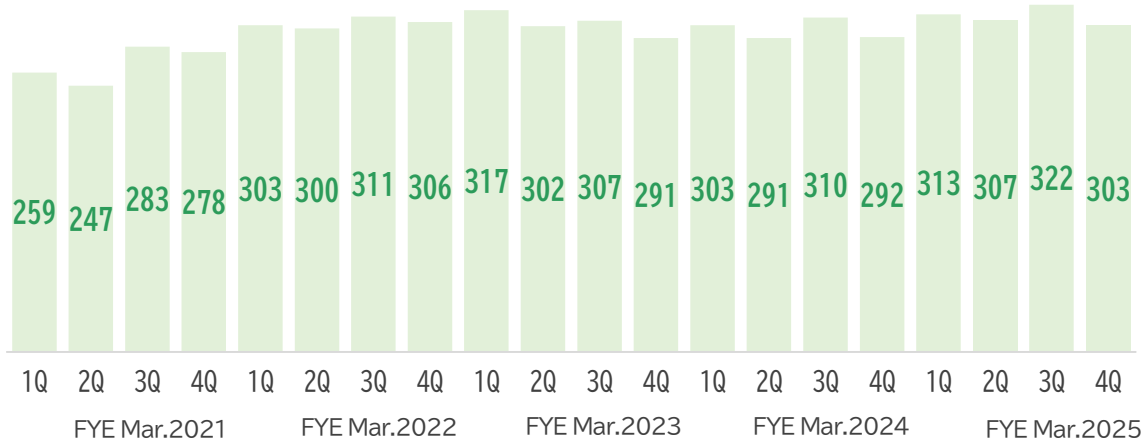
＊The ordinary dividends of ¥126 for the FYE March 2025 represents a dividend payout ratio of approximately 45% based on profit attributable to owners of the parent, excluding the gain on the sale of the Kawaguchi Production Plant (net of corporate income tax).

Consolidated Performance Trends

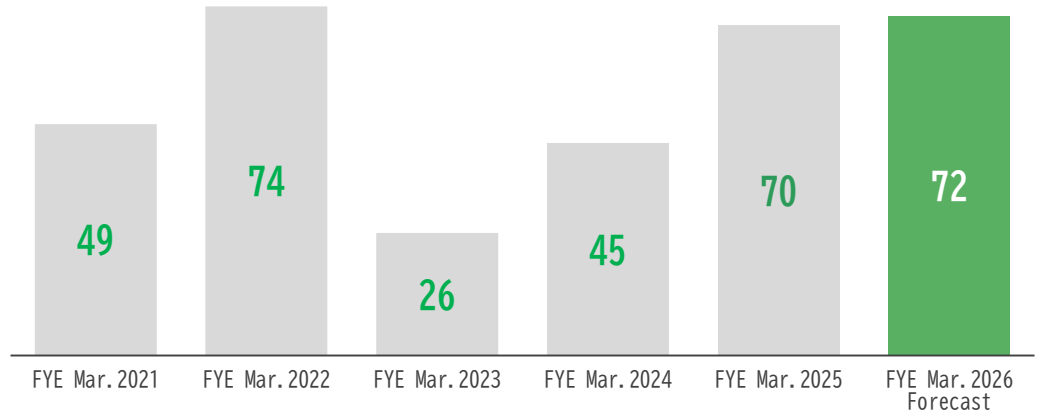
Net sales: Full year (100 million yen)



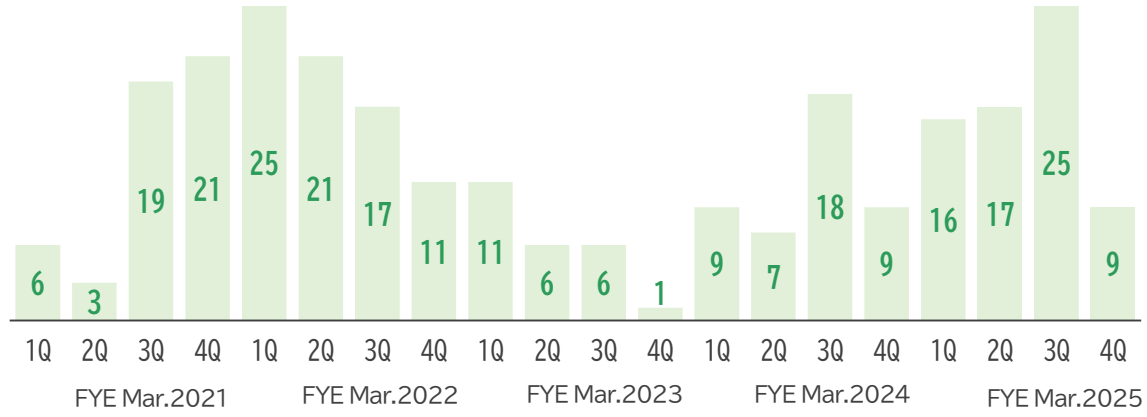
Net sales: Quarterly (100 million yen)



Operating profit: Full year (100 million yen)



Operating profit: Quarterly (100 million yen)



Action to Implement Management That is Conscious of Cost of Capital and Stock Price

① Current Status Analysis（1/2）

Dainichiseika

Assessment of the current status

✓ Our ROE has consistently fallen short of our cost of equity (which we assess as 6-7% based on CAPM), and consequently, our PBR is below 1.0x.

Factor analysis① Current ROE

1. Our business has traditionally maintained stable performance, being less susceptible to economic fluctuations due to our diverse customer base across a wide range of industries. However, in recent years, we have been lacking strength due to the following external factors and trends in some of our client industries.
2. We are systematically implementing investments for earthquake resistance, measures for aging infrastructure, and environmental protection. Strategic investments in new fields that will lead to expanded revenue opportunities, as well as overseas expansion, are currently in progress.
3. As a consequence of the investments mentioned in point 2, shareholder returns have been limited despite an increase in retained earnings. This has led to an increase in our equity ratio and a sluggish ROE.

External factors	
FYE March 2019	Emergence of US-China trade friction
FYE March 2020	Decrease in sales volume of packaging materials and other products due to the consumption tax hike and the growing prominence of the food loss issue
FYE March 2021	Decrease in overall demand, including inbound demand, due to the COVID-19 pandemic
FYE March 2022	Raw material prices surged due to excessive orders during the recovery phase from the COVID-19 pandemic
FYE March 2023～FYE March 2024	Rising utility costs due to Russia's invasion of Ukraine; approximately 1.5 years needed for supply chain inventory normalization
FYE March 2025	Although the external environment returned to normal, and LCD applications remained solid, the recovery lacked momentum due to factors including the Noto earthquake and decreased vehicle production volumes. Meanwhile, an extraordinary profit associated with the sale of the former site of the Kawaguchi Production Plant, resulting in an ROE exceeding 8%.

	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024	FYE March 2025
Net sales*	¥157.1 billion	¥167.4 billion	¥170.3 billion	¥155.1 billion	¥138.4 billion	¥121.9 billion (¥168.0 billion)	¥122.0 billion (¥169.2 billion)	¥119.8 billion (¥160.9 billion)	¥124.7 billion (¥165.3 billion)
Operating income	¥11.9 billion	¥13.0 billion	¥8.7 billion	¥4.8 billion	¥4.9 billion	¥7.4 billion	¥2.6 billion	¥4.5 billion	¥7.0 billion
Profit	¥9.9 billion	¥8.3 billion	¥3.8 billion	¥3.9 billion	¥6.3 billion	¥6.1 billion	¥2.0 billion	¥3.6 billion	¥10.2 billion
Net assets	¥88.4 billion	¥97.0 billion	¥96.0 billion	¥95.6 billion	¥103.6 billion	¥110.4 billion	¥114.3 billion	¥119.1 billion	¥130.4 billion
Equity ratio	45.9%	47.3%	49.3%	50.1%	51.5%	55.1%	58.1%	59.9%	65.0%
ROE	12.5%	9.2%	4.1%	4.2%	6.5%	5.9%	1.8%	3.2%	8.4%
Period-end stock price	¥3,765	¥4,390	¥3,020	¥2,359	¥2,471	¥2,060	¥1,783	¥2,985	¥3,005
PBR	0.80x	0.85x	0.59x	0.46x	0.44x	0.35x	0.29x	0.44x	0.40x

*We have adopted the 'Accounting Standard for Revenue Recognition' starting from the FYE March 2022. Since this adoption has resulted in an average decrease in sales revenue of approximately ¥40 billion, we also state the pre-adoption sales revenue figures in parentheses.

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

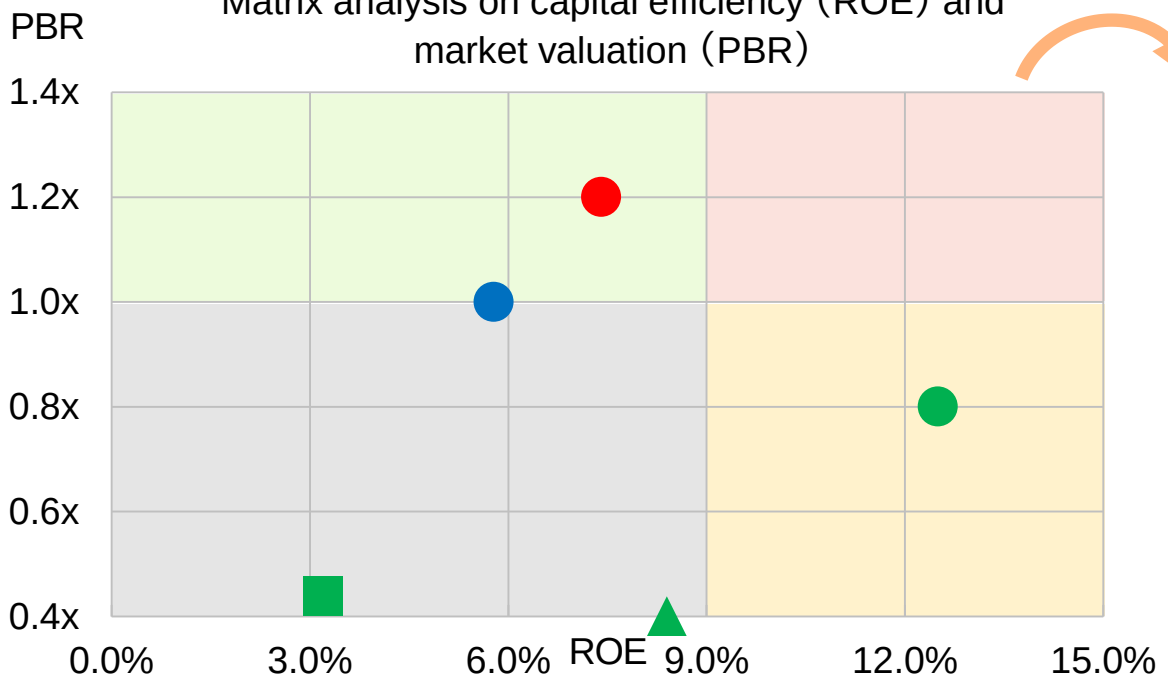
① Current Status Analysis（2/2）

Dainichiseika

Factor analysis② Current market valuation

4. Even during periods (From FYE March 2017 to FYE March 2018) when we achieved an ROE exceeding our cost of equity, our PBR remained below 1.0x, suggesting the existence of a company-specific risk premium.
   - ➢ While our company's recognized cost of equity is 6-7% (CAPM), the expected rate of return we have heard through IR and meetings with institutional investors is 8-10%, indicating a gap.
   - ➢ From the investors' perspective, the main opinions we received regarding our company's specific risk premium are as follows:
     - ① Due to our company's broad business scope and diverse end-user demand, it is uncertain whether medium to long term market expansion can be expected.
     - ② The high proportion of shares held by financial institutions and business corporations, coupled with the small number of freely floating shares, leads to high stock price volatility.

Matrix analysis on capital efficiency（ROE）and market valuation（PBR）



Explanation of matrix analysis

Capital Efficiency Low Market Valuation High ✓ The average of the chemical industry and the composite in the Prime Market fall into this position. ✓ Although capital efficiency is low, market valuation is high.	Capital Efficiency High Market Valuation High ✓ We aim to achieve this position in the medium to long term.
Capital Efficiency Low Market Valuation Low ✓ In the most recent fiscal period, our company falls into this position. ✓ We have not been able to consistently achieve capital profitability exceeding the cost of capital, and consequently, we are not receiving sufficient evaluation from investors. ✓ This is lower than the average for the Prime Market chemical industry and is recognized as a unique challenge for our company.	Capital Efficiency High Market Valuation Low ✓ Even when our ROE was at its highest in the past 10 years, the PBR remained low. ✓ Our company-specific risk premium is depressing the market valuation, and this needs to be resolved.

■ Our FYE March 2024 ▲ Our FYE March 2025 ● Our FYE March 2017*
● Prime Market chemical industry average** ● Prime Market composite average**
*Our highest ROE in the last 10 years
**（Source）Created by our company based on Tokyo Stock Exchange ”Average PER and PBR by Size and Types of Industry” end of March 2025 average data（Consolidated）

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

② Updating Medium-Term Management Plan Targets

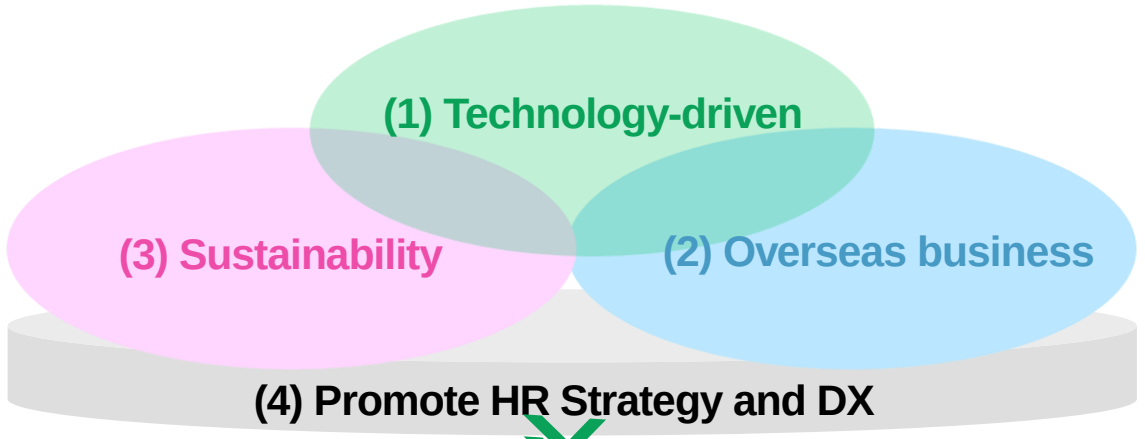
Dainichiseika

Towards consistently achieving an ROE that surpasses the cost of shareholders' equity and a PBR of 1.0x or higher

Short term	✓ By steadily implementing the various strategies and measures set forth in this document, in addition to those outlined in the medium-term management plan, we will achieve an **ROE of 5% or more** in the final year of the medium-term management plan. ✓ We aim for an **average total payout ratio of 50% or more over the three years of the medium-term management plan** and will endeavor to further enhance shareholder returns.
Medium to long term	✓ Amidst an uncertain business environment driven by factors such as US tariff policies, the slowdown of the Chinese economy, and raw material trends, we will continue to promote growth investments including M&A and strategic investments to build a business portfolio that is less susceptible to external factors. In addition, we will actively implement dividend distributions and share buybacks, aiming for an ROE of 9% or more.

Group targets

	FYE March 2025 results	FYE March 2026 plan
Net sales	¥123.0 billion→¥124.0 billion	¥127.3 billion
Operating profit	¥5.2 billion→¥6.9 billion	¥7.2 billion
Ordinary profit	¥5.8 billion→¥7.6 billion	¥8.2 billion
Profit	¥9.7 billion→¥10.0 billion	¥6.1 billion
ROE	8.3%→8.4% ※ROE was 4.6%, excluding the extraordinary income arising from the transfer of former site of the Kawaguchi Production Plant of the Company (after income taxes).	5% or more for FYE March 2027



✓ In addition to the upward revision of our earnings forecast for the FYE March 2025, we will update our ROE plan for the FYE March 2027 from the initial 4.6% to **5% or more** due to the strengthening of our shareholder return policy.

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

③ Initiatives to Improve ROE

Dainichiseika

Implement management with the need to improve ROE while taking into account our financial health

Improvement in corporate value

- Achieve PBR of 1× ASAP
- FYE March 2027:
  ~~Achieve ROE of 4.6%~~
  Achieve ROE of 5% or more

Improvement in profitability

- Reform and strengthen existing business structure
- Develop business in growth areas including overseas
- Improve cash conversion cycle

Promotion of B/S management

- Effectively use leverage
- Reduce cost of capital
- Reduce cross-shareholdings on an ongoing basis
- Implement a cash management system

Profit growth

- Reform and strengthen existing business structure
- Develop business in growth areas
- Increase profit margins by reducing costs

Optimization of management resources

- Actively invest in core and growth businesses
- Actively invest in DX and human resources

Shareholder return

- Increase capital efficiency and corporate value while maintaining financial stability
- Plan to pay an ordinary dividend with a ~~total payout ratio of 40-50%~~ **total payout ratio of 50% or more on a three-year average during the medium-term management plan** or an annual dividend of at least ¥100 per share
- Pay a special dividend of ¥30 per share over the four periods starting in FYE March 2024

Investment and M&A

- Consider using interest bearing debt for M&As
- Always make investment decisions with capital costs

Progress of the first year of the medium term management plan (FYE March 2025)

- Achieved profit target for the first year of the medium term management plan
- Promoting enhanced development capabilities and new business creation through the reorganization of the R&D Structure
- Cost reduction achieved through the completion of the relocation to the new Bando plant
- New evaluation and compensation systems introduced starting April 2025
- Adoption of restricted share incentive plan for the employee shareholding association
- Additional setting of 3 billion yen in retirement benefit trust
- Sale of the former site of the Kawaguchi Production Plant
- Transfer of investment interests held by our equity method affiliate
- Reduction of 17 cross-shareholdings for 0.3 billion yen
- Annual dividend of 156 yen planned (46 yen increase year-over-year)
- Cancellation of 500,000 treasury shares
- Strategic investments implemented as planned
- Selection of M&A target areas

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

④ Business Portfolio and Positioning of Each Segment

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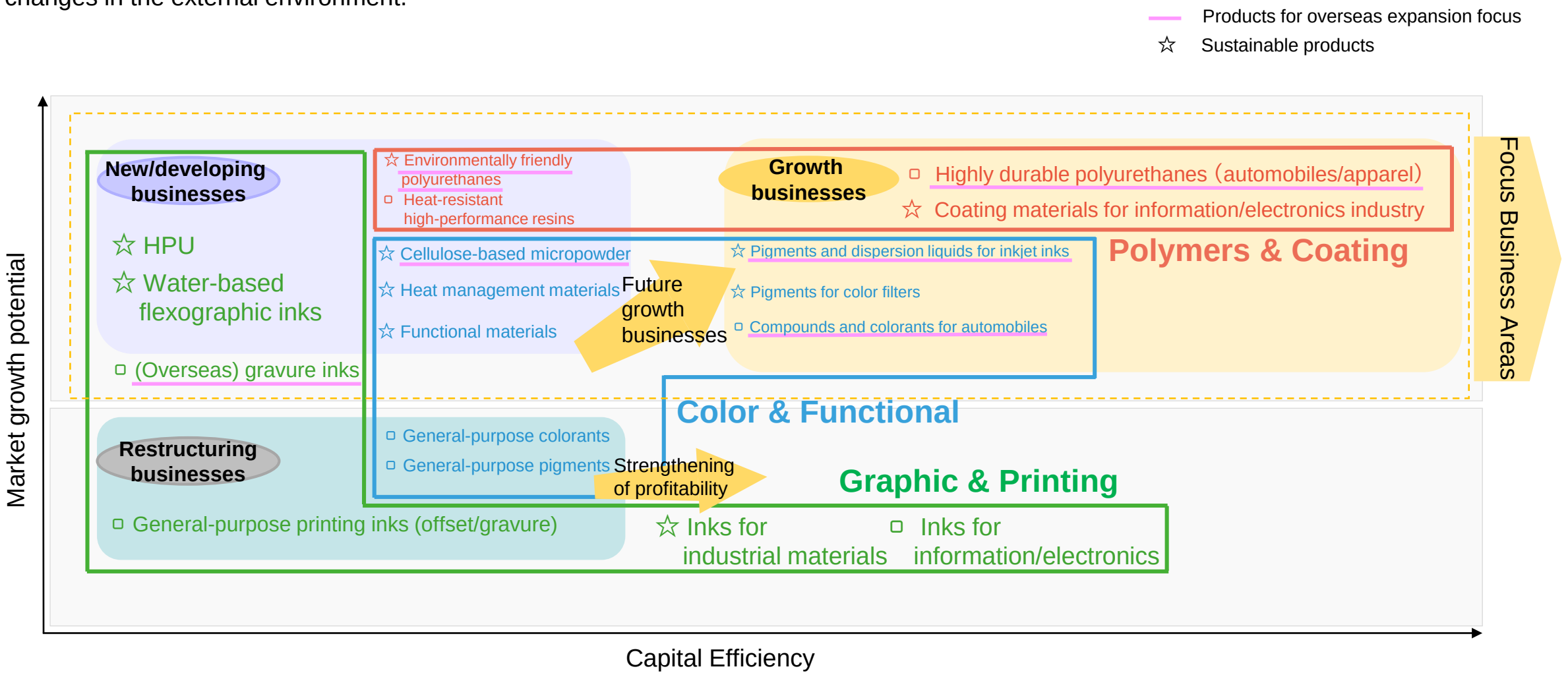
We will promote focused investment in strategic products—comprising those from our growth businesses and new/developing businesses—and advance business structure reform, and aim to build a business portfolio resilient to changes in the external environment.



Action to Implement Management That is Conscious of Cost of Capital and Stock Price

⑤ Financial Strategies and Cash Allocation

Dainichiseika

Financial strategies

- ✓ Increase efficiency of assets and capital to give back to shareholders, generate cash for growth and capital investment, and at the same time improve ROE/ROA and PBR (Estimated cost of equity at 6-7%)
- ✓ Use leverage to reduce cost of capital

Promotion of B/S management

Measures to increase capital efficiency

● Cross-shareholdings

・Medium-term management plan target: Reduce 15% or more from the balance at the end of March 2024

・FYE March 2025 result: Reduce approx. 3% from the balance at the end of March 2024

● Cash and deposits

・Implement a cash management system

Improve the efficiency of group funds

● Cash conversion cycle

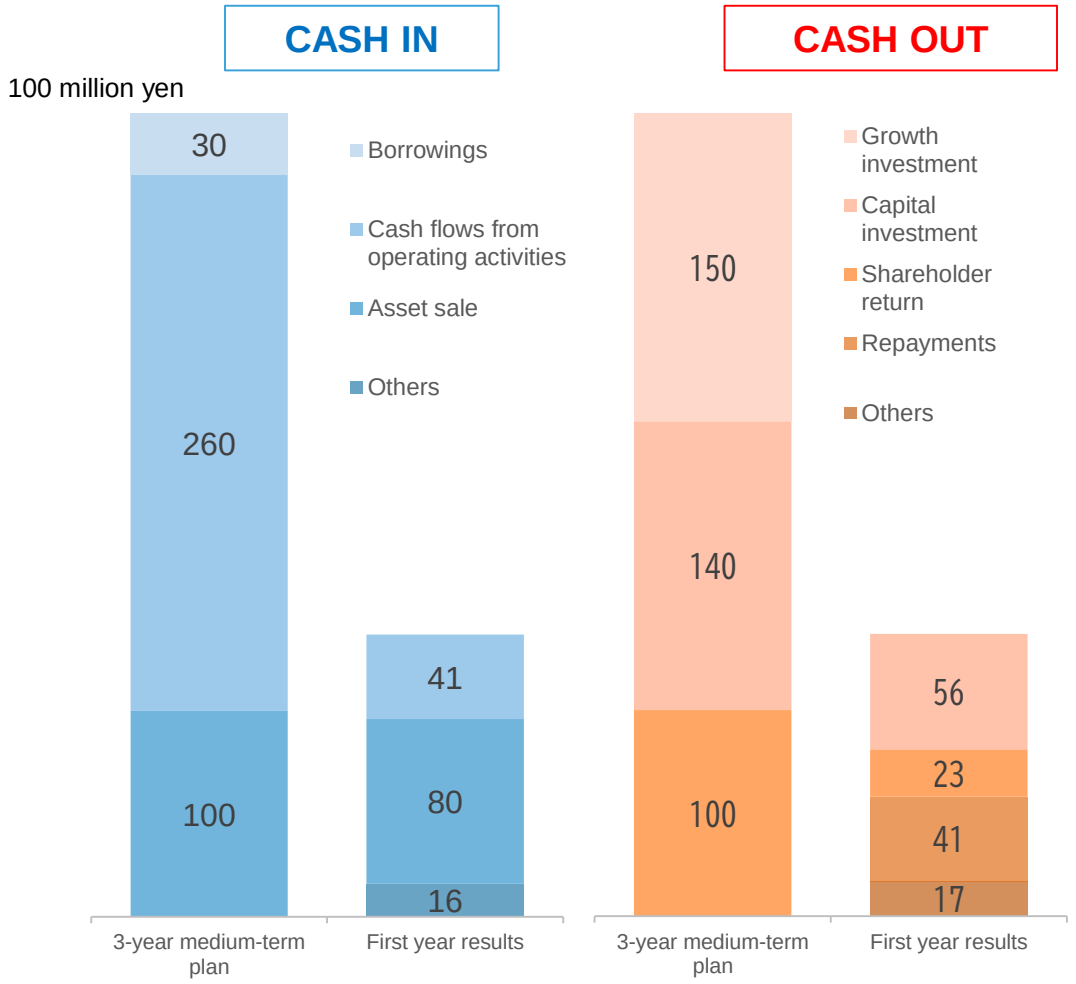
・Currently in discussions with partner financial institutions regarding the terms and conditions (such as the securitization scheme, eligible receivables, and amounts) for implementing accounts receivable securitization and similar initiatives

● Increase efficiency of other assets

・Sell assets in connection with the relocation of the Kawaguchi Production Plant (a gain of ¥7.7 billion)

・Sale completed in August 2024

Cash allocation for the current medium-term management plan (3-year cumulative total) and first-year results



Action to Implement Management That is Conscious of Cost of Capital and Stock Price

⑥ Dialogue with Shareholders and Investors

Dainichiseika

Our Company's IR Structure

We have appointed a Director or an Executive Officer responsible for IR. In addition, departments such as the President's Office, Finance & Accounting Division, Business Administration Division, General Affairs & Human Resources Division, Public Relations Division, and the CSR/ESG Promote Group collaborate to conduct IR activities actively.

Feedbacks from shareholders and investors are shared with our management, including the board of directors.

Company briefing / Financial results briefing

Date	Type	Number of participating institutional investors, etc.	
June 2024	Financial results and medium-term management plan briefing	Domestic investors Securities companies Others	7 companies 4 companies 9 companies
December 2024	Financial results briefing	Domestic investors Securities companies Others	10 companies 4 companies 8 companies
January 2025	Individual investor briefing	Individual investors	58 people

Meetings with individual institutional investors

Date	Number of meetings (total)	Number of participating institutional investors (total)	
From April 2024 to March 2025	28 times	Overseas investors Domestic investors Securities companies	7 companies 17 companies 4 companies

Key topics discussed during the dialogue

- ✓ Company overview, Major customers, Industry trends, etc.
- ✓ Progress of the current medium-term management plan
- ✓ Overseas strategy
- ✓ Sales expansion strategy for ESG products
- ✓ Policy on responding to raw material price trends
- ✓ Status of sales price revisions
- ✓ Measures to improve PBR and ROE
- ✓ Divestment of cross-shareholdings

Feedbacks received during the dialogue (representative examples)

- ✓ Review of the business portfolio
- ✓ Strengthening the implementation of PBR improvement measures
- ✓ Promoting sales price revisions
- ✓ Early implementation of measures to secure stable earnings (including profit improvement measures)

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