

DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD.

Six months ended September 30, 2023

Financial Results Briefing Material

Stock Code: 4116

December 7, 2023

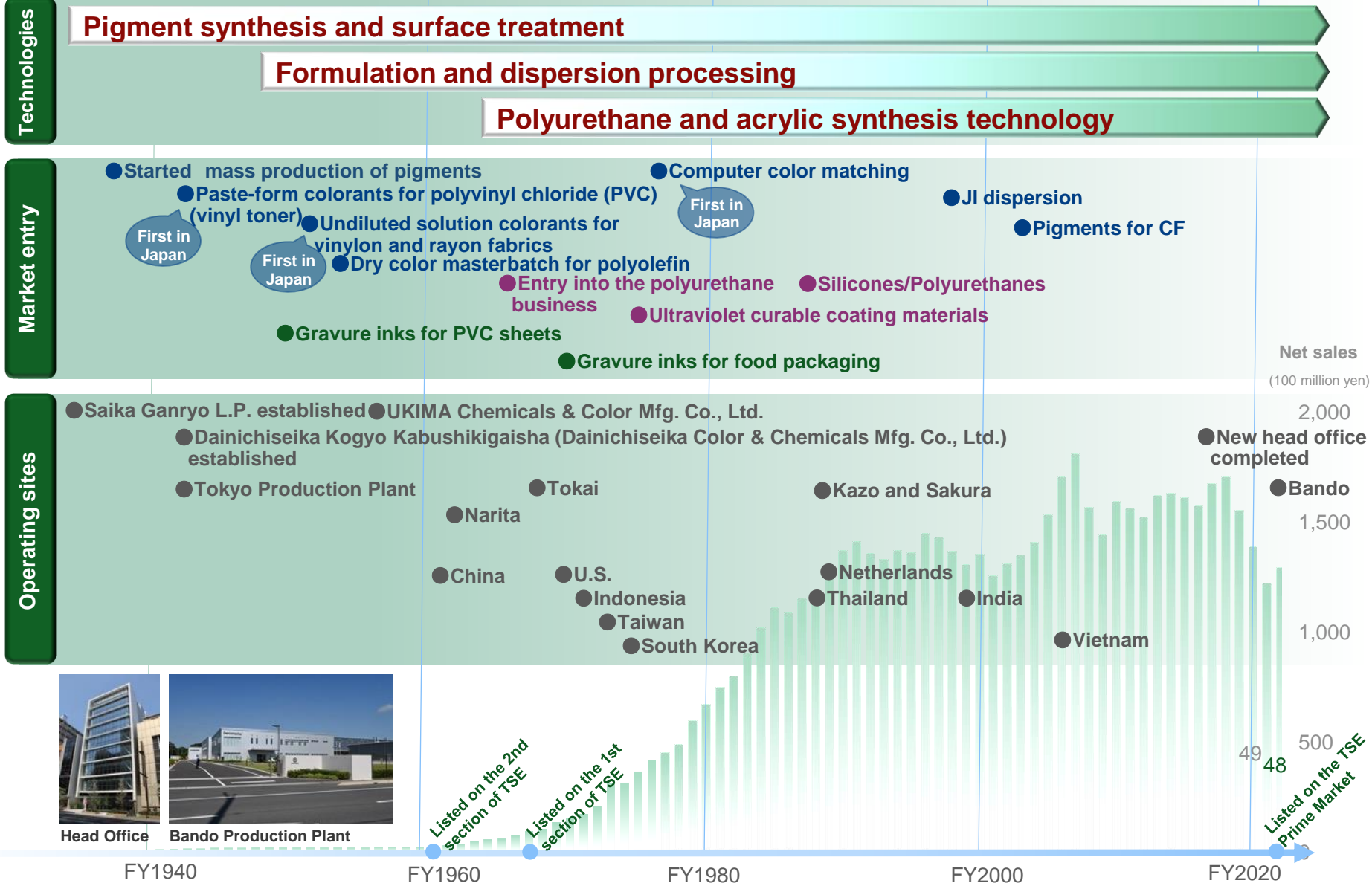


Dainichiseika










1. Business Description



History: Expanding into overseas markets and providing eco-friendly products based on core technologies



Dainichiseika's Reportable Segments and Final Products

	Color & Functional Products	Polymer & Coating Materials	Graphic & Printing Materials
	Pigments and secondary processed products of pigments	Synthetic resin and special coating agents	Inks for packaging and advertising & publishing
Main products	<ul style="list-style-type: none"> • Pigments/Color bases • Colorants and printing agents for textiles • Colorants and functional agents for plastics 	<ul style="list-style-type: none"> • Polyurethanes • Coating materials • Polymers derived from natural substances 	<ul style="list-style-type: none"> • Gravure inks • Flexographic inks • Offset inks
	<ul style="list-style-type: none"> • Paint and printing inks • Inks for toners and IJ printers • LCD color filters • Building materials, daily necessities, and paper products 	<ul style="list-style-type: none"> • Synthetic leather (furniture and clothing) • Vehicle interior materials, building materials, and daily necessities • Wires, cables and belts • Cosmetics 	<ul style="list-style-type: none"> • Packaging materials for food and household goods • Food trays 
Main use	<ul style="list-style-type: none"> • Vehicles and industrial materials • Interior fabrics • Apparel products • Paper 	<ul style="list-style-type: none"> • LCD panels • Decorating films • PCs and office equipment 	<ul style="list-style-type: none"> • Beverage bottle labels • Industrial materials and building materials • Cardboard and packaging materials 
	<ul style="list-style-type: none"> • Vehicles • Home appliances, daily necessities, and outdoor equipment • Industrial materials, agricultural materials, electric wires and building materials • Food packaging and toiletries 	<ul style="list-style-type: none"> • Cosmetics • Wastewater purification and water treatment 	<ul style="list-style-type: none"> • Advertisements and books • Packaging 

Buyer Industries of Reportable Segments

Providing optimal products for diverse industries as a BtoB manufacturer

Color & Functional Products

Pigments and secondary processed products of pigments

Transport equipment

Building materials and equipment

Industrial materials

Packaging

Information and electronics

Polymer & Coating Materials

Synthetic resin and special coating agents

Transport equipment

Building materials and equipment

Industrial materials

Clothing and accessories

Information and electronics

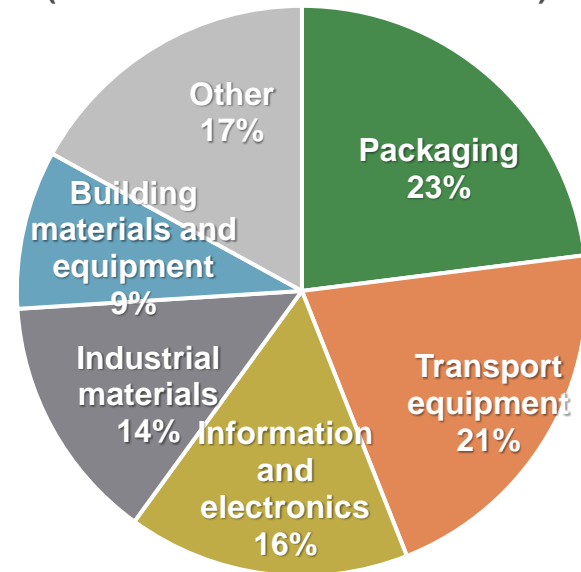
Graphic & Printing Materials

Inks for packaging and advertising & publishing

Packaging

Advertising and publishing

Fiscal year ended March 2023
(total for domestic and overseas)



Business

Using Dainichiseika's products to process a variety of final products



2. Summary of Financial Results for the Six Months Ended September 30, 2023

Consolidated Statements of Income

- **Net sales:** Products for use in LCD recovered and products for automobiles moderately recovered. Products for the packaging materials and building materials were sluggish. Overseas sales were weak, due to stagnation in China.
- **Operating profit:** Operating profit decreased, affected by lower sales volumes despite revisions to sales prices and a decline in temporary plant relocation expenses.
- **Non-operating income, extraordinary income and losses:** Recorded share of loss of entities accounted for using the equity method due to the stagnation of affiliates accounted for using the equity method. Posted a gain on sale of cross-held shares.

Unit: 100 million yen, rounded off	Six months ended September 30, 2022	Six months ended September 30, 2023	Amount of Change	Ratio of Change
Net sales	620	595	(25)	(4.1)%
Operating profit	17	17	(0)	(4.7)%
Ordinary profit	24	21	(3)	(12.7)%
Profit attributable to owners of parent	16	25	+9	+57.0%
EBITDA*	45	42	(2)	(5.7)%
Research and development expenses	15	14	(0)	(2.4)%
Ratio of overseas sales	27.8%	24.9%	(2.9)	-
Profit per share	¥87.68	¥140.98	+¥53.30	-
Foreign exchange rates	\$1/¥131.71 €1/¥137.76	\$1/¥139.13 €1/¥154.45	¥7.42 weaker ¥16.69 weaker	- -
Naphtha price	¥83,750	¥65,550	¥(18,200)	(21.7)%

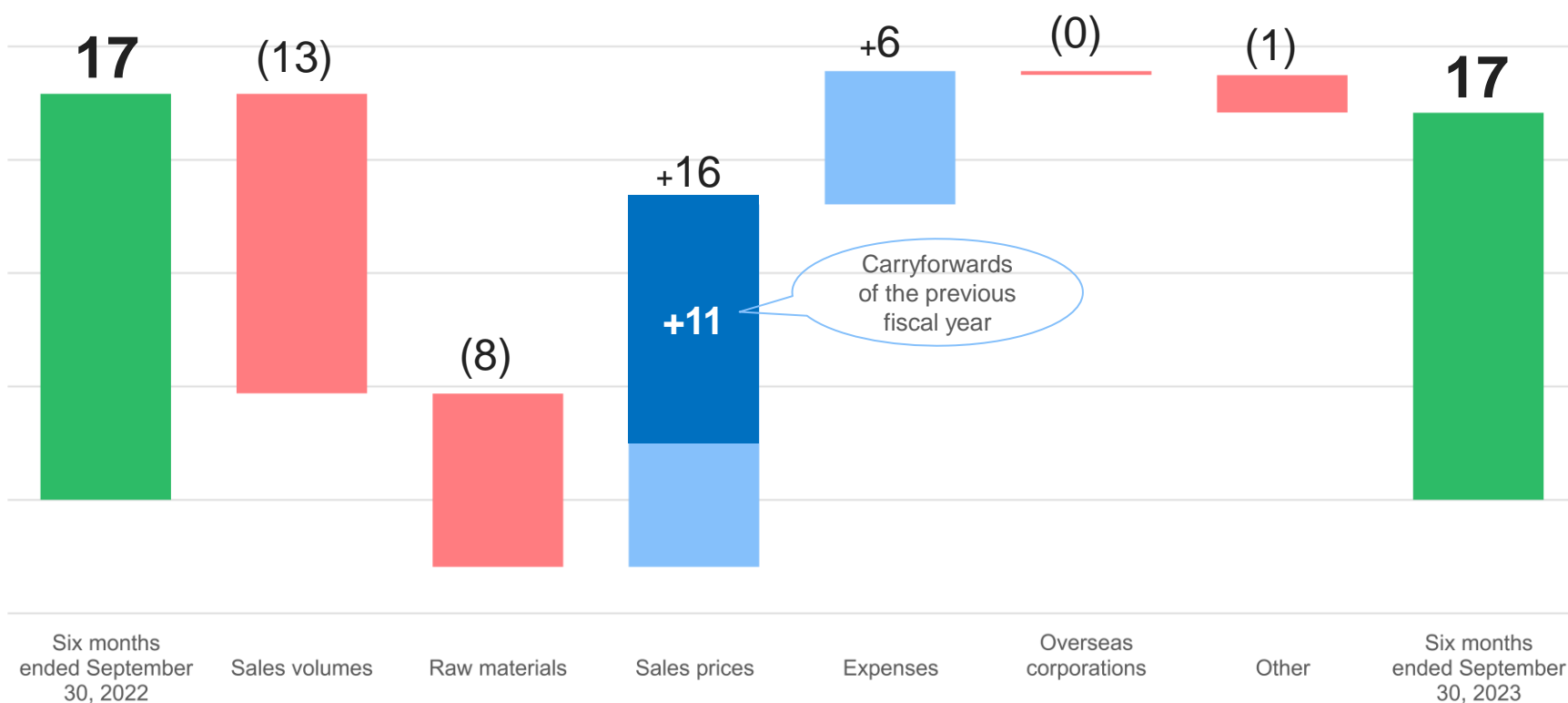
* EBITDA = Operating profit + Depreciation

Factors for Changes in Consolidated Operating Profit

(Comparison of results for 1H of FYE March 2023 and 1H of FYE March 2024)

- Sales volumes: Pigments and coating agents for LCDs recovered, and compounds and colorants for automobiles are on a moderate recovery trend. Colorants and gravure inks for construction materials and packaging materials continued to be weak.
- Raw materials: Prices remain at a high level recently but rose year on year.
- Sales prices: Sales price revisions in the previous period contributed from the beginning of the fiscal year.
- Fixed costs: Posted new plant relocation expenses as one-time expenses in the previous fiscal year.
- Overseas companies: Profitability of the Indonesian subsidiary improved, while the Chinese subsidiary underperformed due to economic stagnancy.

Unit: 100 million yen



Summary by Segment

Net sales

Unit: 100 million yen, rounded off	Six months ended September 30, 2022	Six months ended September 30, 2023	Amount of Change	Ratio of Change
Color & Functional Products (C&F)	344	323	(21)	(6.2)%
Polymers & Coating Materials (P&C)	119	119	(0)	(0.5)%
Graphic & Printing Materials (G&P)	155	152	(3)	(2.3)%
Net sales	620	595	(25)	(4.1)%

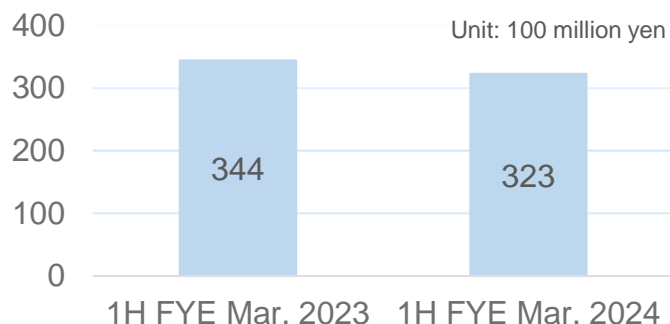
Operating profit

Unit: 100 million yen, rounded off	Six months ended September 30, 2022	Six months ended September 30, 2023	Amount of Change	Ratio of Change
Color & Functional Products (C&F)	14	7	(7)	(49.0)%
Polymers & Coating Materials (P&C)	10	13	+2	+27.7%
Graphic & Printing Materials (G&P)	(7)	(3)	+3	-
Operating profit	17	17	(0)	(4.7)%

Summary by Segment (Color & Functional Products)

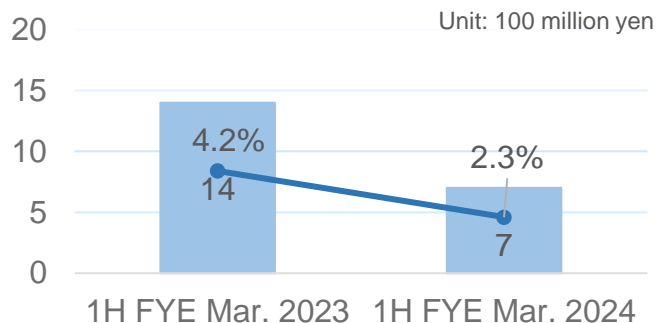
Color & Functional Products Pigments and secondary processed products of pigments

Net sales



- ✓ Compounds and colorants for automobiles recovered moderately but pigments were weak.
- ✓ Colorants for building materials were weak due to a decline in the number of housing starts.
- ✓ Pigments for LCD applications recovered but adjustments were made from the latter half of August.
- ✓ Overseas, compounds were strong in India but were weak in China's Huanan and Shanghai.

Operating profit / Operating margin



- ✓ Profit decreased due to lower sales volumes.
- ✓ Profit in the compounds business in China fell, affected by the economic downturn.

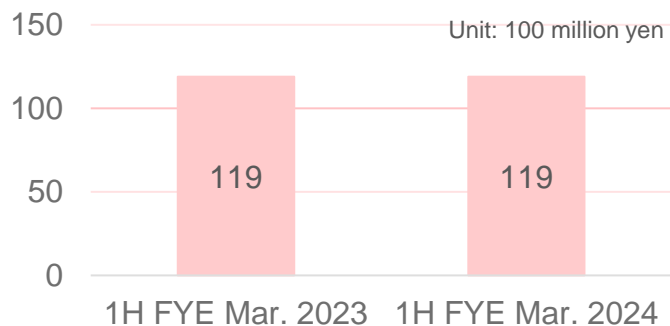
	1H FYE Mar. 2023	1H FYE Mar. 2024
EBITDA*	29	21
Research and development expenses	7	7

* EBITDA = Operating profit + Depreciation

Overview by Segment (Polymers & Coating Materials)

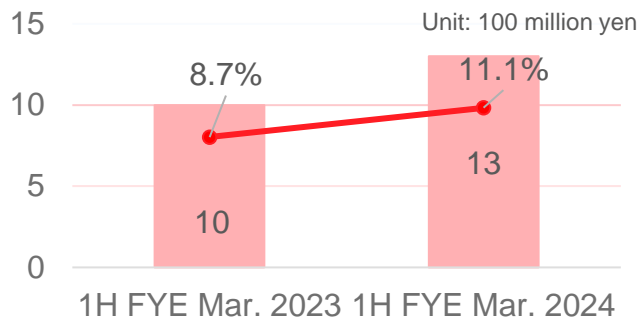
Polymer & Coating Materials Synthetic resin and special coating agents

Net sales



- ✓ Polyurethanes were generally strong although there were differences in performance of polyurethanes for automobiles depending on the adopted model. Products for industrial materials, clothing, and accessories remained weak due to inventory adjustments.
- ✓ Coating materials for displays recovered and remained strong. Products for building materials were weak due to sluggish number of housing starts.
- ✓ Our Chinese site for polyurethanes performed strong centered on surface treatment agents.

Operating profit / Operating margin



- ✓ Polyurethanes performed comparable to the year before mainly due to sales price revisions and lower raw material prices.
- ✓ Profits from coating materials for LCD increased thanks to higher sales volumes.

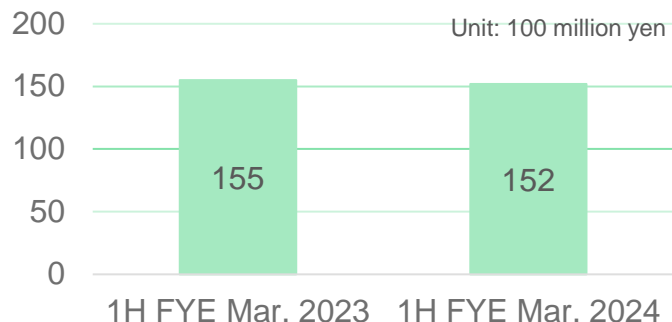
	1H FYE Mar. 2023	1H FYE Mar. 2024
EBITDA*	17	20
Research and development expenses	4	4

* EBITDA = Operating profit + Depreciation

Overview by Segment (Graphic & Printing Materials)

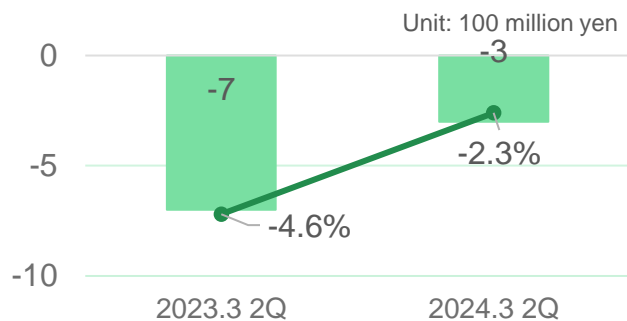
Graphic & Printing Materials Inks for packaging and advertising & publishing

Net sales



- ✓ Sales of domestic gravure ink were weak for food packaging due to a hesitancy to purchase caused by high commodity prices, although ink for beverages performed well.
- ✓ Biomass inks using biomass raw materials as eco-friendly products continued to grow.

Operating profit / Operating margin



- ✓ No more one-time expenses recorded in the previous fiscal year (Bando relocation expenses).
- ✓ Losses in domestic gravure inks diminished due to price revisions.
- ✓ Indonesian subsidiary's profit improved significantly due to sales price revisions and lower prices of some raw materials.

	1H FYE Mar. 2023	1H FYE Mar. 2024
EBITDA*	(1)	1
Research and development expenses	2	2

* EBITDA = Operating profit + Depreciation

Consolidated Balance Sheets

- **Assets:** Total assets increased and “trade receivables” grew since the end of 2Q fell on a holiday, while “inventories” decreased. “Investment securities” slightly decreased due to the rise in the market value of shares held, even though we proceeded with the sale of cross-held shares.
- **Liabilities:** Total liabilities increased, “provision for environmental measures” was reclassified under current liabilities, and “interest-bearing debt” remained unchanged.
- **Net assets:** Net assets increased, dividend at the end of the previous period was ¥40, “accumulated other comprehensive income” increased due to weaker yen and high stock price.
Treasury shares increased due to dissolution of cross-held shares.

Unit: 100 million yen, rounded off	As of March 31, 2023	As of September 30, 2023	Change from the end of previous fiscal year		As of March 31, 2023	As of September 30, 2023	Change from the end of previous fiscal year
Current assets	1,102	1,122	+20	Current liabilities	535	587	+51
Non-current assets	825	828	+2	Non-current liabilities	249	203	(46)
Property, plant and equipment	497	503	+5	Total liabilities	784	790	+5
Intangible assets	13	12	(1)	Interest-bearing debt	309	299	(10)
Investments and other assets	313	312	(1)	Net assets	1,143	1,160	+17
Total assets	1,927	1,951	+23	Total liabilities and net assets	1,927	1,951	+23

	As of March 31, 2023	Six months ended September 30, 2023	Amount of Change
DE ratio	0.28	0.26	(0.02)
Equity ratio	58.1%	58.3%	+0.2
BPS	6,060.11	6,627.75	+567.64
PBR	0.29	0.34	+0.05

Consolidated Statements of Cash Flows

CF from operating activities: Increase (decrease) in working capital (trade receivables down, trade payables up, inventories down; impact from holiday at the end of the period); tax refund at the end of the previous fiscal year

CF from investing activities: Capital expenditures; proceeds from sales of cross-held shares

CF from financing activities: Repayment of borrowings; payment of dividends; purchase of treasury shares

Unit: 100 million yen, rounded off	Six months ended September 30, 2022	Six months ended September 30, 2023	Amount of Change	Ratio of Change
Cash flows from operating activities	+16	+29	+12	+76.3%
Cash flows from investing activities	(16)	(5)	+10	+65.0%
Cash flows from financing activities	(17)	(48)	(30)	+172.3%
Cash and cash equivalents at end of period	246	218	(28)	(11.6)%

Capital Allocation

IN: Proceeds from operating cash flows and sale of cross-held shares

OUT: Capital investment, repayment of borrowings, payment of dividends, and purchase of treasury shares

Cash flows for the six months ended September 30, 2023

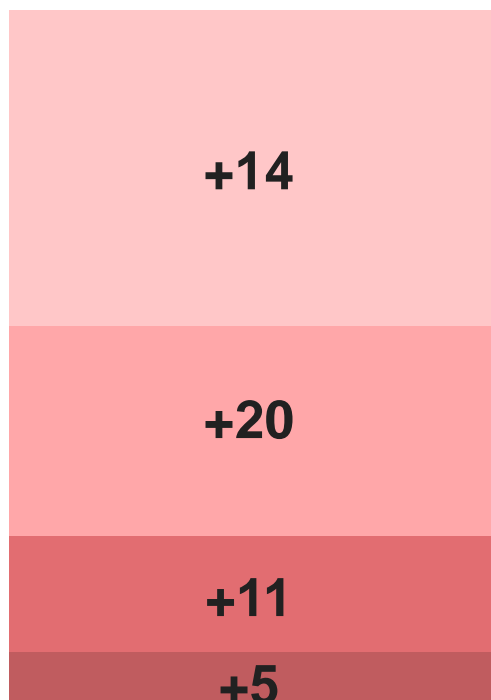
IN

OUT

Unit: 100 million yen

Cash flows from operating activities

- Operating profit +17
- Depreciation +25
- Working capital (21)



Cash flows from investing activities

- Sale of shares +19

Effect of exchange rate change

- +11

Withdrawal of cash and deposits

- +5

Cash flows from investing activities

- Capital investment (18)

Cash flows from financing activities

- Repayment of borrowings (9)
- Payment of dividends (7)
- Purchase of treasury shares (28)

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024, and Shareholder Returns

Earnings Forecasts for the Fiscal Year Ending March 31, 2024

Projections for net sales by industry are as follows. In terms of operating profit, we expect increased profits in the second half compared with the first half due to growth in the sales volume, despite the need to pay attention to the trend of raw material prices and utility costs.

Automobile industry:	Compounds and colorants for automobiles have recovered gradually in the first half of the fiscal year due to the rebound in production, and they are expected to sell well in the second half of the fiscal year.
Information-electronics industry:	Pigments and coating materials for LCDs staged an earlier-than-expected recovery from spring but sales are expected to remain weak in the second half of the fiscal year.
Packaging materials industry:	Sales of gravure printing ink are recovering for application in beverages as a result of the increase in human flow, but sales are expected to fall below the initial estimates due to a decline in demand for food and beverages due to the high price of goods.
Building material industry:	Sales of colorants and coating materials are projected to be weak due to an expected slowdown in the number of housing starts.

Unit: 100 million yen, rounded off	FYE March 2023 Results	FYE March 2024 Initial forecast	FYE March 2024 Revised forecast	Change from initial forecast	Ratio of change
Net sales	1,220	1,280	1,204	(76)	(5.9)%
Operating profit	26	52	44	(8)	(15.4)%
Ordinary profit	33	56	45	(11)	(19.6)%
Profit attributable to owners of parent	20	43	41	(2)	(4.7)%
EBITDA*	82	103	95	(8)	(7.7)%
Profit per share	¥108.58	¥232.54	¥238.97	+¥6.43	-
Foreign exchange rates	\$1/¥135 €1/¥140	\$1/¥135 €1/¥140	\$1/¥139 €1/¥154	¥4 weaker ¥14 weaker	- -
Naphtha price	¥76,625	¥72,000	¥63,600	¥(8,400)	(11.7)%

* EBITDA = Operating profit + Depreciation

Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (by Segment)

Net sales

Unit: 100 million yen, rounded off	FYE March 2023 Results	FYE March 2024 Initial forecast	FYE March 2024 Revised forecast	Change from initial forecast	Ratio of change
Color & Functional Products (C&F)	672	705	656	(49)	(7.0)%
Polymers & Coating Materials (P&C)	236	250	245	(5)	(2.0)%
Graphic & Printing Materials (G&P)	310	325	303	(22)	(6.8)%
Net sales	1,220	1,280	1,204	(76)	(5.9)%

Operating profit

Unit: 100 million yen, rounded off	FYE March 2023 Results	FYE March 2024 Initial forecast	FYE March 2024 Revised forecast	Change from initial forecast	Ratio of change
Color & Functional Products (C&F)	20	29	22	(7)	(24.1)%
Polymers & Coating Materials (P&C)	19	27	28	+1	+3.7%
Graphic & Printing Materials (G&P)	(13)	(4)	(6)	(2)	-
Operating profit	26	52	44	(8)	(15.4)

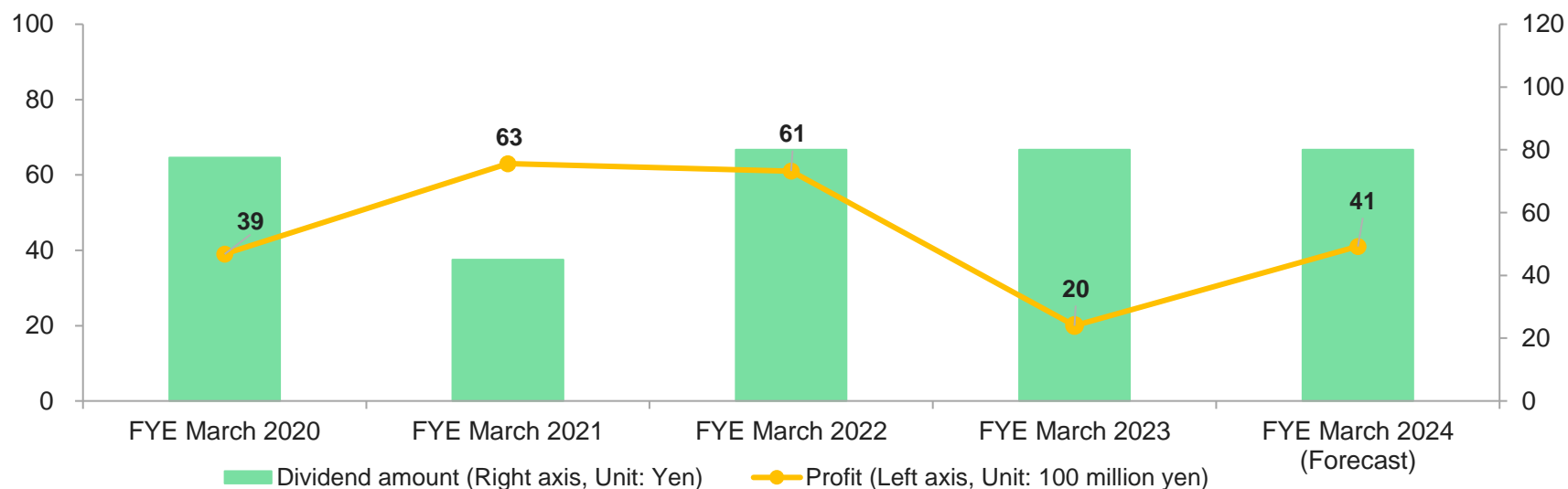
Shareholder Returns (Dividends)

[Dividend strategy]

The Company aims to promote sustainable growth and enhancement of corporate value over the medium to long term. To this end, the Company's basic policy is to continuously implement its dividend strategy that emphasizes return of profits to shareholders, while comprehensively taking into consideration matters such as future business development, strengthening of the management base, and enhancement of internal reserves.

[Dividend policy]

- Steadily implement stable and ongoing shareholder returns in line with business performance
- Maintain a sound financial standing while prioritizing spending on growth and the environment
- Target dividend payout ratio of around 20 to 30%



	FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024
Dividend per share (Yen)	77.5	45.0	80.0	80.0	80.0
Dividend payout ratio	36.2%	13.2%	24.0%	73.7%	33.5%

Reference



Company Profile

Corporate philosophy

“Have an interest in **people**,” “Have an interest in **something new**,”
“Have an interest in the **future**.”

Company name	Dainichiseika Color & Chemicals Mfg. Co., Ltd.
Head Office location	1-7-6 Nihonbashi Bakuro-cho, Chuo-ku, Tokyo
Founded	October 16, 1931
Representative	Koji Takahashi, Representative Director and President
Capital	¥10,039 million (Tokyo Stock Exchange, Prime Market)
Number of employees	Consolidated: 3,665 (as of March 31, 2023)
Consolidated net sales	¥122,005 million (fiscal year ended March 31, 2023)
Group companies	Domestic: 9 companies, overseas: 19 companies

Global expansion: Operating in strategic locations in response to market growth and demand

	Overseas bases		Domestic bases
Production	Color & Functional	10 bases	14 bases
	Polymer & Coating	3 bases	
	Graphic & Printing	3 bases	
Sales	4 bases		13 bases
Research and development			6 bases



Operating areas	Main products
Japan	Colorants for resin compounds and plastics, coating materials, polyurethanes, printing inks
China	Colorants for resin compounds and plastics, coating materials, polyurethanes, printing inks
Taiwan	Colorants for plastic, polyurethanes
Thailand, Vietnam, India	Colorants for resin compounds and plastics
Indonesia	Printing ink
U.S.	Coating materials, polyurethanes, printing inks
Europe	Colorants for resin compounds and plastics

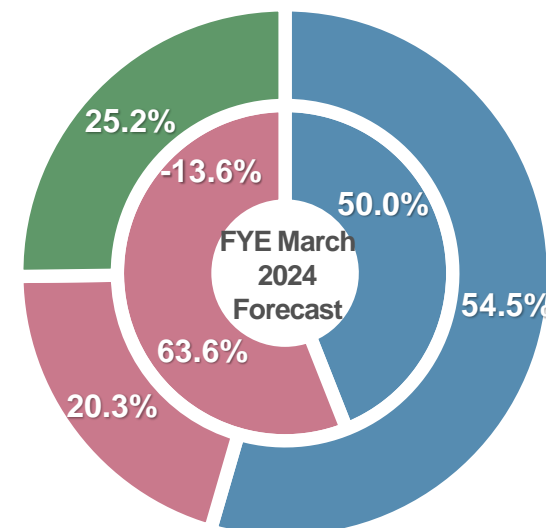
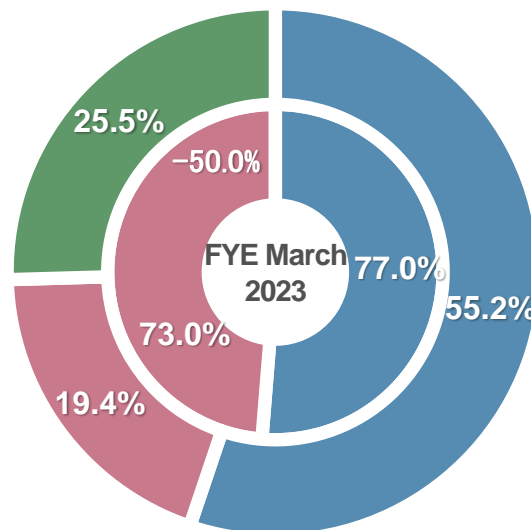
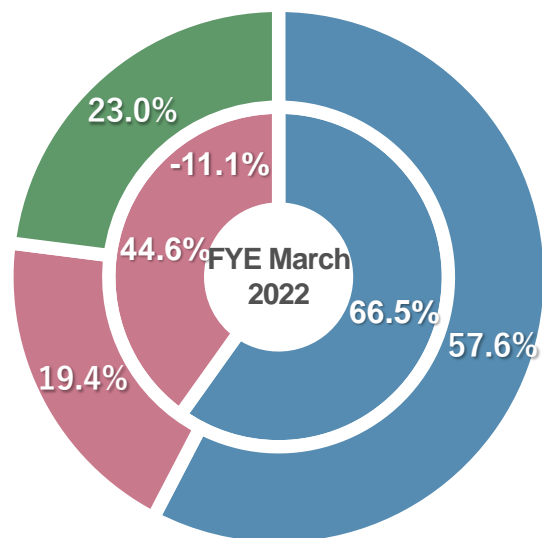
Dainichiseika's Product Segments, Sales and Profits

Color & Functional

Polymer & Coating

Graphic & Printing

Inner circle: Operating profit composition ratio
Outer circle: Sales composition ratio

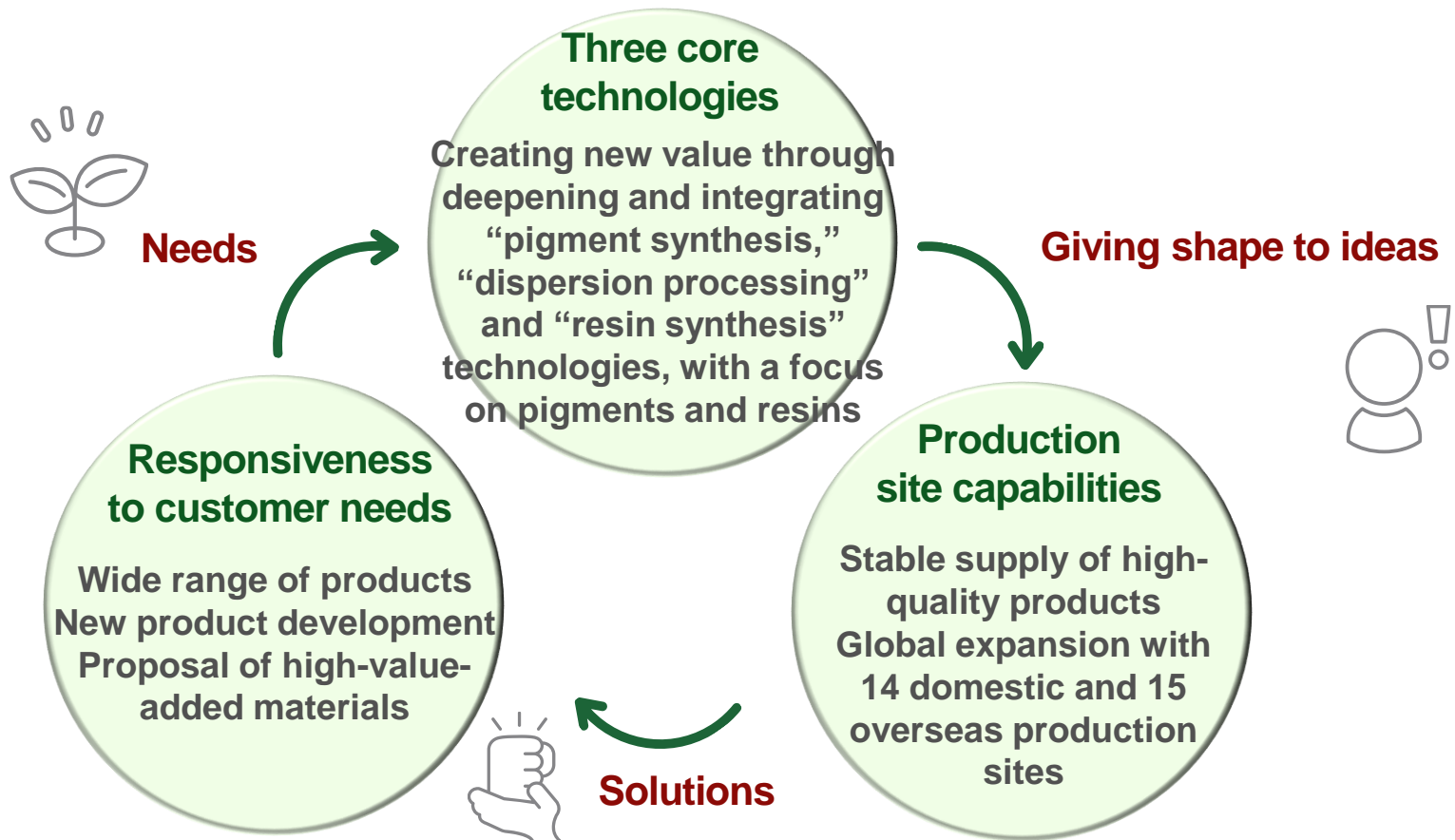


Unit: 100 million yen, rounded off	Net sales			Operating profit		
	FYE March 2022 Results	FYE March 2023 Results	FYE March 2024 Forecast	FYE March 2022 Results	FYE March 2023 Results	FYE March 2024 Forecast
Color & Functional Products (C&F)	702	672	656	49	20	22
Polymers & Coating Materials (P&C)	236	236	245	33	19	28
Graphic & Printing Materials (G&P)	280	310	303	(8)	(13)	(6)
Total	1,219	1,220	1,204	74	26	44

Our Strength

A chemical manufacturer that gives shape to color and ideas

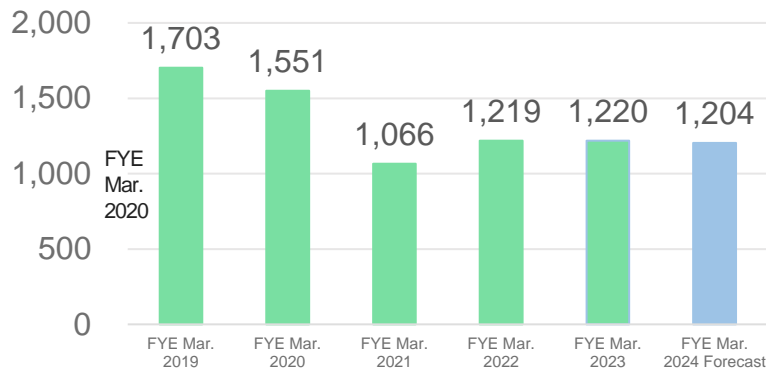
Founded on pigments, a company that produces high-value-added materials that meet the needs of society and the environment by leveraging technological strengths polished over 90 years since its establishment



Contributing to society and the environment through manufacturing

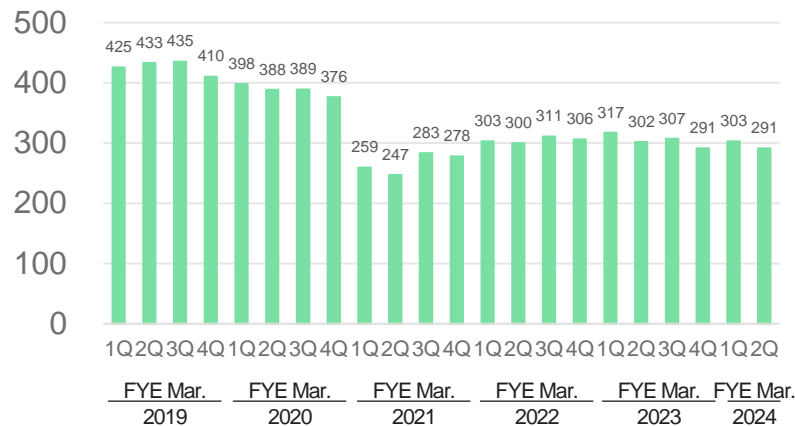
Performance Trends (Full year/Quarterly)

Net sales: Full year (100 million yen)

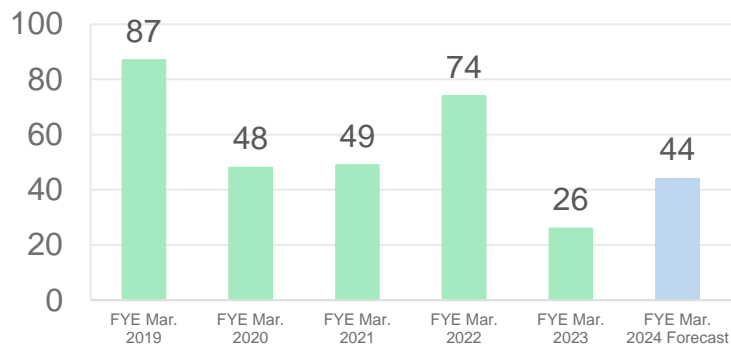


* Full-year and quarterly net sales for the fiscal year ended March 31, 2021, and subsequent years represent figures after the adoption of the Accounting Standard for Revenue Recognition.

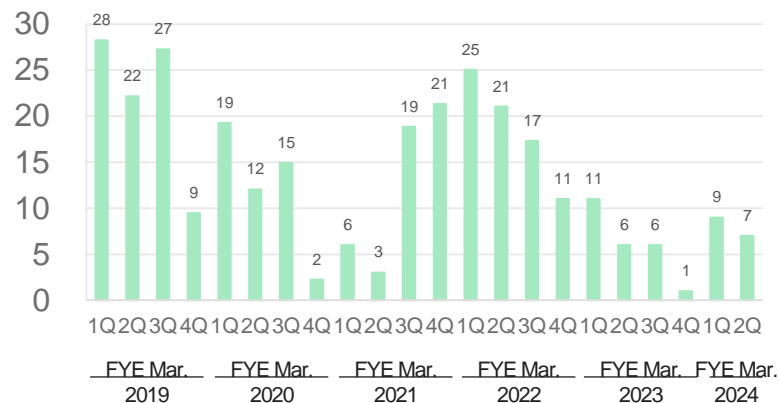
Net sales: Quarterly (100 million yen)



Operating profit: Full year (100 million yen)



Operating profit: Quarterly (100 million yen)



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