

Medium-term Management Plan

Progress of “DK-One Next”

– Revamping Initiatives to Achieve Growth –



DAIICHI KIGENSO KAGAKU KOGYO CO., LTD.



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Growing with Rare Elements – Becoming a 100 Year Company



The 70th fiscal year will be the final year of the first period of our 10-year Medium-term Management Plan “DK-One Next.” Due to the current challenging business environment, it is likely difficult for us to achieve the initial targets set for the first period.

In light of such circumstances, we have carefully examined the details of the Medium-term Management Plan and set new targets for the 73rd and 76th fiscal years to meet the expectations of our stakeholders.

Going forward, we will drive the reform of our business portfolio, centered on further accelerating activities for new business creation that we have been focusing on. Positioning this as a bottom line, we will steadily accumulate achievements, aiming for even higher goals. Although we may see a temporary decline in our profit level, we will continue to pay stable dividends to our shareholders.

Our technical capabilities, trust, and the power of our people that we have built up are irreplaceable assets for us. By building on these assets, we will continue to transform our business so as to solidify the foundation to become a 100-year company.

Hiroshi Kokubu,
Chairman of the Board, Chief Executive Officer

Management Philosophy, Vision, Medium-term Management Policy

Management Philosophy

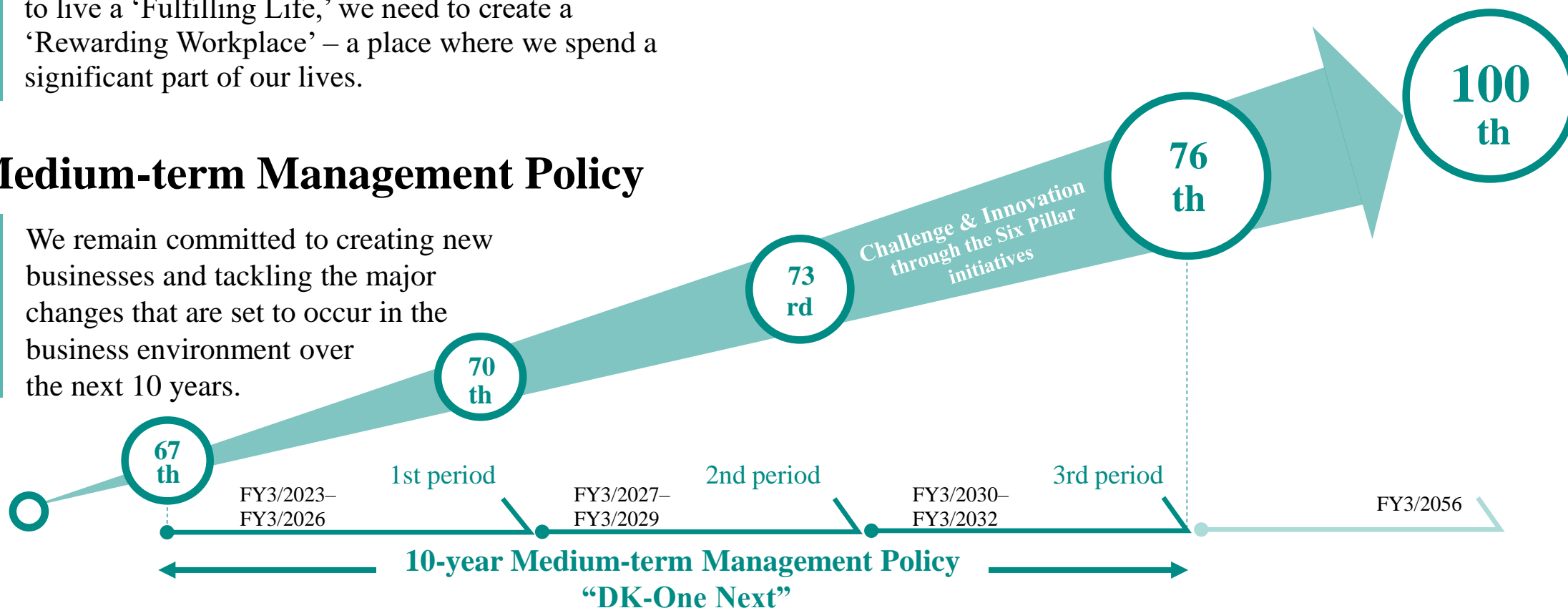
To pursue a continuous supply of ‘Valuable Products’ for society, we need to utilize the hands of individuals who live a ‘Fulfilling Life.’ In order to live a ‘Fulfilling Life,’ we need to create a ‘Rewarding Workplace’ – a place where we spend a significant part of our lives.

Vision

Growing with Rare Elements – Becoming a 100 Year Company

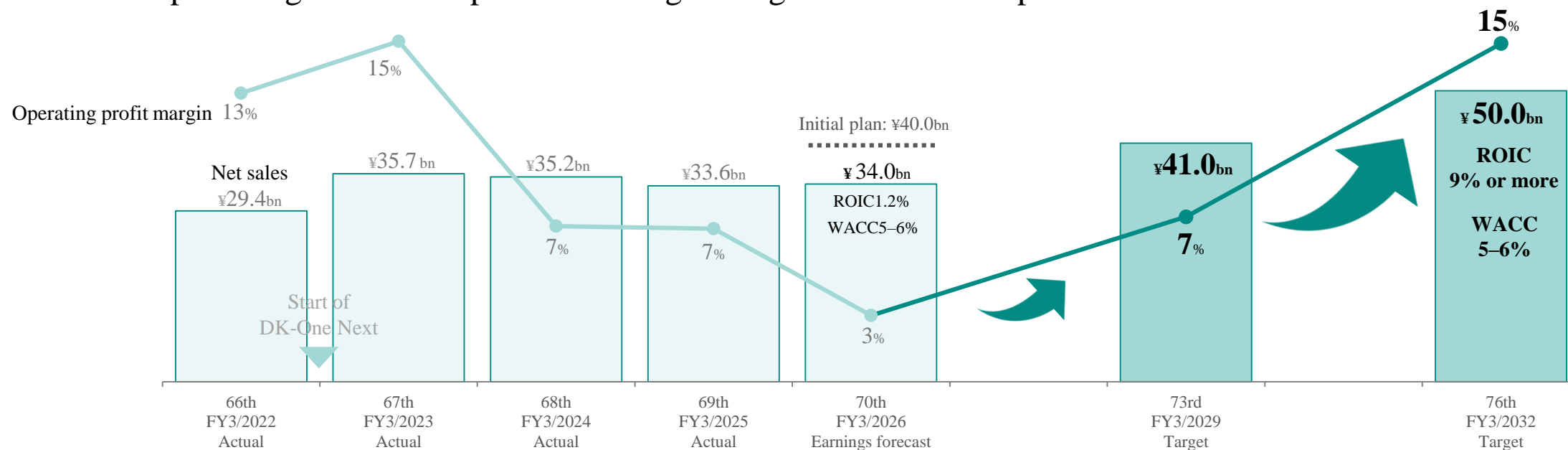
Medium-term Management Policy

We remain committed to creating new businesses and tackling the major changes that are set to occur in the business environment over the next 10 years.



DK-One Next: Policy for Enhancing Corporate Value

- ✓ Aiming to maximize ROIC spread (ROIC-WACC) toward the 76th fiscal year by (i) improving ROIC and by (ii) optimizing financial capital and strengthening non-financial capital



Looking back on the past

Policy and major initiative for enhancing corporate value



Driving factors of business performance

- Entering into semiconductor abrasive applications
- Expanding market shares for biomaterial applications
- Adapting to sales and production trends by curtailing investments
- Decreasing product demand for automotive catalyst applications due to environmental changes
- Temporarily declining product demand for secondary battery applications caused by softening demand for electric vehicles
- Declining profits and asset efficiency resulting from a delay and additional investments in the Vietnam business



Major negative factors

1 ROIC

- Transforming business portfolio
- Monetizing the Vietnam business

2 Financial/Non-financial

- Establishing financial and investment discipline and returning profits to shareholders
- Enhancing organizational strength and sustainability



DK-One Next: Management Targets – Adding ROE and DOE as New Metrics –

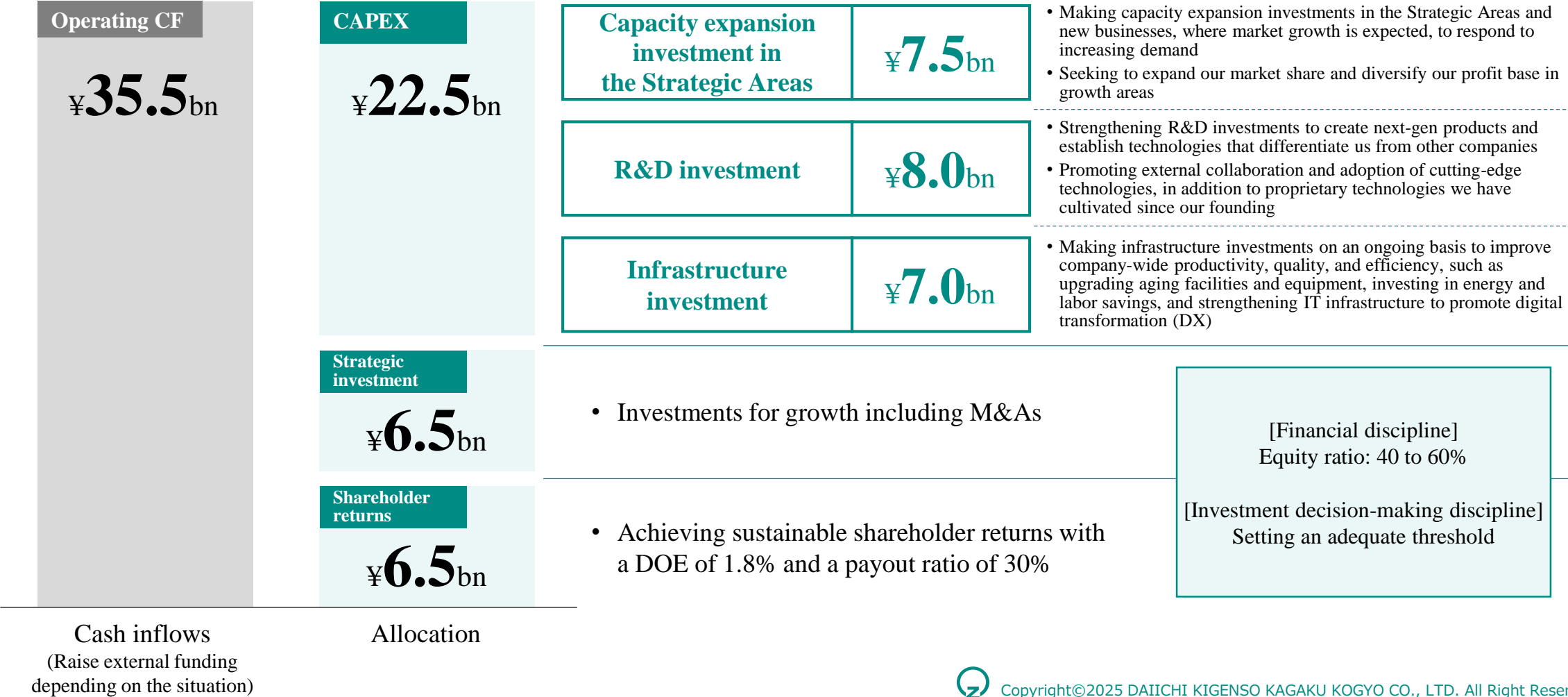
- ✓ Aiming to achieve corporate growth by the 76th fiscal year, the final year of the Medium-term Management Plan, with the 73rd fiscal year positioned as a midpoint, by which the foundation for growth should be established
- ✓ Setting targets aimed to achieve both corporate growth and shareholder returns by adding DOE to our dividend policy as the minimum threshold

(Billions of yen, unless otherwise stated)

		70th FY3/2026		73rd FY3/2029	76th FY3/2032
		Forecast	(Initial plan)	Target	Target
Operating results	Net sales	34.0	(40.0)	41.0	50.0 or more
	Operating profit	1.0	(4.0)	3.0	7.5 or more
Metrics	Profitability	EBITDA	4.5 (9.0)	7.0	10.5 or more
	Capital efficiency	ROIC	1.2% (6%)	4%	9% or more
		ROE	0.4% (—)	5%	11% or more
	Dividend	DOE	1.8% (—)	1.8%	1.8%
		Payout ratio	— (30%)	30%	30%

Cash Allocation Policy: FY3/2026 (70th Fiscal Year) to FY3/2032 (76th Fiscal Year)

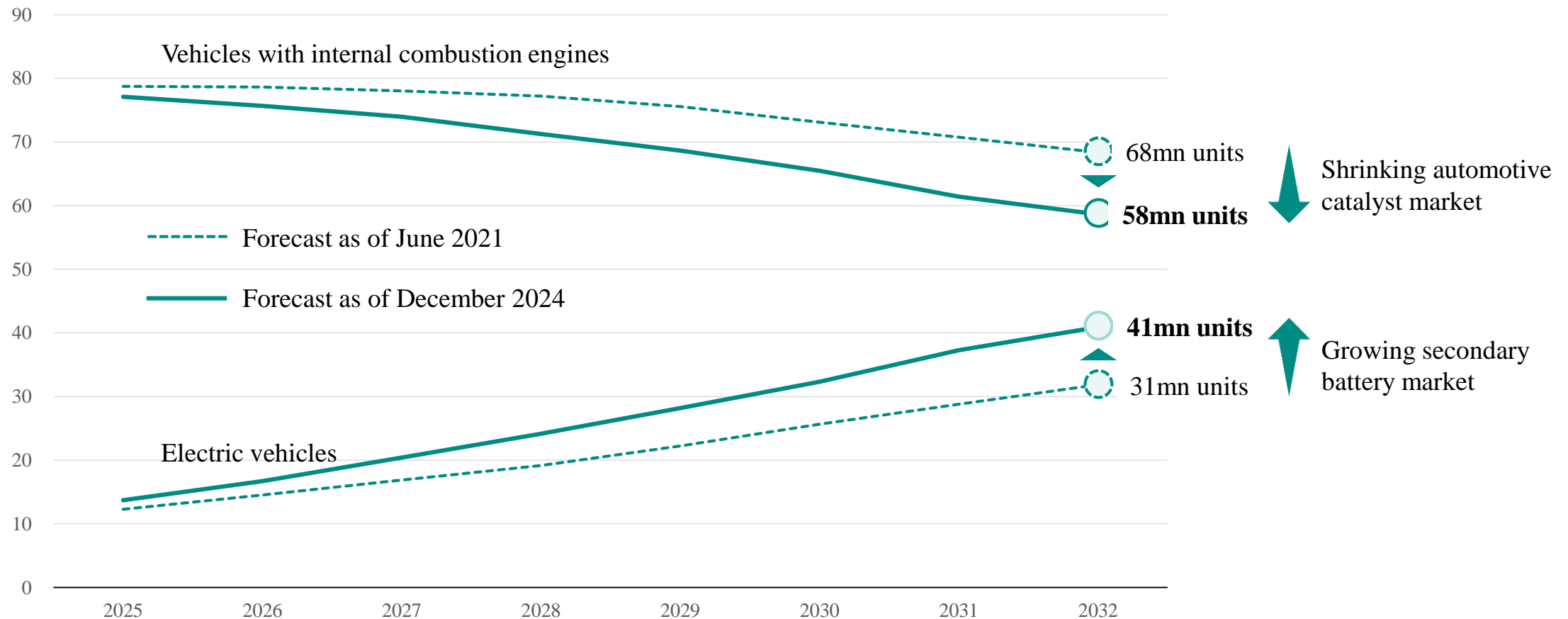
- ✓ Achieving investment for growth to enhance profitability and shareholder returns corresponding to corporate growth based the policy of stable dividend payments
- ✓ Seeking to ensure financial stability and improve capital efficiency by establishing strategic financial discipline
- ✓ Aiming to maximize ROIC spread by establishing new investment decision-making discipline



Auto Sales Trends and Prospect of Automotive Catalyst and Secondary Battery Markets

- ✓ The trends of the shrinking automotive catalyst market and the growing secondary battery market are accelerating, compared to the market trends at the time of the Medium-term Management Plan formulation.
- ✓ We will work to secure profits for automotive catalyst by increasing efficiency and scale up our business for secondary batteries by precisely capturing the market growth, taking into account changes in the market environment.
- ✓ We will seek to reform our business portfolio as a whole, while maintaining the balance between automotive catalyst and secondary batteries.

(Millions of units)

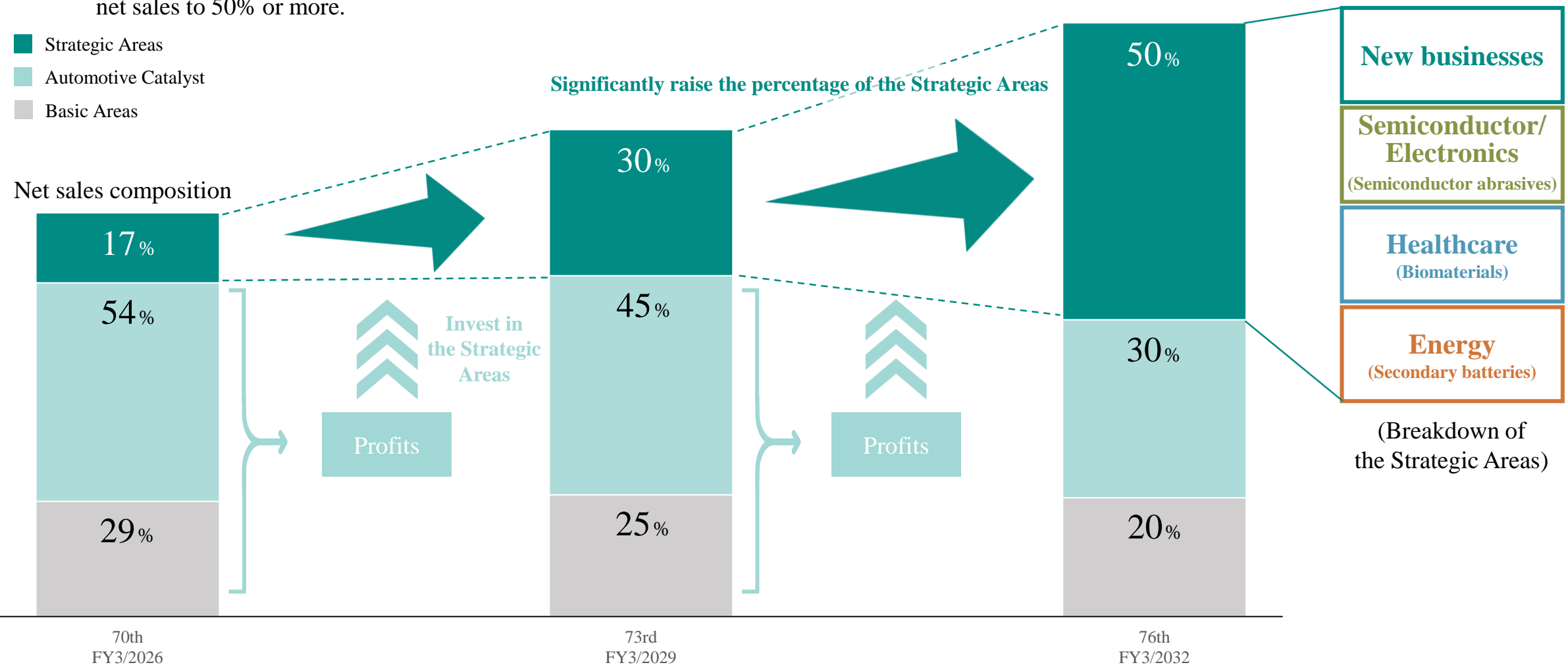


Reference: Global data



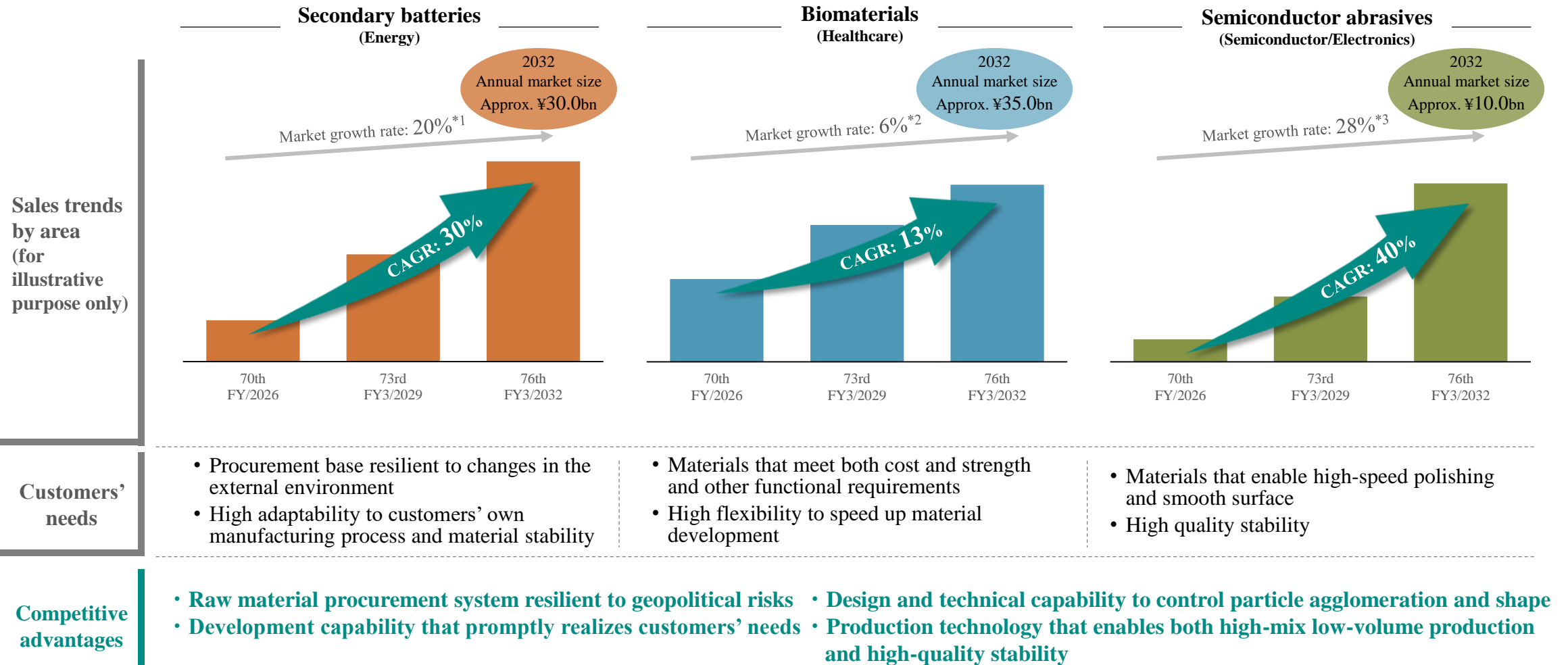
Reforming Business Portfolio while Balancing Growth Strategy and Profit Base

- Investing profits earned in the Automotive Catalyst and Basic Areas in the Strategic Areas (secondary batteries, biomaterials, semiconductors, new businesses), in which growth and profitability are expected, to raise the percentage of the Strategic Areas to total net sales to 50% or more.



Expanding Strategic Areas: Initiatives for Secondary Batteries, Biomaterials, and Semiconductors

- ✓ Expanding sales at a faster growth rate than the market by demonstrating our competitive advantages to meet the needs of customers



*1. Reference: Global data

*2. Reference: QY Research "Global Zirconia Based Dental Material Market Research Report 2025"

*3. Reference: Fuji Keizai "Current status and future outlook of markets for power devices and power electronics-related equipment 2023"

Creating Markets through New Businesses: Utilization of Technologies and Expertise

- ✓ Working on projects that create their own markets by utilizing manufacturing technologies and expertise we have built up over 70 years since our founding

Manufacturing technologies

Raw materials
Refining technology

Intermediates
Separation and refining
technology

Primary products
Agglomeration control
technology

Secondary products
Analytical technology

Recycling
Refining/Separation and
refining technology

Projects that create their own markets

A
Offering of other elements by utilizing
refining technology

B
Offering of high value-added
products by utilizing
**separation and
refining/agglomeration
control technologies**

C
Provision of services by utilizing
intangible assets

Expertise that supports manufacturing

Raw material/
equipment procurement

Plant construction/
operation

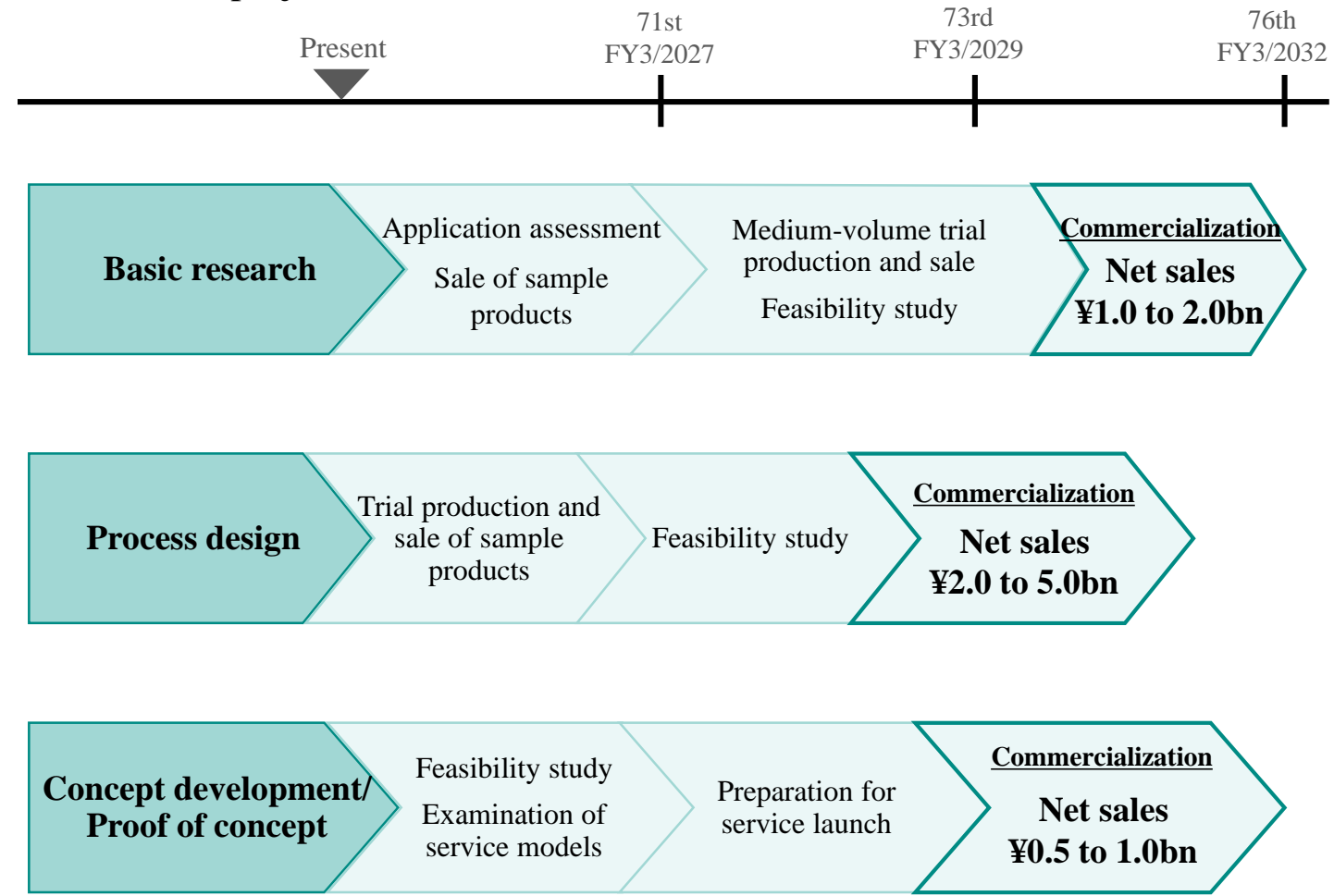
Mass-production

Application
development

III.

Creating Markets through New Businesses: Specific Initiatives

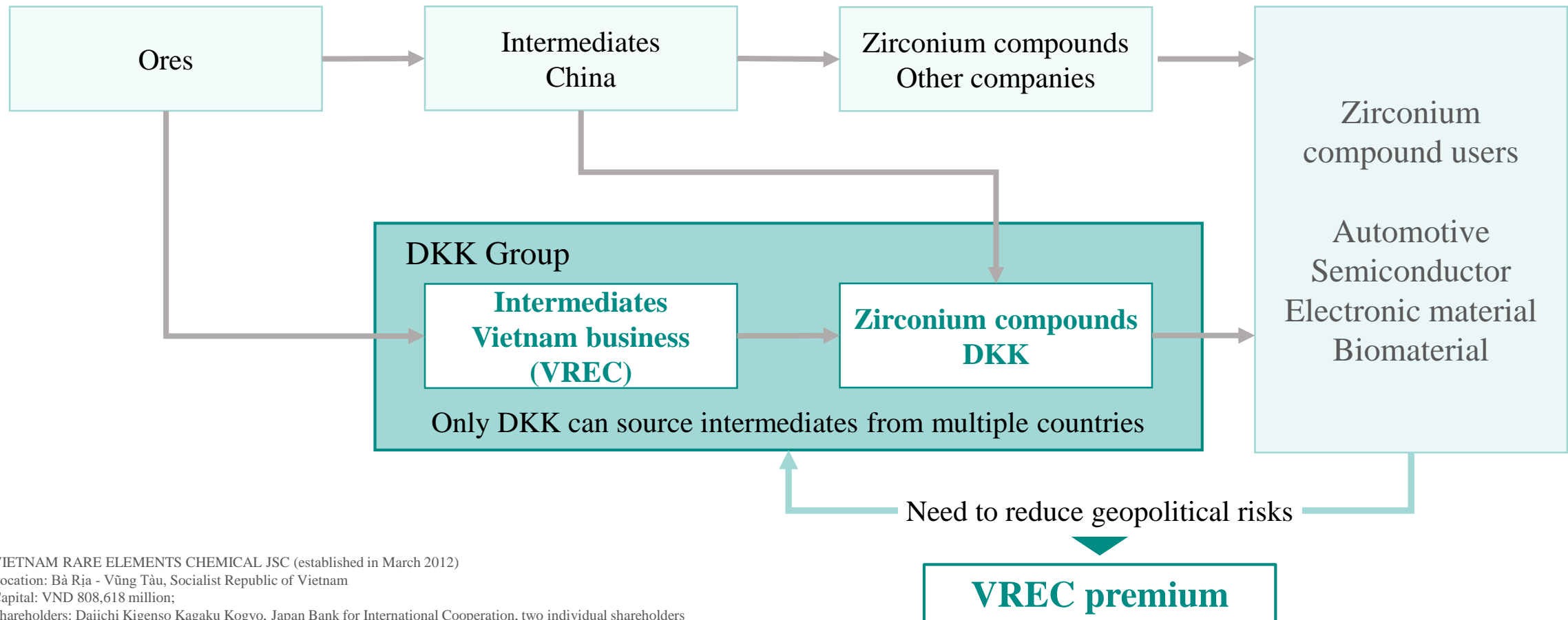
- ✓ Driving the achievement of targets for the 76th fiscal year by attaining sales growth and the operating profit margin target of 30% through the stepwise promotion of three projects



IV.

Vietnam Business: Initiatives for Reducing Geopolitical Risks

- ✓ We launched the Vietnam business (VREC^{*1}) to build a material supply system resilient to geopolitical risks.
- ✓ Zirconium was designated as a specified critical product^{*2} in Japan and the United States.
- ✓ The Daiichi Kigenso Kagaku Kogyo (DKK) Group has received an increasing number of business inquiries due to heightened geopolitical risks as the Group can source intermediates from multiple countries.



*1. VIETNAM RARE ELEMENTS CHEMICAL JSC (established in March 2012)

Location: Bà Rịa - Vũng Tàu, Socialist Republic of Vietnam

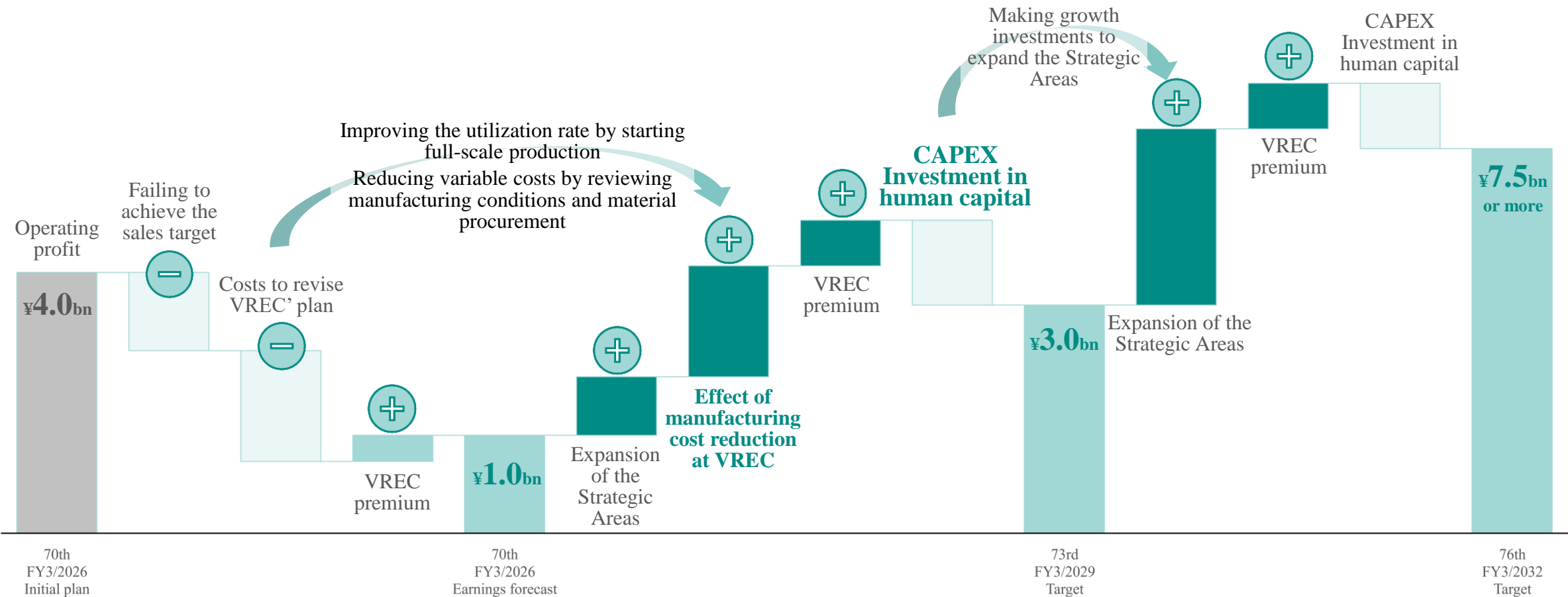
Capital: VND 808,618 million;

Shareholders: Daiichi Kigenso Kagaku Kogyo, Japan Bank for International Cooperation, two individual shareholders

*2. Reference: Ministry of Economy, Trade and Industry "Policy on Initiatives for Ensuring Stable Supply of Critical Minerals"
U.S. Geological Survey Releases "2022 List of Critical Minerals"

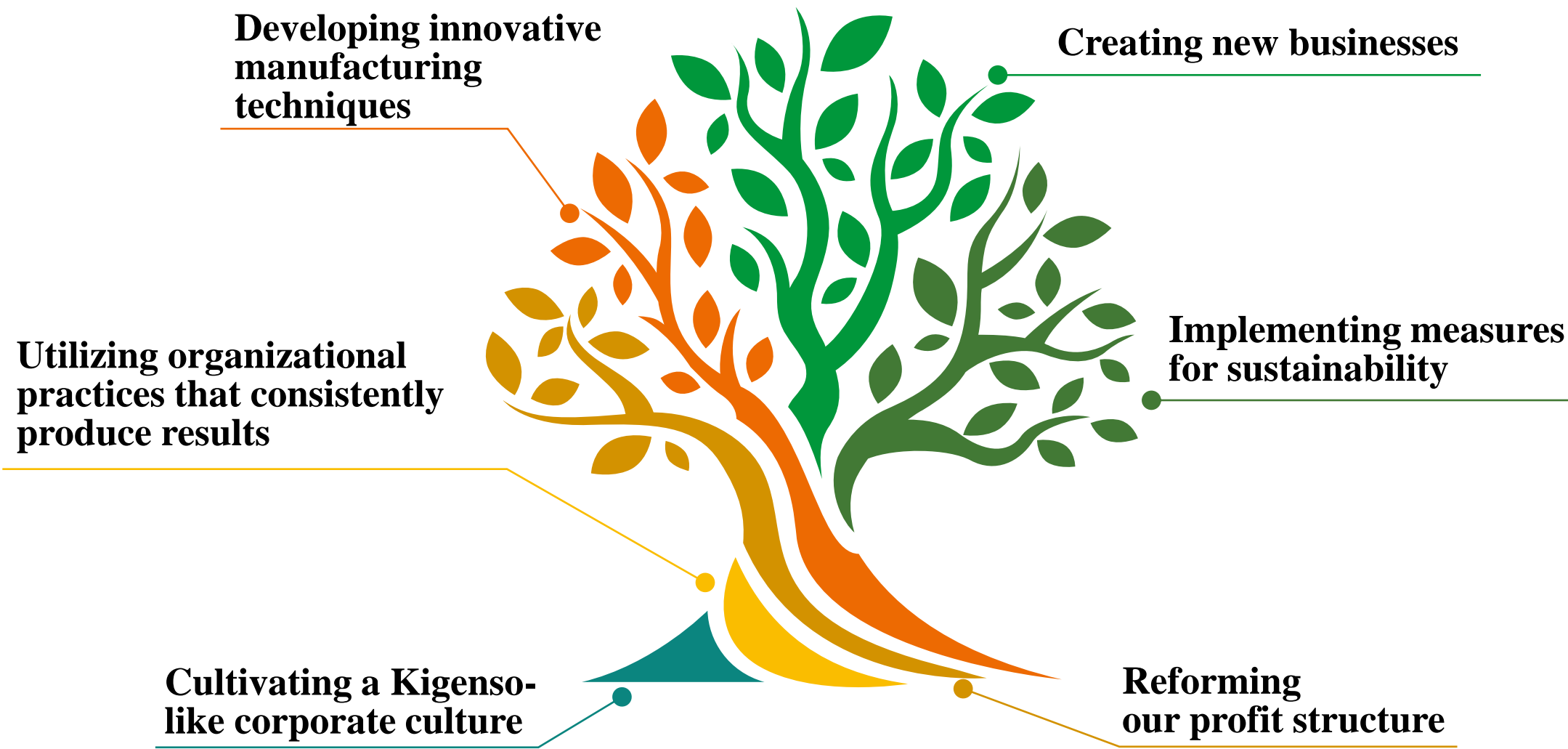
DK-One Next: To Achieve Operating Profit Target

- ✓ Improving our profit structure through the cost reduction effect of the start of full-scale operation of VREC
- ✓ Promoting investments for growth to expand the Strategic Areas, aiming to make a leap forward toward the 76th fiscal year
- ✓ Expanding the Strategic Areas into a driving force for profit growth from the 74th fiscal year onward



DK-One Next: Six Pillars for Responding to Change

- ✓ Pursuing sustainable growth by establishing a corporate structure resilient to changes based the following Six Pillars.



Six Pillar Initiatives Taken to Achieve Goals

- ✓ Monitoring the Six Pillar activities under the governance system and reporting their progress to stakeholders

Pillar	Activity theme	Key matters to be monitored	ROIC	Financial/ Non-financial
Creating new businesses	<ul style="list-style-type: none"> Establish a profit base independent of any specific application or industry 	<ul style="list-style-type: none"> Percentage of reaching the proof-of-concept stage Net sales growth rate in the Strategic Areas 	✓	
Reforming our profit structure	<ul style="list-style-type: none"> Reform our profit structure to improve the profitability and efficiency of existing businesses 	<ul style="list-style-type: none"> Manufacturing costs of VREC's production items Sales contribution of VREC's production items Profit growth rates of the Automotive Catalyst and Basic Areas Months sales in inventory 	✓	
Developing innovative manufacturing techniques	<ul style="list-style-type: none"> Reform our product development process Reform our productivity (utilization of DX etc.) 	<ul style="list-style-type: none"> Progress in designing an innovating process Physical labor productivity 	✓	
Utilizing organizational practices that consistently produce results	<ul style="list-style-type: none"> Reform our organizational structure/systems and culture that support our sustainable growth 	<ul style="list-style-type: none"> Value-added labor productivity 	✓	✓
Cultivating a Kigenso-like corporate culture	<ul style="list-style-type: none"> Spread the spirit of challenge across the Gorup Create a physically and mentally safe workplace 	<ul style="list-style-type: none"> Percentage of employees who are positive about taking on new challenges Safety culture maturity level (evaluated by an external evaluator) 		✓
Implementing measures for sustainability	<ul style="list-style-type: none"> Reduce greenhouse gas emissions Use renewable resources Implement human rights due diligence Respect and utilize diversity 	<ul style="list-style-type: none"> Reduction of CO₂ emissions Sales from the zirconium waste recycling business Number of human rights violation incidents occurred across the supply chain Percentage of female managers 		✓

Disclaimer for this material

Forecasts and forward-looking statements in this document are based on currently available information and assumptions about economic conditions in Japan and other countries, industry trends related to our business, and other factors that may affect our performance.

These factors are subject to a number of uncertainties, including market conditions, competition, and the adoption of our new products. Therefore, please be aware that actual results may differ significantly from these forecasts.