

DIC REPORT 2021

The DIC Group Integrated Report

Color & Comfort

"The DIC Way" was formulated to represent the DIC Group's fundamental management philosophy. In line with The DIC Way, the DIC Group will continue to promote efforts aimed at enhancing corporate value and achieving sustainable growth.



The DIC Way

Mission

We create enhanced value and utilize innovation to introduce socially responsible and sustainable products.

Vision

Color & Comfort by Chemistry

We improve the human condition by safely bringing color and comfort into people's lives.*

Core Values

Enterprising: Lead with a passion for excellence that is evident in the solution-focused actions taken each day to drive value through innovation.*

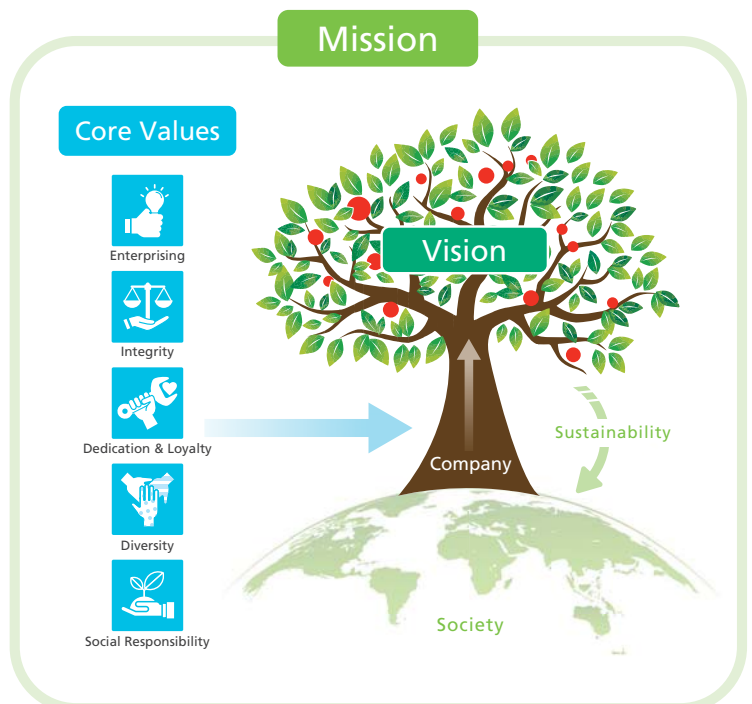
Integrity: Be honest, forthright, and ethical in all dealings with customers, suppliers, and coworkers.*

Dedication & Loyalty: Take responsibility for performance in the office, laboratory, and factory, by demonstrating commitment to customers, suppliers, and coworkers.*

Diversity: Respect other viewpoints and work collaboratively while valuing collective goals over personal interests to achieve excellence; foster communication and cooperation with people from all backgrounds.*

Social Responsibility: Go beyond compliance to promote products and activities that achieve socially responsible and sustainable development that protects the environment.*

*Annotation



Connecting the DIC Group and its Stakeholders

DIC Group Communications Tools

The DIC Group uses a variety of tools to promote communication with its many stakeholders to encourage greater awareness of the Group's activities. More detailed sustainability-related information and data can be found on the DIC global website.

Printed/PDF-Form Publications

Reports on activities

DIC Report
(summary version)



Summary integrated report (published annually) (printed publication)

DIC Report
(complete version)



Complete report (published annually) (PDF-form publication)

DIC Report
Financial Section



Report on results of operations and financial condition (published annually) (PDF-form publication)

DIC Global Website

Real-time information

WEB <https://www.dic-global.com/en/>

Umbrella website providing information to the global public about the DIC Group and reports on its various activities; updated as necessary



About this Report

In previous years, the DIC Group published a combined corporate profile and sustainability report with the aim of presenting a clear, easy-to-understand picture of the Group and its sustainability initiatives. Since 2017, the Group has published the DIC Report as an integrated report, which combines financial information, encompassing consolidated operating results and corporate strategies, and nonfinancial (sustainability) information. The Group has published a simplified summary version of the report (printed), which focuses on key highlights, and a more detailed complete version (PDF), which contains extensive quantitative data.

DIC Report (Complete version) (PDF-form publication)

WEB <https://www.dic-global.com/en/csr/annual/>

Note: As used herein, the term "Asia-Pacific region"—a geographic designation that, like "Europe and the Americas" and "Greater China," represents a grouping of companies overseen by a regional headquarters—refers to Asia (excluding Japan and Greater China) and Oceania. The term "Asia and Oceania" refers to Asia (excluding Japan) and Oceania.

Link with the DIC Global Website

The **(WEB)** mark indicates that more detailed information and/or data can be found on the indicated page of the DIC global website.

DIC global website **WEB** <https://www.dic-global.com/en/>

Scope of Reporting

In principle, this report provides information on DIC Corporation and consolidated DIC Group companies worldwide. For information on the scope of reporting for ESH-related initiatives, please visit the pertinent page of the DIC global website.

WEB https://www.dic-global.com/pdf/csr/environment/dic_report_scope_en_2021.pdf

Reporting Period

Fiscal year 2020 (January 1–December 31, 2020)

Date of Publication

June 2021 (The next report is scheduled for publication in June 2022.)

Guidelines Referenced

Guidelines referenced in the preparation of this report were ISO 26000, the International Organization for Standardization's standard for social responsibility, released in 2010; Japan's Responsible Care Code; and the Global Reporting Initiative (GRI)'s GRI Standards.

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Cover Design

The cover of this year's DIC Report derives its inspiration from the DIC Group's "Color & Comfort" brand slogan, employing bright colors that evoke the efforts of the Group, a global powerhouse, to enrich and add vibrancy to society and the lives of people everywhere.

The DIC Group: A Global Powerhouse

Corporate Data

Registered name:	DIC Corporation
Corporate headquarters:	DIC Building, 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8233, Japan
Date of foundation:	February 15, 1908
Date of incorporation:	March 15, 1937
Paid-in capital:	¥96.6 billion
Number of employees:	20,242 (Nonconsolidated: 3,360)
Number of subsidiaries and affiliates:	173 (Domestic: 29) (Overseas: 144)

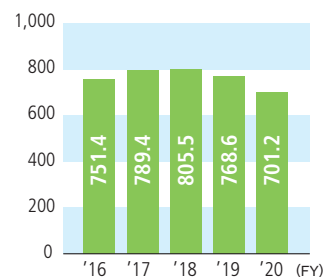


Corporate headquarters (Tokyo)

Note: Corporate data is as of December 31, 2020. Net sales and operating income are for fiscal year 2020.

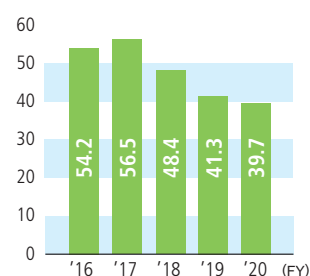
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Global Network

DIC has 173 companies in 62 countries and territories around the world.



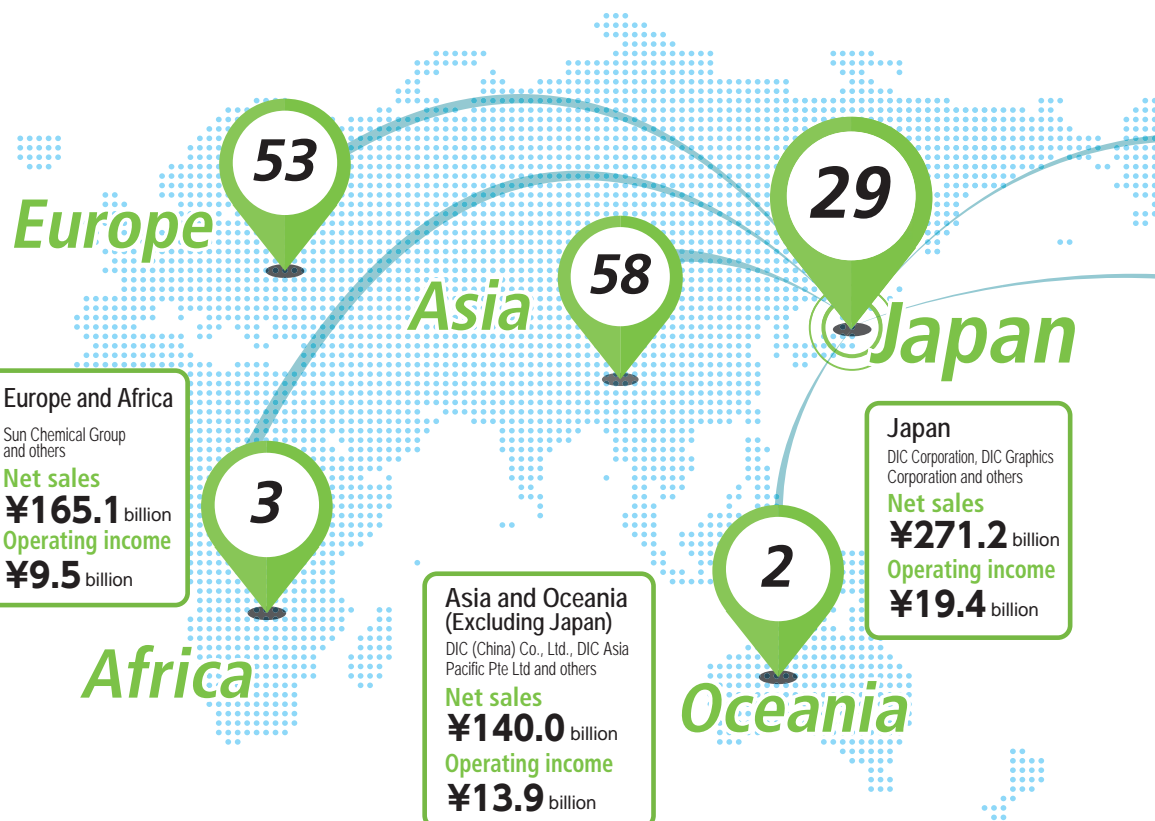
DIC (China) Co., Ltd. (PRC)



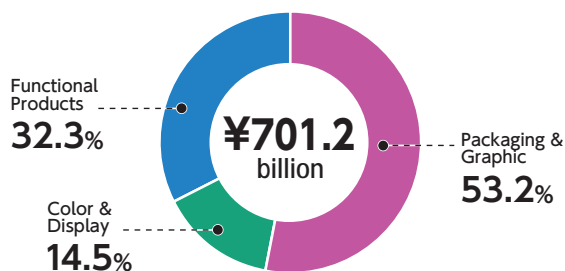
DIC Asia Pacific Pte Ltd (Singapore)



Sun Chemical Corporation headquarters (United States)

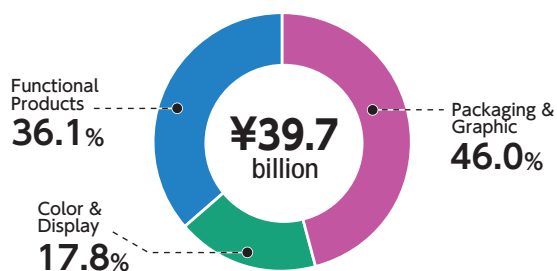


Breakdown of Fiscal Year 2020 Net Sales by Segment



Note: Fiscal year 2020 net sales and operating income as used here include intersegment transactions. For this reason, and because of the existence of transactions classified as "others," which are not attributable to reportable segments, these figures differ from reported net sales and operating income.

Breakdown of Fiscal Year 2020 Operating Income by Segment

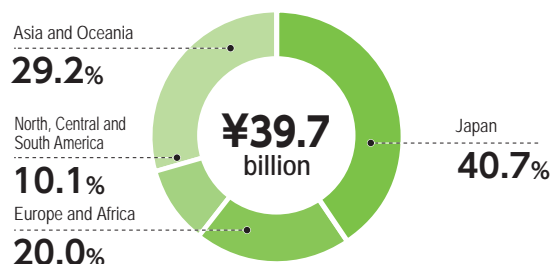


Breakdown of Fiscal Year 2020 Net Sales by Region

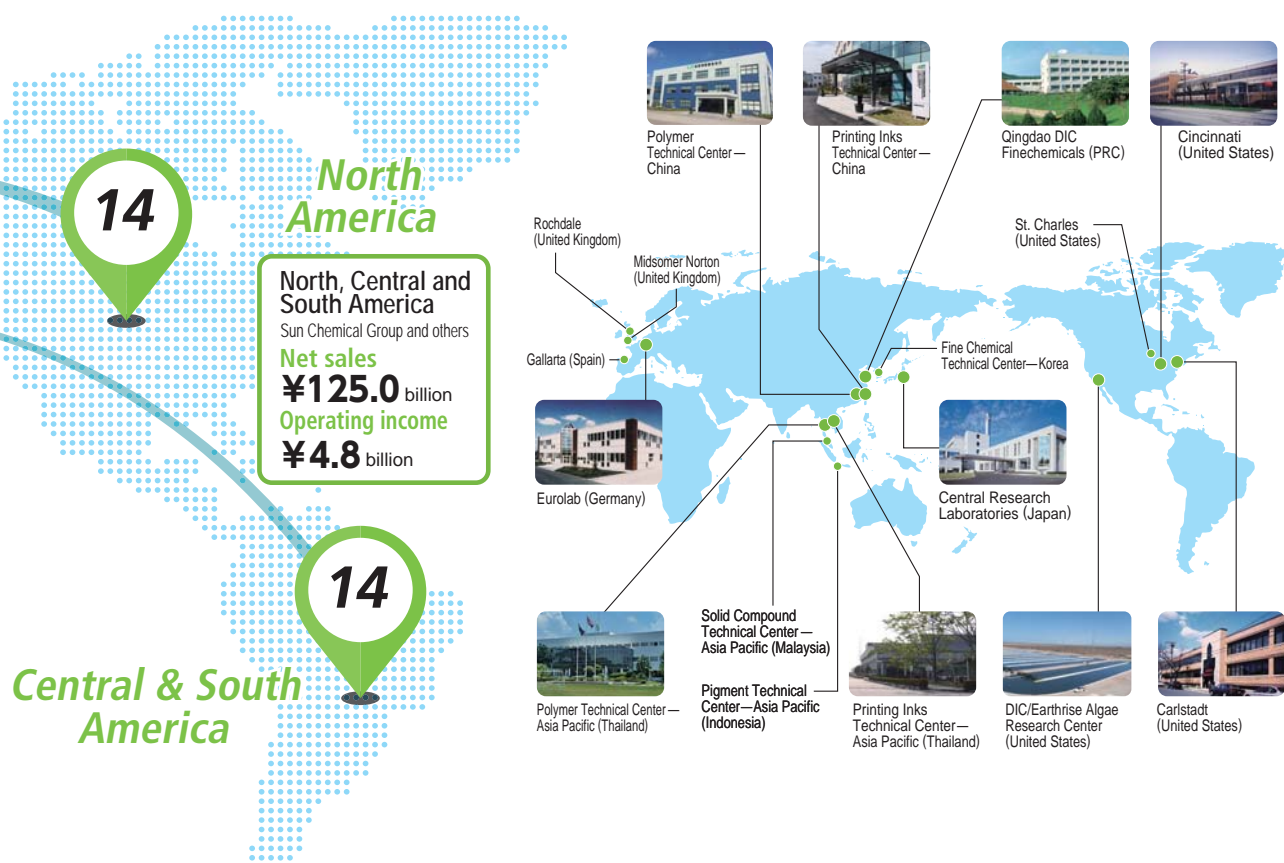


Note: Operating income as used here includes eliminations (approximately ¥7.9 billion). Accordingly, these percentages do not represent shares of reported operating income.

Breakdown of Fiscal Year 2020 Operating Income by Region

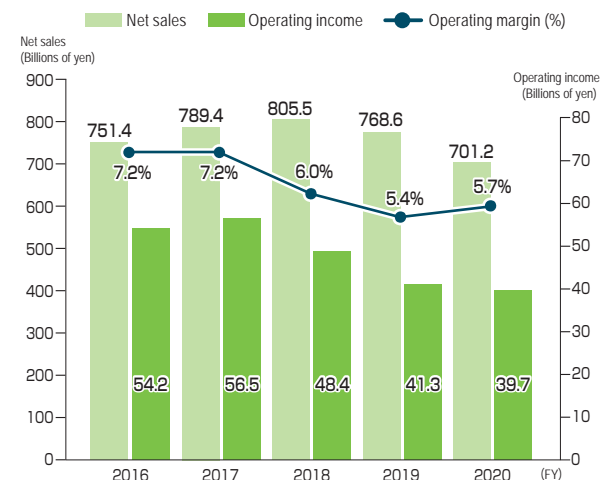


Principal Global R&D Sites

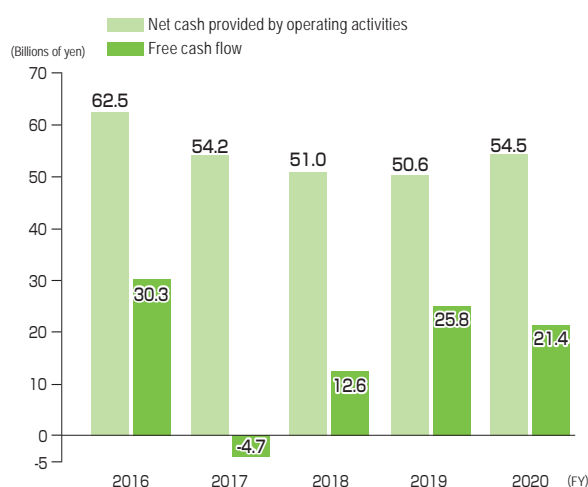


Financial Information

Net Sales, Operating Income and Operating Margin

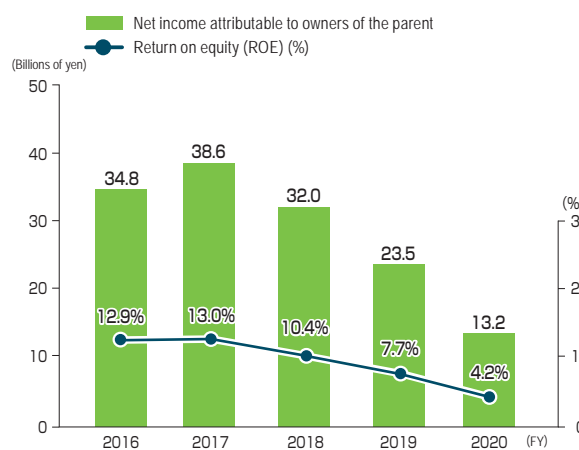


Net Cash Provided by Operating Activities and Free Cash Flow



* Owing to an investment of ¥24.9 billion in TAIYO HOLDINGS CO., LTD., net cash used in investing activities increased in fiscal year 2017.

Net Income Attributable to Owners of the Parent and ROE

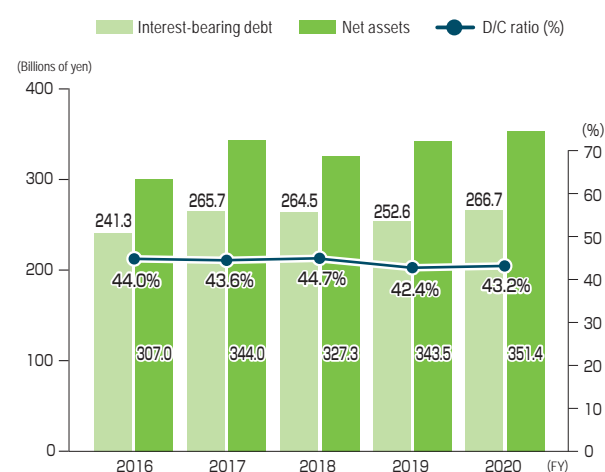


Capital Expenditure and Investment



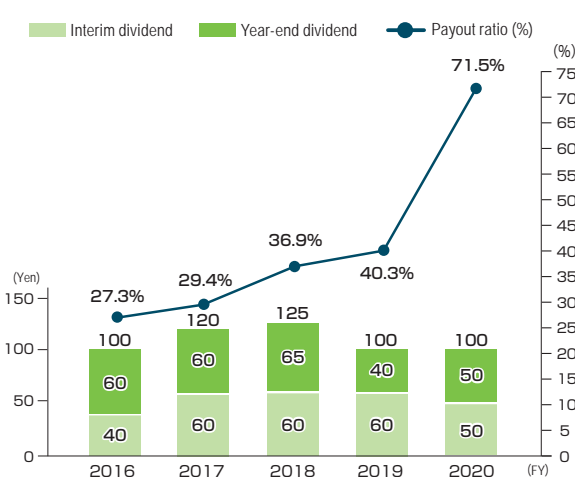
* Owing to an investment of ¥24.9 billion in TAIYO HOLDINGS CO., LTD., capital expenditure and investment increased in fiscal year 2017.

Net Assets, Interest-Bearing Debt and D/C Ratio*



* Debt-to-capital (D/C) ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

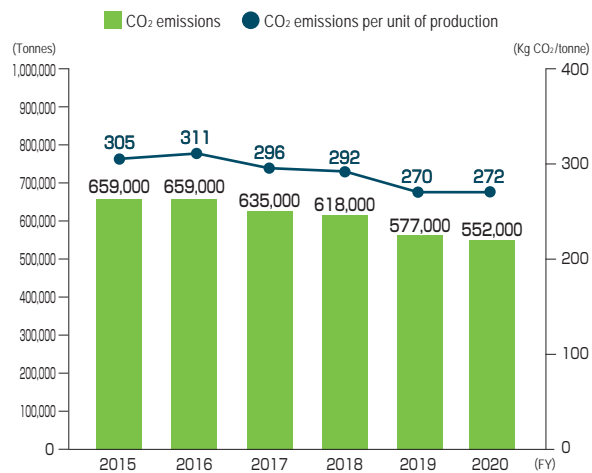
Returns to Shareholders* (Dividends per Share and Payout Ratio)



* Figures have been adjusted to reflect the impact of the consolidation of shares.

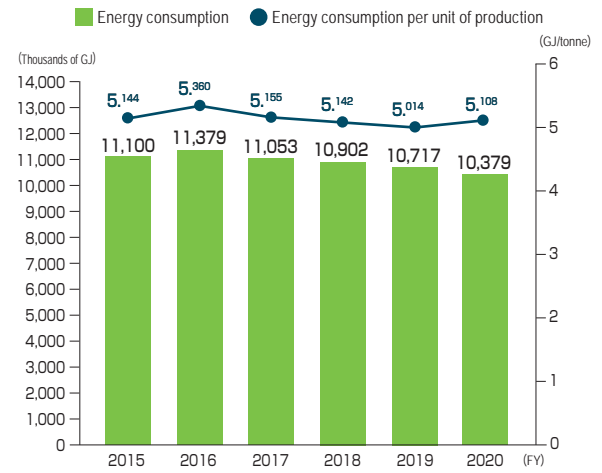
Nonfinancial Information

Global CO₂ Emissions and CO₂ Emissions per Unit of Production (DIC Group)



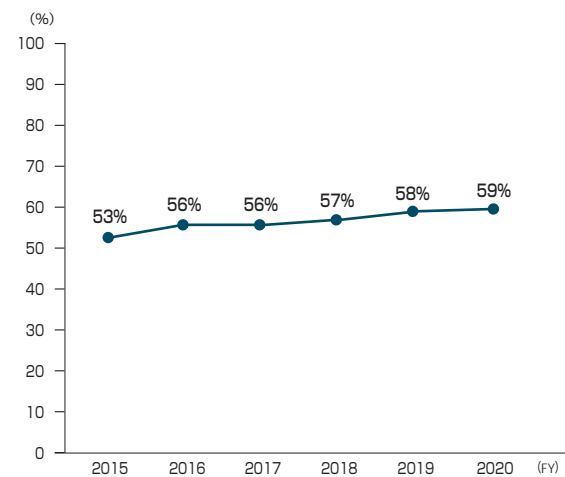
* CO₂ emissions per unit of production is calculated using adjusted production volume (parent company in Japan only). (Notification submitted to Japan's Ministry of Economy, Trade and Industry)

Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)

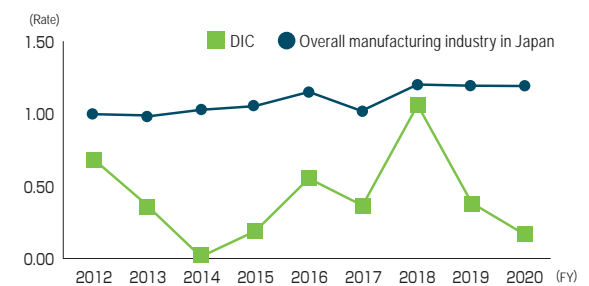


* Energy consumption per unit of production is calculated using adjusted production volume (parent company in Japan only). (Notification submitted to Japan's Ministry of Economy, Trade and Industry)

Environment-Friendly Products as a Percentage of Overall Product Portfolio (DIC Corporation and DIC Graphics Corporation)



Occupational Accident Frequency Rate (DIC Corporation)

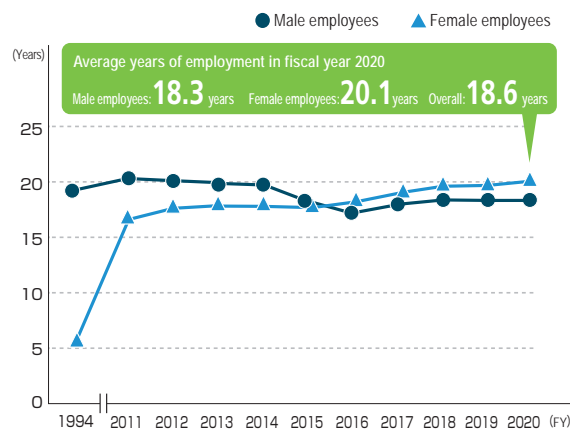


Note: The frequency rate expresses the frequency of accidents resulting in workdays lost in a fiscal year, calculated as the number of deaths or injuries per million work hours.

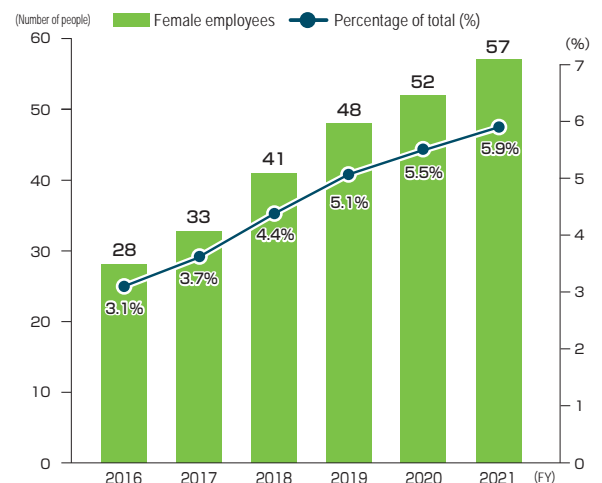
$$\text{Frequency rate} = \frac{\text{Number of deaths or injuries due to occupational accidents}}{\text{Total work hours}} \times 1,000,000$$

A frequency rate of 1.00 means one occupational accident resulting in workdays lost in one year at a site with 500 employees.

Average Years of Employment (DIC Corporation)



Female Employees in Management Positions (DIC Corporation)



A Message from
the President

Kaoru Ino

Representative Director
President and CEO
DIC Corporation

Future vision:
Become a unique global
company that is trusted by
society by providing value
(safety and peace of mind,
color and comfort)



“We are marshaling our capabilities to address increasingly urgent social imperatives and help realize a sustainable society.”

One of the world's leading diversified chemicals companies, DIC is also the core of the DIC Group, a multinational organization comprising 173 companies in 62 countries and territories. The DIC Group is the world's leading manufacturer of printing inks and core printing ink raw material organic pigments, as well as of polyphenylene sulfide (PPS) compounds—major engineering plastics—in terms of global market share. Against a backdrop of rapid global change, the Group continues to marshal its capabilities to promote business portfolio transformation and provide value, positioning it to respond to expectations and earn trust worldwide.

Fiscal Year 2020 in Review

With the spread of COVID-19, fiscal year 2020 forced us to contend with significant changes in society, as well as in our role as a corporate entity. Hindered by the protracted impact of the pandemic, consolidated net sales declined 8.8%, to ¥701.2 billion, while operating income slipped 4.0%, to ¥39.7 billion. Net income attributable to owners of the parent fell sharply, owing to one-time costs and the recognition of an extraordinary loss on the divestiture of a business of U.S. subsidiary Sun Chemical Corporation, both associated with our acquisition of BASF SE's Colors & Effects business. However, thanks to signs of economic recovery beginning in the fourth quarter, the Company projects higher net sales and operating income in all segments in fiscal year 2021.

The DIC Way: Addressing Social Imperatives in an Environment of Dramatic Change

The world today is under pressure to respond not only to the protracted impact of COVID-19 but also to changes in society itself. With the United Nations adoption of the Sustainable Development Goals (SDGs), related initiatives are underway by countries and regions, as well as by companies and individuals. Youth activism, in particular, is on the rise, underscored by social media-based efforts to engage young people and promote understanding. The spread of capitalism and rapid globalization have intensified wealth inequality around the world. With countries and regions, as well as corporate entities, increasingly striving to build sustainability and environmental, social and governance (ESG) considerations into their social and economic activities, new metrics for analyzing investments have been developed. This has led to the emergence of what has come to be known as ESG investing, which continues to transform the rules whereby the competitiveness of companies is judged. In Japan, Prime Minister Yoshihide Suga has declared that the country will become carbon neutral by 2050. Going green, including by implementing the green recovery plans set forth by countries around the world, and going digital, through efforts to leverage artificial intelligence (AI) and digital transformation (DX), are vital, global challenges that are directly linked to social imperatives. At the same time, both are factors that will drive the global economy in the future.

Amid both of these paradigm shifts, it is important for a company to reconsider its goals, its *raison d'être*. The DIC Way, an articulation of our management approach adopted in 2008, identifies our mission as being to contribute to sustainable development for our customers and society. Our current medium-term management plan, DIC111, which began in fiscal year 2019, outlines our future vision of becoming a unique global company that is trusted by society by focusing our management resources on businesses that deliver social value—i.e., help resolve issues facing society—and that enhance economic value.

Mission (Outlined in The DIC Way):

We create enhanced value and utilize innovation to introduce socially responsible and sustainable products.

Future vision:

Become a unique global company that is trusted by society by providing value (safety and peace of mind, color and comfort)

At present, manufacturers in such areas as automobiles, renewable energy, semiconductors and food packaging must be able to offer solutions that reduce environmental impact across entire supply chains. Materials producers have a key role to play in the realization of such solutions. As a manufacturer of fine chemicals, we work to lower the environmental impact of our production processes. We also seek to provide products that underpin sustainability for our customers and for markets and in so doing to lower environmental impact at all stages of our supply chains by helping to improve the conditions in which resources are extracted and used, as well as to curb CO₂ emissions and other environmental threats while at the same time driving unceasing innovation to tackle substantive social issues.

Guided by The DIC Way, we will work to develop products and solutions that integrate DIC Group technologies to deliver the social value and enhance the economic value called for in DIC111. By further allocating this economic value to bolster management resources, we will endeavor to create a virtuous circle of growth.

Creating Value: The Road Ahead

The two basic strategies of DIC111 are Value Transformation and New Pillar Creation. In line with these strategies, we will continue working to build a business portfolio focused on environment, safety and health (ESH)-related issues and social changes.

Value Transformation calls for rallying the DIC Group's technological resources to advance qualitative reforms in existing core businesses by promoting a targeted shift toward products that provide greater value to both society and our customers, enabling us to reinforce our business structure. In the Packaging & Graphic segment, for example, our operations have traditionally centered on publication inks, but we have redirected our focus to products used in packaging for food products, including plastic films, adhesives and packaging inks, contributing to safety and peace of mind by helping to ensure food hygiene. Films used in food packaging comprise multiple layers of film laminated together with adhesives. By creating films with outstanding oxygen- and vapor-barrier properties, we help extend the shelf life of food and reduce food loss. Moreover, by improving the recyclability of printing inks and coating agents used on paper packaging for food, we provide solutions that both heighten the performance of said packaging materials and encourage their recycling. In the Functional Products segment, our lineup of products for use in electronics equipment includes epoxy resins compatible with 5G-enabled devices that impart excellent insulation and heat resistance, facilitating high-capacity, high-speed communications. These resins were developed using our proprietary technologies for epoxy resins used in semiconductors and printed wiring boards used in smartphones, personal computers and onboard equipment for automobiles, among others. We have already begun developing epoxy resins for devices compatible with the 6G cellular telecommunications standard. Value Transformation thus translates into the development of innovative products in core businesses that offer added value and help address social imperatives.

New Pillar Creation is the leveraging of DIC Group competencies to create new growth-driving businesses that respond to ESH-related issues and social changes. For example, we have traditionally emphasized the development of products based on organic materials such as organic pigments and synthetic resins. Recently, we have developed inorganic materials technologies that will assist in our efforts to help tackle social issues. Of particular note is a distinctive flake alumina filler, sales of which commenced in January 2021. Alumina fillers are used to help dissipate the heat generated inside automotive and electronics equipment. DIC's new flake alumina filler imparts particularly outstanding heat-dissipating properties, reducing the amount needed and thus the weight of components and improving performance. In the area of healthcare, we provide bioproducts such as the edible blue-green algae *Spirulina*, which we were the first company to succeed in cultivating commercially. We have also marketed phycocyanin, a vibrant blue pigment extracted from *Spirulina*, as *Linablue*, a natural blue food coloring that today is used in food products around the world. With phycocyanin's outstanding moisture-retention capacity recently also garnering attention, we recently commercialized a phycocyanin-based Food with Functional Claims (FFC)* that improves the skin's barrier function.

To underpin our Value Transformation and New Pillar Creation strategies, we recently established the DIC Sustainability Index, a proprietary index that allows us to measure the social value of our products and to assess their environmental impact across the supply chain, thereby clarifying the direction of our efforts to address social imperatives. (For more information on the DIC Sustainability Index and the progress of its deployment, please see page 44.)

* An FFC is a product that is permitted to carry statements about specific health benefits, including scientific evidence on food safety and effectiveness—for which the manufacturer takes full responsibility—on its packaging, in line with government-established rules. Notification must be submitted to Japan's Consumer Affairs Agency before an FFC is marketed.

Building a Robust Management Infrastructure

Owing to COVID-19, fiscal year 2020 brought unprecedented challenges to almost everyone. The pandemic also provided an opportunity to seriously examine social and economic activities, a process that served to illuminate a number of critical problems. Of particular importance, it became very evident that Japan lags behind other economic powers in deploying IT and DX. Companies have also faced challenges on the human resources front with the shift to remote work, namely, the dilution of interpersonal relationships and difficulties in building mutual trust, both arising from feelings of isolation. Society at large and companies in particular are working to adapt to changes wrought by this forced experiment, as well as to overcome the shortcomings it has revealed. With remote work unmistakably the "new normal" for the DIC Group, we are also taking decisive steps to build systems that boost employee productivity and motivation.

■ Human Resources Management

There is a general consensus that many employees will continue to choose telework even after the pandemic, and that systems for remote work will evolve accordingly, meaning that hybrid remote and in-person communication will become standard. This will necessitate changes in the way we approach training. With conventional on-the-job training no longer a viable option, sharpening work skills, forming relationships with colleagues and building trust will require highly effective communication skills. We are pressing ahead with various initiatives to support work style reforms and the expanded use of telework arrangements by DIC Group employees. In January 2021, we established the Data Science Center with the aim of fostering human resources with specialized capabilities in such areas as data science and materials informatics (MI),* which will greatly influence corporate competitiveness in the years ahead.



Having skilled individuals who proactively raise their hands to fill crucial roles and who aspire always to refine their capabilities will help revitalize DIC and will positively impact efforts to reform work styles and transform our business portfolio. Going forward, we will reflect new awareness gained as a result of our experiences during the COVID-19 pandemic in efforts to foster and manage human resources. In so doing, we will endeavor to organically mobilize the diverse individuals who make up our labor force to achieve a strong corporate organization.

* MI applies statistical analysis and other informatics techniques to search large amounts of data for new materials.

■ Digital Transformation

In fiscal year 2020, we established the dedicated DX Promotion Department with the objective not only of lifting operational efficiency but also transforming our businesses, and are working to incorporate DX into our production, technical, marketing and sales departments. At production facilities, we have introduced the Internet of Things (IoT) and are making use of AI technologies to create smart plants that can operate with a minimum number of staff by raising production efficiency through the automation of reaction processes and the remote control of production processes. Looking ahead, we will continue to promote digitalization at our production facilities, positioning us to respond to the demands of customers while at the same time rationalizing and increasing the efficiency of supply chains and creating a crucial new infrastructure of smart facilities that will further improve our competitiveness.

We continue to promote the development of materials by leveraging MI, making full use of unique DIC polymer design technologies and AI technologies to, among others, realize a new molecular structure for phenolic resins for semiconductor resists. We are also actively engaged in research in collaboration with external organizations. Since fiscal year 2020, we have pursued research aimed at developing the materials of the future through quantum computer-based chemical simulation, as well as participated in a consortium of companies, academic institutions and government bodies promoting research in the area of chemical materials that fuses neuroscience and AI.

We are also advancing digital marketing. With face-to-face marketing activities hindered by COVID-19, we stepped up participation in online exhibitions. In addition, we have adopted a variety of new digital tools that enable us to share sales and marketing information with customers—to date generally conducted in person—as well as to facilitate effective remote communication in-house and raise work efficiency. Owing to COVID-19, we currently have no choice but to conduct our business remotely, but I am confident that even in a post-pandemic world we will realize considerable benefits by pursuing a hybrid style of marketing that combines digital and in-person methodologies.

DX is not simply the introduction of new systems. We recognize the importance of DX as a process for fundamentally transforming our management foundation and will continue to accelerate related efforts.

■ Improved Safety and Quality

Safety, quality and environmental concerns are cornerstones of our business as a chemicals company. Drawing on the lessons of fires that have occurred at production facilities in the past, we continue to promote production under a meticulous configuration in a manner that reflects a priority on safety. In particular, we are working to raise awareness to ensure that employees are able to approach their work in a manner that reflects a commitment to ensuring safety and pride in our capabilities as a manufacturer. Of particular note, rather than one-way communications with me simply firing off instructions and leaving it at that, we hold site meetings that facilitate dialogue, allowing me to actually hear employees' voices as well as for them to hear mine. With an eye on our vision for DIC 10 years in the future, we will continue to encourage the frank and

open exchange of views with the aim of securing safety by transforming mindsets, building a safety-oriented corporate culture and boosting job satisfaction.

Quality is an equally high priority for manufacturers. In January 2021, we took corrective actions in light of improprieties that arose in relation to efforts to secure approval for a certain product, causing considerable inconvenience to customers. This involved clarifying the roles of quality assurance and quality control to create a strong, unified quality management system. Efforts to fundamentally revamp our Group quality management framework and restore the trust of stakeholders also included establishing a new quality committee chaired by the CEO, who is now directly responsible for the administration and supervision of quality management Groupwide.



■ Response to Climate Change

Having set a target for reducing CO₂ emissions by 30% from the fiscal year 2013 level by fiscal year 2030, we continue to invest actively in expanding our use of renewable energy, including electric power generated using biomass, solar power and wind power, and have so far achieved reductions well ahead of forecasts. After extensive deliberations in-house, we resolved to revise our target. We now aim to achieve carbon neutrality by fiscal year 2050, as well as to reduce CO₂ emissions by 50% from the fiscal year 2013 level by fiscal year 2030. With many countries reframing emissions reduction targets set with the aim of realizing the goal of the Paris Agreement into milestones on the way to carbon neutrality, we will further strengthen our efforts to ensure our achievement of carbon neutrality. Of note, in addition to expanding renewable energy as a percentage of total energy used by the DIC Group, we intend to adopt internal carbon pricing in preparation for the introduction of carbon border taxes, as well as to promote cooperation with business partners across the supply chain. In addition to initiatives aimed at reducing CO₂ emissions associated with our business activities, we will actively work to expand our lineup of products and services that contribute to decarbonization, thereby helping reduce CO₂ emissions attributable to markets, as well as to society.

A Global Organization that Responds to the Expectations of Society

The DIC Group is committed to allocating management resources to businesses that deliver social value, which in turn enhances economic value. Perpetuating this cycle will lead to further prosperity for society and will ensure that a company enjoys support, appreciation, trust and respect. This is the sort of organization we want to be. At present, a team of mid-tier employees is promoting a project to formulate a concrete vision for the DIC Group of the future. This project was launched with the goal of creating opportunities for those employees who will lead the DIC of the future to articulate their goals for the future and put strategies for realizing that vision into practice. It will also explore novel ways to cultivate and deploy key DIC Group resources in response to evolving trends and needs with a view to eventual commercialization.

The era ahead is one in which organizations that leverage the diverse strengths of individuals will prosper. An organization made up of individuals with varied capabilities can create dynamism. As a multinational organization with operations in 62 countries and territories around the world, 60% of our employees are overseas. The integration of the newly acquired Colors & Effects business will make us even more diverse. Despite the protracted impact of the COVID-19 pandemic worldwide, we will continue working to build social value, as well as to respond to the expectations of society as a whole. In all of our endeavors, I look forward to the ongoing support of all of our many stakeholders.

12-Year Summary

Key Financial Data

Period	112	113	114	115	116	117	118	119	120	121	122	123
Fiscal year	2009	2010	2011	2012	2013 ³	2014	2015	2016	2017	2018	2019	2020
Income												
Net sales (Billions of yen)	757.8	779.0	734.3	703.8	784.0	830.1	820.0	751.4	789.4	805.5	768.6	701.2
Operating income (Billions of yen)	27.8	37.2	35.0	38.5	44.1	41.1	51.1	54.2	56.5	48.4	41.3	39.7
Operating margin (%)	3.7	4.8	4.8	5.5	5.6	4.9	6.2	7.2	7.2	6.0	5.4	5.7
R&D and technology-related expenses ¹ (Billions of yen)	27.1	26.3	23.7	23.0	19.8	25.3	26.8	26.2	27.4	28.4	27.9	26.2
Of which, R&D expenses (Billions of yen)	12.4	11.0	9.1	8.8	8.8	10.9	12.2	11.2	12.4	12.9	12.5	12.0
Ordinary income (Billions of yen)	19.1	31.7	30.8	35.1	40.9	39.9	49.0	55.8	57.0	48.7	41.3	36.5
Net income attributable to owners of the parent (Billions of yen)	2.5	15.8	18.2	19.1	28.8	25.2	37.4	34.8	38.6	32.0	23.5	13.2
EBITDA (Billions of yen)	48.8	63.7	61.5	65.2	69.1	77.0	94.0	82.6	86.1	81.4	67.4	55.6
EBITDA margin (%)	6.4	8.2	8.4	9.3	9.8	9.3	11.5	11.0	10.9	10.1	8.8	7.9
Financial Position												
Total assets (Billions of yen)	749.9	703.8	675.1	693.0	761.7	803.7	778.9	764.8	831.8	801.3	803.1	818.0
Net assets (Billions of yen)	122.8	130.4	124.5	160.7	218.9	276.7	289.9	307.0	344.0	327.3	343.5	351.4
Equity ratio (%)	13.5	15.3	15.1	19.8	25.6	31.1	33.7	36.4	37.9	37.3	38.9	38.9
Interest-bearing debt (Billions of yen)	377.7	337.6	328.5	315.6	299.1	274.2	259.5	241.3	265.7	264.5	252.6	266.7
D/C ratio (%)	75.5	72.1	72.5	66.3	57.7	49.8	47.2	44.0	43.6	44.7	42.4	43.2
Cash Flows												
Net cash provided by operating activities (Billions of yen)	39.5	30.9	31.2	41.4	33.9	46.4	29.1	62.5	54.2	51.0	50.6	54.5
Net cash used in investing activities (Billions of yen)	(12.5)	(12.3)	(17.6)	(23.7)	(9.8)	(27.4)	(10.0)	(32.2)	(58.9)	(38.4)	(24.9)	(33.0)
Free cash flow (Billions of yen)	27.0	18.6	13.7	17.7	24.0	19.0	19.1	30.3	(4.7)	12.6	25.8	21.4
Net cash provided by (used in) financing activities (Billions of yen)	(16.0)	(26.3)	(7.1)	(26.6)	(32.8)	(26.1)	(24.8)	(26.9)	11.4	(11.8)	(26.8)	6.3
Cash and cash equivalents (Billions of yen)	29.5	22.9	29.6	22.5	15.0	16.4	15.1	16.7	17.7	18.6	16.7	41.4
Per Share Information ²												
Earnings per share (Yen)	32.11	175.96	197.90	207.98	292.26	267.81	389.40	366.72	407.56	338.40	248.29	139.81
Price earnings ratio (PER) (Times)	62.9	11.0	8.4	9.5	10.9	10.9	8.5	9.7	10.5	10.0	12.2	18.6
Dividends per share (Yen)	40	40	40	60	60	60	80	100	120	125	100	100
Payout ratio (%)	124.6	22.7	20.2	28.8	20.5	22.4	20.5	27.3	29.4	36.9	40.3	71.5
Other Indicators												
Return on equity (ROE) (%)	2.6	15.1	17.3	16.0	16.1	11.3	14.6	12.9	13.0	10.4	7.7	4.2
Capital expenditure (Billions of yen)	23.6	20.8	27.0	26.6	27.1	33.6	32.1	31.3	33.6	32.1	35.0	34.0
Depreciation and amortization (Billions of yen)	35.4	33.0	29.7	27.4	25.9	33.8	32.9	32.4	31.5	32.8	33.1	32.6
Overseas sales ratio (%)	58.2	57.3	58.2	56.7	66.6	63.4	65.1	62.4	63.4	63.6	63.5	64.8
Average exchange rate (¥/US\$)	93.51	87.69	79.77	79.93	97.06	106.32	120.85	109.96	112.33	110.46	109.11	106.37
Average exchange rate (¥/EUR)	130.91	116.63	110.88	103.11	129.25	141.41	134.14	122.06	127.03	130.46	122.13	121.43
Number of employees	22,583	21,572	20,455	20,273	20,034	20,411	20,264	20,481	20,628	20,620	20,513	20,242

¹ Technology-related expenses are for DIC and DIC Graphics Corporation

² Per share information has been adjusted to reflect the impact of the consolidation of shares.

³ Effective from fiscal year 2013, DIC and its domestic consolidated subsidiaries changed their fiscal year-end from March 31 to December 31. As a consequence, reported results reflect the fact that for these companies fiscal year 2013 was a transitional, irregular nine-month period. For the purpose of comparison, fiscal year 2013 figures here have been adjusted to represent the 12 months from January 1–December 31, 2013.

A Message from the CFO



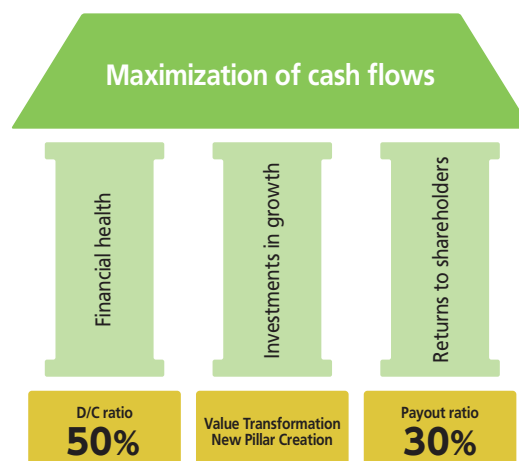
The DIC Group works to maintain sound financial health while promoting determined business strategies. We aim to expedite business portfolio transformation by promoting significant M&A transactions and the creation of new businesses.

Shuji Furuta

Head of Finance and Accounting Unit
CFO

Basic Approach

Our approach to financial management centers on ensuring a balance among three key priorities: maintaining sound financial health, promoting investments in growth to transform our business portfolio and ensuring stable returns to shareholders. As performance indicators, we have adopted debt-to-capital (D/C) ratio¹ to gauge financial soundness, return on equity (ROE) to assess capital efficiency, payout ratio to evaluate returns to shareholders, and earnings before interest, taxes, depreciation and amortization (EBITDA)² to judge our ability to generate cash and maximize shareholder value.

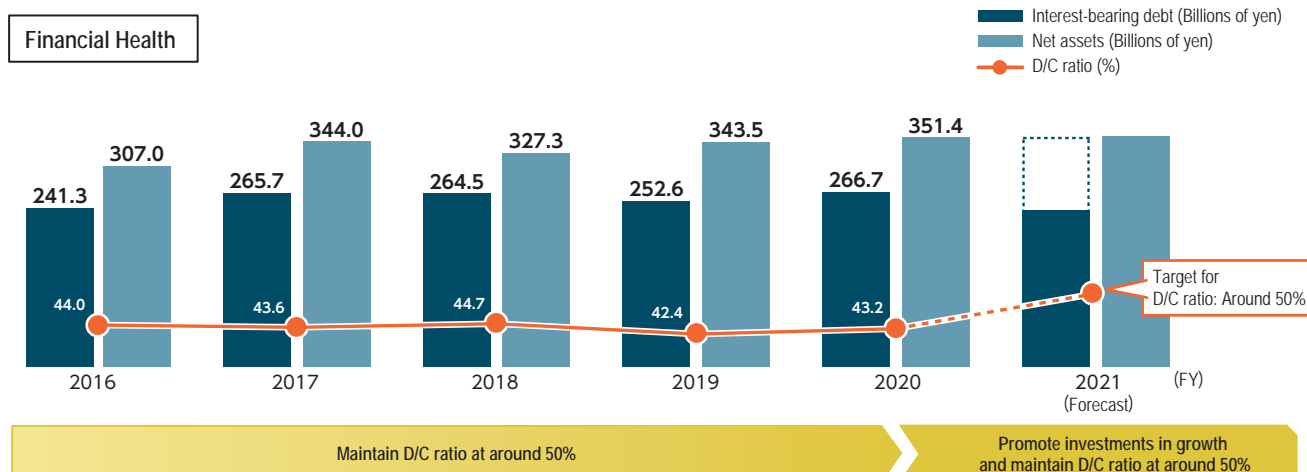


Sound Financial Health

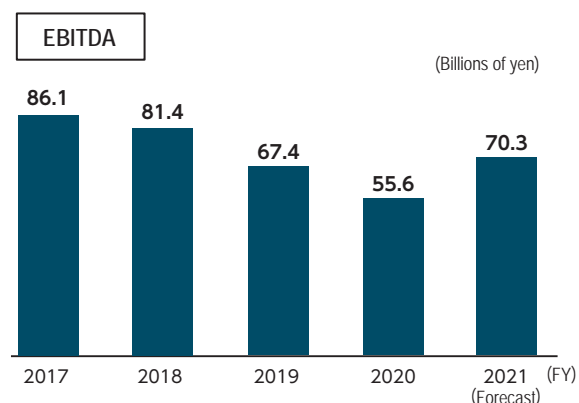
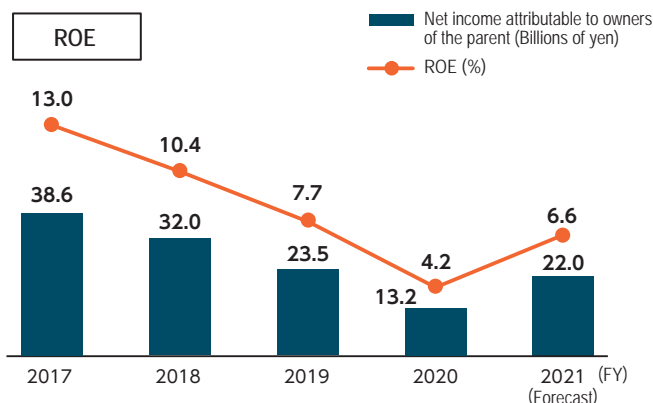
Our goal for financial soundness is to maintain our D/C ratio at or below roughly 50%. As of December 31, 2020, our D/C ratio—which had deteriorated to 73% as of the end of fiscal year 2011—was 43%, an improvement that reflected global efforts to enhance cash efficiency, as well as robust net cash provided by operating activities and accumulated earnings. Owing to the acquisition of BASF's Colors & Effects business, interest-bearing debt as of December 31, 2021, is likely to be higher than a year earlier, but we expect our D/C ratio to remain in the area of 50%. We will also strive to maintain sound financial health by procuring ¥60 billion through a subordinated term loan—a type of hybrid financing that while officially debt has characteristics similar to equity—as well as by divesting assets and reinforcing our management of working capital.

Having chosen ROE as an indicator of capital efficiency, we are working to increase the visibility of return on invested capital (ROIC) in each individual business and to enhance awareness of ROE Groupwide. To advance the transformation of our business portfolio and further bolster capital efficiency, we are promoting investments aimed at driving new growth and have established criteria for withdrawing from businesses, in line with which we are actively divesting assets and retreating from business with low growth potential and profitability.

We employ EBITDA and the cash conversion cycle (CCC) as metrics for our ability to generate cash flows. The addition of EBITDA to our conventional profitability-centered performance indicators and our efforts to shorten the CCC underscore our commitment to conducting management with a greater awareness of cash flow and the need to increase shareholder value.



Note: Forecasts for interest-bearing debt and D/C ratio for fiscal year 2021 assume the completion of DIC's acquisition of BASF's Colors & Effects business.



Strategic Investments to Accelerate Growth

Our current medium-term management plan, DIC111, outlines two basic strategies for transforming our business portfolio: Value Transformation, which emphasizes working to bolster the competitiveness of businesses and generate sustainable cash flow, and New Pillar Creation, which calls for creating new businesses that respond to social changes and help address ESH-related issues. Previous investments that have contributed to Value Transformation include a capital and business alliance with TAIYO HOLDINGS CO., LTD., which was concluded in 2017 under DIC111's predecessor, DIC108, and positioned us well to develop and offer products for the electronics sector. More recent such investments include our acquisition in fiscal year 2018 of a manufacturer of security inks, which are used in the printing of banknotes, and of business engaged in the production of high-purity oxide pigments, which are used extensively in cosmetics.

We have also taken key steps under DIC111 to accelerate growth. In August 2019, we announced that we had reached an agreement to acquire the Colors & Effects business of BASF for an estimated €985 million (approximately ¥124.8 billion)³, our largest-ever acquisition. In 2020, the DIC Group acquired a subsidiary of Sensient Technologies Corporation of the United States engaged in the manufacture of jet inks for printing on textiles. These and other moves will contribute to the strengthening of our corporate structure by facilitating the qualitative reform of our businesses.

Under the New Pillar Creation banner, we have established the New Business Development Headquarters, and have identified four priority business areas, namely, electronics, automotive, next-generation packaging and healthcare. We continue to promote investment via corporate venture capital (CVC) and other efforts designed to expedite the creation of new businesses and gain access to advanced technologies to facilitate open innovation.

Promoting Sustainable Financing

We also continue to conclude loan agreements based on ESG assessments, enabling it to also contribute to the achievement of the SDGs through its financing activities. In September 2019, we entered into a loan agreement with Mizuho Bank, Ltd., under the Mizuho Environmentally Conscious Finance ("Mizuho Eco Finance") scheme, developed by Mizuho Information & Research Institute, Inc. We were the first company in the chemicals industry approved under this scheme, an achievement that reflects the high marks given our global efforts to combat climate change. In September 2020, we concluded a Positive Impact Finance (PIF) (with unspecified use of funds) loan agreement with Sumitomo Mitsui Trust Bank, Limited. PIF is a financing framework designed to facilitate the comprehensive analysis and evaluation of the positive and negative environmental, social and economic impacts of corporate activities and the extension of loans to support these activities on an ongoing basis.

Stable Returns to Shareholders

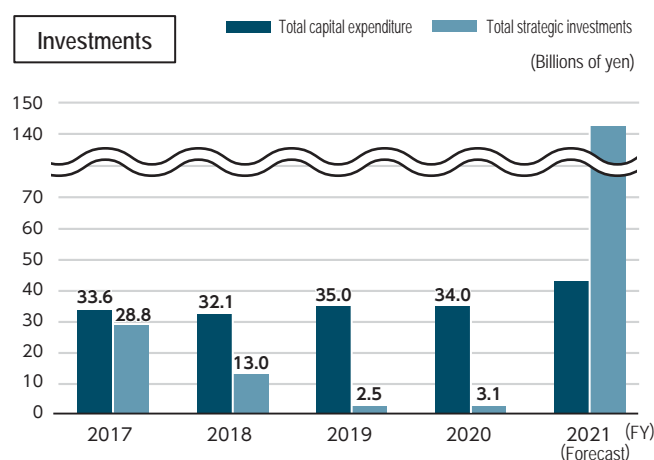
We will continue to pay dividends that are in keeping with profit growth, in line with our commitment to ensuring stable returns to shareholders. DIC111 sets a target for our payout ratio of 30%, which will serve as a guideline for dividends over the medium term. We are proposing a year-end dividend for fiscal year 2020 of ¥50.00. As a consequence, our dividend for the full term, which includes an interim dividend of ¥50.00, will be ¥100.00. We also anticipate an annual dividend of ¥100.00 in fiscal year 2021.

Notes:

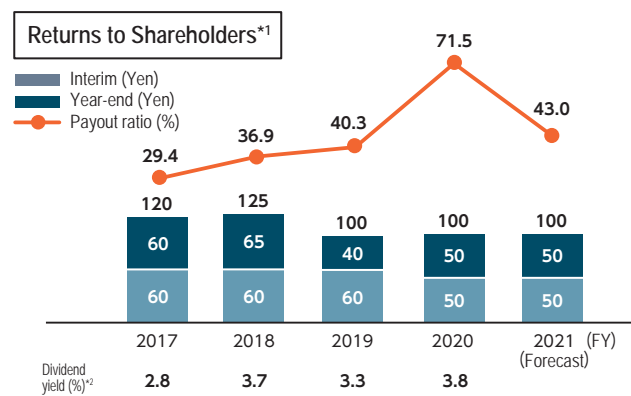
1. D/C ratio: Interest-bearing debt / (Interest-bearing debt + Net assets)

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

3. The figure given for the cost of this acquisition is derived by adjusting the enterprise value of the target business (€1,150 million) to reflect cash and debt as of December 31, 2018. The exchange rate used to translate this amount into Japanese yen is €1.00 = ¥126.75.



Note: Forecasts for interest-bearing debt and D/C ratio for fiscal year 2021 assume the completion of DIC's acquisition of BASF's Colors & Effects business.

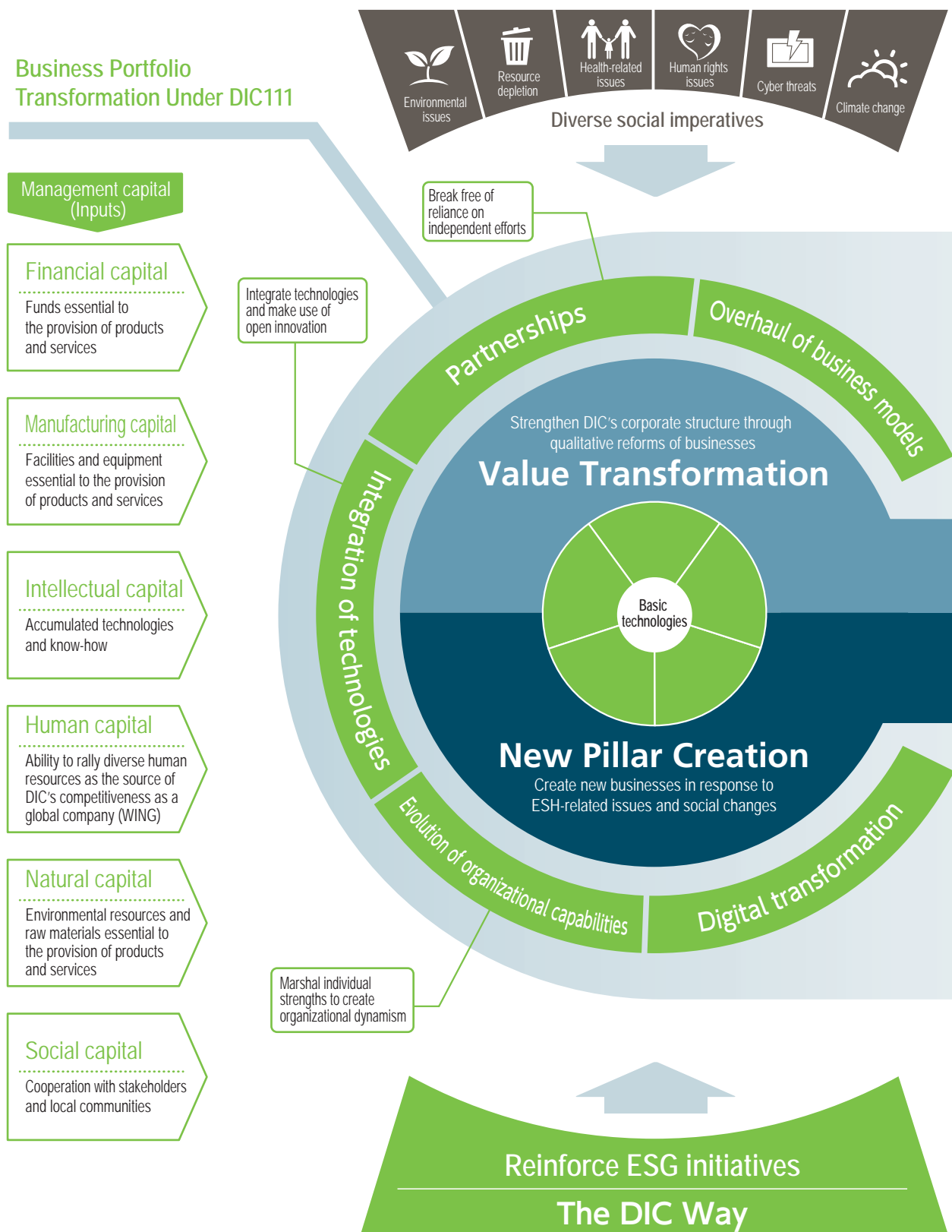


*1 Figures have been adjusted to reflect the impact of the consolidation of shares.







*2 Dividend yield: Annual dividend payments / Closing share price at fiscal year-end

The DIC Group's Approach to Value Creation

Delivering Color & Comfort



With the aim of ensuring a sustainable society, the DIC Group strives to provide products and solutions that respond to the needs of markets and its customers and add color and comfort to life.

Segment	Outputs	Outcomes
 Packaging & Graphic	Next-generation packaging inks and coatings, functional packaging adhesives, industrial-use jet inks, others	Packaging materials that bring safety and peace of mind 
 Color & Display	Pigments for color filters, pigments for cosmetics, effect pigments, natural colorants, LC materials, next-generation display materials, others	Color and display materials that make life colorful 
 Functional Products	Sustainable polymers, environment-friendly PPS compounds for automotive components, high-performance industrial adhesive tapes, others	Functional products that add comfort 

Business area	Outputs	Outcomes
 Electronics	Technologies and functional materials that support the spread of digitization	Provide functional materials that contribute to a digital society
 Automotive	Technologies and functional materials that underpin efforts to transform the automotive industry	Provide composite materials that contribute to a mobility society
 Next-Generation Packaging	Packaging materials that help reduce food loss and support sustainability	Provide packaging solutions that contribute to environmental sustainability
 Healthcare	Microorganism and cell culture technologies with applications extending from food safety to advanced medical care	Provide fine chemicals produced using biotechnological processes that contribute to health and longevity

SDGs



SDGs Goals
2, 3, 6, 7, 9, 11,
12, 13, 14 and 15

DIC Group Initiatives in the Fight against COVID-19 and the Impact of the Pandemic on the Group's Performance

The DIC Group would like to express its sorrow at the loss of lives and extend its deepest sympathies to everyone who has been affected by the COVID-19 pandemic. At this challenging time, the Group is especially grateful to the healthcare professionals around the world who are working tirelessly to alleviate the spread of the virus.

The Group works with customers in diverse industries to achieve innovations that bring "Color & Comfort" to society through chemistry. Even given the difficulties of the current pandemic, DIC Group products play an important ongoing role in safeguarding stable supplies of daily necessities. Accordingly, the entire Group is committed to working as one to help maintain social infrastructure. The Group will continue striving to contribute to society by delivering distinctively DIC products and technologies to support the efforts of a wide range of frontline healthcare facilities and local communities.

Donation of 10,000 N95 and Other High-Performance Masks to Healthcare Facilities

In April 2020, DIC donated 10,000 N95, surgical, ostrich antibody and other high-performance masks from its stockpile to healthcare facilities in Japan.



Provision of "DIC Health Packs" to Senior Care Facilities in Southeast Asia

As a component of a corporate social responsibility (CSR) project in Southeast Asia, DIC Group companies in the region devised the idea of DIC Health Packs, kits containing a variety of COVID-19 protective items. Group companies prepare the DIC Health Packs, which include masks bearing the DIC logo, DIC Spirulina (a health food) and liquid disinfectant, and then donates them to senior care facilities across the region.



Launch of Special COVID-19 Seals Indicating that Proper Cleaning and Disinfection Has Been Implemented
DIC Color Design, Inc., has developed and commenced sales of special seals to signify that proper cleaning and disinfection has been implemented. These seals are used by hotels, for example, as door seals to indicate to guests that their room has not been accessed after cleaning and disinfection.



Production of Droplet Infection-Preventing Face Shields and Donation to Healthcare Facilities
To curtail the transmission of COVID-19, DIC leveraged proprietary DIC Group technologies to develop face shields, which it has supplied to production sites and other workplaces where masks must be worn. Prioritizing development speed, the Group diverted headbands normally used in helmets manufactured by DIC Plastics, Inc., to the production of face shields. The Group also donated approximately 1,000 of these face shields to healthcare facilities.



Note: For more information, please see page 24.

Provision of Hollow-Fiber Membranes for ECMO

DIC provides hollow-fiber membranes to add oxygen to the blood in extracorporeal membrane oxygenation (ECMO), which is currently being used worldwide to treat critically ill COVID-19 patients.

Business Continuity Initiatives Aimed at Maintaining Social Stability

In an attempt to curb the rampant spread of COVID-19, major cities in countries and territories around the world have implemented stringent lockdowns. Nonetheless, DIC Group production facilities have sustained operations without interruption, with the approval of governments and other public bodies, to respond to demand from customers critical to social infrastructure, including food and pharmaceuticals manufacturers and newspaper publishers. The Group's products thus play an important role in preserving stable supplies of these daily necessities and helping to maintain social infrastructure.

Anticipating a prolonged risk of COVID-19 infection, DIC has formulated and is implementing a policy for operating under pandemic conditions.

- Promote thorough efforts to prevent the spread of COVID-19 and prioritize the health and safety of customers, suppliers, and DIC Group employees and their families;
- Work to maintain DIC Group production and supply activities while minimizing the impact on customers and suppliers; and,
- Support healthcare professionals and promote efforts to contribute to society, with the goal of ensuring DIC remains a company that is loved and respected worldwide.

Note: For information on activities in the Americas and Europe, the Asia-Pacific region and the PRC, please see pages 31, 32 and 33, respectively.



Posters illustrating DIC Group measures to prevent the transmission of COVID-19

Impact on Segment Operating Results

Packaging & Graphic

In the area of materials for food packaging, sales were robust overseas, owing to demand driven by stay-at-home measures, but languished in Japan as a result of sluggish sales to convenience stores, among others, as people refrained from leaving their homes. In products for commercial printing, flagging economic activity prevented a recovery in shipments of inks for advertisements, catalogs, newspapers and other applications. Segment operating income rose significantly, bolstered by cost-cutting efforts, including curbing expenses related to business trips.



Packaging inks



Publication inks

Color & Display

Sales of color materials fell sharply, owing to declining shipments of pigments for cosmetics, as mask-wearing became an ingrained part of daily life worldwide. In display materials, sales rose as increased time spent by consumers at home led to robust demand in the market for liquid crystal displays (LCDs), pushing up shipments of pigments for color filters and thin-film transistor liquid crystals (TFT LCs). Segment operating income dropped, as production adjustments prompted the cutting of operating rates at certain production facilities made it impossible to absorb fixed and other costs.



Pigments for cosmetics and for inks



TFT LCs (uses include LCD televisions)

Functional Products

Demand for materials for automotive applications plunged temporarily. As a consequence, full-term segment sales decreased despite a dramatic recovery in shipments of synthetic resins for use in automotive coatings, epoxy resins for semiconductor devices used in onboard equipment, and PPS compounds—uses for which, underpinned by the trend toward lighter and increasingly electrified vehicles—rallied significantly in the fourth quarter. Segment operating income was down, as lower raw materials prices and cost reductions were insufficient to offset the decline in full-term shipments.



Epoxy resins



PPS compounds (uses include automotive components)

Packaging & Graphic

Packaging Materials that Bring Safety and Peace of Mind



SDGs Goals 12, 13 and 14



Masamichi Sota
Managing Executive Officer
President, Packaging & Graphic Business Group



Main Products

[Printing Materials]

Gravure inks, flexo inks, offset inks, news inks, jet inks, metal decorative inks, printing plates, security inks, printing supplies

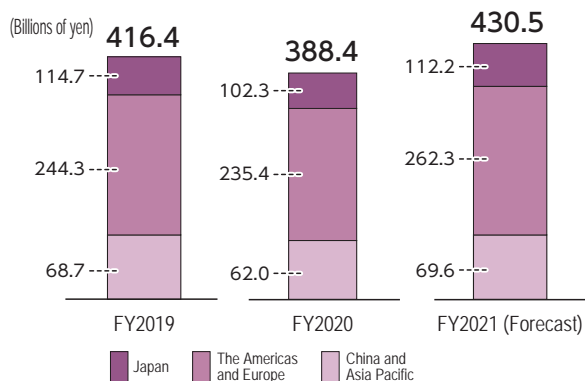
[Packaging Materials]

Polystyrene, packaging adhesives, multilayer films

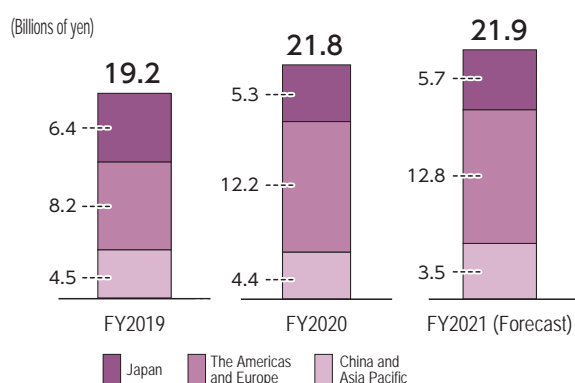
This segment includes not only printing inks but also adhesives, coatings, films and a broad range of other packaging materials and solutions, the markets for which continue to see robust growth in Asia and emerging economies.

Segment Operating Results

Net Sales



Operating Income



Note: Graph figures include interregional transactions within the segment. Accordingly, the aggregates of regional net sales and operating income figures for the segment differ from the figures presented above.

Product News

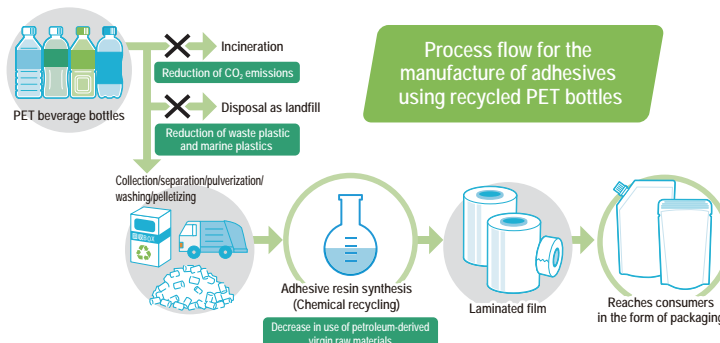
Efforts to Develop Biomass-Based Packaging Inks (Gravure Inks, Flexo Inks) and Compostable Packaging Adhesives

In Japan, the DIC Group has obtained Biomass Mark certification for gravure inks used for printing on general-purpose films, shrink film and paper, and has succeeded in commercializing an antibacterial varnish for use on printed packaging films used for individually packaged protective facial masks. Overseas, the Sun Chemical Group is cultivating markets for compostable packaging adhesives, inks for printing on food-contact materials, inks that facilitate deinking and other high biomass content products, and has also commenced the development of antibacterial coatings.



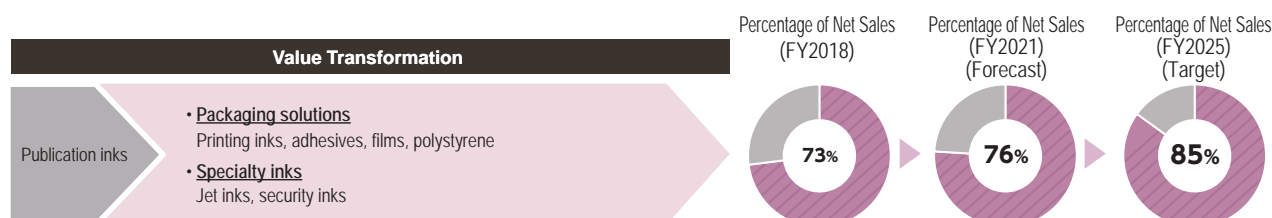
Development of *DICDRY LX-RP* Series of Dry Laminating Adhesives Made from Recycled PET Bottles

DIC recently developed the *DICDRY LX-RP* series of dry laminating adhesives for flexible packaging, which are made from recycled post-consumer polyethylene terephthalate (PET) bottles. While convenience makes plastics the favored material for a wide range of applications, the environmental impact of waste plastic has become an issue of concern and efforts to facilitate the effective use thereof is a global challenge. DIC leveraged its proprietary polymer synthesis technologies to facilitate the chemical recycling of recycled PET bottles into raw materials suitable for use in packaging adhesive. Additionally, by optimizing the resin's composition, the Company has succeeded in realizing a product that is both solvent-soluble and which delivers excellent adhesive properties. Adhesives in the *DICDRY LX-RP* series boast a recycled PET content of 25% (solid content ratio) and, like conventional *DICDRY LX* adhesives, is also suitable for laminating lightweight packaging materials and refill pouches.



Business Strategies Under DIC11

The DIC Group will concentrate resources on high-value-added products in the promising areas of packaging solutions and specialty inks, while accelerating the growth of businesses in the flourishing market for packaging materials through portfolio expansion. In specialty inks, the Group will also seek to achieve high profitability through further global management integration and the horizontal deployment of high-value-added products.



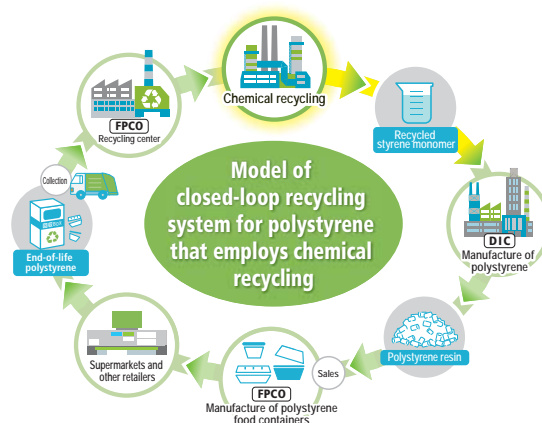
Fiscal Year 2020 Highlights

DIC and FPCO Explore Collaboration in the Practical Implementation of a Closed-Loop Recycling System for Polystyrene that Employs Chemical Recycling

DIC and FP Corporation (FPCO) are exploring the establishment of a collaborative relationship that includes the creation of a chemical recycling joint venture. The two companies plan to introduce third-party technologies for converting polystyrene back into styrene monomer to facilitate the recycling of colored and/or patterned foamed polystyrene containers, which to date could not be transformed into new food containers, with the objective of achieving a closed-loop recycling system for all types of polystyrene products.

The new closed-loop recycling system, which employs chemical recycling, will make use of FPCO's "FPCO-method" circular recycling. In addition, the application of this method will be expanded to allow the collection of used food containers via a network of 9,600 collection centers. Styrene monomer recycled by the DIC-FPCO joint venture from the colored and/or patterned containers will be transformed into polystyrene material by DIC, which will be used by FPCO to manufacture new environment-friendly *Eco Tray* containers.

Note: For more information, please see page 25.



Color & Display

Color and Display Materials that Make Life Colorful



SDGs Goals 3 and 13



Yoshinari Akiyama
Managing Executive Officer
President, Color & Display Business Group



Main Products

[Color Materials]

Pigments for printing inks, pigments for coatings and plastics, effect pigments, pigments for color filters, pigments for cosmetics, health foods

[Display Materials]

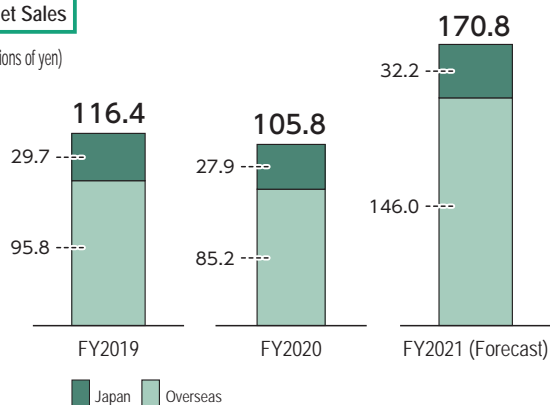
Thin-film transistor liquid crystal (TFT LC) materials, supertwisted nematic liquid crystal (STN LC) materials

Products in this segment include a wide variety of materials indispensable to digital devices, including LC materials and organic pigments for color filters, as well as pigments for cosmetics, natural colorants and other materials that are safe and gentle for use by people.

Segment Operating Results

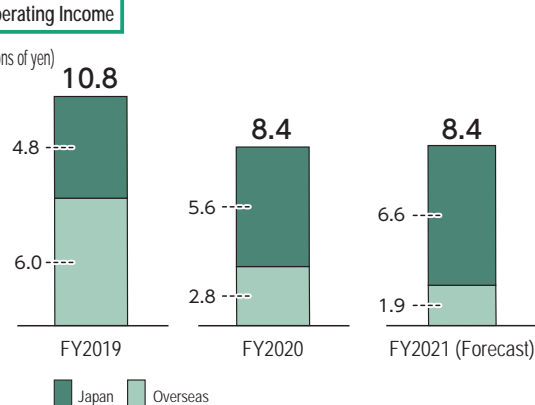
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

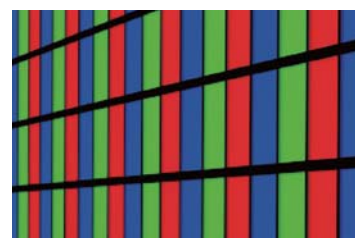


Note: Graph figures include interregional transactions within the segment. Accordingly, the aggregates of regional net sales and operating income figures for the segment differ from the figures presented above.

Product News

DIC Develops New Pigments for Color Filters Used in Next-Generation and Other Products

In the area of pigments, notable achievements by the DIC Group of late include the development of new green and blue pigments for color filters used in next-generation high-definition organic light-emitting diode (OLED) displays. In pigments for cosmetics, the Group also embarked on the development of color materials using unique surface processing technologies. Overseas, Sun Chemical proceeded with the development of natural wax dispersions for use in pigments for cosmetics. In LC materials, DIC launched polymer sustained alignment (PSA) LCs that boast outstanding reliability and response time and sensitivity, for 8K displays. The DIC Group is also applying its LC technologies to the development of smart windows and LC-based antennas.



Pigments for color filters at work

Launch of *PHYCONA*, an FFC that Enhances the Skin's Barrier Function

On October 28, 2020, DIC Group company DIC Lifetec Co., Ltd., launched *PHYCONA Skin Moistlifting* tablets, a new skin-care supplement that enhances the skin's barrier function that has been approved as a Food with Functional Claims (FFC). The principal constituent of this new product is phycocyanin, a blue pigment extracted from Spirulina, an edible blue-green algae, using a patented proprietary process. DIC also conducted a clinical trial of this new product, scientifically demonstrating its ability to improve the skin's moisture retention. While there are many active ingredients that are effective moisturizers, phycocyanin, a pigment-protein complex, is particularly effective in aiding moisture retention, thereby relieving dryness. Patented *PHYCONA* is thus particularly suited to users concerned about dry skin and those interested in advanced skin care, as well as to health-conscious individuals and those who have tried various other moisturizers and seek a new approach.

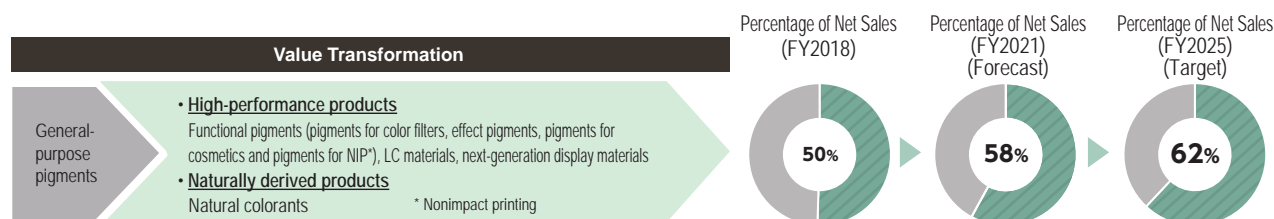


PHYCONA Skin Moistlifting tablets

Note: For more information, please see page 29.

Business Strategies Under DIC11

In addition to seeking to establish a leading global position in the area of functional pigments through M&As, the DIC Group will take steps to reinforce its supply configuration and enter the personal care market. In LC materials, the Group will focus on leveraging patent strategies and on accelerating efforts to cultivate markets in the People's Republic of China (PRC) by developing products for high-end televisions. The Group will also promote the development of quantum dot (QD) inks, which hold promise as next-generation display materials.



Fiscal Year 2020 Highlights

DIC Group Offers Pigments that Comply with Food Safety Laws and Requirements and Extensive Lineup of Pigments for Water-Based Inks

Alongside the global population increase and the aging of society, food loss and food safety are becoming progressively more important social imperatives. The DIC Group strives to help address such imperatives by providing pigments for food packaging inks that comply with various food safety laws and requirements governing the use of chemicals in food-contact materials, including European Union (EU) Resolution AP (89) 1 and the Swiss Ordinance on Materials and Articles, thereby helping ensure food packaging that is both safe and functional.

The printing industry is taking various steps to lower environmental impact, including by eliminating emissions of volatile organic compounds (VOCs), and to improve the work environment for print floor employees. A key move is the shift toward water-based inks. DIC offers an extensive lineup of pigments for water-based inks in markets worldwide. These pigments enable the Company to provide a vast array of colors while also contributing to more sustainable printing.



Functional Products

Functional Products that Add Comfort



SDGs Goals 6, 12 and 13



Takashi Ikeda
Executive Officer
President, Functional Products Business Group



Main Products

[Performance Materials]

Synthetic resins for inks and coatings, molded products, adhesives and textiles (polyester resins, epoxy resins, polyurethane, acrylic resins, plasticizers, phenolic resins), papermaking chemicals, alkylphenols, sulphur chemicals, fiber and textile colorants, metal carboxylates

[Composite Materials]

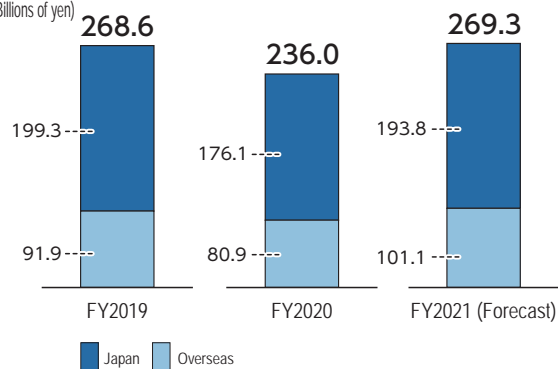
Polyphenylene sulfide (PPS) compounds, plastic colorants, interior housing products, industrial adhesive tapes, hollow-fiber membranes and modules, high-performance optical materials, plastic pallets, containers, decorative boards

This segment provides coating and composite materials with diverse functions that address environmental issues and are used widely in state-of-the-art electronics products.

Segment Operating Results

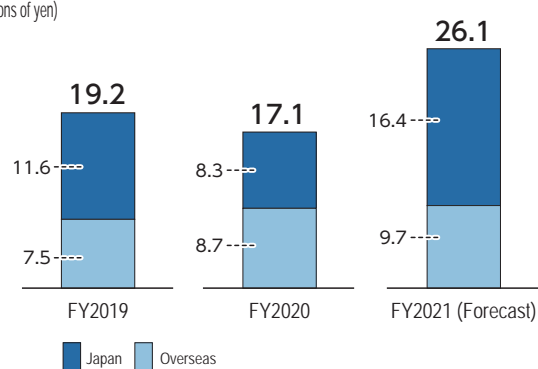
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Note: Graph figures include interregional transactions within the segment. Accordingly, the aggregates of regional net sales and operating income figures for the segment differ from the figures presented above.

Product News

DIC Develops Quick-Acting Driers that Expedite the Curing and Drying of Coatings and Printing Inks

Coatings and printing inks contain driers, that is, metal carboxylates that hasten curing and drying. Metal carboxylates are chemical substances consisting of metal salts and fatty acids and are generally insoluble in water but soluble in organic solvents. Cobalt driers are the most commonly used and the most powerful. However, because cobalt is highly toxic and harmful to the environment, as well as costly, DIC developed the *DICNATE* series of cobalt-free alternatives, which deliver equal or better performance. In addition to excellent drying speed, *DICNATE* driers are environment friendly and cost effective. They are also compatible with both solvent- and water-based inks and coatings, thus addressing a wide range of customer requirements.



Printing inks made with *DICNATE* (sample image)

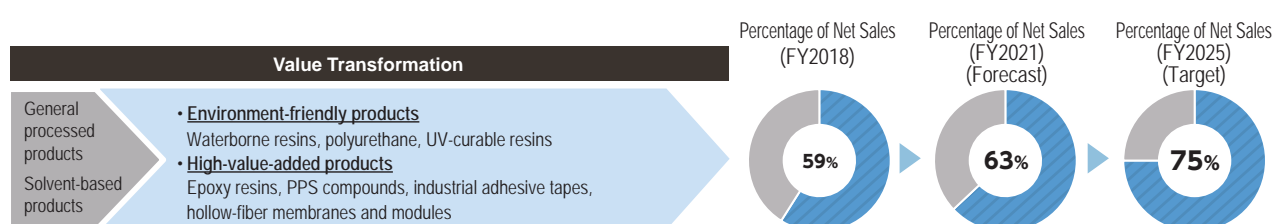
DIC Group Company Develops Face Shield for Industrial Helmets that Helps Prevent Droplet Infection for Pandemic-Era Workplaces

With the risk of transmission a constant in this time of COVID-19, measures to prevent droplet infection are a crucial part of everyday life, as well as being a significant concern in many workplaces. On production floors and worksites where helmets are required, preventing heatstroke while also guaranteeing visibility, durability and performance are important concerns. DIC Group company DIC Plastics responded to such needs by leveraging proprietary technologies to develop *Face Shield Pro*, a face shield that can be attached to industrial helmets. Featuring a shape that extends below the chin, *Face Shield Pro* provides full protection against droplet infection, while at the same time ensuring excellent visibility and performance. The shield has also been treated to prevent fogging and can be flipped up when not in use, enhancing comfort for wearers.



Business Strategies Under DIC11

The DIC Group will invest actively in products that are not only environment friendly but also have a positive impact on markets and society and expand resin production bases in Asia. As well, the Group will provide highly profitable products that meet sophisticated needs in niche markets, introduce next-generation resins for optical and electronics applications, expand sales of industrial adhesive tapes for mobile and automotive applications and make a full-fledged entry into the market for large-scale hollow-fiber membranes and modules.



Fiscal Year 2020 Highlights

DIC Group Enters into Agreement to Establish Strategic Partnership with DuPont in the Water Treatment Business

In fiscal year 2020, the DIC Group entered into an agreement to establish a strategic partnership with DuPont aimed at expanding global sales of degassing modules for water treatment. Through this partnership, DIC grants DuPont's Water Solutions unit exclusive sales rights for its *SEPAREL*® series' large degassing modules for industrial water treatment applications with the goal of increasing sales in Asia, the United States and Europe.

DuPont maintains a globally leading portfolio of water purification and separation technologies, including ultrafiltration, reverse osmosis and ion exchange resins. As DIC's customers in this field, including water treatment equipment manufacturers, often use its degassing modules in combination with DuPont products, this partnership will position the company to extend total solutions and services.



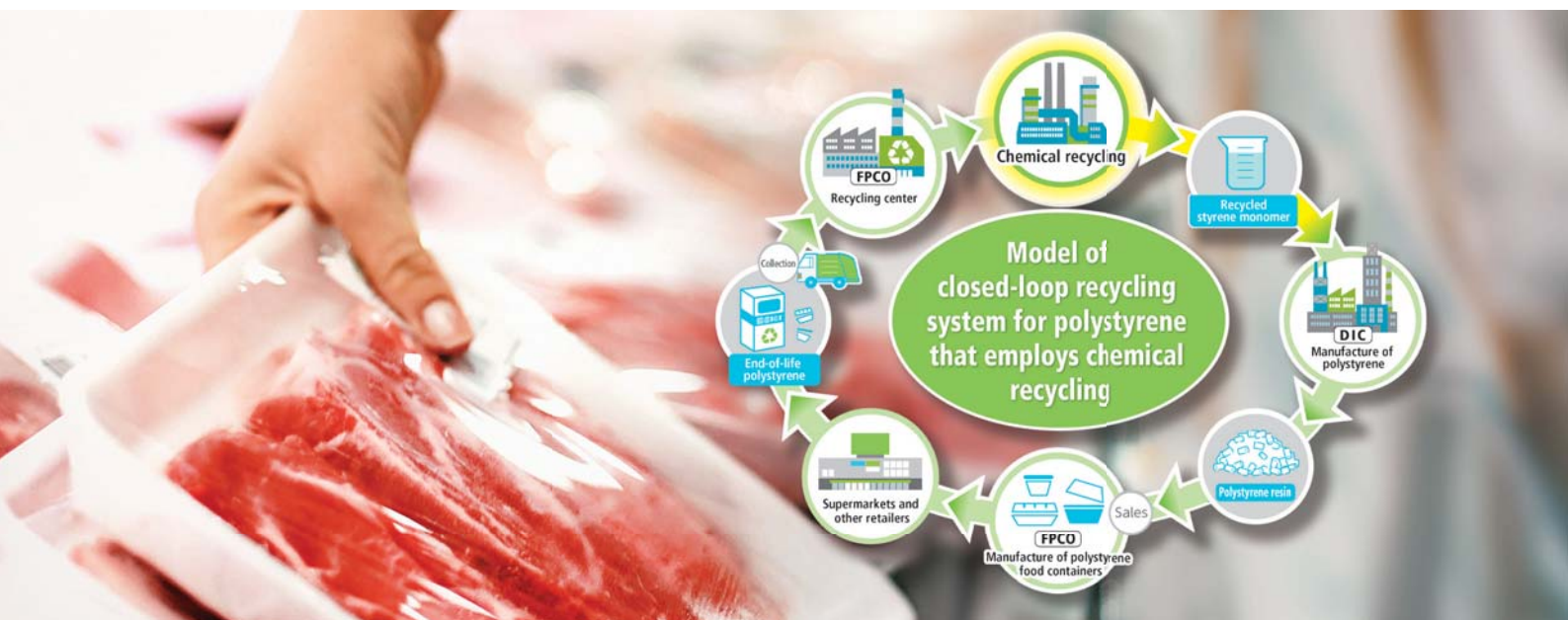
Product Development Designed to Create New Value

The DIC Group is working across its various business groups to provide distinctive solutions that respond to evolving needs related to safety, peace of mind and the environment and that contribute to sustainability.

Packaging & Graphic

Employing Chemical Recycling to Realize a Closed-Loop Recycling System for Polystyrene Food Containers

SDGs Goals 3, 7, 12, 13 and 14



Fine chemicals manufacturer DIC and food container manufacturer FPCO collaborate to implement closed-loop recycling system for polystyrene that employs chemical recycling.

Value Creation

Closed-loop recycling of polystyrene to reduce the use of resources and energy, and the discharge of waste

Given the increasingly critical nature of the issue of waste plastic, the need to reinforce recycling systems is an increasingly urgent imperative.

In Japan, municipalities separate and collect appropriately disposed-of post-consumer polystyrene food containers, turning them over to recycling firms to be transformed back into raw materials, but a significant amount is discarded improperly as general waste and ends up being incinerated or sent to landfills. A particular cause for concern is microplastics, fragments of plastics 5mm or less, and superfine nanoplastics, which are ingested by marine organisms, persisting throughout the food chain to eventually harm the health of humans.

Approximately 80% of the polystyrene manufactured and sold by the Company is currently used in the production of food containers. FP Corporation (FPCO), based in the city of Fukuyama, Hiroshima Prefecture, is Japan's largest food container manufacturer and a major destination for DIC polystyrene. The company boasts a nationwide network of 9,600 collection centers and three recycling plants, through which it recovers and transforms post-consumer foamed polystyrene food containers into new food containers using materials recycling. Currently, the company pulverizes and melts these containers into polystyrene pellets, with those from white containers recycled into new environment-friendly *Eco Tray* containers

and those from colored and/or patterned containers recycled into clothes hangers and other household items.

In November 2020, DIC and FPCO announced a new model of circular recycling system that will maximize the two companies' technologies, and collection and recycling configurations, with the aim of achieving the practical implementation of advanced resource recycling. This initiative also seeks to facilitate the use of chemical recycling to transform colored and/or patterned polystyrene, which to date could not be recycled into food containers, facilitating fully closed-loop recycling of all types of polystyrene products.



White foamed polystyrene container



Colored and patterned polystyrene container

The DIC Group provides a wide range of products and services that play an important role in a broad range of settings, from everyday life to social infrastructure. The Group views providing timely solutions that only a manufacturer of fine chemicals can offer to a variety of key issues as both the source of the value it provides as well as its obligation to society. Accordingly, it works to offer products and systems that enhance convenience while at the same time contributing to safety and peace of mind, as well as to the environment.

<https://www.dic-global.com/en/csr/special/>



A Distinctively DIC Response

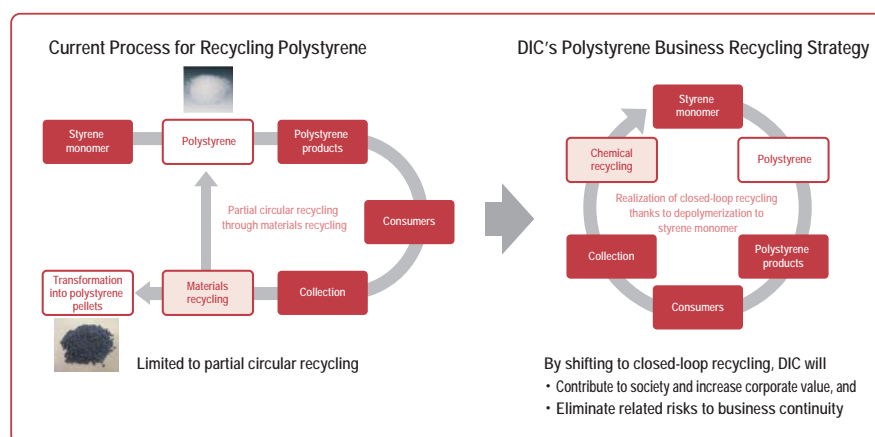
Using depolymerization through chemical recycling to realize closed-loop recycling of polystyrene food containers

Introducing third-party technologies and launching a testing plant in 2022

In addition to polystyrene, colored and/or patterned food trays contain ink and adhesives. As a result, using materials recycling, which pulverizes and melts the entire tray, yields black pellets and causes the deterioration of physical properties, so the commercial value thereof is significantly reduced. Such pellets also cannot be used for food-contact surfaces. In contrast, polystyrene is suited to chemical recycling because it can be easily depolymerized back into its precursor—styrene monomer—with only minimal energy using pyrolysis, also known as thermal degradation. Because polystyrene made with chemically

recycled styrene monomer delivers the same performance and safety levels as that made with petroleum-derived virgin raw material, there are no limits to potential applications.

DIC thus plans to introduce third-party technologies and equipment for depolymerizing polystyrene back into styrene monomer and to build a testing facility at its Yokkaichi Plant, in Mie Prefecture, the Company's principal polystyrene production facility. The testing facility is expected to begin operations in 2022.



DIC's Yokkaichi Plant

The challenge of chemical recycling: A process with outstanding potential

Materials recycling is the principal method used to recycle plastics in Japan. The use of chemical recycling, which leverages a chemical reaction to recycle resources, remains rare. However, given the limits of materials recycling, the progress and expansion of chemical recycling is essential to realizing the sort of advanced recycling-oriented society envisioned by people around the world. The new closed-loop recycling

system launched by DIC and FPCO can be said to be a litmus test of the potential of chemical recycling in the future. The DIC team expects the establishment of new technologies for depolymerizing polystyrene into styrene monomer to facilitate expansion of the initiative's focus to include biomass inks and adhesives and is thus committed to boldly taking the steps necessary to ensure commercialization as quickly as possible.

KEY PEOPLE from DIC

A sense of crisis shared by both DIC and FPCO led to this initiative.

Over many years working together, DIC and FPCO have come to share an awareness of key imperatives. We launched this initiative because of a shared sense of crisis derived from the recognition that given the overall trend toward resource recycling, the survival of related businesses in the future depends on moving away from single-use food containers. Depolymerization back to styrene monomer is key to the closed-loop recycling of polystyrene. The ability to achieve closed-loop recycling will be a critical measure of fine chemical manufacturers' corporate value. We look forward to building an optimal chemical recycling-based model system that contributes to a substantial reduction of waste and CO₂ emissions by choosing and integrating superior basic technologies.

(From left)

Manager, Polystyrene Sales Group, Packaging Material Products Division, DIC Corporation

Ryou Minakuchi

Manager, Polystyrene Sales Group, Packaging Material Products Division, DIC Corporation

Kensuke Shinya



Nashiji Film Made with Biomass Plastic
(DIFAREN® A7440Bio)

SDGs Goals 12 and 13



DIC has developed a new food packaging film that is refined and visually appealing while at the same time reduces CO₂ emissions.

Value Creation

Expansion of applications for biomass plastics to advance decarbonization

DIC is taking decisive steps to help Japan become carbon neutral by 2050.

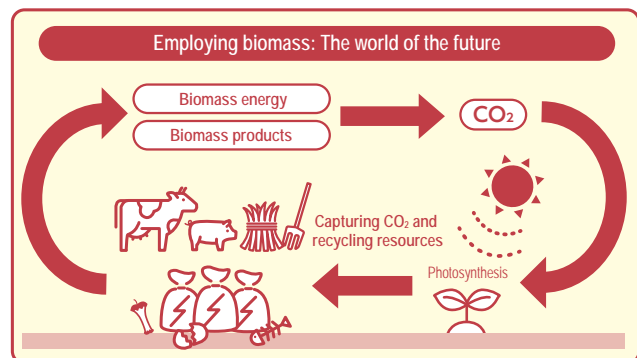
With the aim of helping curb global warming, Japan has set a target for reducing overall greenhouse gas emissions to zero by 2050. The country's government has positioned the creation of a mass production configuration to advance the popularity of biomass plastics as a key theme in its plan for achieving this goal and is encouraging the industrial sector to promote related efforts.

The plants that account for a portion of the raw materials used in biomass plastics capture atmospheric CO₂ through photosynthesis during their growth, so even incineration after use, which releases CO₂, does not essentially increase CO₂ in the atmosphere. By leveraging the carbon-neutral nature of biomass plastics, we are working to reduce our dependence on petroleum resources, as well as to contribute to the prevention of global warming and accelerate resource recycling.

Developing *DIFAREN*® A7440Bio, which boasts a 20% biomass content

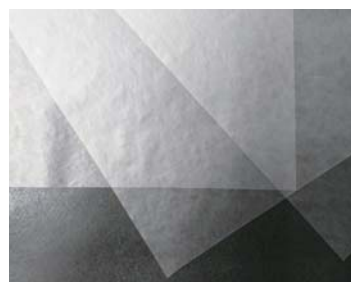
In addition to protecting contents and offering suitability for packaging, films used in food packaging must deliver, among others, heat resistance, heat sealability, rigidity, flexibility, cold resistance, and easy-peel and easy-open properties.

In 1970, DIC developed coextruded multilayer films for packaging in which multiple resins with different characteristics are laminated together in a single process. Using the same manufacturing process, the Company has also developed the *DIFAREN*® A7440 series of *Nashiji* (pear-skin textured) highly attractive embossed matte films with a surface feel reminiscent of traditional Japanese paper, which has earned high marks in the area of food packaging. A recent addition to this lineup, developed in line with our commitment to promoting decarbonization, is *DIFAREN*®



Source: Biomass Nippon, Japan Organics Recycling Association

A7440Bio, made with biomass plastic and resin. This new film, the first in the *DIFAREN*® lineup to be certified under Japan Organics Recycling Association, was launched in August 2020.



DIFAREN® A7440Bio *Nashiji* biofilm



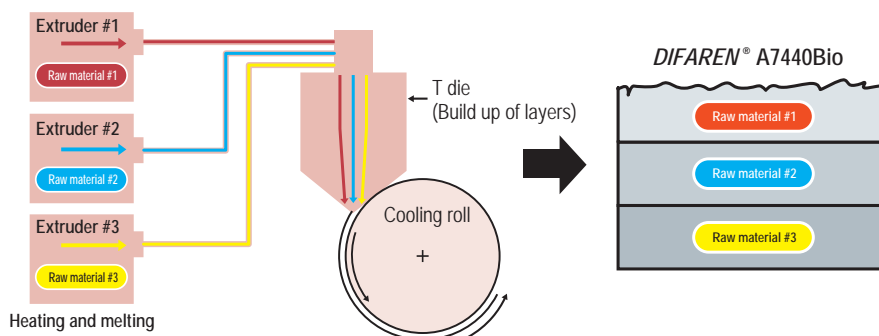
Biomass Mark showing biomass content
The Biomass Mark is an environment-friendly product labeling program in Japan that certifies biomass-derived products compliant with key laws, regulations and standards for quality and safety.

Pursuing a balanced combination of the physical properties of petroleum-based and biomass plastics

Nashiji film has a surface feel reminiscent of paper, but produces no paper dust and so is hygienic, as a result of which it is attracting a great deal of attention not only in Japan but also across Asia, the Americas and Europe. Unfortunately, producing *Nashiji* film with biomass plastics and maintaining its performance properties and visual appeal has proven difficult. Adding biomass to principal petroleum-based raw materials upsets the balance of properties, causing a variety of issues. To overcome this, DIC engineers studied the microstructure of the film and searched

for the optimal resin-biomass formulation through a process of trial and error. Then, making full use of multilayer film forming technology cultivated over many years of collaboration with CAST FILM JAPAN CO., LTD., DIC succeeded in producing *DIFAREN*® A7440Bio, which boasts a 20% biomass content. The Company also achieved mass production of this *Nashiji* film, made with biomass, which delivers the same functionality and texture as petroleum-based *Nashiji* film, without having to modify existing equipment in any way.

DIFAREN® A7440Bio Production Method and Composition (Example)

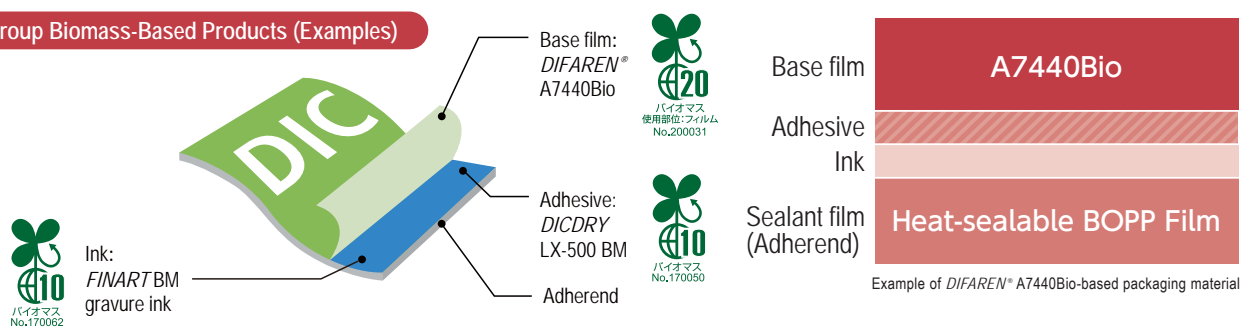


Increasing biomass content of packaging material by using environment-friendly inks and adhesives

In addition to *DIFAREN*® A7440Bio, numerous other environment-friendly DIC Group products have earned certification under Japan Organics Recycling Association. These include biomass inks, including *FINART* BM gravure inks for lamination developed by DIC Graphics, and adhesives such as *DICDRY* LX-500 BM, underscoring DIC's ability to provide inks, adhesives and films that support environment-friendly packaging. Use of heat-sealable biaxially oriented polypropylene

(BOPP) sealant film, inks and adhesives made with biomass-derived raw materials on a *DIFAREN*® A7440Bio base makes it possible to create a packaging film with an even higher overall biomass content. The ability to provide a full range of biomass packaging materials is a distinctive competitive strength enjoyed by the DIC Group, which develops and manufactures inks, adhesives and films for packaging applications.

DIC Group Biomass-Based Products (Examples)



KEY PEOPLE from DIC

This is a groundbreaking product that responds to the needs of customers who want to differentiate their products in terms of environment-friendly performance.

This project was a series of stumbling blocks. Everything would be fine at the lab level, but on the production line problems would arise. And this didn't happen just once or twice, but many times. So, when we finally achieved mass production it was pretty emotional! At a recent exhibition, the reaction to this new product was tremendously positive among customers who want to differentiate their products in terms of environment-friendly performance. That said, we are not resting on our laurels. There are many biomass-derived raw materials in the world and it is our mission as a manufacturer of fine chemicals to master their use. Another challenge in the years ahead will be to reduce the thickness of this film below 1µm, which will contribute to the reduction of waste. Both are high hurdles, but we will capitalize on our experience to strive for an even higher level of sustainability.

(From left)

Manager, Films Sales Group, Packaging & Graphic Business Group, DIC Corporation Masaharu Ito

Packaging Materials Technical Group 4, Packaging Materials Technical Division, DIC Corporation Tomohisa Kida



An FFC that Improves the Skin's Barrier Function from the Inside Out (*PHYCONA Skin Moistlifting Tablets*)

SDGs Goals 3 and 12



DIC has developed a new “edible” skin-care product, made with phycocyanin extracted from *Spirulina* blue-green algae, that addresses various skin problems.

Value Creation

Edible skin care: A new approach to increasing skin's moisture retention

DIC's new *PHYCONA* supplement offers a safe alternative for individuals who feel that there are limits to the benefits of topical skin-care products.

Youthful and healthy skin is the earnest desire of many people—women in particular. However, the reality is that most people see their skin begin to lose moisture in their 40s. This is because the skin's barrier function, which prevents moisture in the skin from evaporating, deteriorates with age. When the skin's barrier function is compromised, whether due to age, irregular lifestyle or poor nutrition, skin becomes dry. For this reason, many people feel that there are

limits to the benefits of topical skin-care products and that dry skin is the main problem they face regardless of the season. The DIC Group has applied its experience in the cultivation of *Spirulina*, which is already used widely in dietary supplements and food products, recognizing the potential of this edible nutrient-rich blue-green algae to improve skin's moisture retention.

Developing *PHYCONA*, a skin-care supplement that enhances the skin's barrier function from the inside out

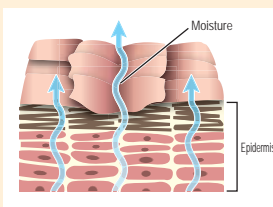
Focusing on the action on the skin of phycocyanin, a pigment-protein complex found in *Spirulina*, when consumed, DIC found that it improves the skin's barrier function, which suppresses transepidermal water loss (TEWL). Capitalizing on its patented high-yield extraction technologies for high-grade C-phycocyanin and allophycocyanin from *Spirulina*, DIC succeeded in commercializing a new skin-care supplement, dubbed *PHYCONA*. In a world first,

the Company also conducted a clinical trial to verify the effects of this new supplement as a food product with phycocyanin as an ingredient, scientifically demonstrating its ability to enhance the skin's moisture retention. As a consequence, an application to have *PHYCONA* approved as the first *Spirulina*-derived Food with Functional Claims (FFC) was accepted and in October 2020 DIC launched *PHYCONA Skin Moistlifting tablets*.

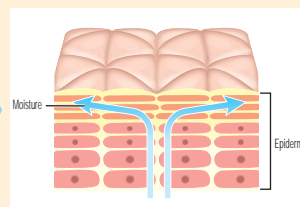
How Phycocyanin Affects the Skin

[Skin lacks moisture]

The skin's barrier function is compromised by various factors, including lifestyle, stress and age. As a result, the skin loses moisture and its ability to suppress the ingress of foreign substances.



Phycocyanin acts to improve the skin's barrier function from the inside out, protecting moisture from escaping.



[Skin is sufficiently moisturized]

The barrier function of the stratum corneum protects the skin from external stimuli such as UV light. Because it holds sufficient moisture, the skin is firm and lustrous.

Properly communicating evidence-based functions and product value

In commercializing *PHYCONA*, DIC emphasized demonstrating the product's scientifically proven functionality and correctly communicating the commercial value that sets it apart from ordinary health food products. The Company thus sought to obtain approval of *PHYCONA* as an FFC, a designation that falls under the jurisdiction of Japan's Consumer Affairs Agency. Traditionally, labeling of food functionality in Japan had been limited to Foods for Specified Health Uses (FOSHU), which are approved

by the government on a one-by-one basis, and Food with Nutrient Function Claims (FNFC) products, which comply with national standards. The FFC designation was created in 2015 with the goal of expanding choice. To be approved as an FFC, a product must comply with standards set by the government, while manufacturers must prove safety and effectiveness based on scientific evidence, establish rigorous production and quality control systems, and collect information on adverse health events.

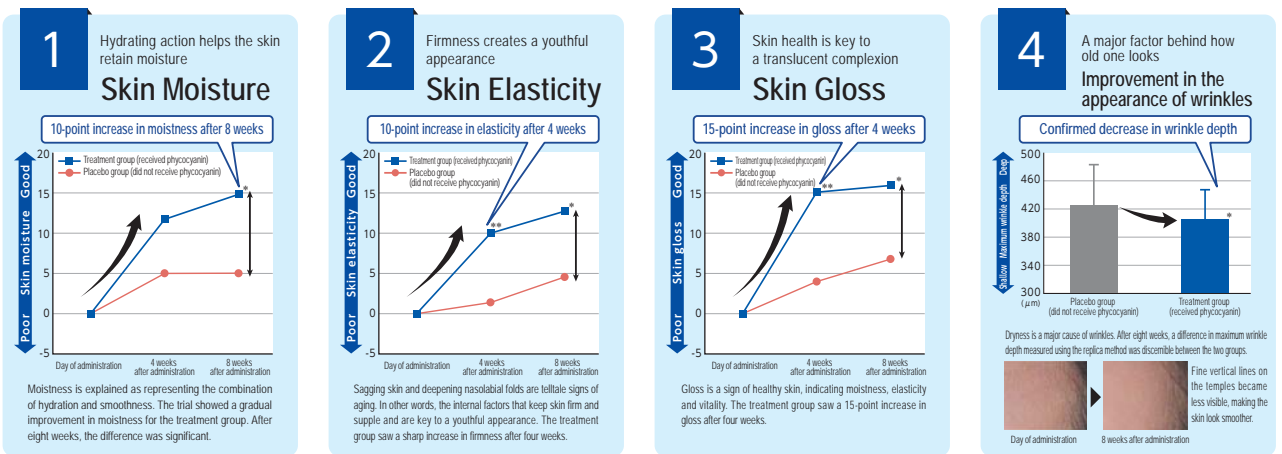
Verifying functionality through clinical trials of the finished product

An important consideration was how to verify functionality. Two methods could be used: Systematic literature review, whereby functionality is estimated based on existing research reports, and clinical trials of the finished product, whereby trial data is compiled into an academic paper and submitted. DIC and DIC Lifetec chose the latter method. There are still few studies on phycocyanin and as a result still not enough research reports to count as scientific evidence. Accordingly, although clinical trials are more laborious and costly than a systematic literature review, the companies resolved that this was the best way to accurately confirm functionality and to market *PHYCONA* with confidence in its performance.

In 2019, the two companies conducted a clinical trial using *PHYCONA* manufactured on an experimental basis using an actual production line. A total of 96 subjects (all female) aged 20–60 with dry skin were divided into a

treatment group, which received phycocyanin, and a placebo group, which did not. Changes in TEWL—an indicator of the skin's barrier function—were monitored over a period of eight weeks. Trial results showed that the *PHYCONA* group saw a significant decrease in TEWL. Trial data was compiled into an academic paper and in July 2020 the appropriate applications were submitted, resulting in *PHYCONA* becoming the first FFC containing Spirulina-derived phycocyanin. In February 2021, DIC became the first company to obtain a use patent for “a food product containing phycocyanin as an active ingredient that has skin moisture-improving and other beneficial properties.” A use patent is granted for an existing substance when a previously unknown use is discovered yielding new applications. This newest patent will enable DIC to realize a considerable competitive advantage in the development and sales of phycocyanin-based skin-care and related food products.

Clinical Research into the Benefits of Phycocyanin



Clinical trial: Changes in moisture, elasticity and gloss were measured using the Visual Analog Scale (subjective evaluation) from the day of administration (average value ± standard deviation) **P<0.01 *P<0.05
Source: Yasuyuki Imai et al., *Japanese Pharmacology & Therapeutics*, No. 47, Issue 11 (2019) 1833-1840

KEY PEOPLE from DIC

Our goal was to offer something entirely new.

It was exciting to introduce the world's first product in the skin-care field containing an extract of Spirulina, which DIC has studied for more than 50 years. To ensure understanding of just how amazing this product really is, we recognized the need to boost general awareness of its main ingredient, phycocyanin. We are currently working to increase recognition through the media. The level of interest from both men and women in their 60s and older has been much higher than expected, underscoring the fact that proper skin care is of interest to people of all ages. Looking ahead, we will continue striving to gain a better grasp of customer needs, while at the same time expanding our operations in the healthcare field—an important goal under our current medium-term management plan—with a view to expanding into Asia, as well as into the Americas and Europe.

(From left)

Manager, Health Care Products Business Planning & Development Group and Health Care Technical Group,
Color Material Products Division, DIC Corporation

Yasuyuki Imai

Product Manager, Health Care Products Group, Color Material Products Division, DIC Corporation

Taro Ichimoto



Sun Chemical's Activities



Sun Chemical powers through the pandemic.

The devastating global impact of COVID-19 made 2020 a year unlike any other—a year with unprecedented business challenges. Despite these obstacles, Sun Chemical showed agility in its ability to pivot business operations to implement crucial health and safety procedures for its employees while complying with all regulations and maintaining unmatched support for customers across the globe.

By prioritizing customers, employees and local communities, Sun Chemical successfully adapted to meet the many challenges introduced by COVID-19.

Myron Petruch
President and CEO, Sun Chemical

■ Managing Volatile Supply Chains to Deliver for Customers

The pandemic caused significant disruption in global supply chains as well as price volatility in some key raw material categories. Shifting demand away from industrial applications to healthcare needs exerted pressure on solvents. Additionally, the global supply of pigments, pigment intermediates and various specialty chemicals were threatened by compromised distribution channels and limited available labor.

All regions of the world experienced a heavy impact in their supply chains this year, many of which are still seeing challenges. Although Sun Chemical monitors supply chain needs in all regions of the world, COVID-19 triggered the organization to monitor purchase orders and supply positions daily, especially as the situation changed rapidly and as supplies were impacted by regional COVID-19 outbreaks.

Through its strong global footprint, Sun Chemical responded to the constant shifts in the industry to best support customers with a reliable supply. Much of Sun Chemical's portfolio supports essential businesses and Sun Chemical focused its efforts to support those areas throughout the pandemic and beyond.

■ Prioritizing the Safety of Employees and their Families

In addition to meeting the supply needs of customers, Sun Chemical equally prioritized the safety of its employees.

Sun Chemical quickly modified its operations in response to the pandemic. On-site work was greatly reduced as non-lab and non-manufacturing personnel began to work remotely to reduce the population density in all laboratories and production sites. The employees who transitioned to working from home were provided the necessary tools and safety guidance to work remotely.

Additionally, custodial staff increased disinfection and concentrated on frequently touched objects to protect on-site employees.

Sun Chemical continues to monitor safety regulations, as well as the changing economic and health landscape to better understand what is best for customers and employees.



Masking up: Exceeding customer requirements, while keeping employees safe

■ Meeting the Needs of the Community

Sun Chemical cares deeply about the health and well-being of employees, customers and partners, as well as the communities in which they live and work around the world. After learning about the lack of personal protective equipment due to increased demand, Sun Chemical's Carlstadt facility in New Jersey produced hand sanitizer for various locations across North America.

Our talented and dedicated employees have spent the last year working extremely hard, either at our manufacturing plants, our labs or remotely from their homes, to make sure that we continue to provide the quality products and services that our customers have come to depend upon from Sun Chemical.

We care deeply about the health and well-being of our customers and partners, as well as the communities in which they and their employees live and work around the world.



Carlstadt: New safety protocols and sanitation stations on-site

DIC Asia Pacific's Activities



DIC Asia Pacific is focused on safety and stable growth.

The pandemic has taught us all not to take safety for granted. Though initially ill-prepared, focused on safety, our DIC Asia Pacific team managed to curb the spread of COVID-19 and secure safe working environments. While the pandemic did cause disruptions and confusion, DIC Asia Pacific entities remained focused on delivering quality products and services.

Paul Koek
Managing Director, DIC Asia Pacific Pte Ltd

■ Tackling the Pandemic

The year 2020 was truly unprecedented. While many nations are now rolling out vaccination programs, and over 2.45 billion people have received at least one dose, COVID-19 will likely persist for some time, affecting both our personal lives and the economy.

The virus reached pandemic status alarmingly fast, infecting over 177 million, taking over 3.83 million lives and pummeling the global economy. And just as we thought the virus was under control, new variants lead to second and third waves, resulting in further lockdowns and plant closures.

■ Prioritizing Employee Safety and Stable Growth

The pandemic has taught us all to be constantly vigilant and not take safety for granted. Though initially ill-prepared, focused on safety, our DIC Asia Pacific team has worked tirelessly to draft new management guidelines and practices, effectively disseminated, and implemented. Thus, we managed to curb the spread of COVID-19 and secure safe working environments. While the pandemic did cause disruptions and confusion, DIC Asia Pacific entities have remained focused on delivering the quality products our customers depend on.

Despite the pandemic, DIC Asia Pacific had to make some difficult but necessary decisions. Sadly, we had to transition the Australian and New Zealand news inks business from a manufacturing to a trading model. We did so successfully and ahead of plan.

In India—where a steep decline in publishing wiped away 70% of normal average volumes—Team DIC has managed operating profits month-on-month since April 2020. We accomplished this through value engineering, effective cost mitigation and working capital management. Moreover, DIC India Ltd. was the first to initiate digitalization, introducing the Ink Master Mobile Application to address day-to-day customer queries.

■ Meeting our Customers and Community Needs

In Thailand, through strong relationships with Global Key Account partners, our DIC colleagues at Siam Chemical Industry Co., Ltd., managed to secure a large new contract. In Malaysia, even with virus cases spiking, all entities performed well. Exemplifying DIC CSR, the region participated in the first regionally coordinated CSR program, with many employees taking time to distribute DIC Health Packs to the underprivileged and essential workers. This was The DIC Way in action.

■ Safety First

Overall, the pandemic impact has been severe, but through our actions, particularly in-plant, production teams, in-plant technicians, quality control and lab members, and safety officers helped grow revenue by 6% month-on-month since May 2020. Together with team members working remotely to coordinate the support functions, DIC Asia Pacific has maintained an exemplary safety record.

Of course, we had failures. However, we were not disheartened and continued to work even harder. The Asia-Pacific region managed to achieve a total recordable injury rate (TRIR) of 0.86—the lowest in the DIC Group and a major achievement, given that our score was over 2.0 the past two years. We achieved this by focusing on Safety First at all levels, with over 90% of employees participating in safety e-learning programs.



DIC India



DIC Compounds Sdn. Bhd. (Malaysia)



Siam Chemical Industry

DIC (China)'s Activities



Despite COVID-19, DIC (China) continues working to ensure a stable supply of products and services while prioritizing the safety and health of its employees.

In fiscal year 2020, drastic changes in the operating environment brought about by COVID-19 reinforced understanding of the importance of the ability to respond swiftly and appropriately. To prevent the spread of infection within the DIC Group, DIC (China) Co., Ltd., took prompt, decisive steps to protect the safety of workplaces across the PRC. In addition to establishing a framework for safeguarding employee well-being, the company focused on securing supply chains to ensure the reliable delivery of products and services to its customers. Despite harsh conditions, DIC (China) and the companies of the DIC Group in the PRC continue working to fulfill their responsibilities as members of society.

Mao Jianwei

General Manager, DIC (China) Co., Ltd., and DIC (Shanghai) Co., Ltd.

■ Putting the Health and Safety of Employees and their Families First

The PRC's 2020 Lunar New Year holiday began on January 23. While the holiday was originally scheduled to end on January 30, signs of the emergence of a novel coronavirus prompted the Chinese government to extend the holiday until February 9 in a bid to contain the outbreak. During this period, DIC (China) formulated guidelines for measures to be implemented, which were communicated to Group companies under its supervision together with instructions for restarting operations in a manner that guaranteed compliance. These guidelines comprised detailed directions for prohibiting overseas business trips and curtailing domestic business travel, as well as for encouraging telework where possible, meticulously staggering working hours for employees required to be on-site, conducting temperature screenings at plant and office entrances, implementing mandatory mask-wearing and thorough hand washing, enforcing social distancing in the workplace, disallowing use of air conditioning, stepping disinfection and installing partitions in staff cafeterias, restricting outsider access and precisely recording data on visitors, and forbidding multiperson gatherings and dining in groups. DIC (China) also conducted company-by-company checks of adherence to these guidelines to protect the safety of DIC Group workplaces across the region. Since the beginning of the pandemic, no infections have been reported among Group employees or their families in the PRC.



Partitions installed in the employee cafeteria at Qingdao DIC Liquid Crystal Co., Ltd.

■ Ensuring a Stable Supply of Products and Services

In addition to establishing a framework for safeguarding employee well-being, DIC (China) focused on securing supply chains to ensure the reliable delivery of products and services to its customers. To guarantee sufficient access to raw materials despite the pandemic, the company provided demand information to suppliers and adjusted inventories of those raw materials for which supplies were likely to fall short. On the production front, employees were moved around as necessary to avoid the excessive concentration of production personnel at particular sites and facilitate the responsiveness necessary to facilitate on-time production. Steps were also taken to enhance the safety of logistics, including disinfecting the cargo boxes of transport trucks to dispel customer concerns and using designated logistics firm drivers, who were provided with training on infection prevention and given weekly polymerase chain reaction (PCR) tests. With the expectation that transport could be delayed, customers were asked in advance to secure inventories. By grasping possible vulnerabilities and implementing preventative measures, the DIC Group in the PRC was able to achieve annual sales of a level comparable to 2019, evidence of the success of its efforts to maintain deliveries of products and services to its customers.



Employees at Shenzhen-DIC Co., Ltd., participate in a socially distanced morning assembly

■ Working Together to Meet Community Needs

The experiences of the past year under COVID-19 also served to reinforce the understanding of DIC Group companies in the PRC of the importance of valuing the ties that bind people together. In addition to masks, companies distributed Spirulina extract to employees to help strengthen their immune systems. In the early months of the pandemic, when masks and other essentials were difficult to come by, shipments of such items from Japan helped ensure business continuity in the PRC. When the virus began spreading in Japan, DIC Group companies returned the favor, dispatching shipments of masks and other items to corporate headquarters in Tokyo, as well as to individual production sites. These companies also worked to contribute to local communities. For example, 97 employees of Changzhou Huari New Material Co., Ltd., volunteered to donate blood to help replenish supplies depleted by the pandemic. Changzhou Huari New Material also donated 20 modular baths to a temporary hospital in Hubei Province.

Although vaccination rollouts have begun around the world, when the COVID-19 pandemic will come to an end remains uncertain. DIC (China) and the companies of the DIC Group in the PRC pledge to continue working as one to assist their customers, as well as to contribute to society as a whole.



Employees of Changzhou Huari New Material who volunteered to donate blood



Truck delivering modular baths donated by Changzhou Huari New Material to a temporary hospital in Hubei Province

Corporate Governance

Basic Approach to Corporate Governance

The DIC Group identifies the purpose of corporate governance as being to ensure effective decision making pertaining to its management policy of achieving sustainable corporate growth and expansion through sound and efficient management, while at the same time guaranteeing the appropriate monitoring and assessment of and motivation for management's execution of business activities. With the aim of achieving a higher level of trust on the part of shareholders, customers and other stakeholders and enhancing corporate value, the DIC Group also promotes ongoing measures to reinforce its management system and ensure effective monitoring thereof.

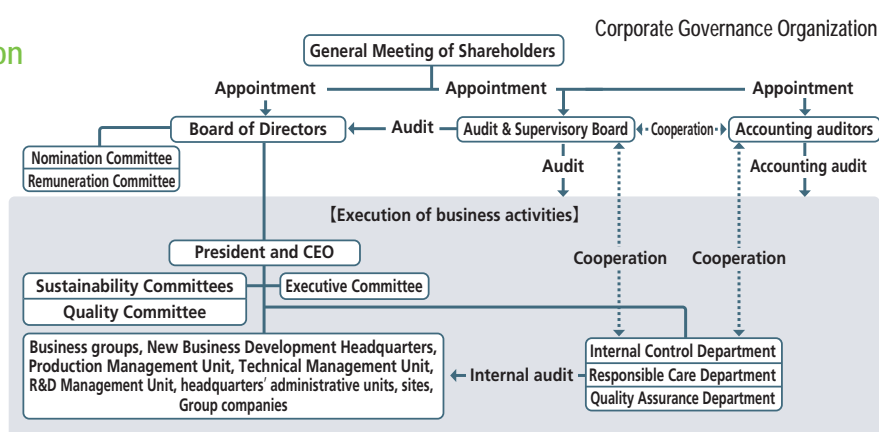
Policy on Corporate Governance

DIC has prepared a Policy on Corporate Governance, which it has published on its global website.

Policy on Corporate Governance [WEB https://www.dic-global.com/pdf/ir/management/governance/governance_en.pdf](https://www.dic-global.com/pdf/ir/management/governance/governance_en.pdf)

Corporate Governance Organization

As a company with internal auditors, DIC has a Board of Directors and an Audit & Supervisory Board. The Company has also instituted an executive officer system and has established a Nomination Committee, a Remuneration Committee, an Executive Committee, a Sustainability Committee and a Quality Committee.



1 Board of Directors

To accelerate decision making and reinforce corporate governance, nine directors have been elected to the Board of Directors. Of the nine, three are outside directors (one of whom is female). In principle, the Board meets once monthly. The Board of Directors is responsible for making decisions on matters stipulated in the Companies Act of Japan, and in DIC's own regulations, as requiring Board-level approval, as well as for monitoring the execution of business activities, as reported by the executive officers.

2 Nomination Committee

The Nomination Committee was established as an internal committee of the Board of Directors with the aim of ensuring objectivity in the nomination of candidates for the position of director, Audit & Supervisory Board member or executive officer, and the dismissal of serving directors, Audit & Supervisory Board members and executive officers. The committee, which submits proposals to the Board of Directors, meets as necessary. At present, three of the committee's five members are independent outside directors, while the position of committee chairman is filled by an independent outside director.

3 Remuneration Committee

The Remuneration Committee was established as an internal committee of the Board of Directors with the aim of enhancing the objectivity of procedures for determining executives' remuneration. The committee, which has been entrusted with responsibility for determining the salaries and bonuses of directors and executive officers, meets as necessary. At present, three of the committee's five members are outside directors, while the position of committee chairman is also filled by an independent outside director.

4 Executive Committee

The Executive Committee was established as a body to deliberate issues related to the execution of business activities. In principle, the committee meets twice monthly. The Executive Committee consists of executive officers designated by the Board of Directors from among the president and CEO, the executive vice president and the general managers of the management units, New Business Development Headquarters and product divisions. As part of the auditing process, one Audit & Supervisory Board member also attends Executive Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

5 Sustainability Committee

The Sustainability Committee, which functions as an advisory body, meets several times annually to formulate sustainability policies and activity plans, as well as to evaluate and promote initiatives. The Sustainability Committee consists of executive officers designated by the Board of Directors from among the president and CEO, the executive vice president, the general managers of the management units, New Business Development Headquarters and product divisions, and the managing directors of regional headquarters. As part of the auditing process, one Audit & Supervisory Board member also attends Sustainability Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

6 Quality Committee

The Quality Committee is a body that deliberates Group quality policies, important measures and key issues. In principle, the committee meets once each quarter to report on the status and progress of quality management. The Quality Committee consists of executive officers designated by the Board of Directors from among the president and CEO, the executive vice president and the general managers of the management units, New Business Development Headquarters and product divisions. As part of the auditing process, one Audit & Supervisory Board member also attends Quality Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

7 Audit & Supervisory Board

The Audit & Supervisory Board comprises four members, including two outside members (one of whom is female). In principle, the Audit & Supervisory Board meets once monthly. Board activities include debating and determining auditing policies and auditing plans. Board members also report on the results of audits conducted, as well as attend important meetings, including those of the Board of Directors, the Executive Committee and the Sustainability Committee, meet with representative directors on a periodic basis to exchange information and opinions and collect business reports from directors, executive officers and employees. In addition, DIC has established an Audit & Supervisory Board Members' Office to which it assigns dedicated personnel to assist the members in their duties.

DIC's three outside Audit & Supervisory Board members also have extensive experience in and knowledge of finance and accounting, which they are able to leverage in the performance of their duties as outside directors of DIC. Full-time Audit & Supervisory Board member Hiroyuki Ninomiya oversaw corporate accounts at the Company for many years and previously served as general manager of the Accounting Department and Head of the Finance and Accounting Unit. Outside Audit & Supervisory Board member Michiko Chiba is a certified public accountant and has extensive experience in corporate auditing. Outside Audit & Supervisory Board member Keita Nagura provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act and as an attorney has broad experience in the field of corporate law.

8 Internal Auditing Department

The internal auditing department is charged with internal auditing, which includes monitoring the effectiveness of internal controls at DIC and domestic DIC Group companies. For DIC Group companies in Asia and Oceania, the PRC, and the Americas and Europe, internal auditing is the responsibility of local internal auditing teams.

9 Accounting Auditors

DIC has engaged Deloitte Touche Tohmatsu LLC as its independent auditors. DIC strives to ensure an environment that facilitates the accurate disclosure of information and fair auditing. The members of the Audit & Supervisory Board, accounting auditors and the internal auditing department conduct audits from their respective independent positions, but also liaise periodically to facilitate close cooperation, thereby ensuring the effectiveness of auditing activities.

Rationale Behind Current Corporate Governance Organization

DIC has instituted an executive officer system, a move aimed at separating decision making and implementation and thereby accelerating business execution and clarifying responsibilities. As well as appointing three highly independent outside individuals to its Board of Directors, the Company has taken steps to reinforce its monitoring of business execution. DIC also has a Nomination Committee and a Remuneration Committee, which include the three outside directors, to ensure objectivity in the nomination of, and in determining remuneration for, directors and executive officers. The four-member Audit & Supervisory Board, which includes one attorney and one certified public accountant as outside members, liaises with the accounting auditors and the internal auditing department. This structure ensures the effective functioning of DIC's corporate governance system.

System of Internal Controls

1 Status of the System of Internal Controls

The DIC Group maintains a keen awareness of four key objectives, which are to ensure the effectiveness and efficiency of its businesses, uphold the reliability of its financial reporting, comply with laws and regulations relevant to its business activities, and safeguard its assets. To this end, DIC has prepared and operates a system of internal controls, key components of which are summarized below, based upon the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan. The Board of Directors hears annual reports on the status of the system of internal controls, a synopsis of which is included in the Company's official report on its business activities.

2 Basic Policy Toward Eliminating Demands by Antisocial Elements

DIC's basic policy, as outlined in the DIC Group Code of Business Conduct, is to stand firmly against antisocial elements and in no way to acquiesce to demands presented by such elements. The General Affairs and HR Department is responsible for coordinating efforts to respond to extortion or other demand presented by antisocial elements, while individuals have been put in charge of efforts at each site and within each Group company. These individuals work in close collaboration with lawyers and the police to ensure the Company's responses are resolute. DIC has also prepared and distributed a manual on appropriate responses to such demands, with the aim of raising awareness among employees.

Outside Directors and Outside Audit & Supervisory Board Members

1 Number and Role of Outside Directors and Outside Audit & Supervisory Board Members

DIC currently has three outside directors and two outside Audit & Supervisory Board members. In addition to attending meetings of the Board of Directors, the outside directors—who have extensive experience in corporate management—serve as members of the Nomination Committee and the Remuneration Committee, enabling them to provide supervision with an independent point of view, thereby helping to reinforce DIC's corporate governance. The two outside Audit & Supervisory Board members—one a certified public accountant and the other an attorney—advise management of the DIC Group from an expert, multifaceted and independent perspective, thereby helping to reinforce the auditing function.

2 Standards Used to Evaluate the Independence of Outside Directors and Outside Audit & Supervisory Board Members

DIC has established standards for evaluating the independence of individuals appointed to the position of outside director or outside Audit & Supervisory Board member, which are shown below. DIC's outside directors and outside Audit & Supervisory Board members are individuals who, based on these standards, are unlikely to have conflicts of interests with ordinary shareholders and who comply with criteria for the independence of directors/audit & supervisory board members set by the Tokyo Stock Exchange.

3 Framework for Supporting the Efforts of Outside Directors and Outside Audit & Supervisory Board Members

Prior to meetings of the Board of Directors, relevant materials are distributed to all directors, full-time Audit & Supervisory Board members, outside directors and outside Audit & Supervisory Board members. In addition, directors bringing matters before the Board provide explanations in advance to outside directors, while full-time Audit & Supervisory Board members provide explanations as necessary to outside Audit & Supervisory Board members.

Other Initiatives to Enhance the Corporate Governance Organization

1 Composition of the Board of Directors

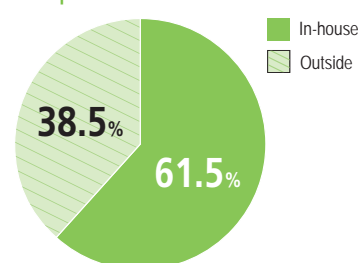
To enable the Board of Directors to resolve major operations-related issues, as well as to facilitate the effective oversight of management, the Board of Directors comprises outside directors, who maintain independence, and other individuals having a thorough knowledge of the businesses of the DIC Group, with consideration given to ensuring a balance among necessary knowledge, experience and capabilities. In light of the DIC Group's global operations, DIC also strives to ensure diversity in the Board's composition.

One member of the Board of Directors is female, as is one member of the Audit & Supervisory Board.

Composition of the Board of Directors and the Audit & Supervisory Board

	In-house	Outside	Total	Percentage of outside members
Directors	6	3	9	33.3%
Audit & Supervisory Board members	2	2	4	50.0%
Total	8	5	13	38.5%

Composition of the Board of Directors



2 Remuneration for Executives

Remuneration for directors is determined by the Remuneration Committee, which takes into account prevailing market rates, and consists of basic remuneration; bonuses, which are linked to consolidated operating results and the degree of achievement of individual targets; and stock compensation, which is based on medium- to long-term operating results. Directors who serve concurrently as executive officers are eligible for bonuses and stock compensation. Other directors and outside directors are eligible for basic remuneration only. Remuneration for Audit & Supervisory Board members consists of basic remuneration only and is determined through discussion involving all Audit & Supervisory Board members, in accordance with internal rules established by the Audit & Supervisory Board, with consideration given to ensuring a balance with remuneration for directors and to prevailing market rates.

3 Evaluation of the Board of Directors' Effectiveness

DIC analyzes and evaluates the effectiveness of the Board of Directors annually via a self-evaluation conducted by the directors and Audit & Supervisory Board members. In fiscal year 2020, the Company surveyed all directors and Audit & Supervisory Board members regarding self-evaluations, Board administration and other issues, responses to which were analyzed and evaluated by the Board of Directors.

Owing to the aforementioned efforts, it was confirmed that free and lively discussions had been held, led by outside directors and Audit & Supervisory Board members, and that appropriate deliberations were conducted by the Board of Directors. In addition, regarding issues identified in the evaluation conducted in fiscal year 2019, it was judged that discussion regarding the implementation of priority measures set forth in the Company's DIC111 medium-term management plan and the risk management system had been enhanced. Accordingly, the effectiveness of the Board of Directors was confirmed.

In fiscal year 2021, DIC will seek to further bolster the Board's effectiveness by reviewing the implementation status of priority measures set forth in DIC111 and by taking steps to enhance discussion regarding, among others, the content of the next medium-term management plan and the strengthening of internal controls and the risk management system, as well as of the monitoring thereof by the Board of Directors, as part of its ongoing effort to promote improvements.

DIC Leverages its Position as a Global Manufacturer of Fine Chemicals to Support the UNGC

Seeking to fulfill its responsibilities as a member of the international community in a more proactive manner, in December 2010 the DIC Group became a signatory to the United Nations Global Compact (UNGC) and pledged its support for the Ten Principles of the UNGC.

Inaugurated in 2000, the UNGC is a voluntary initiative for companies that seek to achieve global sustainable development. Companies and organizations worldwide have pledged their support for the UNGC in the belief that global sustainable development is possible if companies align their business practices with, and fulfill their social responsibilities in, 10 globally accepted principles in the areas of human rights, labor, the environment and the prevention of corruption.



A Message from an Outside Director



I sincerely believe that DIC, with its emphasis on integrity, sincerity and goodness, has an excellent corporate culture.

Kazuo Tsukahara

Outside Director

April 2008 Director and Managing Executive Officer, IHI Corporation

April 2012 Representative Director and Executive Vice President, IHI Corporation

June 2014 Advisor, IHI Corporation

A Rich Corporate Climate

When I was appointed as an outside director in 2017, I was immediately attracted to DIC's Color & Comfort by Chemistry management vision. To my mind, this truly unique vision lines up perfectly with our understanding of the meaning of "affluence," which has shifted, in line with the evolution of civilization, from material to spiritual wealth. To achieve this vision, we are probing ever more deeply to formulate management strategies that more clearly align our technologies and businesses—for example, our polymerization technologies and pigments business—to further grow our operations. I find this approach to be extremely encouraging. The driving force behind our efforts to put this strategy into practice is a rich corporate climate, which, as shown by our ESG management initiatives, reflects the flexibility with which we seek to address social imperatives and the seriousness with which we conduct operations that arose from a corporate culture that emphasizes delivering safety and quality.

A Highly Functional Corporate Governance Organization

DIC's Board of Directors engages in lively discussions, and I give it high marks for effectiveness. I am constantly impressed by directors' willingness to accept harsh criticisms from outside directors and apply them to management. The Company was early to establish a Nomination Committee and a Remuneration Committee, both of which are chaired by an outside director. Outside directors also comprise the majority of the members on these committees, evidence that our corporate governance organization is functioning appropriately.

The Next Step Forward

DIC recognizes the importance of acknowledging changes in our operating environment—notably the decline in demand related to publishing and advertising media—and of searching for new businesses that will enable us to shift the focus of our business portfolio away from printing inks. We have strong marketing and technological capabilities, so if we are able to effectively promote measures based on our two core strategies—Value Transformation and New Pillar Creation—we are well positioned to continue being a company that is able to contribute to society. On this point, there are two things to which we need to pay particular attention.

The first is that our efforts to promote DX are currently limited to fragmented and business-specific initiatives. Given that DX will be an integral part of the world in which we live in the future, I think it is important that we promote comprehensive and systematic efforts to change the way we conduct business. The second is that while we are good at unearthing new opportunities in existing domains, we need to take a greater interest in trends in other industries and seek to broaden our focus. The growing importance of electric vehicles (EVs), autonomous driving and robots that utilize AI are garnering tremendous attention. We have our ears in the automobile industry, but we should also heed what is going on in robotics and other machinery- and engineering-related industries. I believe strongly that there are many business opportunities—in, for example, nursing care and medical care—for robots that work alongside humans.

Becoming a Company that Offers Something a Little Different

DIC is a company that boasts a proud history stretching back more than a century, as well as outstanding technological and sales capabilities. Nonetheless, all companies must change with the times. We are actively promoting ambitious M&A initiatives that are breathing new air into the Company. I am excited to see what kind of organization we evolve into as a result of these moves as we gradually shed our identity as primarily a printing inks manufacturer. I look forward to us being seen as a chemicals company that produces distinctive products that offer something a little different from our competitors. This is the aspiration captured by Color & Comfort by Chemistry. I pledge to continue leveraging my own experience and expertise to support the realization of this vision.

Promoting Digital Transformation

Introduction

In fiscal year 2017, DIC began advancing digitalization in technical and production departments. In fiscal year 2020, the Company established the DX Promotion Department, a dedicated department charged with advancing DX, and began advancing data coordination among multiple departments in addition to department-specific efforts. The first challenges the new department will address are to improve the efficiency of Companywide business processes and to step up efforts to foster human resources, after which it will turn its attention to transforming the DIC Group's business format and business models.

Initiatives in Technical and R&D Departments

Technical and R&D departments introduced an automated machine learning platform in fiscal year 2017 and since fiscal year 2018 have deployed AI and MI* in some areas of materials development. In January 2021, DIC established the Data Science Center, which houses data scientists and AI engineers, to facilitate the introduction of AI and MI into the development of products and technologies, and embarked on full-scale initiatives to bolster business process efficiency Companywide that leverage AI.

Going forward, DIC will step up efforts to foster human resources in-house. The Company will also work with third-party organizations and make AI infrastructure-related investments to expand and enhance the Data Science Center with the aim of halving the development stage for new products and doubling the number of development themes underpinning its two core strategies: Value Transformation, that is, strengthening corporate structure through qualitative reforms of businesses, and New Pillar Creation, or the creation of new businesses in response to ESH-related issues and social changes.

* MI applies statistical analysis and other informatics techniques to search large amounts of data for new materials.

Production Department Focus: Creating Smart Production Facilities

Production departments will advance use of factory automation (FA) to automate production systems, in addition to pursuing collaboration both in-house and with external organizations to realize "smart factories,"* and improve the manufacturing infrastructure by building an operational technology (OT) control network environment. The Company is also taking decisive steps to innovate key processes through digitalization, as well as using AI to assist efforts to pass on expert skills. To further advance DX in production, DIC recently inaugurated the Production Division Digitization Working Group with the goal of rallying its collective strengths in the drive to create smart factories.

* A smart factory is a highly digitalized production facility where equipment and devices on production lines, which are linked via the IoT and networks, collect and share various information, enhancing the visibility of product quality and equipment status, among others, making it possible for the facility to optimize and improve production processes.

Automation that Leverages AI Technologies and Increased Production Data Visualization to Improve the Efficiency of Operations

For the creation of production schedules, a task usually performed using spreadsheet software or by hand, DIC has introduced production schedulers at some sites in Japan and overseas and have begun to analyze the benefits, which have included the systematization of scheduling skills and a shortening of work hours. DIC is also striving to improve the efficiency of operations, including going paperless, i.e., using electronic documentation and dashboards to visualize operating status and facilitate the smooth handing over of work duties.

Using Digital Twins to Optimize Small-Lot, Diversified Batch Processes

At a polymer production facility, DIC is enhancing the infrastructure by building an OT network aimed at facilitating a centralized monitoring system that ensures stable production with minimal staff. The objective of these measures is to reduce labor requirements, as well as to improve productivity and quality. At the same time, the Company is working with third-party organizations to optimize small-lot, diversified batch processes by making use of digital twins* with advanced simulation capabilities employing AI and IoT technologies to realize key process innovations and establish technologies for optimized automated operations.

* A digital twin is a virtual/digital replica of an actual physical environment. The creation of digital twins facilitates realistic simulations.

Fusing the Tacit Knowledge of Experts and AI to Pass Knowledge on to Future Generations

DIC has selected a pigments production facility as a model factory and is working to leverage open innovation to "generalize"* the tacit knowledge of experts cultivated over years of experience using self-improving AI. This initiative is designed to ensure such knowledge is effectively passed on to future generations. In addition, smart glasses are being used to support the inauguration of a new production line at the Shiga Plant, allowing access to hands-free remote support from overseas equipment manufacturers.

* In this context, "generalize" means to transform the exclusive, specialized knowledge of experts into an easy-to-understand form that is easy for subsequent generations to understand.

Sales and Digital Marketing Initiatives

In sales and marketing, DIC is capitalizing on marketing automation (MA)* to hold online exhibitions in an effort to promote efficient sales and marketing initiatives in this era of COVID-19. In February 2021, the Company had a booth and held a virtual exhibition as part of its participation in TOKYO PACK 2021, a key packaging materials industry trade show held online, as well as debuted a virtual trade show platform introducing approximately 50 packaging-related products and solutions, which has since been visited by a wide range of customers. In the area of sales, the DIC Group seeks to visualize and streamline related activities, expedite customer service and increase the contract conclusion rate through information sharing, collaborating to conduct various initiatives, as well as to analyze and deploy accumulated sales data. To these ends, the Group is exploring the introduction of a sales force automation (SFA) system.

* MA uses tools and software to support marketing efforts, including the securing of new customers and the cultivation of prospective customers.

Initiatives in the Area of Human Resources

DIC is also placing a priority on fostering the human resources necessary to advance various efforts. In fiscal year 2020, the Company began offering training for future data scientists and in the effective use of data. The former aims to expand the number of data scientists on staff by 2023 through internal and external training. For the latter, DIC has established a framework that seeks to improve data literacy at all levels and ranges from seminars and tailored training for management-level employees to a rank-specific curriculum for regular employees.

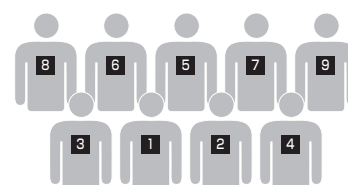
Directors, Audit & Supervisory Board Members and Executive Officers

(As of May 2021)

Directors



- | | | | | |
|---|--|-----------------------------------|---------------------------------------|------------------------------------|
| 1 Masayuki Saito
Chairman of the Board of Directors | 3 Toshifumi Tamaki
Representative Director | 5 Takeshi Asai
Director | 7 Kazuo Tsukahara
Director* | 9 Kuniko Shoji
Director* |
| 2 Kaoru Ino
Representative Director | 4 Yoshihisa Kawamura
Director | 6 Shuji Furuta
Director | 8 Yoshiaki Tamura
Director* | * Outside |



Audit & Supervisory Board Members



- | |
|--|
| 1 Hiroyuki Ninomiya
Full-Time Audit & Supervisory Board Member |
| 2 Akihiro Ikushima
Full-Time Audit & Supervisory Board Member |
| 3 Michiko Chiba
Audit & Supervisory Board Member* |
| 4 Keita Nagura
Audit & Supervisory Board Member* |

* Outside



Outside Director Profiles

Kazuo Tsukahara

April 2008 Director and Managing Executive Officer, IHI Corporation
April 2012 Representative Director and Executive Vice President, IHI Corporation
June 2014 Advisor, IHI Corporation

Yoshiaki Tamura

January 2007 Executive Officer, Asahi Glass Co., Ltd.
March 2013 Representative Director and Executive Vice President, Asahi Glass Co., Ltd.
March 2017 Executive Fellow, Asahi Glass Co., Ltd.

Kuniko Shoji

June 2004 Executive Officer, Terumo Corporation
June 2010 Director and Senior Executive Officer, Terumo Corporation
June 2017 Advisor, Terumo Corporation

Outside Audit & Supervisory Board Member Profiles

Michiko Chiba

October 1989 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
July 2010 Senior Partner, Ernst & Young ShinNihon LLC
September 2016 Founded Chiba Certified Public Accountant Office

Keita Nagura

April 1998 Registered as an attorney (Osaka Bar Association); Joined Yodoyabashi Godo Law Office (currently Yodoyabashi & Yamagami Legal Professional Corporation)
February 2002 Changed registration as an attorney to the Dai-Ichi Tokyo Bar Association

Executive Officers



Kaoru Ino
President and CEO



Toshifumi Tamaki
Executive Vice President
Assistant to President and CEO



Naoyoshi Furuta
Managing Executive Officer
General Manager, Production
Management Unit



Masaya Nakafuji
Managing Executive Officer
Head of General Affairs and Legal Unit
In Charge of Diversity,
Osaka Branch and Nagoya Branch



Kazuo Hatakenaka
Managing Executive Officer
Chairman, DIC (China) Co., Ltd.
Chairman, DIC (Shanghai) Co., Ltd.



Kiyotaka Kawashima
Managing Executive Officer
General Manager, Technical Management
Unit



Masamichi Sota
Managing Executive Officer
President, Packaging & Graphic
Business Group
General Manager, Printing Material
Products Div.



Kiyofumi Takano
Managing Executive Officer
General Manager, New Business
Development Headquarters



Yoshinari Akiyama
Managing Executive Officer
President, Color & Display Business Group
General Manager, Color Material
Products Div.



Taihei Mukose
Executive Officer
Head of Purchasing and Logistics Unit
Head of ESG Unit



Paul Koek
Executive Officer
Managing Director,
DIC Asia Pacific Pte Ltd



Myron Petruch
Executive Officer
President and CEO,
Sun Chemical Corporation



Takeshi Asai
Executive Officer
Head of Corporate Strategy Unit
In Charge of Kawamura Memorial DIC
Museum of Art
Vice Chairman of the Board,
Sun Chemical Corporation



Koji Asada
Executive Officer
Head of SCM Unit



Masahiro Kikuchi
Executive Officer
Deputy Managing Director
(AP Region Non Graphic Business and
South Asia), DIC Asia Pacific Pte Ltd



Yuji Morinaga
Executive Officer
General Manager, Packaging Material
Products Div.



Shuji Furuta
Executive Officer
Head of Finance and Accounting Unit
CFO



Toshiro Ariga
Executive Officer
General Manager, R&D Management Unit
General Manager, Central Research
Laboratories



Takashi Ikeda
Executive Officer
President, Functional Products
Business Group
General Manager, Composite Material
Products Div.



Yuji Kikuchi
Executive Officer
General Manager, Performance
Material Products Div.



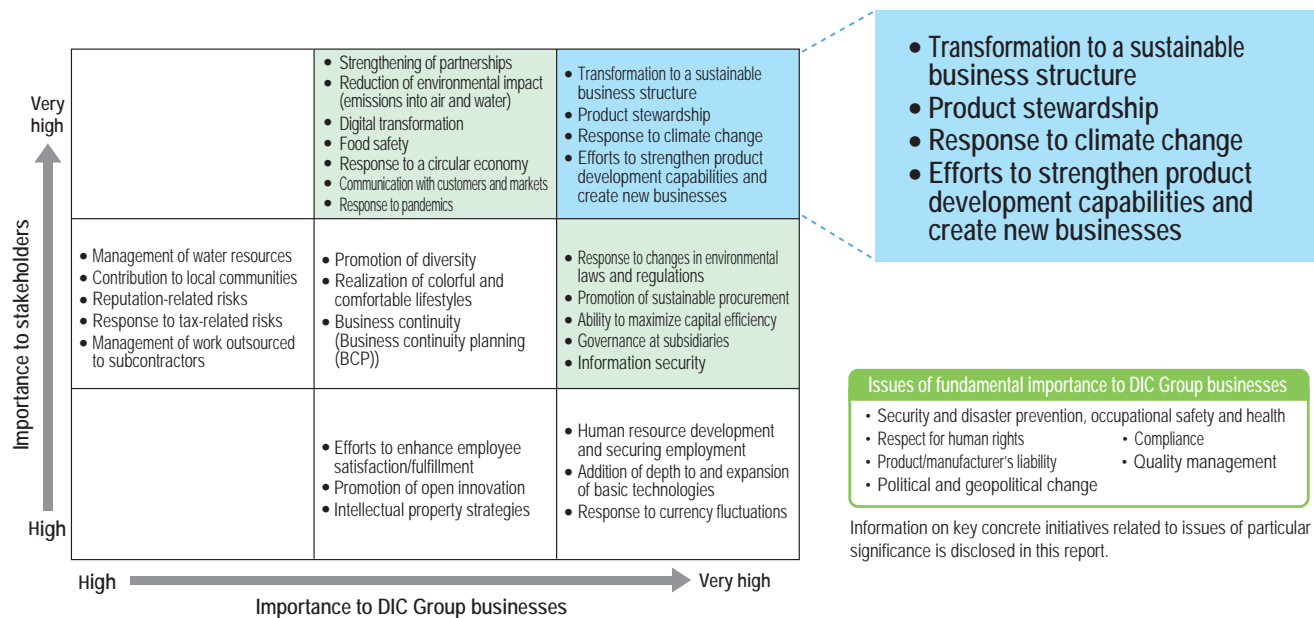
Tomoyuki Tanaka
Executive Officer
General Manager, Corporate Planning
Dept.

Materiality Analysis

Identifying Priority Materiality Themes

Guided by its DIC111 medium-term management plan, launched in fiscal year 2019, the DIC Group once again abstracted and analyzed material issues, that is, issues with the potential to negatively affect its performance, from which it identified four themes of primary importance to the Group that it designated priority materiality themes.

The DIC Group's Materiality Matrix



Process for Abstracting Material Issues

Members of the Sustainability Committee and its various working groups, site general managers and senior management from Group companies around the world assessed abstracted issues based on, among others, the GRI's G4 Sustainability Reporting Guidelines, social imperatives, risk management and issues delineated in DIC111. Based on the results of this process, and of extensive subsequent deliberations, issues of primary importance were determined.

Priority Materiality Themes

1 Transformation to a sustainable business structure

Reason for identification	Shifting from businesses that are vulnerable to changes in the macroenvironment to more differentiated high-value-added businesses is essential. There is also a need to shift to businesses that create social value, i.e., businesses that take into account factors such as value to customers and markets, as well as sustainability.
Targets/KPIs	Set forth policies for implementing the Value Transformation strategy in each business and determine concrete measures. Manage the progress and verify the benefits of each measure on a regular basis using the plan-do-check-act (PDCA) cycle.
Status	Despite the impact of COVID-19, measures formulated for each business for fiscal year 2020 were implemented. In addition to steadily reaping the benefits of these measures, in fiscal year 2021 DIC will promote the formulation of new initiatives that anticipate changes in the operating environment with the aim of accelerating portfolio transformation.

2 Product stewardship

Reason for identification	Collaboration with other industries will be increasingly important to the appropriate management of chemicals over their entire life cycles. Recognizing that the creation of a global operating system that facilitates the disclosure of product safety information and ensures smooth communication with customers is the foundation of product stewardship,* DIC has established a chemical substance information management system that facilitates the management of chemical substance information and has begun using a proprietary sustainability index, one purpose of which is to evaluate its efforts to minimize the environmental impact of products from the design stage.
Targets/KPIs	<ol style="list-style-type: none"> 1. Implement the Global Chemical Information management Project (GCIP) (For more information, please see page 107 of the complete version of DIC Report 2021.) <ol style="list-style-type: none"> (a) Fiscal year 2021: Begin using the new chemical substance information management system at DIC Group companies in Japan. (b) Fiscal year 2024: Expand deployment to overseas Group companies other than Sun Chemical. 2. Complete and introduce the proprietary sustainability index. (For more information, please see page 54 of the complete version of DIC Report 2021.) <ol style="list-style-type: none"> (a) Fiscal year 2020: Begin use at DIC on a trial basis. (b) Fiscal year 2021: Promote full-scale deployment at Group companies.
Status	<ol style="list-style-type: none"> 1. Implementation of the GCIP <ul style="list-style-type: none"> • Prelaunch tests were commenced for a new global chemical substance information management system, Chemicals Information Global Network Access System (CIGNAS), that reflects the outcome of a review of business processes. Deployment of the system is scheduled for July 2021, beginning in Japan. • In fiscal year 2020, a promotional team was set up within a DIC Group company in the PRC and began working toward expanding deployment to that country. 2. Prelaunch tests of the proprietary sustainability index to identify issues and confirm final format <ul style="list-style-type: none"> • Two new key phrases—"DIC Group strengths" and "key social imperatives"—were introduced; evaluation procedures were modified, final product assessments were carried out and the focus of portfolio transformation was clarified.

* Product stewardship is a philosophy that emphasizes assessing product-specific ESH risks and sharing findings, together with information on appropriate handling, with stakeholders, with the aim of reducing the ESH impact of products over their entire life cycles, i.e., from the procurement of raw materials through production, sale and disposal.

3 Response to climate change

Reason for identification	The DIC Group recognizes that responding to climate change is increasingly important to a company's ability to conduct business and will work to reduce CO ₂ emissions attributable to production, promote low-carbon businesses and satisfy Task Force on Climate-related Financial Disclosures (TCFD) requirements.
Targets/KPIs	<ol style="list-style-type: none"> 1. Reduction in CO₂ emissions attributable to production: 30% from the fiscal year 2013 level by fiscal year 2030 (Scope 1 + Scope 2 reduction) (6.3% over the three years of DIC111) 2. Promotion of low-carbon businesses 25% increase in sales from the fiscal year 2018 level by fiscal year 2021 3. Response to the TCFD Conduct scenario analysis and disclose in line with the recommendations of the TCFD (Help minimize and respond to climate change) <p>Note: Creation of an energy-saving and decarbonization framework → Introduction of internal carbon pricing and strengthening of efforts to address Scope 3 emissions</p>
Status	<ul style="list-style-type: none"> • In fiscal year 2020, the DIC Group resolved to introduce an internal carbon pricing system (a system for placing a monetary value on CO₂ emissions) with the aim of quantifying climate change risk and offering incentives to reduce CO₂ emissions. In fiscal year 2021, we introduced an internal carbon pricing system, beginning with new investment projects, and built a system that can factor CO₂ reduction costs into the impact of capital investments. • DIC began formally exploring the practical implementation of a closed-loop recycling system for polystyrene used in plastic containers for food products, among others. • DIC announced a new target for reducing CO₂ emissions. The Company now aims to achieve carbon neutrality—net zero CO₂ emissions—by fiscal year 2050 and will seek to reduce CO₂ emissions 50% from the fiscal year 2013 level by fiscal year 2030. • The DIC Group's CO₂ emissions in fiscal year 2020 (Scope 1 and 2) were as follows:

	Change from previous fiscal year	Change from fiscal year 2013
Global	-4.3%	23.6%
Japan	-12.0%	-20.5%
Overseas	+ 0.4%	-25.2%

4 Efforts to strengthen product development capabilities and create new businesses

Reason for identification	The DIC Group views areas at the intersection of ESH-related issues and social changes and its core competencies and new businesses that contribute to the resolution of as priorities.
Targets/KPIs	Operating income of ¥10.0 billion in fiscal year 2025
Status	In fiscal year 2020, DIC applied its organic chemical structure technologies to launch compounds for use as materials for stereolithography 3D printing for dental applications. The Company also developed a distinctive flake alumina filler that imparts heat dissipating properties to components for electronics equipment, among others, positioning it to expand into new businesses using inorganic materials.

A Message from the Head of the ESG Unit



We are reinforcing sustainability initiatives that help increase social value with the aim of ensuring sustainable, long-term growth.

Taihei Mukose

Executive Officer, Head of ESG Unit, DIC Corporation

A variety of social imperatives have become increasingly evident in recent years owing to, among others, environmental issues, widening economic inequalities arising from mounting resource constraints and human rights issues across supply chains. The DIC Group works to contribute through its business activities to the realization of a sustainable global society. In fiscal year 2018, we established the ESG Unit, a specialized department, and are accelerating related initiatives.

Sustainable Management at DIC

Important sustainability-related management matters are deliberated and determined by the Sustainability Committee, a key body that answers directly to the president and CEO. This committee, which meets four times annually, is chaired by the president. In my capacity as head of the ESG Unit, I serve as vice chairman, with other members including other administrative unit heads, as well as business group presidents and the CEOs of regional headquarters. While our focus at present is on deliberating measures to get the Sustainability Strategy Working Group, a key subsection of the committee, on track to reinforce sustainability initiatives, we also emphasize discussions aimed at ensuring a firm grasp of matters of consequence from a governance perspective.

We have also established the Sustainability Working Group, which is responsible for overseeing practical implementation, as a subsection of the committee. The Sustainability Working Group, which is chaired by the head of the ESG Unit, and its members oversee efforts to incorporate sustainability themes into everyday operations. This working group continues to deploy initiatives in line with a variety of themes (see information about the 11 sustainability themes on page 46), formulating an annual activity plan for the Group and using the PDCA cycle to evaluate efforts. In particular, in the area of raw materials procurement we have inaugurated a system that places importance on creating a framework for the procurement of raw materials centered on respect for the human rights of individuals involved in this process. In addition, we have launched Work Style Revolution (WSR) 2020, a project targeting the development of new work styles, which prioritizes the “social” component of ESG.

The DIC Sustainability Index and DIC’s Future Vision

The basic concept of our DIC111 medium-term management plan is to foster businesses that deliver both social value and economic value, guided by two strategies, Value Transformation and New Pillar Creation, an approach that we see as central to realizing our future vision. It was with the aim of accurately measuring social value of our products that we developed the DIC Sustainability Index. This index—which was drafted to help answer the essential question of how our products, and by extension our businesses, can help address social imperatives related to concerns such as climate change, food safety and marine plastics—positions products that both leverage key DIC capabilities and benefit society as “sustainable.” Going forward, we will continue working to enhance both social value and economic value of our businesses, as well as to advance the prudent yet bold management of our business portfolio, strengthening the sustainability of our businesses and our ability to contribute to society, and helping to ensure continuous growth.

Achieving Carbon Neutrality

We have long promoted systematic efforts to reduce our energy consumption and were early to announce a target for lowering our emissions of CO₂, calling for a reduction of 30% from the fiscal year 2013 level by fiscal year 2030. In May 2019, we declared our support for the TCFD and began to disclose related information in line with TCFD recommendations. A Climate Change Response Subcommittee was subsequently created within the Sustainability Strategy Working Group to review related initiatives with a view to achieving carbon neutrality by 2050. In January 2021, we introduced internal carbon pricing in preparation for the expected introduction of carbon taxes and have put a mechanism in place to encourage employee awareness of the costs associated with CO₂ emissions and to increase incentives for reductions realized.

Responding to a Circular Economy: The Next Phase of Sustainability

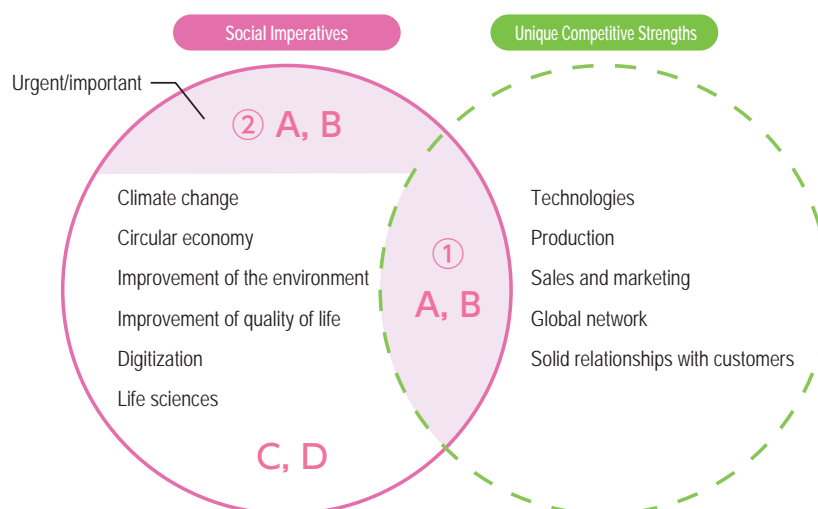
The issue of marine plastics is one of particular concern to us as an organization that manufactures a wide variety of polymer products. In an initiative aimed at responding effectively to the shift to a circular economy, as well as to market changes propelled by evolving demand patterns, we are currently promoting the creation of a system for the chemical recycling of polystyrene. More broadly, we will also increase efforts to search for bioderived and recyclable materials, which we are approaching as a medium- to long-term endeavor. We are committed to contributing to this next phase of sustainability for the world and for ourselves.

Sustainable Products Are Those that Deliver Outstanding Social Value

The DIC Group defines “sustainable products” as products that deliver outstanding social value and which the Group is uniquely positioned to offer to help ensure a better society in the future. These are products endowed with distinctively DIC features and value. The Group has thus designated products that both demonstrate its unique competitive strengths and have the potential to improve society going forward as “sustainable.” These products will help the Group contribute to the resolution of social imperatives arising from ESH-related issues and social changes, including climate change, food safety and marine plastics.

Given the increasing intensity of the changes sweeping global society, the DIC Group will also focus on positioning itself to address the social imperatives that will arise in the years ahead. Recognizing that in some cases the unique skills necessary to meet these challenges may still be in their infancy, the Group will take bold steps to reinforce its unmatched capabilities, thereby ensuring can continue providing value.

Businesses and Products Designated Sustainable by the DIC Group



* For more information, please see page 54 of the complete version of DIC Report 2021.

Assessing the Sustainability of All DIC Group Products

Guided by the DIC Sustainability Index, which was established with the goal of measuring the social value it provides, the DIC Group is advancing the transformation of its business portfolio by focusing on businesses that balance this and economic value. Aware that expanding into the areas it is targeting will require the effective allocation of limited resources, the Group will use the index to evaluate all DIC Group products to determine whether they are sustainable or not, enabling it to make appropriate decisions regarding the use of resources for portfolio transformation.

Assessment using the DIC Sustainability Index will result in products being classified as “sustainable,” “competent” and “challenged.” As noted above, the DIC Group uses the designation “sustainable” for products that both demonstrate its unique competitive strengths and have the potential to improve society going forward. From the perspective of sustainable value, the Group has positioned these as the products that it must strengthen in the years ahead.

“Competent” products are essential to society today. These are products that boast important performance features that, for example, enhance convenience or support modern lifestyles, but that fall somewhat short when evaluated in terms of perspective of future sustainability. Products assessed as “challenged” are those that are neither “sustainable” nor “competent.” How to, or whether to, proceed forward with these particular products will require serious consideration.

Reducing Environmental Impact: The Vertical Axis

The DIC Sustainability Index’s vertical axis quantifies each product’s contribution to the reduction of environmental impact. Having built up a wealth of related data, the DIC Group is committed to avoiding the use of harmful substances, as well as to conducting lifestyle assessments. The Group is also cognizant of the fact that reducing its impact on the environment will require comprehensive measures to improve the performance of its production facilities and other sites, including by modifying production processes, reducing CO₂ emissions attributable to energy use and ensuring the proper management of water resources.

The DIC Group acknowledges the expectations and needs of its customers, and of society at large, in terms of lowering its environmental impact, as represented by CO₂ emissions and other key benchmarks, and pledges to continue advancing forward-looking, long-term efforts to reduce its environmental impact.

Support for the TCFD

In May 2019, the DIC Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD). Recognizing climate change as a critical factor affecting its businesses, the Group is enhancing its efforts to respond appropriately to risks and capitalize on opportunities associated with climate change with the objective of earning the trust of stakeholders through improved resilience and the proactive dissemination of information.

A New Target for the Reduction of CO₂ Emissions

In June 2021, the DIC Group revised its target for the reduction of CO₂ emissions. The Group now aims to achieve carbon neutrality—net zero CO₂ emissions—by fiscal year 2050 and will seek to reduce CO₂ emissions 50% from the fiscal year 2013 level by fiscal year 2030. (The range of this target is Scope 1 and 2 emissions.) The DIC Group will also continue working to expand its portfolio of products and services that contribute to decarbonization with the goal of playing an active role in lowering CO₂ emissions in markets and across society.

Disclosures in Line with TCFD Recommendations

With the aim of helping institutional investors grasp climate-related risks and opportunities and make investment decisions, the TCFD has structured its recommendations around four thematic areas that represent core elements of how organizations operate—governance, strategy, risk management, and metrics and targets.

1 Governance

The DIC Group recognizes climate change as a key management challenge. Important matters, including the setting of medium- and long-term targets for the reduction of CO₂ emissions, are deliberated and determined by the Sustainability Committee, which meets a minimum of four times annually and answers directly to the president and CEO, and the details are reported to the Board of Directors, in line with the rules governing the Board of Directors. (In principle, the Sustainability Committee reports to the Board of Directors on all of its deliberations.) A system is thus in place that ensures appropriate supervision of the Sustainability Committee is provided by the Board of Directors.

2 Strategy

DIC is promoting sustainable business strategies, recognizing the importance of risks and opportunities associated with climate change. Based on scenario analysis conducted in fiscal year 2020, the Company will work to raise its awareness of foreseeable opportunities and risks from a medium- to long-term perspective and at the same time to formulate and execute effective strategies on an appropriate time line.

Note: For more information on principal climate-related risks and opportunities, as well as on the scenario analysis conducted in fiscal year 2020 and the results thereof, please see pages 57–58 of the complete version of DIC Report 2021. [WEB https://www.dic-global.com/en/csr/annual](https://www.dic-global.com/en/csr/annual)

Initiatives for Fiscal Years 2020 and 2021 (Following Scenario Analysis)

- Introduce internal carbon pricing
Quantify climate change risk and provide economic incentives for reducing CO₂ emissions to accelerate the promotion of investments and innovations to further advance emissions reductions.
In fiscal year 2021, introduce internal carbon pricing for new investment projects as an internal framework for factoring the cost of related CO₂.
- Promote full-scale collaboration with FPCO in the practical implementation of a closed-loop recycling system for polystyrene, used in plastic containers for food products, among others.
- Establish the Climate Change Working Group and set new targets for achieving carbon neutrality by fiscal year 2050 and reducing CO₂ emissions by 50% from the fiscal year 2013 level by fiscal year 2030.

3 Risk Management

Processes used to identify and assess climate-related risks

The Sustainability Working Group is charged with identifying and assessing priority risks and opportunities from the perspective of potential to negatively impact the DIC Group's financial standing, that is, with identifying and assessing materiality. In fiscal year 2019, as part of its newly revised process for assessing and abstracting material issues, DIC identified climate change as one of four priority materiality themes, recognizing it as a critical challenge from the perspective of both adaptation and mitigation.

The DIC Group recognizes the following climate change–related risks as having the potential to negatively impact its performance:

- Should carbon pricing or carbon border taxes be introduced in the future, there is a risk that raw materials, fuel and electric power prices will rise and/or that taxes will be imposed on exported products, making CO₂ emissions a factor that directly affects costs;
- Should the Group be unable to respond to any sudden changes in demand resulting from the shift to a circular economy to advance decarbonization, there is a risk of a significant decline in profits generated by its businesses (climate change–related transition risk); and,
- Should climate-related disasters arising from the increasing seriousness or frequency of extreme weather events occur, resulting in product supplies becoming impossible or being delayed due to the suspension of operations at production facilities and the instability of raw materials supplies, there is a risk that it will cause a significant decline in profits generated by Group businesses or threaten business continuity (extreme physical risk).

These three risks are seen as highly likely to manifest over the medium term (three to four years) or the long term (five years or more). They are also recognized as being in one of two categories, namely, externally caused risks that are beyond the Group's control or business risks that should be handled by the relevant divisions/departments.

Processes used to manage climate-related risks

The progress of initiatives is deliberated periodically by the Sustainability Working Group, which looks at success in reducing CO₂ emissions compared with the target set, the evolution of efforts to manage risk compared with TCFD requirements and grasp of Scope 3 emissions.

Overview of Sustainability

In line with its basic sustainability policy, the DIC Group promotes a variety of sustainability initiatives worldwide and works to maintain an accurate grasp of social imperatives pertaining to ESG-related issues.

Basic Sustainability Policy (Partially revised in March 2019)

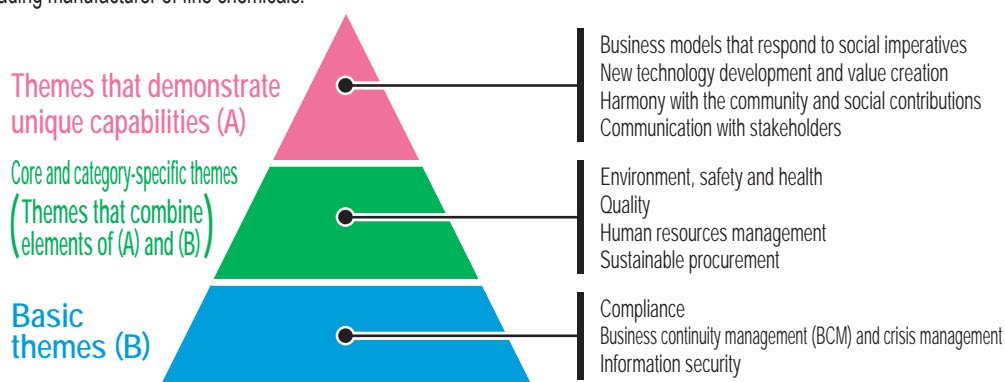
The DIC Group is dedicated to conducting its business while retaining a strong commitment to five key concepts: preserving safety and health, managing risks, ensuring fair business practices and respect for diversity and human rights, maintaining harmony with the environment and advancing its protection, and creating value for society through innovation and contributing to ongoing economic growth. DIC Group employees will continue working to deliver the value that its stakeholders—including its customers, suppliers, local communities, shareholders and investors, and employees—expect, showing ingenuity and a sense of responsibility. The Group itself will strive to remain an organization that contributes to sustainability for society, as well as to the conservation and improvement of the global environment, by capitalizing on its businesses to achieve unfaltering growth, thereby enhancing its own sustainability.

Notes: 1. With the aim of ensuring that it remains a globally trusted corporate citizen with a proud reputation, in December 2010 the DIC Group became a signatory to the UNGC. The Group also takes the guidelines provided by ISO 26000, the International Organization for Standardization's standard for social responsibility, into account in conducting its operations.
2. The global community today recognizes the promotion of ESG management, which seeks to balance sustainable economic growth and the resolution of social imperatives, as critical. This is evidenced by the fact that countries worldwide have ratified the Paris Agreement and the SDGs, both of which were adopted in 2015.

Sustainability Framework and Themes

Themes

To foster concrete measures, in fiscal year 2007 the DIC Group identified 12 key themes as a framework for implementing its CSR program. Subsequently, the Group partially revised these themes in response to changes in the external environment and the progress of its efforts. Today, the Group's sustainability framework comprises 11 key themes, which are categorized as basic themes, themes that demonstrate unique capabilities and themes that combine elements of the previous two classifications. The Group implements a broad range of global initiatives that take into account its responsibility to ensure proper product stewardship, as well as its position as a leading manufacturer of fine chemicals.



Deployment

The Group makes use of the PDCA cycle in promoting initiatives and reports on its achievements annually in the DIC Report. Individual business groups, product divisions, sites, and overseas and domestic DIC Group companies are charged with pursuing effective sustainability programs by formulating their own activity plans, based on the Group's plan, as well as with ensuring that the Group's policies permeate their organizations and labor forces.

System for Promoting Sustainability Initiatives

The DIC Group's system for promoting sustainability initiatives centers on the Sustainability Committee, which answers directly to the president and CEO. In addition to reporting periodically on the progress of initiatives implemented in line with the Group's sustainability themes, the committee is tasked with formulating sustainability themes and activity plans, reinforcing sustainability initiatives and deliberating on critical related matters. Effective from January 2020, the committee is chaired by the president.

The 2030 Agenda for Sustainable Development

At the UN Sustainable Development Summit in September 2015, a proposal titled "Transforming our world: the 2030 Agenda for Sustainable Development," later summarized as the Sustainable Development Goals (SDGs), was adopted with the participation of more than 150 UN member states. The agenda, which succeeded the Millennium Development Goals (MDGs), encompasses 17 goals and 169 targets. All UN member states are expected to mobilize efforts to attain the 17 goals, essential to sustainable development for the planet, by 2030. The DIC Group pledges to contribute through its business activities to the success of the SDGs.

For more information on the SDGs, please visit:

WEB <https://www.un.org/sustainabledevelopment/development-agenda/>



Compliance

Toward Fair and Transparent Corporate Activities

WEB <https://www.dic-global.com/en/csr/philosophy/compliance.html>

SDGs Goal 16



QR code



The DIC Group Code of Business Conduct

The DIC Group completed the DIC Group Code of Business Conduct in July 2014. The code not only mandates compliance with national laws and international rules but also presents 10 principles essential to the professional conduct of DIC Group employees. The Group held presentations for all existing Group employees at the time of release, while new employees receive training at point of hire. The goal of such training is to ensure employees worldwide share values cherished by the Group and approach their responsibilities with a sense of responsibility and a commitment to doing the right thing.

DIC Group Code of Business Conduct **WEB** https://www.dic-global.com/pdf/csr/philosophy/compliance/code_of_business_conduct_en.pdf

10 Principles Essential to Professional Conduct

- | | |
|--|---|
| ① Your Rights as an Employee: Respect, Dignity, Privacy | ⑥ Your Relationship with Customers, Suppliers, and External Third Parties |
| ② Environment, Safety and Health | ⑦ Money Laundering and Anti-Terrorism |
| ③ Your Responsibility to Avoid Potential Conflicts of Interest and to Protect Group Property | ⑧ Forced Labor, Child Labor, Conflict Minerals |
| ④ Anti-Corruption and Anti-Bribery Policy | ⑨ Insider Trading |
| ⑤ Your Relationship with Governments and Government Officials | ⑩ Proper Accounting and Internal Controls Relating to Financial Reporting |

Initiatives to Promote Compliance

The DIC Group promotes compliance through the following initiatives:

- ① Training focused on legal issues to improve compliance awareness is provided for employees at point of hire, when promoted and before transfer overseas. In addition, to promote awareness of the DIC Group Code of Business Conduct and compliance, in fiscal year 2020 e-learning was implemented in Japan and at DIC (China), DIC Asia Pacific and Sun Chemical, which oversee operations in, respectively, Greater China, the Asia-Pacific region, and the Americas and Europe.

Legal training focused on governance-related issues was also implemented in Japan (twice for DIC executives, once for the presidents of Group companies in Japan and once for domestic employees assigned to overseas posts).

- ② Compliance officers are appointed at all regional headquarters—DIC (Japan), Sun Chemical (the Americas and Europe), DIC (China) (the PRC) and DIC Asia Pacific (Asia and Oceania)—to spearhead global compliance efforts.

The DIC Group vows that it will not violate the principles of the DIC Group Code of Business Conduct, even if such a violation would appear to profit the Group. As a corporate citizen, the Group also pledges to respect social norms and act in a sound and socially acceptable manner. In fiscal year 2020, there were no serious violations of compliance laws.

BCM and Crisis Management

Reducing Business Risks and Preventing the Recurrence of Incidents

WEB <https://www.dic-global.com/en/csr/philosophy/bcm.html>

QR code



Framework for Promoting BCP

Having prepared crisis management rules and risk-specific manuals for use across the DIC Group in the event of a major disaster, DIC has formulated BCPs for individual product divisions. The Group also recognizes the need to ensure it can fulfill its supply responsibilities in the event of damage to its facilities from a large-scale natural disaster and thus incorporates this perspective into its BCPs. Specifically, the Group formulates BCPs for key products with a view to fulfilling its social responsibility and responding to customer requirements. DIC also conducts BCP-focused joint production division-site exercises assuming the implementation of these BCPs to confirm the effectiveness of manuals, identify issues and implement ongoing improvements.

BCM in Fiscal Year 2020

While fiscal year 2020 was fortunately a year in which the DIC Group did not suffer significant damage from natural disasters, additional decisive steps were required to curb the spread of COVID-19, including the shipment of masks and noncontact thermometers to Group sites worldwide. Moreover, because the existing pandemic BCPs were premised on a novel influenza virus, they were not compatible with the measures required for a novel corona virus, as a result of which DIC recognized the need to create new pandemic manuals that are not limited to responses tailored to one specific infectious disease. Accordingly, the Company aims to revise its pandemic BCPs with a focus on common, universal measures appropriate for all types of infectious disease.

In fiscal year 2021, DIC plans to fully deploy the DIC BC Portal, a dedicated portal system to allow the sharing of information among the headquarters task force, product divisions and sites in the event of an accident or a disaster. In fiscal year 2020, headquarters task force training included a trial of this portal system based on a scenario involving an accident at the Tokyo Plant, after which the headquarters task force set up communications with the Tokyo Plant, allowing the latter to share information regarding the imagined accident.

Conducting Emergency Response Exercises and Drills

In addition to annual headquarters task force–led training and BCP-focused joint production division–site exercises, the DIC Group has developed and works to maintain a system designed to ensure its ability to minimize damage in the event of a disaster, as well as to facilitate the smooth restoration of operations. This system includes a wide range of exercises and drills, including employee safety confirmation report drills, emergency radio warning drills between sites and site-specific comprehensive disaster drills. In fiscal year 2020, the headquarters task force also conducted a drill using a scenario involving a disaster occurring at a time when many employees were making use of telework arrangements, with all corporate headquarters–based executive officers participating online, to ensure the headquarters task force’s ability to function even in a situation where telework is the norm.

Responding to Pandemics

DIC prepares product-specific pandemic BCPs in non-emergency times to guarantee it is fully prepared to respond to pandemics when they occur. To ensure preparedness for the concurrent infection of multiple employees, the Company has also developed response plans for individual production lines at each of its production sites. Having recognized that because different infectious diseases behave in different ways, responses tailored to one particular disease may not be effective for all pandemics. Accordingly, the Company plans to revise its pandemic BCPs with a focus on common, universal measures appropriate for all types of infectious disease.

In response to the emergence of COVID-19 in fiscal year 2020, DIC has focused on carrying out actions designed to help thwart the further spread of the virus and to prevent employees from becoming infected. These include prohibiting business trips worldwide; instituting telework arrangements, including for temporary staff; staggering working hours for those employees whose work requires them to be on-site; mandating individuals remain at home when they or any of the people with whom they live feel unwell; and encouraging the avoidance of meetings and events.

Information Security

Initiatives to Ensure Information Security

WEB <https://www.dic-global.com/en/csr/philosophy/security.html>

QR code



Globally Maintaining and Enhancing Information Security

The DIC Group’s approach to information management rests on four pillars: Regulations and guidelines, management framework, infrastructure, and employee education and training. The Group is deploying measures in Japan and across the Asia–Pacific region and is promoting similar efforts in the Americas and Europe.

Regulations and Guidelines

In line with its Basic Policy on Information Security, the DIC Group updates its confidential information management regulations, which stipulate the scope of management, related standards, rules and responsibilities, as well as its information management guidelines, which outline implementation procedures, on a regular basis and as required to ensure its ability to address new security risks in a timely manner.

The Group also creates new and revises existing rules as appropriate in response to the increasing prevalence of digital technologies and the shift to cloud-based computing, and has established separate rules for handling personal information and customer information in its information management guidelines, which it is working to disseminate among employees. In fiscal year 2020, the DIC Group reported no breaches of customer privacy or losses of customer data.

Management Framework

The Information Security Committee, which is led by the chief information officer (CIO), meets regularly (twice annually) as part of a system to facilitate the timely update of rules and guidelines to accommodate new technologies and risks, and to ensure changes are communicated effectively across the DIC Group. The committee formulates annual targets and initiatives for strengthening information security with the approval of the Sustainability Committee and manages the progress of related efforts.

To ensure it is prepared in the unlikely event of an information security–related incident, the Group has created a task force operational manual to ensure effective initial responses to incidents when they occur.

Infrastructure

In preparation for the full-scale transition to a cloud-based information system and the expanded use of telework arrangements, in fiscal year 2020 the DIC Group took steps to reinforce its internet security infrastructure and updated endpoint security systems. The Group also proceeded with the construction of a maintenance system to promptly detect information security risks and address incidents when they occur in collaboration with an external partner.

On another front, the DIC Group continued to conduct inspections of its information security management system, regulations, infrastructure, maintenance measures, and employee education and training, from a third-party organization. This helps to clarify issues and challenges and ensure they are reflected in remedial measures.

Employee Education and Training

The DIC Group offers an annual e-learning information security program to employees in Japan and the Asia–Pacific region, in which 90% of eligible employees take part. In fiscal year 2019, this program was broadened to include the protection of personal information. The Group has also provided training dealing with targeted email attacks since fiscal year 2017, working continuously to ensure more practical content to increase employees’ awareness of security. The Group has offered employee training in both information security and in dealing with targeted email attacks in the Americas and Europe since fiscal year 2018.

In response to the emergence of a “new normal” in fiscal year 2020 and the expanded use of telework arrangements, the DIC Group is currently formulating guidelines that accommodate various work styles, which it will work to disseminate across the Group.

Environment, Safety and Health (ESH)

Toward the Achievement of a Sustainable Society

WEB <https://www.dic-global.com/en/csr/environment/>

SDGs Goals 3, 6, 7, 12, 13, 14 and 15



QR code



Management System

The DIC Group promotes a broad range of ESH initiatives through its Responsible Care program.

As a global organization that manufactures and sells chemical substances, the DIC Group promotes a broad range of ESH initiatives through its Responsible Care program. Today, the Group manages its Responsible Care program in a uniform manner using standardized codes, guided by its Environment, Safety and Health Policy, and works to implement initiatives that exceed regulatory requirements, in line with annual Responsible Care activity plans, and to fully disclose the results thereof.

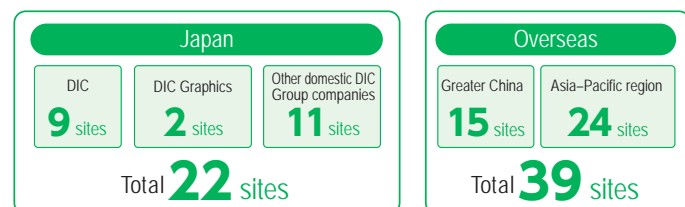
The framework for promoting Responsible Care encompasses the Sustainability Committee, which approves Groupwide sustainability targets and policies, as well as formulates and evaluates medium-term sustainability policies and annual sustainability initiatives. The PDCA cycle is used to evaluate voluntary Responsible Care initiatives implemented by Group companies, plants and R&D facilities in collaboration with the Safety and Environment Group. The Responsible Care Department also provides support to ensure the smooth progress of these initiatives and conducts audits to ensure compliance and improve safety and environmental performance.

Note: Responsible Care describes voluntary management initiatives undertaken by companies that manufacture or otherwise handle chemical substances, in line with the principles of autonomous action and self-assessment, pledging in their management policies to protecting the environment and ensuring health and safety across the entire life cycle of products, from development to manufacturing, distribution, use and end-of-life disposal, as well as to disclosing related information and promoting improvements.

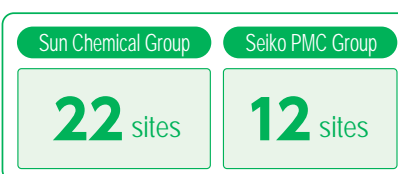
ESH Auditing

The DIC Group regularly audits Responsible Care initiatives at Group companies, plants and R&D facilities. Because of COVID-19, auditing teams in fiscal year 2020 were limited to corporate headquarters' Responsible Care specialists and site administrators. Overseas, Responsible Care Department specialists and regional headquarters' ESH officers use self-assessment checklists to ascertain the progress of efforts with the aim of enhancing Responsible Care initiatives at individual sites. Unlike in other years, these were also implemented online at certain sites owing to COVID-19. Two violations of Responsible Care-related regulations with penalties in excess of \$10,000 were reported overseas in the period under review, in response to which prompt remedial measures were swiftly implemented.

Outline of ESH Audits Implemented in Fiscal Year 2020



Audits Conducted at Subsidiaries' Sites in Fiscal Year 2020



Occupational Safety and Health/Disaster Prevention

Viewing the prioritization of operational safety as a core management tenet, the DIC Group works tirelessly to prevent accidents and disasters and to boost the level of ESH initiatives.

The DIC Group recognizes operational safety both as fundamental to its businesses and the core component of Responsible Care. The Company thus promotes active occupational safety and health, security and disaster prevention measures to foster a "Safety First" philosophy Groupwide and on the part of every employee. To foster skilled safety personnel, the Group provides regular safety education, including Kiken Yochi Training (KYT) ("hazard prediction training") and e-learning based training, in multiple languages, with the aim of transforming the mindset of employees by encouraging them to think and act on their own to protect themselves and each other from latent risks.

Occupational Accidents Resulting in Workdays Lost (FY2018–2020)

	DIC			DIC Group (Japan)			DIC Group (Global)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Number of accidents resulting in workdays lost	6	2	1	8	11	5	91	78	70
Frequency rate	1.071	0.363	0.180	0.848	1.200	0.545	2.211	1.963	1.793
TRIR*	2.50	1.63	1.44	2.86	2.95	2.51	4.71	3.82	3.56

* TRIR is calculated as: (Number of casualties due to occupational accidents resulting in workdays lost + Number of casualties due to occupational accidents not resulting in workdays lost) / Million work hours.

Environmental Conservation

The DIC Group recognizes that it has a responsibility to help address environmental issues and is taking decisive steps to reduce its negative impact, thereby contributing to sustainability.

Climate Change

Initiatives Aimed at Preventing Global Warming

Recognizing climate change as an issue of the utmost importance to society and a critical factor affecting its businesses, the DIC Group is working as one to reduce energy consumption and promote decarbonization and in its DIC111 medium-term management plan, announced in fiscal year 2019, has pledged to reduce greenhouse gas emissions from its sites. As a manufacturer of fine chemicals with a global presence, the Group is also leveraging its technological capabilities to develop products that will contribute to the realization of a low-carbon society.

At the 2015 United Nations Climate Change Conference (the 21st annual session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC)), participants adopted the Paris Agreement, a move aimed at accelerating efforts to tackle this urgent challenge. In May 2019, the DIC Group declared its support for the TCFD,* pledging to disclose climate-related information in line with TCFD recommendations going forward.

* The TCFD was established under the auspices of the Financial Stability Board (FSB) and announced in June 2017 with the aim of mitigating climate change-related instability and risk in financial markets, which has the potential to affect performance over the medium to long term.

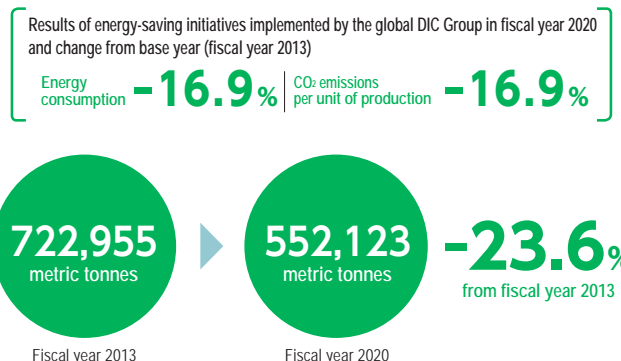
Framework for Promotion

DIC and DIC Group companies in Japan have established an Energy-Saving Promotion Committee at each site. Committee activities include confirming the progress of initiatives, engaging in discussions and conducting patrols. Overseas, DIC Group companies promote a wide range of independent energy-saving initiatives that align with the Group's policies. The Production Management Unit provides support on multiple fronts, including the deployment of management systems and the training of employees. Critical initiatives are debated by and the progress thereof is reported to the Sustainability Committee.

Energy Consumption and CO₂ Emissions by the Global DIC Group

Energy consumption by the global DIC Group in fiscal year 2020 declined 3.1% from fiscal year 2019 and 16.9% from the fiscal year 2013 base year. CO₂ emissions by the global DIC Group amounted to 552,123 tonnes, down 4.3% from fiscal year 2019 and 23.6% from fiscal year 2013, while CO₂ emissions per unit of production, at 271.7 kg/tonne, edged up 0.6% from fiscal year 2019 but fell 16.9% from the base year.

The Group's success in achieving a reduction in the volume of CO₂ it emits worldwide in excess of its target—an average annual decrease of 2.1% until fiscal year 2030—included efforts by companies worldwide to break down this target and the promotion of energy-saving and decarbonization initiatives.



Reducing Fossil Fuel Use by Promoting Renewable Energy

The bulk of renewable energy used by DIC Group companies in Japan is natural energy generated by a biomass boiler and wind and solar power facilities at the Kashima Plant. In fiscal year 2020, renewable energy represented 15.2% of total energy (steam and electric power) consumed by Group companies in Japan. During the period, DIC completed the installation of new solar power facilities at six sites in Japan with a combined annual generating capacity (for internal use) of 1,277 kW. In fiscal year 2020, the Group's solar power generating capacity in Japan was 4,341 kW, while solar power generated during the period rose 42.0%, to 4,341 kWh, from 3,064 kWh in fiscal year 2019.

The DIC Group also continued to promote the expanded use of renewable energy overseas, with Group companies in the Asia-Pacific region, Greater China, and the Americas and Europe installing biomass boilers, wind power and solar power facilities.

As of January 2020, the DIC Group's global solar power generating capacity (for internal use) was 6,445 kW, comprising 4,341 kW in Japan and 2,104 kW overseas. The Group will continue to promote efforts to expand its solar power generating facilities worldwide. In fiscal year 2021, the Group plans to install new solar power generating facilities with a total generating capacity of 2,500 kW in Japan.

In fiscal year 2020, the global DIC Group used a total of 781,542 GJ of renewable energy, an increase of 20.1% from 650,996 GJ in fiscal year 2019. The use of renewable energy accounted for a reduction in the Group's global CO₂ emissions of 49,319 tonnes.

Preventing Environmental Pollution

Since chemicals companies handle a considerably greater volume and more diverse range of chemical substances than companies in other industries, they must be extremely vigilant to prevent discharges of substances into the environment. Against this backdrop, the DIC Group strives to ensure a grasp of the environmental impact of its operations and promotes systematic efforts to prevent environmental pollution.

Reducing Emissions of VOCs

Having succeeded in achieving a voluntary target—set in fiscal year 2007—for reducing emissions of VOCs into the air of 30% from the fiscal year 2000 level by fiscal year 2010, DIC Group companies in Japan continue to pursue steady annual reduction through facility improvements and emissions management.

In fiscal year 2020, total emissions of VOCs by the DIC Group in Japan amounted to 327 tonnes, down 40% from fiscal year 2019. Factors behind this result included the absence of an accident involving a warehouse fire at the Saitama Plant, which had caused a sharp increase in emissions in the previous period, and a decrease in production activities owing to COVID-19. Overseas, Group companies in Greater China and the Asia-Pacific region continued to promote efforts to reduce emissions. In the PRC, in particular, the Group is updating equipment and stepping up emissions management practices in response to the tightening of pertinent local regulations.

Building a Circular Economy

The building of a circular economy is not something that can be achieved by any one company. Accordingly, key initiatives are being promoted by industrial and public-private partnerships around the world. In Japan, DIC is a member of the Japan Initiative for Marine Environment (JaIME), formed by five chemicals industry organizations, and the Japan Clean Ocean Material Alliance (CLOMA), a Ministry of Economy, Trade and Industry (METI)-led alliance of companies in the plastic products supply chain. Overseas, Sun Chemical participates in A Circular Economy for Flexible Packaging (CEFLEX), a consortium working to make flexible packaging in Europe circular, ensuring its ability to access and share the most up-to-date information across the DIC Group. The Company has also organized projects involving various departments concerned with the circular economy to promote the collection of plastics, as well as the shift to alternative and/or biodegradable materials.

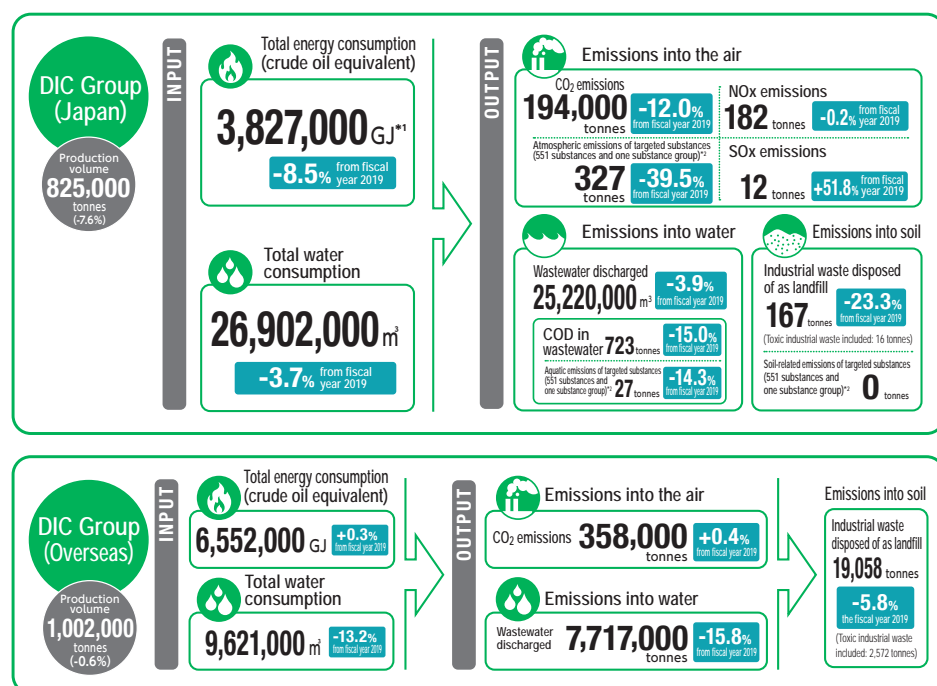
Managing Industrial Waste

The DIC Group works actively to reduce its disposal of industrial waste as landfill by recycling cinders, dust and sludge, among others, into roadbed materials and raw materials for cement, using thermal recycling to recover waste heat and minimizing production losses by increasing throughput yields.

In fiscal year 2020, the total volume of industrial waste generated by DIC Group production facilities in Japan amounted to 32,564 tonnes, down 37.0% from fiscal year 2019. The principal factors behind this decline was a decrease in production volume as a result of COVID-19. Industrial waste disposed of as landfill by Group companies in Japan fell 33.0%, to 167 tonnes, reflecting improved resource recycling rates at production facilities. Going forward, the DIC Group will continue working to reduce industrial waste disposed of as landfill by individual production facilities in line with its goal of achieving zero emissions.

Managing Water Resources

Since fiscal year 2017, the DIC Group has used the GRI's guideline to collect data on water withdrawn and discharged at each site. In recent years, companies have also been required to set context-based water targets, i.e., targets that take into account local water conditions and site operations. Accordingly, DIC has established a consistent global framework for assessing water risks and in fiscal year 2020 began mapping regional water risks using two scales, namely, "regional water risks" and "operational water risks." Regional water risks are mapped using the Aqueduct water risk assessment tool, while operational water risks are mapped using a questionnaire developed in-house.



*1 The figures in this diagram do not include emissions attributable to the use of renewable energy.

*2 The "551 substances and one substance group" comprises 462 chemical substances designated by Japan's PRTR and 89 PRTR-designated substances (other than class 1) and one substance group (chain hydrocarbons with up to 4-8 carbon atoms) targeted for study by the JCIA. A PRTR is a scheme for assessing, aggregating and disseminating data on the source of hazardous chemicals, amounts released into the environment and amounts transferred off-site from industrial establishments via waste products.

Safety in Logistics

The DIC Group works with logistics partners to minimize risks, including by supplying information needed for the shipping/transport of its products.

DIC's commitment to promoting Responsible Care encompasses initiatives aimed at reducing CO₂ emissions attributable to the transport of its products, for which it sets annual targets. The Logistics Department, which consists of the Domestic Planning Group and the Overseas Planning & International Trade Administration Group, is charged with advancing initiatives to enhance the safety and—by promoting the transport of products using modes of transport qualifying as “modal shift”—reduce the environmental impact of its logistics activities.

In fiscal year 2020, the volume of products transported in Japan by the DIC Group declined as a consequence of COVID-19. This and other factors underscored a 3% decline in both energy consumption and CO₂ emissions attributable to logistics. The period also brought concern over the aging of the current population of drivers and the high turnover rate among drivers as a result of the pandemic. Against this backdrop of uncertainty, the Company continues to support the White Logistics Movement, an initiative put forward by three government ministries—the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries—and to implement measures in line with its own declaration of voluntary action to strengthen cooperation with logistics partners and transport companies to ensure business continuity.

Overseas, DIC emphasizes support for efforts to further rationalize and enhance the efficiency of logistics in the Asia-Pacific region and Greater China through the remote sharing of information. This includes preparing Group regulations, manuals and systems in advance of the Regional Comprehensive Economic Partnership (RCEP), which is scheduled to go into effect in the near future.

Ensuring the Safety of Chemical Substances

The DIC Group continues working to provide appropriate information to stakeholders to ensure the appropriate handling of its products over their entire life cycles.

In fiscal year 2020, the DIC Group took steps to address revisions to the PRC's Measures for Environmental Administration of New Chemical Substances (China REACH), applied for inclusion in Vietnam's updated National Chemical Inventory (NCI) and completed advance registration under Turkey's KKDİK Regulation (KKDİK is an acronym consisting of the first letter of each word in “registration, evaluation, authorization and restriction” in Turkish), otherwise known as Turkish REACH. At the same time, the Group collaborated with pertinent departments in Japan and overseas to gather information and formulate measures in a timely manner in response to developments surrounding the United Kingdom's withdrawal from the European Union, the Republic of Korea (ROK)'s Occupational Safety and Health Act and Taiwan's Toxic and Chemical Substances of Concern Control Act (TSCCCA).

In the area of systems for managing chemical substance information, the Group continued building a new global system for managing chemical substance information that integrates its existing systems (CIRIUS and the WerCS). DIC aims to begin using the new system—dubbed Chemicals Information Global Network Access System (CIGNAS)—globally in fiscal year 2024, launching first in Japan in fiscal year 2021.

Quality

Enhancing Product Quality and Customer Satisfaction

WEB <https://www.dic-global.com/en/csr/quality/>

QR code



Having recently conducted a review of the Production Management Unit's Quality Assurance Department and individual product divisions' quality assurance groups, in fiscal year 2021 DIC launched a new configuration in which the product division quality assurance groups have been absorbed into the Production Management Unit. The goals of this realignment were to ensure the independence of the framework for promoting quality assurance to ensure customers' quality requirements; clarify the roles of quality control and quality assurance, ensuring that each fulfills its proper function while monitoring the other; and position the Quality Assurance Department and the newly inaugurated Quality Control Department, using their respective reporting lines, to identify issues facing sites and product divisions and devise the most effective measures in response.

DIC also established a new Quality Committee to enable the president to be directly involved in quality management, which formulates DIC Group quality policies and important quality management measures. With this new system, the Company will reinforce its quality assurance framework to provide products and services that satisfy its customers.

On September 30, 2020, Japan's Fire and Disaster Management Agency announced that improprieties in type testing of DIC foam fire extinguishing agent MEGAFOAM IH-101-5 had been discovered and, as a consequence, approval of the product had been rescinded. Two months later, on November 19, DIC published a notice of measures to be taken to determine the cause of this incident and prevent recurrence on its global website. The Company is currently in the process of replacing this product with a new type-approved alternative to avoid causing undue inconvenience to customers and other related parties.

In connection with this incident, a special audit of DIC's Chiba and Hokuriku plants was conducted by Lloyd's Register Quality Assurance Ltd. (LRQA). Based on the results of this audit, LRQA notified DIC of the temporary suspension of ISO 9001:2015 and JIS Q 9001:2015 certification for these two plants effective March 18, 2021.

DIC takes these audit results seriously and is taking corrective actions to improve its quality management system, as well as to prevent recurrence, to ensure the reinstatement of certification at the earliest possible opportunity, as well as to restore customer trust. The Company has also expressed its deepest regrets for any anxiety or trouble caused to customers or other related parties.

Human Resources Management

Working to Enhance Job Satisfaction

WEB <https://www.dic-global.com/en/csr/stakeholder/staff.html>

SDGs Goals 3, 4, 5, 8 and 10



Strategies for a Stronger Management Infrastructure

In line with The DIC Way, which represents its fundamental management policy, the DIC Group has established a global human resources management framework under which Group companies in Japan, the PRC and the Asia-Pacific region are overseen by DIC, while those in North America, Europe, Central and South America, and Africa are overseen by Sun Chemical of the United States. The DIC111 medium-term management plan, which was introduced in February 2019, sets forth a strategy dubbed WING that is designed to rally the Group's diverse human resources, a source of its competitiveness as a global organization. WING centers on four core themes, summarized as "work style revolution," "HR infrastructure reform," "next management selection" and "global talent development."

WING: DIC111 Strategies for Human Resources Management

Work Style Revolution	HR Infrastructure Reform	Next Management Selection	Global Talent Development
Reform work styles to capitalize on diversified individuality ■ Reform jobs with digital tools. ■ Reform working conditions by introducing telework and flexible working hours. ■ Shift focus of evaluation from quantity to quality. ■ Support employees who have childcare or nursing care responsibilities or suffer illness, etc.	Adopt a global human resources system and unify Group system ■ Consolidate employee qualification systems globally. ■ Unify qualification standards and assessment formats for management-level employees. ■ Develop IT system for global human resources platform.	Establish system to appoint the next management team ■ Clarify requirements for employees in key positions. ■ Establish selection and monitoring processes for high-potential employees. ■ Use talent review to optimize combination of positions and employees.	Develop global human resources ■ Define level of and set requirements for global human resources. ■ Systematize global human resources development programs (English-language ability, competency, work experience, etc.)

Progress in Fiscal Year 2020

- Work style revolution**
Introduced leave for employees to accompany spouses overseas and short-term paid leave programs and implemented initiatives to promote telework system and awareness of flexible working options
- HR infrastructure reform**
 - Built human resources database for management-level and higher employees in Japan, the PRC and the Asia-Pacific region
 - Created global unified assessment system for employees in key positions
- Next management selection**
Reinforced approach to selecting new management candidates by enhancing training for such candidates and expanded scope of human resources assessments
- Global talent development**
Augmented existing development programs for global human resources by considering a method of assessing language ability, including conversational prowess

Inauguration of the WSR 2020 Project

The rapid advance of digitalization, together with the advent of COVID-19 and projections for the post-pandemic "new normal," have highlighted the need to revamp work styles. In fiscal year 2020, DIC launched Work Style Revolution (WSR) 2020, a project targeting the development of new work styles with the aim of enhancing productivity and job satisfaction. Specific initiatives included creating the Job Satisfaction and Personnel System Design, Smart Work, Office Reform and Smart Process Development working groups, which are leading efforts to review individual work styles, and to promote reforms to internal systems and modify employee conduct.

Outline of the Project

- Workplaces that inspire job satisfaction/revising human resources systems**
 - Creation of workplaces that encourage enthusiasm about taking on various challenges, where performance is evaluated fairly and personal value is recognized
 - Establishment of systems that ensure employee achievements are reflected appropriately in treatment and creation of environments in which organizational growth is linked to employee growth
- Smart employees**
 - Formulation of rules for new work styles and improvement of employee digital literacy
- Smart offices**
 - Creation of environments in which individuals and groups can exercise their abilities anytime and anywhere
- Smart processes**
 - Review of existing business processes to boost efficiency and realization of new business processes through the promotion of digitalization

Basic Personnel Statistics (DIC)

	Fiscal year 2018	Fiscal year 2019	Fiscal year 2020
Number of employees			
Male	2,628	2,640	2,669
Female	662	681	691
Overall	3,290	3,321	3,360
Average age			
Male	42.5	42.6	42.7
Female	41.9	42.1	42.5
Overall	42.4	42.5	42.7
Average years of employment			
Male	18.4	18.3	18.3
Female	19.7	19.8	20.1
Overall	18.6	18.6	18.6
New graduates hired			
Male	43	44	56
Female	19	22	22
Overall	62	66	78

	Fiscal year 2018	Fiscal year 2019	Fiscal year 2020
Retention rate (after three years)			
Male	87.8%	97.2%	92.3%
Female	81.0%	76.9%	100%
Overall	86.3%	91.8%	94.0%
Separations (voluntary) (number of individuals)			
Male	55	45	33
Female	15	16	16
Overall	70	61	49
Separation rate (voluntary)			
Male	2.1%	1.7%	1.2%
Female	2.3%	2.3%	2.3%
Overall	2.1%	1.8%	1.5%

Respect for Human Rights

The DIC Group actively supports global codes governing human rights,*¹ in line with which in fiscal year 2018 it formulated the DIC Group Human Rights Policy and began promoting related initiatives. The DIC Group Code of Business Conduct, which outlines standards that DIC Group employees are expected to observe, lays down provisions prohibiting human rights violations and requiring respect for diversity, two philosophies that are the foundation of the Group's corporate activities. DIC Group employees are obliged to understand and provide written pledges to abide by the code.

In fiscal year 2010, DIC became a signatory to the UNGC, pledging its support for the Ten Principles of the UNGC, which includes tenets regarding human rights and labor. The Company continues to implement related initiatives in all areas of its corporate activities to reinforce respect for human rights in the human resources management practices of all Group companies and prevent the occurrence of violations.

In response to the Modern Slavery Act 2015,*² DIC is reinforcing training regarding human rights due diligence,*³ cognizant of the issue of human trafficking and the risks it poses to companies with operations in the United Kingdom. The Company also promotes awareness among DIC Group company executives and enhances corporate headquarters' inspection and monitoring structure as part of an ongoing effort to bolster Group management capabilities.

*¹ The International Bill of Human Rights, comprising the Universal Declaration of Human Rights and the International Covenants on Human Rights (the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights); the International Labour Organization (ILO)'s Declaration on Fundamental Principles of Rights at Work; the United Nations' Guiding Principles on Business and Human Rights; and the Ten Principles of the UNGC.

*² Under the Modern Slavery Act 2015, an Act of the Parliament of the United Kingdom, companies with operations in the United Kingdom must report on the existence/nonexistence of slavery, human trafficking or other critical violations of human rights in their supply chains, related risks and steps they are taking to address such practices. "Modern slavery" encompasses debt bondage, forced labor and servitude; human trafficking; and exploitation (including sexual exploitation and forced organ donation).

*³ Human rights due diligence is an ongoing risk management process that a company needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts.

Initiatives in Fiscal Year 2020

A total of 58 DIC Group companies in Japan and overseas implement voluntary human rights and labor practices inspections. In fiscal year 2020, initiatives focused on promoting awareness of the DIC Group Human Rights Policy across the Group. As in fiscal year 2019, inspections in fiscal year 2020 used a questionnaire that had been revised based on the results of inspections carried out in the previous period. Having analyzed and verified the results of inspections, the Group implements follow-up inquiries and uses its findings to promote efforts to raise awareness. In fiscal year 2020, the Group conducted human rights due diligence at three Group companies in Indonesia, which confirmed that there were no violations. Guidance was provided on a variety of points to prevent the risk of violations from arising.

Diversity Promotion and Work Style Revolution

The DIC Group actively pursues diversity by employing a broad spectrum of individuals without regard to such considerations as gender, nationality, physical limitation or age. The Group works to foster a corporate culture that draws on its understanding and respect for diversity to produce creative ideas and to incorporate the concept of diversity into management, thereby creating workplaces that enhance job satisfaction for employees.

1 Hiring Diverse Human Resources

With the objective of securing talented individuals with advanced specialized capabilities, global perspectives and language capabilities, DIC actively promotes the hiring of international students completing undergraduate or graduate studies at Japanese universities; Japanese and foreign nationals completing undergraduate studies at overseas universities; and experienced mid-career candidates with extensive experience and expertise. At present, approximately 45 foreign nationals are employed in various capacities at DIC.

VOICE As someone helping to drive further diversity at DIC, I look forward to contributing to the evolution of both the Company and society.

I began looking for a job in Japan while I was working to complete my doctorate here, but not many companies were actively hiring students whose Japanese-language skills were not particularly good. DIC was one of the few keenly promoting the recruitment of students from overseas. This is truly an outstanding company, with a wide range of businesses, facilities and affiliated companies around the world. Since joining, I have been involved in the development of different products at three sites, allowing me to learn from experts with a variety of backgrounds and grow in my role. I also think DIC is one of the best companies in terms of creating work environments conducive to continuous service for female employees. I believe DIC's diversity is what has enabled it to respond flexibly to the dramatic changes sweeping the world. For example, in addition to swiftly reinforcing measures in the workplace to prevent the spread of COVID-19, DIC also quickly embarked on the development of a variety of products with antiviral functions. As someone helping to drive further diversity at DIC, I look forward to contributing to the evolution of both the Company and society.



Color Materials Technical Division, Central Research Laboratories Thimthong Narumon

DIC Recognized as Nadeshiko Brand for Fiscal Year 2020, Earning Selection for the Third Consecutive Year

In recognition of its superb achievement in expanding career opportunities for women, DIC was selected as a Nadeshiko Brand for fiscal year 2020, the third time it was honored under this program, which is sponsored by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (TSE). In fiscal year 2020, 45 companies were selected as Nadeshiko brands, including four from the chemicals sector.



2 Advancing the Employment of Individuals with Disabilities

DIC is committed to creating inclusive work environments that help individuals with disabilities enjoy active and fulfilling careers. One initiative is an internship program, organized in collaboration with special needs schools, that is designed to transition into full-time employment. In fiscal year 2020, both regular hiring in April as well as needs-based hiring at individual sites met with success. As of December 31, 2020, individuals with disabilities accounted for 2.65% of DIC's total labor force, noticeably above Japan's legally mandated quota of 2.2%.

I joined DIC Estate in April 2020 and was assigned to the Business Support Department. However, as COVID-19 spread, prompting the declaration of a state of emergency, normal operations became increasingly challenging. Nonetheless, despite feeling somewhat uneasy, we have continued to collect and deliver mail, as well as to coordinate courier services. In this environment, I have tried to keep two things in mind. The first is to be sure to always greet colleagues with a smile and a cheerful greeting. The words of gratitude from colleagues in response are a great encouragement. The second is to employ "pointing and calling," that is, gesturing and verbalizing important indicators, taking responsibility for preventing erroneous or delayed deliveries.

My goal going forward is to properly convey to new employees and trainees what I have learned over the past year about basic principles of safe workplace conduct. I will also continue observing these principles in my own work.



Business Support Department, DIC Estate Co., Ltd. **Ryosuke Maruyama**

Work Style Revolution Initiatives that Support a Healthy Work–Life Balance

DIC views a healthy work–life balance as essential to both self-realization and sustainable corporate growth. Accordingly, from the standpoint of corporate health management,* the Company continues to expand systems intended to facilitate such a balance.

In response to falling birthrates and lengthening life spans, the Japanese government has launched a drive to promote work style revolution, in line with its belief that positive workplaces lead to higher productivity, with the aim of helping individuals balance the demands of a career and childcare or nursing care and improving productivity. Since well before this, DIC has promoted initiatives aimed at enabling all employees to realize both a satisfying work life and a fulfilling life outside work.

* An approach to employee health management that emphasizes a corporate management perspective and the implementation of strategic measures.

Enhancing Programs that Help Employees Balance the Demands of Work and Home

In 1986, DIC blazed a trail for chemicals manufacturers in Japan by implementing a childcare leave program. Since establishing a program to support employees in balancing the demands of a career and childcare in 2007, the Company has continued promoting measures that make it easier for employees to make use thereof. In fiscal year 2008, DIC acquired the Kurumin Mark, which recognizes companies that promote initiatives designed to assist employees in raising children. The Company has also deployed a system that gives regular employees the option to accept or refuse transfers requiring relocation and, since 2012, a system that allows management-level employees to limit the locations to which they will accept transfers, making it easier for individuals who are unable to accept transfers that involve relocation because of childbirth, childcare, nursing care or other responsibilities.

Kurumin Mark Certification



In 2008, DIC was accorded the Kurumin Mark, which recognizes companies that actively promote initiatives designed to assist with child rearing, by Japan's Ministry of Health, Labour and Welfare.

Promoting Telework

In January 2018, DIC launched the DIC Telework System, which is available to all employees regardless of position or workplace. In response to the emergence of COVID-19 in January 2020, the system was implemented in principle for the entire DIC Group in Japan to help prevent the further spread of the virus. This was maintained even after Japan's first state of emergency was lifted, in recognition of the reality of COVID-19 as a permanent part of life. Looking ahead, DIC will continue to create systems that make it possible for employees to choose a work style that suits the type of work they do, as well as their own personal needs, with the aim of helping encourage a healthy work–life balance. The Company will also further promote the independent execution of duties to reinforce self-management capabilities, thereby accelerating efforts to galvanize employees and encouraging them to give full play to their creativity.

Major Expansion of the Flextime System

To facilitate flexible work styles, in fiscal year 2017 DIC resolved to significantly expand its flextime system and in April 2018 made the system applicable to all areas of operations other than production floors. The system makes it possible for employees to determine the time at which they end their working day to the extent that it does not hinder business efficiency, as well as to simultaneously make use of telework, with the goal of promoting the independent execution of duties and enhancing self-management capabilities.

New Human Resources Development Policies

DIC recognizes that a critical prerequisite for sustainable growth going forward is having employees—the source of its competitiveness—who demonstrate strong leadership and continuously create new value while responding proactively to changes in the operating environment. Accordingly, the Company has formulated four new basic policies for human resources development—build a systematic leadership pipeline, promote the global standardization of job skills, support individual career realization and cultivate self-sufficient employees who are capable of acting on their own and driving change—around which it structured its new human resources development programs.

Health Management

In line with its Health Management Declaration, the DIC Group works actively to support the physical and mental health of its employees, as well as to create a work environment conducive to job satisfaction. Looking ahead, the Group will continue to promote imaginative and original health management measures, recognizing that the health of its employees is essential to the realization of sustainable growth.

Sustainable Procurement

Promoting Socially Responsible Procurement Across the Supply Chain

WEB <https://www.dic-global.com/en/csr/stakeholder/partner.html>

SDGs Goal 12



Promoting Sustainable Procurement

Having recognized the increasing importance of addressing global issues related to human rights, climate change and water risk, among others, as social imperatives, the DIC Group promotes socially responsible procurement practices. To ensure its extended supply chain functions in a socially responsible manner, in 2008 the Group established the DIC Group Universal Purchasing Policy, based on which it later formulated purchasing management regulations and clarified issues it expects suppliers to address. Using the DIC Group Sustainable Procurement Guidelines, revised in February 2020, the Group promotes sustainable procurement across its supply chain by ensuring that all suppliers implement improvements and initiatives as necessary. Group companies in Japan, the Americas and Europe, Greater China and the Asia-Pacific region collaborate to ensure sustainable procurement on a global basis.

The DIC Group Universal Purchasing Policy

Guided by an action policy established to realize the DIC Group's basic sustainable procurement principles, the Purchasing Department adheres to the following guidelines in dealing with suppliers:

- 1 Fair and transparent business practices**
The DIC Group will implement fair and open purchasing activities with suppliers based on global perspectives, without the constraints of conventional commercial customs.
- 2 An appropriate purchasing process and the building of relationships of mutual trust**
The DIC Group, as a good partner for suppliers, will build long-lasting, mutually trusted relationships with suppliers and work together with them for mutual harmony and benefit, while complying with relevant regulations/social norms, domestic and overseas, and pursuing adequate quality and prices.
- 3 Satisfying environmental/safety needs**
The DIC Group will take responsibility as an exemplary corporate citizen for environmental affairs, occupational safety, human health and product quality, always take into account changes in society and implement environment-friendly purchasing activities.
- 4 Challenge the creation of new value**
In order to respond at a high level to a new value sought by society, the DIC Group will proactively challenge the creation of such value together with suppliers, with whom the same goal can be shared, and strive to grow together with them in a sustainable manner.

The DIC Group Sustainable Procurement Guidelines

- 1 Compliance with laws/social norms
- 2 Human rights and work environments
- 3 Safety and health
- 4 Consideration for the environment
- 5 Information security
- 6 Appropriate quality and safety and technological improvements
- 7 Stable supplies and flexible responses to change
- 8 Promotion of sustainability and sustainable procurement initiatives

Supplier Self-Evaluations

In accordance with the *DIC Group Sustainable Procurement Guidebook*, the DIC Group asks suppliers to evaluate themselves by completing a questionnaire, which it uses to ascertain the status of suppliers' sustainable procurement practices. The questionnaire further segments the Group's eight procurement guidelines into 45 issues, including consideration for human rights and work environments, acquisition of certification under ISO 14001, implementation of green procurement and promotion of sustainable procurement to secondary suppliers.

Analyzing the Results of Questionnaires

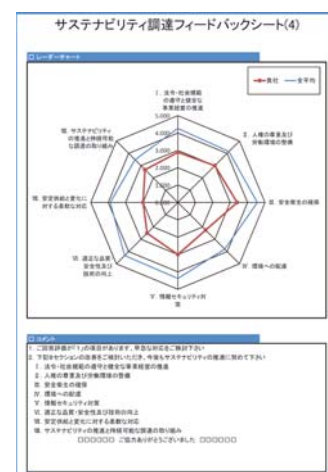
Between June 2020 and February 2021, the DIC Group used version 3 of the *DIC Group Sustainable Procurement Guidebook*, which was published in February 2020, to conduct assessments for 198 new and continuing suppliers, accounting for 81% of its procurement spending. In addition to analyzing and assessing questionnaire responses, the Group provided feedback and where necessary requested corrective measures, using written comments or remote interviews because of COVID-19.

Note: Between November 2013 and December 2019, assessments were conducted using version 1 and then version 2 of this guidebook—previously titled *DIC Group Supply-chain CSR Deployment Guidebook*—for a cumulative total of 764 companies, accounting for 90%-plus of the procurement spending.

Responsible Procurement of Minerals

The DIC Group has formulated a Basic Approach to the Responsible Procurement of Minerals, recognizing the importance of procuring these critical resources in a responsible manner and engaging with suppliers to address this challenge throughout its supply chain.

Basic Approach to the Responsible Procurement of Minerals WEB <https://www.dic-global.com/en/csr/stakeholder/conflict.html>



Feedback sheet

Business Models that Respond to Social Imperatives

Cultivating Next-Generation Businesses

WEB <https://www.dic-global.com/en/csr/stakeholder/customer.html>

SDGs Goals 8, 9 and 11



QR code



I New Pillar Creation: Promoting New Businesses that Respond Accurately to the Changing Needs of Society

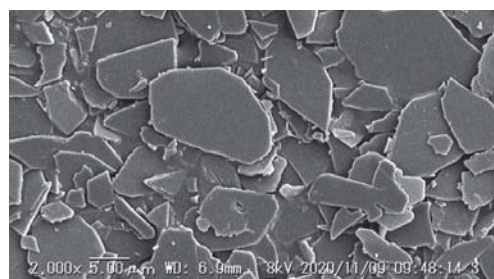
The DIC Group sees one of its key missions as being to achieve sustainable growth both for itself and society by helping to address social imperatives related to climate change, the digitization of society, urbanization and longevity by identifying key business domains and providing products that respond to such imperatives.

With the goal of swiftly realizing this mission, DIC has outlined two basic business development strategies in its medium-term management plan, DIC111: Value Transformation and New Pillar Creation. In line with the strategy of Value Transformation, the Group will advance qualitative reforms in existing core businesses by shifting to businesses with differentiated high-value-added products and with more of a focus on social value. New Pillar Creation emphasizes creating new businesses by identifying areas where ESH-related issues and social changes intersect with the DIC Group's competencies.

I Examples of New Pillar Creation

1 Flake Alumina Filler that Imparts Outstanding Strength and Heat Dissipating Properties and Is Expected to Contribute to the Proliferation of CASE Vehicles and 5G-Enabled Devices

The growing importance of the CASE (Connected, Autonomous, Shared and Electric)* concept and the deployment of the 5G cellular telecommunications standard continue to drive the trend toward ever-smaller components with more sophisticated performance features in both the automobile and electronics industries. As a consequence, the dissipation of heat generated inside equipment is an increasingly important consideration. Alumina fillers, which offer superb thermal stability, are used to impart heat dissipating properties to automotive and electronics equipment components. DIC recently developed a distinctive alumina filler, synthesized using an original process, that unlike conventional alumina fillers—which comprise spherical or irregular particles—boasts excellent crystallinity and high aspect ratio flake-shaped particles. Accordingly, greater strength can be achieved with the addition of a smaller amount, thereby helping reduce weight. As a result, use of this filler not only improves the performance of components but also reduces energy use and CO₂ emissions arising from their production.



CeramNex™ AP10 flake-shaped alumina filler

* The words from which the acronym CASE is formed describe four key areas—vehicle connectivity, autonomous driving, shared mobility and electrification—in which next-generation technologies and services are defining the future of the automobile industry.

2 Development of Thermoplastic Composites with Antiviral and Antibacterial Properties for Use with 3D Printers

Owing to technological innovations in modelling, together with the increasing diversification and sophistication of materials, 3D printer technologies, applications for which have expanded from prototypes to finished products, have been attracting considerable attention in recent years. With the spread of COVID-19 driving consumer concern for proper sanitization, calls have increased for the use of antiviral and antibacterial products in all locations, not only in hospitals and public facilities. The DIC Group recently succeeded in developing thermoplastic composites with antiviral and antibacterial properties for use with 3D printers. These materials—the effectiveness of which has been proven in tests conducted in accordance with the ISO's standard for antiviral and antibacterial activity—suppress the growth of certain viruses and bacteria on the surface of products in which they are used. Moreover, these composites are made with polyurethane resin, which boasts outstanding flexibility and abrasion resistance, and thus offer promise for use in protective gear for medical, nursing care and public hygiene-related applications, including face shields and plastic masks. In addition, these composites are expected to be used in molded products that require antiviral treatment and that must be customized to the needs of individual customers. Looking ahead, DIC will continue working to contribute to the realization of a safe, secure and comfortable society by expanding its marketing focus to include such diverse industries as electronics and electrical appliances, sports equipment, household goods, housing and building materials, and automobiles.

3 R&D Aimed at Developing Advanced Plastic Materials Recycling Technologies and Helping Realize a Circular Economy

The DIC Group has identified a number of social imperatives related to waste plastic and marine plastics—issues of major concern worldwide—as challenges that it has a responsibility to address under its sustainability strategy and is stepping up pertinent initiatives. Recently, DIC commenced demonstration testing as part of the New Energy and Industrial Technology Development Organization (NEDO) to develop materials recycling processes as part of NEDO's Innovative Plastic Resource Circulation Process Technology Development Project for fiscal year 2020. The Company is participating in the development of materials regeneration processes and conducting basic research on the impact of packaging materials such as inks and adhesives on the properties of recycled plastic. DIC will also use the results of such research to promote the development of low-environmental impact inks, adhesives and other products. Participation in NEDO's project will enable the Company to contribute simultaneously to resolving the issue of plastic waste and achieving the practical implementation of advanced plastic resource recycling.

New Technology Development and Value Creation

Proposing Solutions that Leverage Core Technologies

WEB https://www.dic-global.com/en/csr/new_technology/

SDGs Goals 9 and 12



Achieving Sustainable Growth

With the aim of achieving its Color & Comfort by Chemistry management vision, the DIC Group is leveraging its basic technologies, including those in the areas of optics and color, organic molecular design, polymer design and dispersion, as well as its core technologies in such areas as polymer synthesis, compounding and formulation, and surface treatment, to develop high-value-added products that contribute to a sustainable society. The Group is also building a portfolio of next-generation products and new technologies by integrating technological resources originating across the Group, as well as actively promoting open innovation, to drive sustainable growth.

Products for Use in Electronics Equipment

In the area of displays, the DIC Group has recently developed a variety of new products, including green and blue pigments for color filters used in high-definition next-generation OLEDs and highly reliable PSA LCs that boast outstanding response time for 8K televisions. Achievements to advance applications for LC technologies include the development of smart windows and LC antennas. Newly developed synthetic resins include a highly heat-resistant novolac resin for use in resists that are compatible with development using mildly alkaline solutions. In industrial tapes, the Group recently developed an ultrathin tape for smartphones that offers excellent adhesiveness and easy removability.

Products for Packaging and Graphics Applications

Recent achievements in the area of packaging materials include a series of dry laminating adhesives for flexible packaging made using raw materials derived from chemically recycled post-consumer PET bottles and a series of visually appealing *Nashiji* (pear-skin textured) matte films with a surface reminiscent of traditional Japanese paper that are made with biomass plastic. The Group also pressed forward with marketing efforts for easy-peel sealant film lid materials for containers used to hold salads sold at convenience stores that helps reduce food loss. In the area of gravure inks, the Group obtained certification under Japan's Biomass Mark program for reverse printing on general-purpose films and printing on shrink film and paper, as well as promoted the expansion of its lineup of environment-friendly products. In the area of ultraviolet (UV)-curable inks, DIC developed several new series that comply with the Japan Printing Ink Makers Association's Negative List (NL) (voluntary standards for inks used on food packaging). Overseas, the Sun Chemical Group expanded into such areas as compostable adhesives, food-contact inks, deinking agents and products with a high biomass content.

A Global R&D Configuration that Underpins Product Development

DIC's R&D organization in Japan comprises the Technical Management Unit, which is responsible for R&D connected directly to businesses; the R&D Management Unit, which is responsible for adding depth to existing and fostering new basic technologies; and the New Business Development Headquarters, which is charged with creating strategic new businesses and commercializing business units' next-generation product groups. These entities promote the global development of products and technologies in collaboration with the R&D components of DIC Group companies around the world. These include DIC Graphics; the Sun Chemical Group's research centers in the United States, the United Kingdom and Germany; Qingdao DIC Finechemicals Co., Ltd., which conducts comprehensive R&D tailored to market needs in the PRC; printing inks technical centers, polymer technical centers, solid compound technical centers and pigment technical centers in the PRC and the Asia-Pacific region; the Fine Chemical Technical Center-Korea; and an algae research center in the United States.

In fiscal year 2021, DIC established the Data Science Center to house its highly trained data scientists and AI engineers. This new facility will strengthen training for human resources in the areas of AI and ML, collaborate with specialized third-party AI firms, and accelerate efforts to improve the efficiency of R&D.

Protecting Intellectual Property

Recognizing the effective use of intellectual property as indispensable to new technology development and value creation, a key management challenge, business groups and technical and intellectual property teams are working as one to advance intellectual property strategies. Capitalizing on this approach, the DIC Group is actively employing an open and closed strategy to build a robust patent portfolio. The Group is also focusing efforts on the use of patent search and analysis and the gathering of highly precise information with the aim of capitalizing on patent landscapes and other intellectual property information as key management assets.

DIC's efforts to reinforce protection of its intellectual property are also attracting notice outside the Company. In fiscal year 2020, DIC was sixth in a ranking of companies in the chemicals industry in Japan in terms of patent assets owned conducted by an independent firm.* DIC registers an average of 320 new patents annually. While this is small compared to leading chemicals firms, the Company received a high score for the overall scale of its patent assets, reflecting the quality and high profile of the patents it holds.

* Patent Result Co., Ltd.



VOICE We developed an adhesive for packaging materials made from recovered PET bottles.

With companies' growing awareness of the need to contribute to the achievement of the SDGs, the importance of actively promoting environmental protection and reducing the waste they generate have taken on greater importance. In line with the sustainability policy outlined in DIC111, we recently developed the environment-friendly *DICDRY* LX-RP series of adhesives, which are made from recovered post-consumer PET bottles. This new series follows the development of biomass-based adhesives in fiscal year 2019. In addition to polymer design, which was a process of trial and error, we worked to improve product value from a customer perspective through meticulous inspections of PET bottle recycling processes, safety and recycling facilities. Looking forward, we will apply technologies developed in this effort to further expand our product lineup.



Packaging Materials Technical Group 1, Packaging Materials Technical Division, DIC Corporation **Tsukiko Takashima**

Harmony with the Community and Social Contributions

Adding Color & Comfort to Lifestyle

WEB <https://www.dic-global.com/en/csr/society/>

SDGs Goals 3 and 4



QR code



Visiting Science Lab Program

In line with the Japanese government's efforts to promote career education initiatives, as well as to help curb a decline in the popularity of science among children, DIC and DIC Graphics conduct visiting science labs at public elementary schools. Through this program, the DIC Group seeks to spark children's interest in science and encourage them to realize the close relationship between science and their everyday lives.

Designed with the aim of making science fun for children and helping them understand how science benefits society, the lab entails experiments in synthesizing pigments and planographic printing, that is, printing from a flat surface. Since launching this initiative in 2010, the two companies have provided classes at 42 elementary schools for approximately 3,300 sixth graders.

In fiscal year 2020, the DIC Group made the decision to postpone visiting science labs to help prevent the spread of COVID-19. The Group looks forward to restarting this initiative once the pandemic has subsided.



Visiting science lab

Initiatives Led by the Central Research Laboratories

DIC's Central Research Laboratories supports education by offering a variety of programs for local high schools that leverage DIC's unique capabilities, including lectures for Seishin Gakuen High School in Ibaraki Prefecture, Chiba Prefectural Sakura High School and Chiba Prefectural Funabashi High School, all of which have earned Super Science High School* designation, as well as fashion design workshops for students from Chiba Prefectural Sakura High School. In fiscal year 2020, this program was paused as a consequence of COVID-19. The Central Research Laboratories also provides assistance to Super Science High School-designated schools through participation by executive-level employees in the steering committees of Chiba Prefectural Sakura High School and Chiba Prefectural Funabashi High School.

In a new initiative in fiscal year 2020, the Central Research Laboratories also extended support for the 14th Annual Meeting on Scientific Research by High School Students, which is sponsored by Chiba University's Section of Collaboration with High Schools. This event, which features research presentations by high school students from across the country, was originally scheduled to be held at Chiba University in September 2020, but to avoid the risk of spreading COVID-19 the decision was made to delay it until December and move it online. Four mid-tier researchers from the Central Research Laboratories participated, listening to presentations, taking part in question and answer sessions, and otherwise providing support for the 674 high school students seeking a career in the sciences who took part and gave presentations.

*"Super Science High School" is a designation awarded by Japan's Ministry of Education, Culture, Sports, Science and Technology to high schools that implement curricula focused on the sciences and mathematics that goes beyond the Ministry's official guidelines with the aim of fostering the next generation of talented engineers and scientists.

Initiatives Led by the Kashima Plant

The Kashima Plant, in Ibaraki Prefecture, has accepted trainees in cooperation with Ibaraki Hasaki High School's internship program—dubbed the Hako Dual System—since 2008. In fiscal year 2020, three students from the school's industrial chemistry and information science programs participated in lectures on product knowledge, as well as on safety and compliance, and in practical training at the plant, from October through December.

Kawamura Memorial DIC Museum of Art

The Kawamura Memorial DIC Museum of Art, located adjacent to the Central Research Laboratories in Sakura, Chiba Prefecture, was established in 1990 to publicly exhibit works of art collected by DIC Corporation and its affiliates. In 2020, the museum celebrated its 30th anniversary. The museum's extensive collection spans numerous genres, encompassing an oil portrait by Rembrandt, a rarity in Japan, as well as works by impressionists such as Monet and Renoir; modern European artists such as Picasso and Chagall; early modern, modern and postwar Japanese artists; and luminaries of late-20th century American art, including Mark Rothko, Cy Twombly and Frank Stella.

Another appealing aspect of the museum is its location on a lushly forested 10-hectare site alive with seasonal flowers and foliage that has been open to the public since the museum's establishment. A total of 250 cherry trees—10 varieties in total—blossom every spring while in summer wildflowers of all colors bloom profusely. In fiscal year 2020, the museum embarked on a three-year plan to plant 300 broadleaf trees in a corner of the site originally occupied by a cedar forest, seeing the planting and proper maintenance of new thickets to ensure they are comfortable for humans as an effective way to protect biodiversity.

In fiscal year 2020, the museum was forced to close temporarily and postpone special exhibitions planned for its 30th anniversary. Having taken extensive steps to prevent the spread of COVID-19 infection and introduced a web-based reservation-only system, the museum was able to reopen safely in June 2020.

In fiscal year 2021, the museum will be closed until July for repairs to the entrance hall and the replacement of site signage, although the garden remains open to the public. During this period, the museum will prepare to restart guided tours, as well as to reopen the annex gallery and revive educational support initiatives and online events, all of which have been paused due to COVID-19. Through these and other efforts, the museum will work to ensure a beautiful, safe environment that ensures safety and peace of mind for visitors.

Looking ahead, the Kawamura Memorial DIC Museum of Art will continue to plan and stage exhibitions centered around works from its collection. The museum will promote social contribution activities with a view to encouraging communication with the community.



Kawamura Memorial DIC Museum of Art

Matching Gift Program

DIC has a matching gift program in Japan whereby it matches the total amount collected through an annual year-end fundraising drive spearheaded by its employees' union. Funds raised through the 2020 drive and matching gift program were donated to 19 children's homes and facilities providing support for disabled individuals.

Communication with Stakeholders

Promoting Disclosure and Communication

WEB <https://www.dic-global.com/en/csr/stakeholder/>

SDGs Goal 17



QR code



The DIC Group places a priority on communication with its stakeholders worldwide, as outlined in Article 7 of its Policy on Corporate Governance.

Article 7 (Ensuring Appropriate Information Disclosure and Transparency)

The Company shall ensure transparency and fairness; and in order to gain the correct understanding and trust from stakeholders, shall timely and appropriately disclose information relating to matters such as the DIC Group's management philosophy, management policies, business plans, financial condition and sustainability activities.

	Ties with customers	Ties with shareholders and investors	Ties with business partners	Ties with society	Ties with employees	Ties with the media
Basic approach	Build trusting relationships. By incorporating the demands of customers, seek to develop products that enhance customer satisfaction.	Ensure appropriate disclosure and build trusting relationships with shareholders and investors, encouraging both to evaluate DIC as an attractive investment.	Promote socially responsible procurement across the supply chain and build solid relationships that will facilitate sustainable procurement.	Operate in harmony with the community and build positive relationships with local residents that will underpin the long-term sustainability of operations.	Provide workplaces that are conducive to job satisfaction and enable all employees to fulfill their potential. Over the long term, achieve true diversity.	Deepen mutual understanding through effective publicity, advertising and other communications efforts.
Communications tools	<ul style="list-style-type: none"> ● Websites ● Product pamphlets ● Digital marketing ● Corporate profile DVDs ● DIC Report ● Corporate PR film ● News releases ● Television advertisements 	<ul style="list-style-type: none"> ● Websites ● Press conferences ● Quarterly results announcements ● Yuka Shoken Hokokusho (financial disclosure document required of listed companies in Japan) ● Timely disclosure ● Notice of Convocation of the Annual General Meeting of Shareholders ● Shareholder newsletters ● Corporate profile DVDs ● DIC Report ● News releases ● Television advertisements 	<ul style="list-style-type: none"> ● DIC Group Sustainable Procurement Guidelines ● DIC Group Green Procurement Guidelines ● Supplier sustainable procurement questionnaires ● Feedback sheets ● Conflict Minerals Reporting Template ● DIC Report 	<ul style="list-style-type: none"> ● Websites ● Site reports ● Corporate profile DVDs ● DIC Report ● News releases ● Television advertisements 	<ul style="list-style-type: none"> ● DIC Plaza (in-house newsletter) ● Intranet ● DIC Pocket Book (in-house Group data file) ● DIC Report ● Corporate PR film ● News releases ● Television advertisements ● Global linkage ● Branding questionnaire 	<ul style="list-style-type: none"> ● Press conferences ● Interviews with journalists ● DIC Report ● News releases ● Television advertisements
Opportunities for communication	<ul style="list-style-type: none"> ● Sales activities ● Participation in exhibitions ● Lectures on the SDGs for customers 	<ul style="list-style-type: none"> ● General shareholders' meetings ● Results presentations ● IR conferences ● IR meetings ● DIC IR Day ● Individual investor briefings 	<ul style="list-style-type: none"> ● On-site inquiries 	<ul style="list-style-type: none"> ● Production facility tours ● Participation in projects involving collaboration among industrial concerns, government bodies and academic institutions ● Participation in community events ● Environmental monitoring ● Kawamura Memorial DIC Museum of Art ● Plant Bon Odori 	<ul style="list-style-type: none"> ● Labor-management councils ● Results presentations for employees ● Presentations on the DIC Group Code of Business Conduct ● Sustainability presentations ● DIC Family Day ● Plant tours for employee families ● Caravan workshops 	<ul style="list-style-type: none"> ● Newspapers ● Economic publications ● Industry publications

Ties with Customers



CITE Japan



TOKYO PACK

Ties with Society



Presentation for parents at a special needs school



DIC Report

Ties with the Media

Press conferences held in fiscal year 2020

77

Interviews with journalists in fiscal year 2020

61

Ties with Shareholders and Investors



Financial results presentation by president and CEO Kaoru Ino (February 2020)



Online presentation for securities analysts

Ties with Employees



Financial results presentation for employees by CFO Shuji Furuta (February 2020)



Site meeting



DIC Plaza (in-house newsletter)

Financial Report for Fiscal Year 2020

Analysis of Results of Operations

Overview of Operating Results

(Billions of yen)

	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Net sales	768.6	701.2	-8.8%	-6.2%
Operating income	41.3	39.7	-4.0%	1.5%
Ordinary income	41.3	36.5	-11.7%	—
Net income attributable to owners of the parent	23.5	13.2	-43.7%	—
EBITDA*	67.4	55.6	-17.5%	—
¥/US\$1.00 (Average rate)	109.11	106.37	-2.5%	—
¥/EUR1.00 (Average rate)	122.13	121.43	-0.6%	—

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

In fiscal year 2020, consolidated net sales declined 8.8%, to ¥701.2 billion. Despite the protracted COVID-19 pandemic, economic activity recovered in multiple areas in the fourth quarter (October 1–December 31, 2020), as a result of which shipments of many products, notably materials for use in automobiles and publication inks, recovered. Nonetheless, full-term sales shrank in all segments. Net sales were 9.6% higher in the fourth quarter than in the third quarter (July 1–September 30, 2020).

Operating income slipped 4.0%, to ¥39.7 billion. Cost reductions, prompted by falling raw materials prices, reduced activity expenses and rationalization measures, combined with a recovery in shipments in diverse businesses in the fourth quarter to boost operating income 1.5% on a local currency basis. However, operating income was pushed down by a weakening of results overseas after translation, a consequence of the depreciation of emerging economy currencies, among others.

Ordinary income, at ¥36.5 billion, was down 11.7%.

Net income attributable to owners of the parent fell 43.7%, to ¥13.2 billion. The principal factors behind this result were one-time costs and an extraordinary loss associated with the acquisition of BASF SE's Colors & Effects business, which was announced on August 29, 2019.

EBITDA decreased 17.5%, to ¥55.6 billion.

Segment Results

(Billions of yen)

	Net sales				Operating income (loss)			
	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	416.4	388.4	-6.7%	-2.9%	19.2	21.8	13.5%	23.3%
Color & Display	116.4	105.8	-9.1%	-6.7%	10.8	8.4	-21.7%	-19.7%
Functional Products	268.6	236.0	-12.1%	-11.6%	19.2	17.1	-11.1%	-10.6%
Others, Corporate and eliminations	(32.8)	(29.0)	—	—	(7.9)	(7.6)	—	—
Total	768.6	701.2	-8.8%	-6.2%	41.3	39.7	-4.0%	1.5%

Packaging & Graphic

	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥416.4 billion	¥388.4 billion	-6.7%	-2.9%
Operating income	¥19.2 billion	¥21.8 billion	13.5%	23.3%

Segment sales declined 6.7%, to ¥388.4 billion. In the area of materials for food packaging, sales of packaging inks advanced in Asia, as well as in the Americas and Europe, as firm demand bolstered shipments, but decreased in Japan as COVID-19 led to sluggish sales to convenience stores, among others. Although demand for print advertisements and commercial printing improved from the third quarter forward, full-term sales of publication inks—which center on publishing inks and news inks—dwindled in all regions as shipments, having slumped as a result of the pandemic, failed to recover completely. Sales of jet inks for digital printing were up as demand rebounded after flagging in the third quarter, underpinning firm shipments.

Segment operating income rose 13.5%, to ¥21.8 billion. Factors contributing to this significant increase included higher demand for food packaging, a consequence of the pandemic, which led to firm full-term shipments of packaging inks in Asia, and in the Americas and Europe, and of multilayer films in Japan, as well as to cost-cutting efforts, which focused on rationalization.

Color & Display

	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥116.4 billion	¥105.8 billion	-9.1%	-6.7%
Operating income	¥10.8 billion	¥8.4 billion	-21.7%	-19.7%

Segment sales, at ¥105.8 billion, were down 9.1%. Sales of color materials fell sharply, owing to declining shipments, particularly of pigments for cosmetics, as mask-wearing became an ingrained part of life worldwide, as well as to persistently weak sales of pigments for use in inks. In display materials, full-term sales rose as increased time spent by consumers at home led to robust demand in the market for LCDs, pushing up shipments of pigments for color filters and of TFT LCs. Full-term sales of effect pigments also advanced, buttressed by higher demand in Europe for autoclaved aerated concrete for construction-related applications.

Segment operating income dropped 21.7%, to ¥8.4 billion. Despite increased shipments of products for the high-value-added area of displays in the fourth quarter, operating income plunged as production adjustments prompted the cutting of operating rates at certain production facilities in the Americas and Europe amid stagnant shipments of pigments for cosmetics, making it impossible to absorb fixed and other costs.

Functional Products

	FY2019	FY2020	Change (%)	Change (%) [Local currency basis]
Net sales	¥268.6 billion	¥236.0 billion	-12.1%	-11.6%
Operating income	¥19.2 billion	¥17.1 billion	-11.1%	-10.6%

Segment sales decreased 12.1%, to ¥236.0 billion. Shipments of epoxy resins, the principal application for which is semiconductor devices, were brisk as demand for use in onboard equipment rallied in the fourth quarter. Shipments of industrial-use tapes, used primarily in smartphones, were also up. Although shipments of environment-friendly resins* recovered strongly, thanks to demand for use in automobiles, full-term sales waned. Shipments of PPS compounds—uses for which continue to expand, underpinned by the trend toward lighter and increasingly electrified vehicles—also rose sharply in the fourth quarter, bolstered by a recovery in the automobile market across all regions, but full-term sales declined.

Segment operating income was down 11.1%, to ¥17.1 billion. This result was despite a recovery in sales of high-value-added epoxy resins and was attributable to the fact that lower raw materials prices and cost reductions were insufficient to offset the decline in full-term shipments of products for diverse industrial applications, including automobiles and building materials.

* DIC uses the term "environment-friendly resins" to describe strategic resins designed to improve both environmental performance and functionality. These include waterborne, UV-curable, polyester, acrylic and polyurethane resins.

Consolidated Financial Statements

Consolidated Balance Sheet As of December 31, 2019 and 2020

(Millions of yen)

	2019	2020
Assets		
Current assets		
Cash and deposits	16,786	44,885
Notes and accounts receivable–trade	211,232	197,595
Merchandise and finished goods	91,555	78,273
Work in process	9,566	9,065
Raw materials and supplies	58,610	55,058
Other	21,607	24,294
Allowance for doubtful accounts	(9,437)	(9,171)
Total current assets	399,919	399,997
Non-current assets		
Property, plant and equipment		
Buildings and structures	262,087	262,318
Accumulated depreciation	(173,547)	(175,432)
Buildings and structures, net	88,540	86,885
Machinery, equipment and vehicles	408,064	404,451
Accumulated depreciation	(337,197)	(337,065)
Machinery, equipment and vehicles, net	70,867	67,386
Tools, furniture and fixtures	64,386	65,312
Accumulated depreciation	(53,195)	(54,844)
Tools, furniture and fixtures, net	11,191	10,468
Land	51,961	51,362
Construction in progress	9,616	11,977
Total property, plant and equipment	232,176	228,078
Intangible assets		
Goodwill	762	819
Software	2,585	2,963
Customer-related assets	2,674	2,853
Other	5,782	4,877
Total intangible assets	11,804	11,512
Investments and other assets		
Investment securities	59,313	57,201
Deferred tax assets	33,192	32,407
Net defined benefit asset	44,339	63,784
Other	23,020	25,705
Allowance for doubtful accounts	(680)	(734)
Total investments and other assets	159,184	178,363
Total non-current assets	403,164	417,953
Total assets	803,083	817,950

	2019	2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	108,562	95,263
Short-term loans payable	20,139	10,275
Current portion of long-term loans payable	23,456	27,096
Lease obligations	1,244	1,061
Income taxes payable	2,556	4,985
Provision for bonuses	5,724	5,480
Other	48,445	53,022
Total current liabilities	210,126	197,181
Non-current liabilities		
Bonds payable	80,000	100,000
Long-term loans payable	122,602	123,766
Lease obligations	5,191	4,543
Deferred tax liabilities	8,768	12,525
Net defined benefit liability	21,377	17,071
Asset retirement obligations	1,696	1,691
Other	9,826	9,809
Total non-current liabilities	249,459	269,405
Total liabilities	459,585	466,586
Net assets		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,456	94,468
Retained earnings	218,209	219,778
Treasury shares	(1,823)	(1,800)
Total shareholders' equity	407,398	409,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,676	2,903
Deferred gains or losses on hedges	683	2,468
Foreign currency translation adjustment	(72,671)	(82,321)
Remeasurements of defined benefit plans	(24,346)	(13,562)
Total accumulated other comprehensive income	(94,658)	(90,511)
Non-controlling interests	30,757	32,873
Total net assets	343,497	351,364
Total liabilities and net assets	803,083	817,950

Consolidated Statement of Income Years ended December 31, 2019 and 2020

(Millions of yen)

	2019	2020
Net sales	768,568	701,223
Cost of sales	603,199	544,430
Gross profit	165,369	156,793
Selling, general and administrative expenses		
Freightage and packing expenses	13,104	12,914
Employees' salaries and allowances	41,742	42,776
Provision of allowance for doubtful accounts	995	866
Provision for bonuses	2,233	2,242
Retirement benefit expenses	1,043	(257)
Research and development costs	12,505	12,029
Other	52,414	46,560
Total selling, general and administrative expenses	124,037	117,130
Operating income	41,332	39,663
Non-operating income		
Interest income	2,420	1,263
Dividends income	414	416
Equity in earnings of affiliates	2,475	771
Other	1,692	2,066
Total non-operating income	7,001	4,516
Non-operating expenses		
Interest expenses	3,724	2,225
Foreign exchange losses	811	1,384
Other	2,496	4,117
Total non-operating expenses	7,031	7,726
Ordinary income	41,302	36,452
Extraordinary income		
Gain on sales of non-current assets	1,401	5,226
Gain on bargain purchase	—	1,295
Insurance income	1,409	531
Gain on sales of subsidiaries' and affiliates' securities	1,624	—
Total extraordinary income	4,435	7,052
Extraordinary loss		
Loss on business liquidation	—	8,762
Acquisition-related expenses	1,914	4,563
Loss on disposal of non-current assets	2,399	2,903
Impairment loss	3,078	1,251
Severance costs	840	924
Loss on disaster	1,520	—
Provision of allowance for doubtful accounts	551	—
Amortization of past service costs	443	—
Loss on sales of subsidiaries, and affiliates, securities	316	—
Total extraordinary loss	11,061	18,403
Income before income taxes and non-controlling interests	34,676	25,102
Income taxes—current	7,869	10,336
Income taxes—deferred	1,461	(1,651)
Total income taxes	9,330	8,685
Net income	25,346	16,417
Net income attributable to non-controlling interests	1,846	3,184
Net income attributable to owners of the parent	23,500	13,233

Consolidated Statement of Comprehensive Income Years ended December 31, 2019 and 2020

(Millions of yen)

	2019	2020
Net income	25,346	16,417
Other comprehensive income		
Valuation difference on available-for-sale securities	327	1,175
Deferred gains or losses on hedges	669	1,785
Foreign currency translation adjustment	(4,394)	(9,827)
Remeasurements of defined benefit plans, net of tax	7,269	10,689
Share of other comprehensive income of associates accounted for using equity method	(744)	158
Total other comprehensive income	3,127	3,980
Comprehensive income	28,473	20,396
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	26,546	17,368
Comprehensive income attributable to non-controlling interests	1,927	3,028

Consolidated Statement of Changes in Net Assets

Years ended December 31, 2019 and 2020

Fiscal year ended December 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2019	96,557	94,445	207,421	(1,823)	396,600
Cumulative effects of changes in accounting policies			(774)		(774)
Restated balance	96,557	94,445	206,647	(1,823)	395,826
Change in FY2019					
Dividends from surplus			(11,849)		(11,849)
Net income attributable to owners of the parent			23,500		23,500
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares				6	6
Change in scope of consolidation			(90)		(90)
Change in ownership interest of the parent due to transactions with non-controlling interests		11			11
Net changes of items other than shareholders' equity					
Total change in FY2019	—	11	11,561	(1)	11,572
Balance at December 31, 2019	96,557	94,456	218,209	(1,823)	407,398

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at January 1, 2019	1,407	14	(67,617)	(31,508)	(97,704)	28,438	327,334
Cumulative effects of changes in accounting policies							(774)
Restated balance	1,407	14	(67,617)	(31,508)	(97,704)	28,438	326,560
Change in FY2019							
Dividends from surplus							(11,849)
Net income attributable to owners of the parent							23,500
Purchase of treasury shares							(7)
Disposal of treasury shares							6
Change in scope of consolidation							(90)
Change in ownership interest of the parent due to transactions with non-controlling interests							11
Net changes of items other than shareholders' equity	269	670	(5,055)	7,161	3,046	2,320	5,365
Total change in FY2019	269	670	(5,055)	7,161	3,046	2,320	16,937
Balance at December 31, 2019	1,676	683	(72,671)	(24,346)	(94,658)	30,757	343,497

Fiscal year ended December 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2020	96,557	94,456	218,209	(1,823)	407,398
Change in FY2020					
Dividends from surplus			(8,531)		(8,531)
Net income attributable to owners of the parent			13,233		13,233
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares				28	28
Change in scope of equity method			(3,133)		(3,133)
Change in ownership interest of the parent due to transactions with non-controlling interests		12			12
Net changes of items other than shareholders' equity					
Total change in FY2020	—	12	1,569	23	1,605
Balance at December 31, 2020	96,557	94,468	219,778	(1,800)	409,003


(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at January 1, 2020	1,676	683	(72,671)	(24,346)	(94,658)	30,757	343,497
Change in FY2020							
Dividends from surplus							(8,531)
Net income attributable to owners of the parent							13,233
Purchase of treasury shares							(5)
Disposal of treasury shares							28
Change in scope of equity method							(3,133)
Change in ownership interest of the parent due to transactions with non-controlling interests							12
Net changes of items other than shareholders' equity	1,227	1,785	(9,650)	10,784	4,147	2,116	6,262
Total change in FY2020	1,227	1,785	(9,650)	10,784	4,147	2,116	7,868
Balance at December 31, 2020	2,903	2,468	(82,321)	(13,562)	(90,511)	32,873	351,364

	2019	2020
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	34,676	25,102
Depreciation and amortization	33,127	32,581
Amortization of goodwill	99	143
Gain on bargain purchase	—	(1,295)
Increase (decrease) in allowance for doubtful accounts	559	(548)
Increase (decrease) in provision for bonuses	(561)	(124)
Interest and dividends income	(2,834)	(1,679)
Equity in (earnings) losses of affiliates	(2,475)	(771)
Interest expenses	3,724	2,225
Loss (gain) on sales and retirement of non-current assets	997	(2,324)
Impairment loss	3,078	1,251
Loss on business liquidation	—	8,762
Loss (gain) on sales of subsidiaries' and affiliates' securities	(1,308)	—
Decrease (increase) in notes and accounts receivable-trade	(3,054)	10,781
Decrease (increase) in inventories	4,614	10,158
Increase (decrease) in notes and accounts payable-trade	(9,802)	(12,453)
Other, net	(3,543)	(10,847)
Subtotal	57,298	60,963
Interest and dividends income received	4,335	3,249
Interest expenses paid	(3,865)	(2,385)
Income taxes paid	(7,132)	(7,366)
Net cash provided by (used in) operating activities	50,637	54,462
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,685)	(8,024)
Proceeds from withdrawal of time deposits	4,740	4,589
Purchase of property, plant and equipment	(34,042)	(32,719)
Proceeds from sales of property, plant and equipment	1,613	5,895
Purchase of intangible assets	(919)	(1,280)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(1,558)	(2,817)
Proceeds from purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	235	—
Proceeds from sales of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	900	890
Payments for sales of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	—	(16)
Proceeds from sales of subsidiaries' and affiliates' securities	9,508	226
Purchase of investment securities	(350)	(51)
Proceeds from sales and redemption of investment securities	134	352
Payments for transfer of business	(96)	(78)
Other, net	(1,363)	(3)
Net cash provided by (used in) investing activities	(24,884)	(33,037)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(9,383)	(8,866)
Proceeds from long-term loans payable	40,250	42,105
Repayment of long-term loans payable	(63,513)	(35,325)
Proceeds from issuance of bonds	20,000	20,000
Cash dividends paid	(11,849)	(8,531)
Cash dividends paid to non-controlling interests	(767)	(782)
Net decrease (increase) in treasury shares	(1)	23
Purchase of shares and investments in capital of subsidiaries not resulting in change in scope of consolidation	(186)	(114)
Other, net	(1,351)	(2,173)
Net cash provided by (used in) financing activities	(26,799)	6,338
Effect of exchange rate change on cash and cash equivalents	(895)	(3,100)
Net increase (decrease) in cash and cash equivalents	(1,941)	24,663
Cash and cash equivalents at beginning of the period	18,631	16,690
Cash and cash equivalents at end of the period	16,690	41,354

Third-Party Verification

Verification Statement



15 April 2021
Statement No : SGS21/007

Mr. Kaoru Ino
Representative Director, President and CEO
DIC Corporation

Objective
SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by DIC Corporation (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3: 2006 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the assertion"). The objective of this verification is to confirm that the assertion in the Organization's applicable scope has been correctly calculated and reported in the assertion in conformance with the criteria, and to express our views as a third party.

Scope
The scope of verification is Scope 1 and 2 emissions, energy consumption, and Scope3 emissions, amount of water, waste amount, the data of occupational accidents and the data of female managers.
The period subject to report is from 1 January 2020 to 31 December 2020.
Refer to the attached sheet for the detailed scope of verification.

Procedure of Verification
The assertion was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited level of assurance:


- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the assertion: On-site verification and review of vouchers conducted at the Tatebayashi Plant and the KJ Chemicals Corporation Yatsushiro Plant, and analytical procedures and interviews for other sites in the scope of verification carried out at the head office



The criteria for this review are based on "GHG Emissions Calculation and Reporting Manual Ver. 4.7", "the protocol specified by the Organization", "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.3" and Emission Factor Database on the same Accounting Ver. 2.6..

Conclusion
Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's GHG assertion was not calculated and reported in conformance with the criteria.
SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the Organization.

For and on behalf of SGS Japan Inc
Senior Executive & Director
Certification and Business Enhancement

Yuji Takeuchi





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Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

The DIC Group commissioned SGS Japan Inc. to conduct third-party verification of its data for greenhouse gas emissions, discharge of industrial waste and number of occupational accidents (including number of accidents leading to workdays lost).

1908

Established as Kawamura Ink Manufactory

Established by Kijuro Kawamura as Kawamura Ink Manufactory; adopts the dragon as its product trademark and begins manufacturing inks.



Dragon product trademark



DIC's founder, Kijuro Kawamura

1915

Commences production of offset printing inks

Becomes one of the first companies to conduct research in the area of offset printing inks and succeeds in producing a viable product in only one year.

1925

Begins production of organic pigments

Develops production method for organic pigments and begins production for its own use, the first step in its evolution as a fine chemicals manufacturer.

1940

Commences production of water-based gravure inks

Amid wartime restrictions on use of volatile oils, develops water-based gravure inks—one of several achievements that would later facilitate expansion into synthetic resins.

1952

Makes full-scale entry into the synthetic resins business

Establishes Japan Reichhold Chemicals Inc., then the second-largest joint venture with an overseas firm in the history of the Japanese chemicals industry, and makes a full-scale entry into the synthetic resins business.



Reichhold Chemicals' San Francisco plant

1957

Enters the market for helmets and other molded plastic products

Enters the plastic products business with the aim of becoming an integrated manufacturer with operations encompassing production of everything from plastic raw materials to finished products.

1962

Changes Company name to Dainippon Ink and Chemicals

Embarks on a new chapter in its history by absorbing Japan Reichhold Chemicals Inc., and changes Company name to Dainippon Ink and Chemicals Incorporated (DIC).



DIC's previous corporate symbol

1968

Commences sales of the DIC Color Guide®

Launches the DIC Color Guide®, which becomes the de facto standard for color selection in numerous industries, bolstering recognition of the DIC name.



DIC Color Guide®

Promotes expansion of printing inks business

Diversifies operations by building on base in printing inks, organic pigments and synthetic resins

Actively introduces technologies from overseas and promotes further diversification

1973

Establishes the Environment and Safety Response Department

Creates department under the direct supervision of DIC's president to oversee safety and environmental initiatives (today's Responsible Care Department); creates Environment and Safety Management Regulations and Interim Emergency Countermeasures Department and begins promoting decisive efforts, including the implementation of plant safety inspections.

1990

Opens Kawamura Memorial Museum of Art

Located in Sakura, Chiba Prefecture, adjacent to the Central Research Laboratories; established to exhibit works of art collected by DIC and DIC Group companies and now called the Kawamura Memorial DIC Museum of Art.



1995

Declares intention to uphold the principles of Responsible Care

Takes an active role in the Responsible Care movement since the start as one of 74 founding members of the Japan Responsible Care Council (JRCC); reinforces efforts to, among others, reduce negative environmental impact of operations and lower energy consumption.



Responsible Care®

2006

Becomes signatory to the Responsible Care Global Charter

Signs the CEO's Declaration of Support for the Responsible Care Global Charter, established by the International Council of Chemical Associations (ICCA), as befits its status as a member of the global community of fine chemicals manufacturers.



Certification of DIC as signatory to the Responsible Care Global Charter

1970

Enters the multilayered films business

Establishes Crown Zellerbach Packaging Materials Japan Co., Ltd., in a joint venture with Crown Zellerbach Corporation of the United States and Nippon Kakoh Seishi Co., Ltd., and enters the multilayered films business.

1973

Enters the market for LCs

Develops revolutionary high-performance, long-lasting nematic LCs, commencing its evolution into one of the world's foremost manufacturers of LCs.



Nematic LCs

1986

Acquires the graphic arts materials division of Sun Chemical Corporation of the United States

Becomes world's largest manufacturer of printing inks in terms of market share and a leading name in the graphic arts materials business.



Sun Chemical's headquarters

1999

Succeeds in developing 100% soybean oil-based printing ink

Amid rising awareness of environmental issues, develops Japan's first organic solvent-free sheetfed offset ink.

1999

Acquires Coates, the printing inks division of France's TOTALFINA

Establishes presence in India, Central and South America and elsewhere by acquiring the Coates Group from TOTALFINA S.A., France's largest oil company.

2008

Changes Company name to DIC Corporation

Marks centennial anniversary by changing Company name to DIC Corporation and adopting a new corporate symbol.



DIC's new corporate symbol

2009

Establishes DIC Graphics Corporation

In October 2009, establishes a joint venture with Dai Nippon Printing Co., Ltd., subsidiary The Inctec Inc. and integrates its domestic printing inks business with the printing inks business of The Inctec.

2010

Develops groundbreaking series of green pigments for LCD color filters

Develops the G58 series of green pigments for use in color filters for liquid crystal displays (LCDs), which deliver marked increases in brightness and contrast compared with previous products and contribute substantially to reduced energy consumption by LCDs.

2015

Completes reconstruction of corporate headquarters in Nihonbashi

In May 2015, completes the reconstruction of its corporate headquarters—the DIC Building—in Nihonbashi, Tokyo, the role of which was expanded to include oversight of the global DIC Group.



DIC Building

2016

Introduces branding program

Introduces new branding program based on the Group's "Color & Comfort" brand slogan, which sets forth three corporate values, and in October airs a new television advertisement.



Brand advertisement for television advertisement

2017

Enters capital and business alliance with TAIYO HOLDINGS

Concludes capital and business alliance with TAIYO HOLDINGS CO., LTD., one of the world's leading manufacturers of solder resist for printed wiring boards.

2019

Launches DIC111 medium-term management plan

Clarifies strategies for transforming the DIC Group's business portfolio, that is, for building a sophisticated portfolio focused on ESH-related issues and social changes by advancing qualitative reforms in existing core businesses and creating new businesses with the potential to become mainstays.

Seeks to advance globalization of core businesses and diversify into new areas

Takes steps to advance environmental protection and expands global presence

Prepares for a new phase of growth

2007

Launches CSR program

Begins promoting CSR initiatives; identifies fulfilling its responsibilities as a member of society through its business activities and contributing to the evolution of society as the cornerstones of CSR.

2010

Joins United Nations Global Compact

In December 2010, becomes a signatory to the United Nations Global Compact (UNGC), with the aim of maintaining its reputation as a socially responsible corporate entity.



2014

Changes designation to "sustainability"

Clarifies its overall policy of achieving sustainability in a manner that takes into account, among others, the environment, ecosystems and socioeconomic issues, and changes the designation used across its program from "CSR" to "sustainability."



In-house poster promoting sustainability initiatives

2015

Selected for inclusion in the Dow Jones Sustainability Indices (DJSI) Asia Pacific Index

Included for the first time in the DJSI Asia Pacific Index, a global family of indices for socially responsible investing and a benchmark of global sustainability. As of 2020, has been included in the index for six consecutive years.

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

(Contact)

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Sustainability Dept.

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Making it Colorful
Innovation through Compounding
Specialty Solutions



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 **JPX-NIKKEI 400**

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

 **21 COLOR
UNIVERSAL
DESIGN**

 **VEGETABLE
OIL INK**

 **VOC 0**