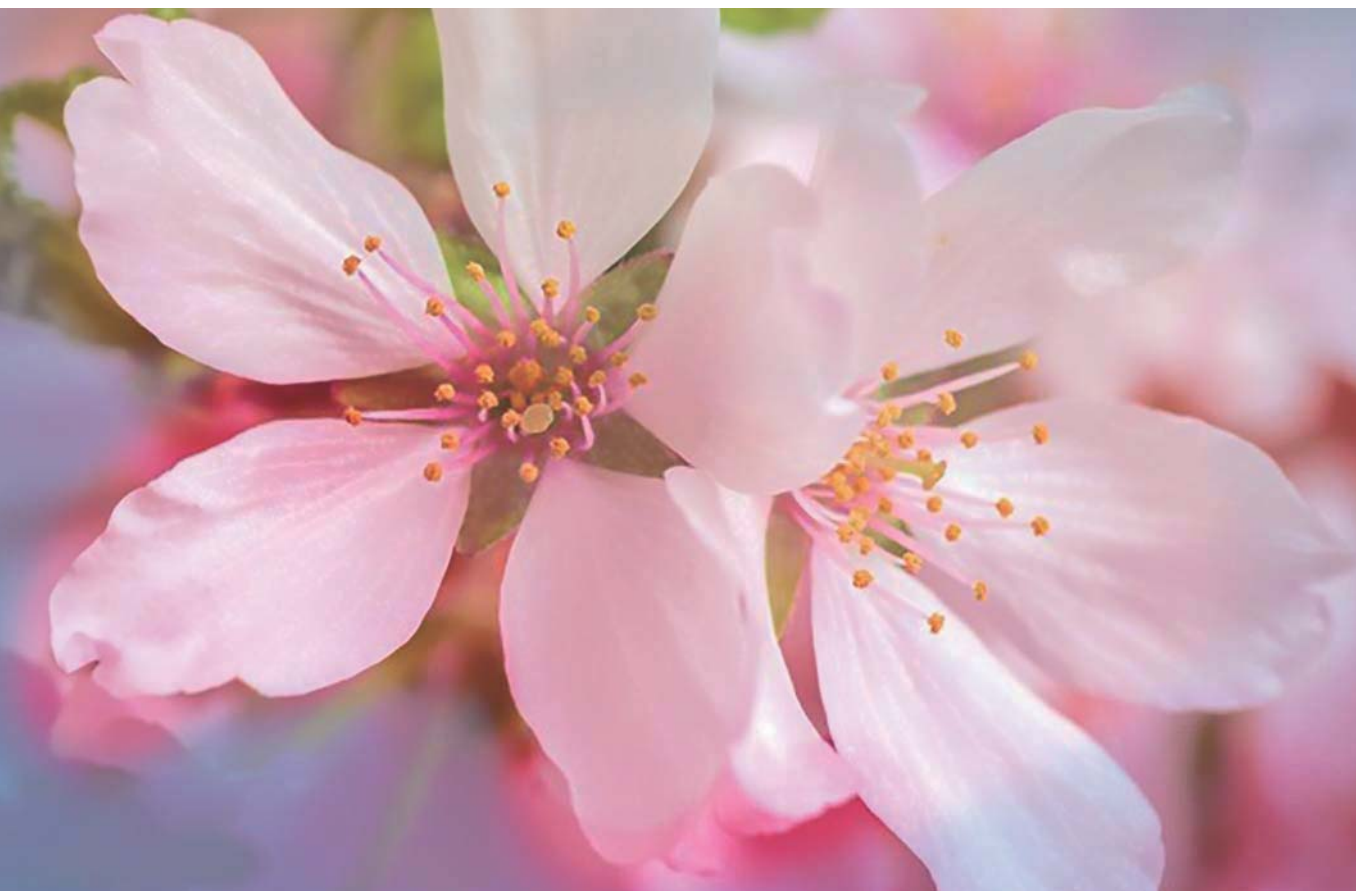


# DIC REPORT 2023

The DIC Group Integrated Report



Complete Version

**DIC Corporation**

"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

We improve the human condition by safely delivering color and comfort for sustainable prosperity — *Color & Comfort*

## 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.\*

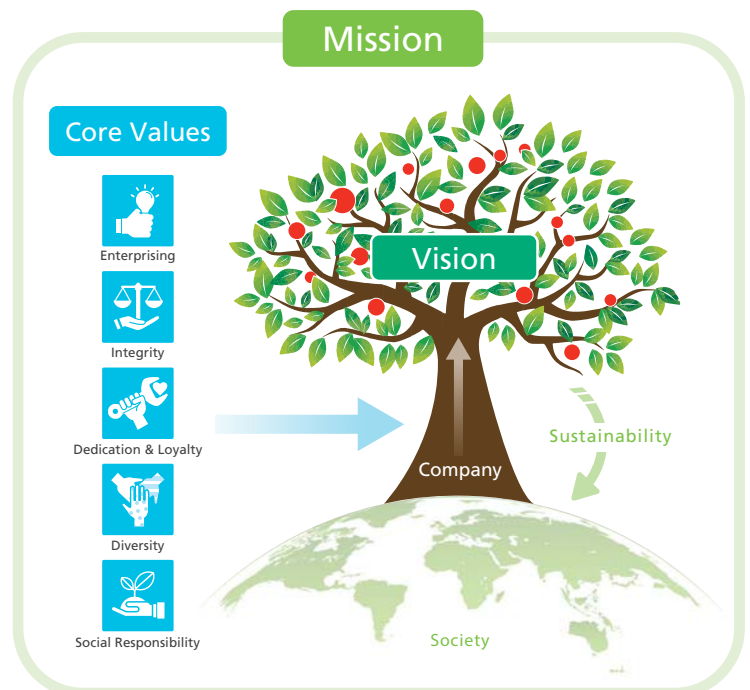
**Integrity:** Be honest, forthright, and ethical in all dealings with customers, suppliers, and coworkers.\*

**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 protect 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  
(complete version)



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

Annual Securities  
Report



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 currently publishes a detailed complete report (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\\_2023.pdf](https://www.dic-global.com/pdf/csr/environment/dic_report_scope_en_2023.pdf)

#### Reporting Period

Fiscal year 2022 (January 1–December 31, 2022)

#### Date of Publication

June 2023 (The next report is scheduled for publication in June 2024.)

#### 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, and Japan's Responsible Care Code.

# Contents

## Value Creation Essentials and Strategies

|   |     |
|---|-----|
| DIC Group Milestones  | 3   |
| A Message from the President  | 5   |
| DIC Vision 2030 Long-Term Management Plan   | 11  |
| The DIC Group's Approach to Value Creation  | 13  |
| Overview of Materiality   | 15  |
| The DIC Group: A Global Powerhouse  | 17  |
| Activities of Regional Headquarters (Sun Chemical, DIC Asia Pacific, DIC (China)) | 18  |
| The DIC Group's Business Portfolio  |     |
| Packaging & Graphic   | 21  |
| Color & Display   | 23  |
| Functional Products   | 25  |
| New Business Development  | 27  |
| <b>Financial and Nonfinancial Information</b>                                     | 28  |
| A Message from the CFO  | 30  |
| 12-Year Summary   | 32  |
| Overview of Sustainability  | 33  |
| A Message from the Head of the ESG Unit   | 35  |
| The DIC Sustainability Index  | 36  |
| New Value Creation  | 37  |
| Sustainable Technology and Product Development                                    | 39  |
| Digital Transformation (DX)   | 42  |
| Harmony with the Community and Social Contributions                               | 44  |
| Communication with Stakeholders   | 47  |
| Environment, Safety and Health (ESH)  | 52  |
| Climate Change  | 86  |
| Quality   | 96  |
| Human Resources Management  | 98  |
| Sustainable Procurement   | 119 |
| Compliance  | 122 |
| Business Continuity Management (BCM) and Crisis Management                        | 124 |
| Information Security  | 127 |
| Corporate Governance  | 128 |
| Risk Management   | 133 |
| Directors, Audit & Supervisory Board Members and Executive Officers               | 134 |
| A Message from an Outside Director  | 136 |
| Financial Report for Fiscal Year 2022   | 137 |
| Consolidated Balance Sheet  | 139 |
| Consolidated Statement of Income/Consolidated Statement of Comprehensive Income   | 141 |
| Consolidated Statement of Changes in Net Assets                                   | 142 |
| Consolidated Statement of Cash Flows  | 143 |
| Third-Party Verification  | 144 |
| DIC Report 2023 and the GRI Standards   | 147 |
| Corporate Data  | 151 |

## Value Creation Cornerstones

## Data



### Cover Design

The cover of this year's DIC Report takes its inspiration from the natural world, employing brightly colored flowers to evoke DIC's redefined vision statement, which expresses the Company's goals of delivering greater value through broader innovation, improving the human condition and promoting sustainability for a brighter future.

# DIC Group Milestones

## 1908

**Established as  
Kawamura Ink  
Manufactory**



Founder Kijuro Kawamura



Dragon product trademark

## 1952

**Makes full-scale entry into the synthetic  
resins business**



Reichhold Chemicals'  
San Francisco plant

## 1968

**Commences sales of the *DIC Color Guide*®**



DICカラーガイド®

## 1957

**Enters the market for helmets and  
other molded plastic products**

## 1970

**Enters the multilayered films business**

## 1915

**Commences production of offset printing inks**

## 1925

**Begins production of organic pigments**

## 1940

**Develops water-based gravure inks**

## 1962

**Changes name to  
Dainippon Ink and  
Chemicals Incorporated  
(DIC)**



Previous corporate symbol

## 1973

**Enters the market for LCs**

## 1973

**Establishes the Environment and Safety  
Response Department**

## 1986

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

Promotes expansion of printing inks business

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

Business Expansion



Printing inks

Offset inks  
Gravure inks  
News inks

Flexo inks  
Packaging adhesives

The power of color

Organic  
pigments

Pigments for printing inks  
Pigments for coatings  
Pigments for plastics

Improved ink performance

Synthetic  
resins



**1990**

Opens Kawamura Memorial Museum of Art

**1995**

Declares intention to uphold the principles of Responsible Care



**1999**

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

**1999**

Succeeds in developing 100% soybean oil-based printing ink

**2007**

Launches CSR program (later changing the designation used across its program to "sustainability")

**2008**

**Changes name to DIC Corporation**



**2008**

Develops groundbreaking series of green pigments for color filters used in liquid crystal displays (LCDs)

**2009**

Establishes DIC Graphics Corporation

**2010**

Joins United Nations Global Compact (UNGC)



**2015**

Completes reconstruction of corporate headquarters building in Nihonbashi, Tokyo



**2015**

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

**2016**

Launches branding program

Brand Slogan

**Color & Comfort**

**2017**

Enters capital and business alliance with TAIYO HOLDINGS CO., LTD.

**2021**

Acquires the Colors & Effects pigments business from BASF SE of Germany

**2022**

Inaugurates DIC Vision 2030 long-term management plan

Leverages M&As to expand global presence and takes steps to advance environmental protection

Prepares for a new phase of growth

Packaging films  
Polystyrene

Jet inks  
Security inks

Packaging & Graphic



Thin-film transistor liquid crystals (TFT LCs)  
Health foods

Pigments for color filters  
Pigments for cosmetics/effect pigments  
Naturally derived pigments

Color & Display



Acrylic resins  
Polyurethane resins  
Epoxy resins

Polyester resins  
Waterborne resins  
Ultraviolet (UV)-curable resins

Polyphenylene sulfide (PPS) compounds  
Industrial adhesive tapes  
Hollow-fiber membranes and modules

Functional Products



## A Message from the President



President & CEO  
DIC Corporation  
**Kaoru Ino**

Beyond Color & Comfort:  
Building a Trusted Chemical Company

## Fiscal Year 2022 Performance

### Though falling high-value-added product shipments hit profit, net sales surpassed ¥1 trillion for the first time in 15 years

In 2022, the ongoing Ukraine crisis fractured the global economy, while the People's Republic of China (PRC) continued to enforce its "Zero-COVID-19" policy, stifling local production as well as local consumption. However, despite the many economic disruptions affecting entire regions around the world, the DIC Group managed to successfully launch its first-ever long-term management plan, DIC Vision 2030, for fiscal years 2022 to 2030.

In fiscal year 2022, the inaugural year of DIC Vision 2030, DIC achieved net sales of ¥1,054.2 billion - up 23.2% year on year - surpassing the one-trillion mark for the first time in 15 years. Major factors influencing our financial results included our highly successful 2021 acquisition of Germany-based BASF Colors & Effects pigments business, and our ability to appropriately reflect increases in energy, logistics and raw materials costs in our product prices. While surpassing ¥1 trillion in net sales is a significant milestone, these results illustrate how DIC Group employees can effectively work together even in harsh economic conditions.

Unfortunately, we did experience a fall in product shipments from July onward due to a fall in nesting demand, deteriorated in a negative rebound from gains ascribed to pandemic-induced stay-at-home lifestyles, notably for some high-value-added products, including pigments for color filters and epoxy resins for semiconductors, reflecting flagging demand for these types of products in some regions.

Due to the ongoing energy crisis and accelerated inflation triggered by the crisis in Ukraine, economic activity throughout the European Union (EU) shrank, especially in Germany. Beginning in October, EU ink and pigment shipments fell. Moreover, the PRC's economic slowdown reduced demand for all products. As a result, we recorded operating income of ¥39.7 billion - down 7.5% year on year — and return on invested capital (ROIC)—a key profitability and investment efficiency indicator—of 3.6%.

Given heightened geopolitical risks, the outlook for the global economy in fiscal year 2023 is increasingly uncertain. However, we currently expect to see a full-fledged market recovery to begin in the second half of the period.

## Revising Our Vision in Response to Climate Change

### While we need the planet, the planet doesn't need us — Inspiring our vision and long-term management plan

I believe that companies must strive to maximize social value (e.g., contributions to sustainability) rather than merely

maximizing financial profits. To realize this ideal, we will increase profitability using a business model that provides a wide range of industries with the high-value-added products needed in a sustainable society. By investing these profits in new businesses, innovative technology development and M&As, while simultaneously sharing these returns with our members, shareholders and other stakeholders we will secure sustainable growth throughout the DIC Group. To that end, we have been working to optimize our business portfolio, promoting initiatives that directly link the pursuit of social benefits that enhance our corporate value.

In recent years, the widely forecasted global warming has progressed far faster than expected—a reminder that while *"human beings need the earth, the earth doesn't need human beings."* The now obviously adverse effects of climate change have made it clear to those with the power to shape society that we must focus on the near future now. Carbon neutrality and recycling—activities capable of both reducing new greenhouse gas emissions and enhancing carbon capture—are required to contribute to sustainability. Companies that are unable to contribute to these efforts will be weeded out.

Given current circumstances, the DIC Group should—performing our role as a global chemical company—proactively convey its capabilities to contribute to sustainability. Until now, DIC has existed as a *"to be"* company, striving to supply vital materials and products to global industries. Moving forward, we must continue the process of transforming the DIC Group into a *"to do"* company that actively delivers solutions to the world's most pressing problems. Furthermore, we will evaluate corporate activities by their contribution to expanding social value, which will in turn lead to expanding financial value. I believe this is our purpose.

Thus, we have revised our previous vision ("Providing color and comfort through chemistry — Color & Comfort by Chemistry") to "We improve the human condition by safely delivering color and comfort for sustainable prosperity — *Color & Comfort*"



Our new "Beyond Chemistry" poster



Though we remain a leading fine chemicals company, we deliberately left out “chemistry” to demonstrate our proactive stance toward solving problems beyond conventional chemistry. We’ve also begun using the phrase, “*Beyond Chemistry*” in our brand communications.

To realize our Vision under our long-term management plan, DIC Vision 2030, we will increase sustainable products as a percentage of net sales from 40% in 2020 to 60% in 2030, as well as reduce annual CO<sub>2</sub> emissions by 50% from 2013 level by 2030.

1

Build a business portfolio that contributes to sustainable prosperity for society

- Promote business portfolio transformation by expanding businesses in growth markets and creating new businesses to build a business portfolio that does not depend on ink
- Expand selection of sustainable products with the aim of contributing to a society that is increasingly green, digital and emphasizes QOL and of enhancing corporate value

Target

**Increase sustainable products as a percentage of net sales to 60% by FY2030**  
(FY2020: 40%)

Contribute to a society that is increasingly

**Green**

- Achieve carbon neutrality
- Realize a circular economy

**Digital**

- Propel the evolution of information and communications
- Drive the evolution of CASE (Connected, Autonomous, Shared and Electric) vehicles and Mobility as a Service (MaaS)
- Promote the development of AI and the Internet of Things (IoT) technologies

**QOL**

- Deliver safety, peace of mind and convenience
- Prolong healthy life expectancy
- Embrace diverse values

2

Help achieve sustainability for the global environment and for society

- Advance sustainability strategies to help realize a carbon-neutral society

Target

**Reduce annual CO<sub>2</sub> emissions by 50% by FY2030**

**DIC NET ZERO 2050**

The DIC Group aims to achieve carbon neutrality—net zero CO<sub>2</sub> emissions—by FY2050 and will seek to reduce CO<sub>2</sub> emissions by 50% from the FY2013 level by FY2030.

DIC Vision 2030 targets

## Business Portfolio Transformation

We are establishing DIC as a solution provider through the qualitative transformation of existing businesses and the creation of new businesses that address social issues.

Since fiscal year 2019, the DIC Group has adopted the following strategies to adapt to social changes and achieve sustainable growth: “Value Transformation,” which focuses on strengthening the Group’s corporate structure through qualitative reforms of businesses, and “New Pillar Creation,” which emphasizes creating new businesses in response to environment, safety and

health (ESH)-related issues and social changes.

In the area of Value Transformation, though DIC remains the world’s leading ink manufacturer, as digitalization reduces newspaper and publishing ink markets, we are shifting the weight of our investments to the expected high-growth market for packaging inks to achieve sustainable growth.

In addition, we are integrating our existing ink, film and adhesive technologies to develop high-performance food packaging that better protects packaged goods, reducing food loss by extending product shelf life. We are increasing our presence as a packaging solution provider.





While one can appreciate the convenience of plastics, marine plastics has recently become a social issue. Thus, we believe single-use plastics should be eliminated due to the damage caused by their disposal. DIC's approach is to build and rapidly adapt for practical use a closed-loop recycling system for polystyrene that leverages a food container collection system operated by a customer and DIC's chemical recycling technology to convert post-consumer polystyrene containers back into styrene monomer, the raw material for polystyrene, that is comparable to virgin styrene monomer. This business is essential to our efforts to promote a circular economy—a business model consistent with our goals to enhance financial profits by enhancing social value.

Conversely, in New Pillar Creation, our Color Materials business unit<sup>\*1</sup> has developed functional black pigments with excellent light detection and ranging (LiDAR)<sup>\*2</sup> responsiveness and color design indispensable for autonomous vehicles. Innovative functional pigments and coating systems that combine these properties help overcome drawbacks of conventional carbon black pigments that absorb signals, attracting the attention of both automakers and paint manufacturers around the world.

As functional black pigments that combine outstanding LiDAR signal response and visual appeal also offer additional heat-shielding

properties, they can contribute to energy-saving measures for various products such as automobiles, construction and machinery. Moreover, the DIC Group is also actively developing a cosmetic pigments business featuring pigments that can be used as the raw materials for lipsticks and eye shadows, together with U.S. subsidiary, Sun Chemical Corporation.

In the field of health care, we have begun to challenge the skincare market as a unique initiative. For example, we have recently developed and commercialized new skin care products using *SACRAM*<sup>™</sup>, a new material with extremely high moisture-retention capacity, secreted by freshwater blue-green algae *Suizenji nori*. In addition to product development, we believe that we can also contribute to the conservation of this endangered algae that grows naturally only in the clear waters of the Kogane River in Fukuoka Prefecture.

We will continue to promote the development of sustainable products with high added value that enhance our corporate value by contributing to a society that is increasingly green, digital and Quality of Life (QOL)-oriented.

<sup>\*1</sup> The Color Materials business unit now manages the Colors & Effects pigments business acquired from Germany-based BASF in 2021.

<sup>\*2</sup> LiDAR is a sensing technology that detects and measures the shape and distance of objects.



Conventional carbon black absorbs LiDAR near-infrared rays, reducing responsiveness.

## Business Portfolio Transformation

Designate and focus the allocation of management resources in five priority business areas that contribute to an increasingly green, digital and QOL-oriented society

### Five priority business areas



Smart living



Sustainable energy



Color science



Healthcare



Sustainable packaging



## Value Transformation

Strengthen corporate structure through qualitative reforms of businesses



## New Pillar Creation

Create new businesses in response to ESH-related issues and social changes

## Our “One Company” Initiatives

### Regional managers gather to share ideas, implementing optimal regional decisions with a global perspective

The DIC Group currently operates a diverse range of businesses in 63 countries and territories, employing approximately 23,000 people at 190 Group companies. DIC must strive to discover new way to work as a global organization to realize our vision under a unified strategy. Until now, DIC Asia Pacific Pte Ltd has focused solely on the Asia-Pacific region, DIC(China) on the PRC and Sun Chemical Corporation, which joined the Group in 1986, on Europe and North America.

However, with global issues such as climate change, human rights, health and the environment becoming ever more pressing issues, we believe it is essential for Group members around the world to function as “One Company” under a unified management strategy.

Our acquisition of the Colors & Effects pigments business was our first meaningful step toward the future. Now, we’re also holding a Management Meeting once every two months, where regional CEOs from each region can exchange ideas. By appointing one DIC Asia Pacific executive officer and two Sun Chemical executive officers as global HQ executive officers, management has created a system in which local business leadership can take responsibility not only for regional headquarters, but also for reforms across the entire Group. We are also working to develop a single global enterprise resource planning (ERP) system for more centralized management so top management in each region can make more appropriate management decisions from a Group-wide perspective.

The CEO of Sun Chemical frequently implores Group members to, “*think globally and act locally.*” Moving forward, we will further accelerate personnel exchanges within the Group to maximize both our social value and financial benefits of the entire Group as “One Company.”



Global Management Meeting

## Promoting Greater Member Cohesion

### To help our members make our vision their own, executives visited sites and engaged members directly

Our ability to achieve the targets of DIC Vision 2030 by fiscal year 2030 will depend on each and every employee's understanding of our vision and strategies with a sense of ownership. To that end, we believe that it is vital to conduct direct dialogue from the same point of view, rather than a top-down approach.

Thus, between the fiscal years 2021 and 2022, key executives, including myself, held town hall meetings at local offices. Visiting many business sites, we explained our thoughts and our message, exchanging ideas in frank Q&A sessions. I had planned to visit offices outside Japan as well, however, unable to travel due to COVID-19 restrictions, we instead held remote meetings in the PRC, the Asia-Pacific region, Europe and the United States.



Exchanging ideas and answering young employees' questions about DIC Vision 2030

Though this was the first time we introduced this approach, a member from one of our manufacturing sites asked me, “Should we take it upon ourselves to bring up issues such as the high environmental impact of the effluent from electronics-related resins production?” And the the question itself seems to indicate that this person understands the new approach.

I was inspired by the many enthusiastic opinions expressed. For example, a participant from Sun Chemical commented, “Overall, I think it's a good management plan. I particularly agree with the point of becoming a leading company in sustainable packaging, and I would like to work on it myself.” A participant from DIC Asia Pacific noted, “Asian markets are growing, and I believe that our long-term business plan will definitely succeed. While I feel like we are lagging behind Europe and the United States in terms of sustainability, I know we will do our best.” A participant from DIC(China) stated, “I agree with the notion of promoting strategies from a long-term perspective. The pace of change in the PRC is rapid, so we should move ahead with things that can be brought forward. And we need active support to do so.”

## Strengthening Human Resource Management

**Focusing on systems and operations that make our people truly happy to be DIC Group members, multiplying the benefits of work satisfaction and productivity.**

Put simply, we want to make DIC a company where our people are truly proud and happy to be. This is one of the most important DIC Vision 2030 strategies. Through Group-wide talent management, we will proactively generate social value by improving both job satisfaction and productivity. To this end, we are maximizing investments in human resource development, work environment improvements, and personnel system reforms. By simultaneously enhancing both job satisfaction and productivity, we can generate enhanced social value.

In 2020, we launched the Work Style Revolution 2020 (WSR2020) initiative in Japan. Here, we established three committees charged with job satisfaction reforms, workplace reforms, and process reforms, taking on the challenge of creating work styles more suited for a digital society.



Ideas flow on the corporate headquarters' new "active floor"

## To Our Stakeholders

**As we strive to become a unique global company that is trusted by society, DIC Group members are working together to enhance our social value**

When tapped to serve as president in 2018, I was inspired to think more deeply about what kind of company DIC should become, how to best demonstrate the Group's unique features and the direction in which we should proceed. This was my first job as the DIC Group skipper. Here, I introduced the phrase, "becoming a unique global company that is trusted by society."

Initially established as a manufacturer of printing inks over one hundred years ago, DIC has grown into a global company providing chemical materials and products to a wide range of industrial fields, including automobiles, electronics equipment, food, and construction, by successfully leveraging our impressive technical know-how to develop many new derivative

In February 2023, we established an "active floor" at our corporate headquarters in Tokyo that supports some of the autonomous working styles attracting recent attention, as a response to member telling us that office spaces that make people want to gather were needed.

Having experienced the advantages of unexpected insight from random conversations—even with those working in different departments—and being surrounded by opportunities for inspiration, I continue to value conventional office spaces. However, I also see the need for a new office space more readily adaptable for diverse needs. Although we are still experimenting with the concept, we hope that our members will be able to appropriately combine remote work and office work, according to their lifestyles, and fully utilize the functions of our new office. We aim to enhance work styles, and will continue promoting work style reforms as well as work environment improvements as a driving force for creating new innovations.

technologies from the development and manufacturing of inks. Moreover, our technological prowess in the area of color continue to provide social value, offering something no other chemical company in the world can match.

As DIC seeks to become trusted by society—including all stakeholders—where members are proud to say, "We can do it because we are DIC" and "Our company is indispensable to society." With that in mind, we seek to incorporate the phrase, "becoming a unique global company that is trusted by society" in our long-term management plan.

Most recently characterized by increasing uncertainty, the current global economy inspires us to reconsider the preciousness of a peaceful, prosperous and sustainable world—and perhaps most urgently, the importance of doing the right thing, in the right way. The DIC Group will continue to view striving sustainable growth to enhance its social value as the driving force behind its sustainable growth initiatives.

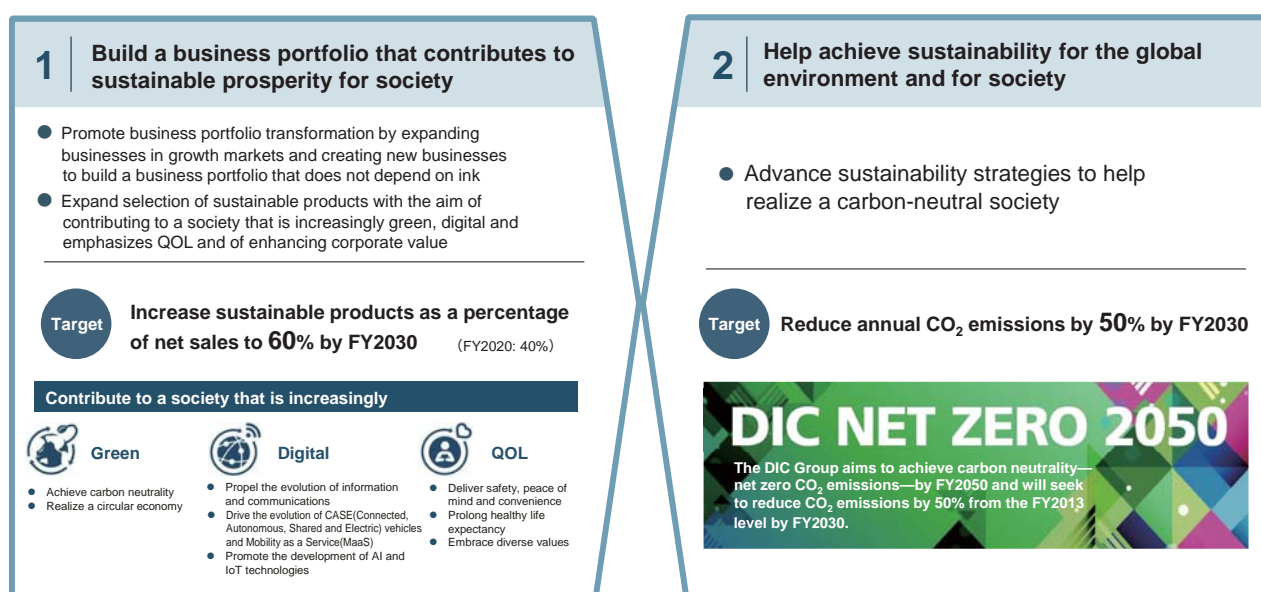
# DIC Vision 2030 Long-Term Management Plan

In fiscal year 2022, DIC introduced a redefined vision statement, “We improve the human condition by delivering safely color and comfort for sustainable prosperity—*Color & Comfort*,” and launched a new long-term management plan, DIC Vision 2030, which will guide the DIC Group through fiscal year 2030.

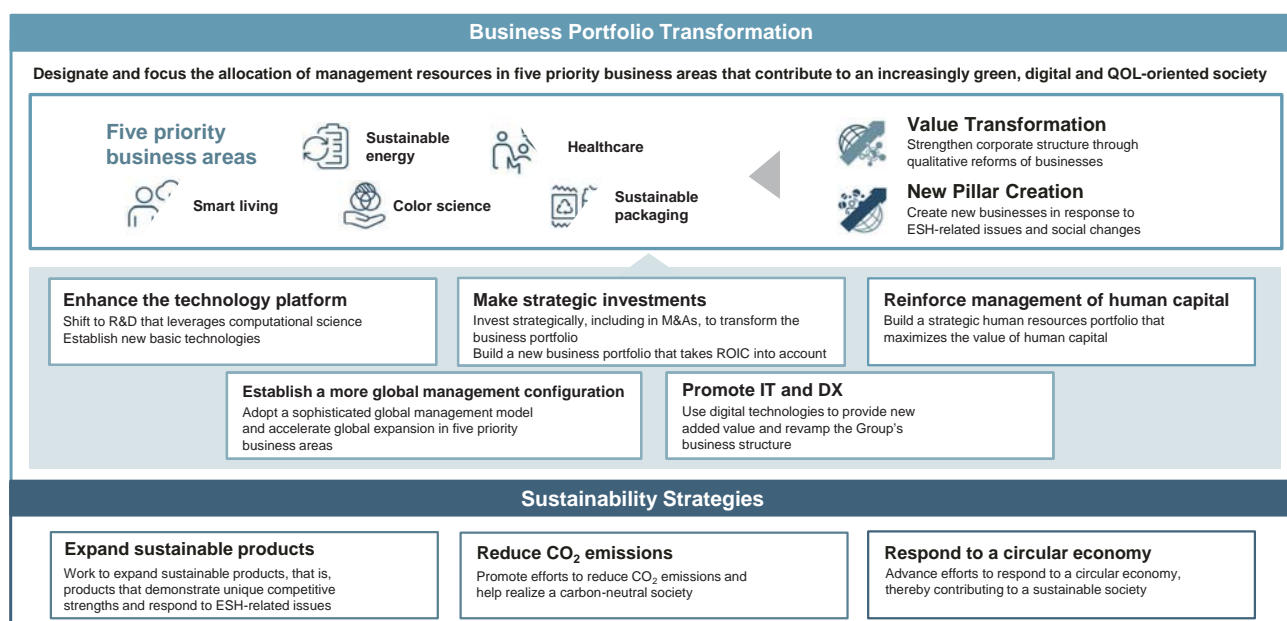
## Basic Policy

Safely delivering Color & Comfort for sustainable prosperity to enhance shareholder value  
and long-term corporate value  
—Establishing a business portfolio beyond ink products and implementing carbon neutrality initiatives—

## DIC in the Future



## Basic Strategies










## Business Portfolio Transformation

- Identify and concentrate allocation of management resources in five priority business areas in which DIC can make important contributions to a society that is increasingly green, digital and QOL-oriented
- Based on market growth potential and degree of impact on society, identify five priority business areas at the intersection of ESH-related issues and DIC's competitive strengths
  - ▶ Sustainable energy ▶ Healthcare ▶ Smart living ▶ Color science ▶ Sustainable packaging
- Establish sustainable energy and healthcare as new business pillars
- Promote Value Transformation in smart living, color science and sustainable packaging to make these businesses more sustainable

### Business Portfolio Transformation: Five Priority Business Areas

|  |   |   |
|--|---|---|
| <p><b>Sustainable energy</b></p> <ul style="list-style-type: none"> <li>● Specialty materials that contribute to the realization of the high-performance secondary batteries and fuel cells crucial to an electrified/hydrogen-powered society</li> </ul> <p>e.g.   Materials for secondary batteries and fuel cells<br/>Functional inorganic fillers</p>   | <p><b>Healthcare</b></p> <ul style="list-style-type: none"> <li>● High-performance nutritional supplements that support the health of people of all ages</li> <li>● Healthcare-related products and services that deliver safety, peace of mind and comfort, contributing to a future in which people enjoy an improved QOL</li> </ul> <p>e.g.   High-performance nutritional products<br/>Natural skincare materials</p>    |   |
| <p><b>Smart living</b></p> <ul style="list-style-type: none"> <li>● High-performance materials and solutions that contribute to the realization of a sustainable society that coexists with a healthy global environment</li> <li>● Chemical solutions for modern lives that have evolved and improved thanks to digitalization</li> </ul> <p>e.g.   Materials for 5G/6G-enabled devices, resins for next-generation semiconductors, bonding solutions for heterogeneous materials</p>  | <p><b>Color science</b></p> <ul style="list-style-type: none"> <li>● Color that is sustainable and ecologically sound</li> <li>● Products with outstanding decorative properties that facilitate the creation of comfortable spaces</li> <li>● Functional materials that leverage dyeing technologies to deliver convenience, satisfaction, safety and peace of mind</li> </ul> <p>e.g.   Functional pigments (for LiDAR signal coatings, and heat-blocking coatings), biomass pigments, natural colorants for cosmetics</p>  | <p><b>Sustainable packaging</b></p> <ul style="list-style-type: none"> <li>● Materials that ensure tastier, more enjoyable and safer merchandise reaches consumers</li> <li>● Materials that deliver safety, peace of mind and convenience, as well as help reduce food loss</li> <li>● Product design that contributes to a circular economy, i.e., is conducive to recycling and uses plant-derived and renewable raw materials</li> </ul> <p>e.g.   Materials with outstanding barrier properties, biomass packaging, recycling systems (chemical recycling, material recycling)</p>  |

### Five Strategies to Transform DIC's Business Portfolio

|   |   |
|---|---|
| Reinforce management of human capital                   | <ul style="list-style-type: none"> <li>● Build a strategic human resources portfolio that maximizes the value of human capital</li> </ul>   |
| Make strategic investments                              | <ul style="list-style-type: none"> <li>● Invest strategically, including in M&amp;As, to transform the business portfolio</li> <li>● Build a new business portfolio that takes ROIC into account</li> </ul> |
| Enhance the technology platform                         | <ul style="list-style-type: none"> <li>● Shift to R&amp;D that leverages computational science</li> <li>● Establish new basic technologies</li> </ul>   |
| Establish a more robust global management configuration | <ul style="list-style-type: none"> <li>● Adopt a sophisticated global management model and accelerate global expansion in five priority business areas</li> </ul>   |
| Promote IT and DX                                       | <ul style="list-style-type: none"> <li>● Use digital technologies to provide new added value and revamp the Group's business structure</li> </ul>   |

# The DIC Group's Approach to Value Creation

## Delivering Color & Comfort

Management capital (Inputs)

Foundation for corporate activities

### One Company

*Think Globally, Act Locally*

#### DIC's competitive strengths (Sources of value)

##### Ability to realize new products

Product development that leverages ability to combine multiple technologies  
(Enjoys a leading share of the global markets for printing inks, pigments and PPS resins)

##### Ability to propose solutions

Proposals that help resolve social imperatives  
(Responds to customer needs by capitalizing on specialized technological know-how)

##### Technological foundation

Existing basic technologies: Optics and color, organic materials design, polymer design, dispersion, applicability assessment  
New basic technologies: Biomaterials design, inorganic materials design

##### Global operating foundation

Resources and a network that span the globe  
Extensive presence encompassing diverse regions, cultures and human resources

##### Intellectual capital

Patents held: 16,000

##### Social capital

190 Group companies in  
63 countries and territories

##### Natural capital

Fresh water withdrawn: 54,608,000 m<sup>3</sup>  
Energy consumed: 14,569,000 GJ

##### Human capital

22,743 employees

##### Manufacturing capital

Annual capital  
investment: ¥49.5 billion

##### Social capital

Cooperation with stakeholders  
and communities

#### The DIC Way

Core values: Enterprising, integrity, dedication & loyalty, diversity and social responsibility

This chart represents how the DIC Group is creating new value with the goal of achieving sustainable growth. The Group is leveraging its competitive strengths, including its human and social capital, to expand its operations in priority business areas by promoting sustainability strategies in line with DIC Vision 2030. Operating as "One Company," that is, as a single, cohesive corporate entity, the Group aims to contribute to a society that is increasingly green, digital and QOL-oriented, while at the same time expanding its global presence, including in Asia, Europe and the Americas.

Evolution into the organization  
envisioned in DIC Vision 2030

Portfolio transformation

Resolution of social  
imperatives (Outputs)

## Value Transformation

Strengthen corporate structure through qualitative reforms of businesses

### DIC Vision 2030

#### Sustainability strategies

- Expand sustainable products
- Reduce CO<sub>2</sub> emissions
- Respond to a circular economy

#### DIC NET ZERO 2050

DICグループは、「2030年度50%削減（2013年度比）」  
「2050年度カーボンネットゼロ」の実現を目指します。

#### Five strategies supporting transformation of the DIC Group's business portfolio

- Enhance the technology platform
- Establish a more robust global management configuration
- Reinforce management of human capital
- Make strategic investments
- Promote IT and DX

### Five priority business areas

#### Sustainable energy



#### Healthcare



#### Smart living



#### Color science



#### Sustainable packaging



#### A society that is increasingly green

- Achieve carbon neutrality
- Realize a circular economy



#### A society that is increasingly digital

- Propel the evolution of information and communications
- Drive the evolution of CASE vehicles and MaaS
- Promote the development of AI and IoT technologies



#### A society that is increasingly QOL-oriented

- Deliver safety, peace of mind and convenience
- Prolong healthy life expectancy
- Embrace diverse values

## New Pillar Creation

Create new businesses in response to ESH-related issues and social changes

# Overview of Materiality

## Material Issues and Related Initiatives

|  |  |
|--|--|
| <p><b>1</b> Transformation to a business portfolio that contributes to sustainable prosperity for society</p> <p><b>Shift to a business portfolio focused on five priority business areas that deliver social value.</b></p> <p>(Focus on the five priority business areas set forth in DIC Vision 2030.)<br/>(For more information, please see pages 3–4, 7–8, 11–12 and 36–38.)</p>  | <p><b>2</b> Contribution to the realization of carbon neutrality</p> <p><b>Advance CO<sub>2</sub> emission reductions in the market and provide products and services that contribute to decarbonization.</b></p> <p>(Work to reduce Scope 1 and 2 CO<sub>2</sub> emissions and to lower product carbon footprint.)<br/>(For more information, please see pages 86–95 and 119–121.)</p>  |
| <p><b>3</b> Creation of new businesses with the potential to become mainstays</p> <p><b>Ensure a better future for people's lives and the environment and realize greater social benefits that enhance shareholder value.</b></p> <p>(Identify areas at the intersection of ESH-related issues and social changes and the DIC Group's core competencies and foster new businesses.)<br/>(For more information, please see pages 27 and 37–38.)</p> | <p><b>4</b> Promotion of efforts to maximize the value of human capital</p> <p><b>Build a strategic human resources portfolio that maximizes the value of human capital through medium- to long-term efforts to foster human resources.</b></p> <p>(Ensure mobility, improve engagement and organizational cohesiveness, and encourage ongoing efforts to increase diversity and reform work styles.)<br/>(For more information, please see pages 10 and 98–118.)</p>  |
| <p><b>5</b> Establishment of a more robust global management configuration</p> <p><b>Accelerate global expansion in priority business areas.</b></p> <p>(Advance global management governance, foster and strengthen management personnel, and create a global ERP system.)<br/>(For more information, please see pages 17–27.)</p>  | <p><b>6</b> Promotion of DX</p> <p><b>Leverage digital technologies and data to provide new added value and strengthen the DIC Group's business structure.</b></p> <p>(Innovate business processes, work styles and business models, and revamp the DIC Group's corporate culture and business structure.)<br/>(For more information, please see pages 31 and 41–43.)</p>  |
| <p><b>7</b> Response to a circular economy</p> <p><b>Contribute to the realization of a waste-free society that does not depend on resource consumption as part of a greater global effort to address climate change.</b></p> <p>(Foster products that help reduce CO<sub>2</sub> emissions in categories 1 and 12 of Scope 3, and advance chemical and material recycling.)<br/>(For more information, please see pages 22, 39–41 and 68–72.)</p> | <p><b>8</b> Creation of a sustainable supply chain</p> <p><b>Encourage responsible procurement that takes into account global human rights issues, as well as environmental issues such as climate change and water risk.</b></p> <p>(Promote awareness of the current status of raw materials and appropriate responses to country risk and various supply disruption risks, and to issues regarding environmental soundness.)<br/>(For more information, please see pages 43, 93–94, 111 and 119–121.)</p> |

## Identifying Material Issues

|  |   |  |
|--|---|--|
|  | <b>Step 1</b> Abstract issues                         | The DIC Group abstracts issues, referencing the GRI's G4 Sustainability Reporting Guidelines and items weighted by environmental, social and governance (ESG) assessment organizations, and considering issues delineated in DIC Vision 2030 and The DIC Way, as well as social imperatives. |
|  | <b>Step 2</b> Assess materiality                      | Abstracted issues are examined by relevant internal departments.   |
|  | <b>Step 3</b> Reflect perspectives of outside experts | Abstracted issues are discussed with objective outside experts, whose views are reflected.   |
|  | <b>Step 4</b> Identify material issues                | A proposal is prepared by the secretariat for discussion by the Sustainability Committee, which is responsible for the implementation of concrete strategies.  |
|  | <b>Step 5</b> Present to management team/debate       | Issues identified as material are submitted to the Sustainability Committee for deliberation.  |
|  | <b>Step 6</b> Finalize                                | Material issues are approved and finalized.  |



## ■ Active Development of Businesses that Contribute to Sustainability

In fiscal year 2021, the Colors & Effects pigments business joined the DIC Group, further reinforcing the Group's diverse human resources portfolio and global network. Backed by a stable global management framework that capitalizes on these competitive strengths, Group employees around the world are working to help address global social imperatives such as climate change and marine plastics, establishing the Group's reputation as a provider of solutions, in line with its fundamental objective of evolving as a unique global company that is trusted by society.

## ■ Introduction of Electric Power Generated Using Renewable Energy

In fiscal year 2022, the DIC Group's 36 sites in Japan, which include corporate headquarters, branches, plants and a research laboratory, resolved to introduce green power, that is, purchased electric power generated using renewable energy, as well as to introduce Green Power Certificates and Non-Fossil Certificates, all of which are recognized as having environmental value in terms of reduced CO<sub>2</sub> emissions. DIC's corporate headquarters completed its switch to electric power generated using renewable energy in November 2022. Other sites began changing over in April 2023. The Group expects this to support a reduction in annual CO<sub>2</sub> emissions of approximately 77,000 tonnes, equivalent to roughly 38% of CO<sub>2</sub> emissions (Scope 1 and 2) from its sites in Japan.

The DIC Group aims to achieve carbon neutrality by fiscal year 2050. To this end, the Group will continue working actively to reduce its CO<sub>2</sub> emissions by installing energy-saving equipment, undertaking energy-saving initiatives and employing renewable energy at suitable sites.

## ■ Development of Waterborne Anode Binder for LiBs

In the period under review, DIC announced the development of *WATERSOL*<sup>®</sup>-LB, a waterborne anode binder for lithium-ion batteries (LiBs). As a waterborne product with a low environmental impact, *WATERSOL*<sup>®</sup>-LB helps prolong battery life by, among others, suppressing expansion and ensuring low internal resistance.

Going forward, the Company will continue contributing to sustainable prosperity for society through the development and provision of sustainable products that respond to social imperatives by helping decrease energy consumption and environmental impact.

## ■ Building of a Globally Optimized Digital SCM Platform

DIC recently built a digital supply chain management (SCM) platform that leverages advanced digital technologies to optimize supply chains in its core businesses. Plans are to initially introduce the new platform in certain markets and sectors of the color materials and performance materials businesses and to achieve full deployment worldwide by fiscal year 2025. This digital SCM platform will facilitate the elimination of structural and regional boundaries in supply chains and secure the organizational capabilities necessary to grow businesses on a global scale. Use of the platform to analyze potential demand fluctuations from multiple perspectives will also elevate services for customers, as well as the DIC Group's ability to respond to emerging needs, thereby driving the further improvement of customer value.

## ■ Exploration of the Production of Biomass Polystyrene

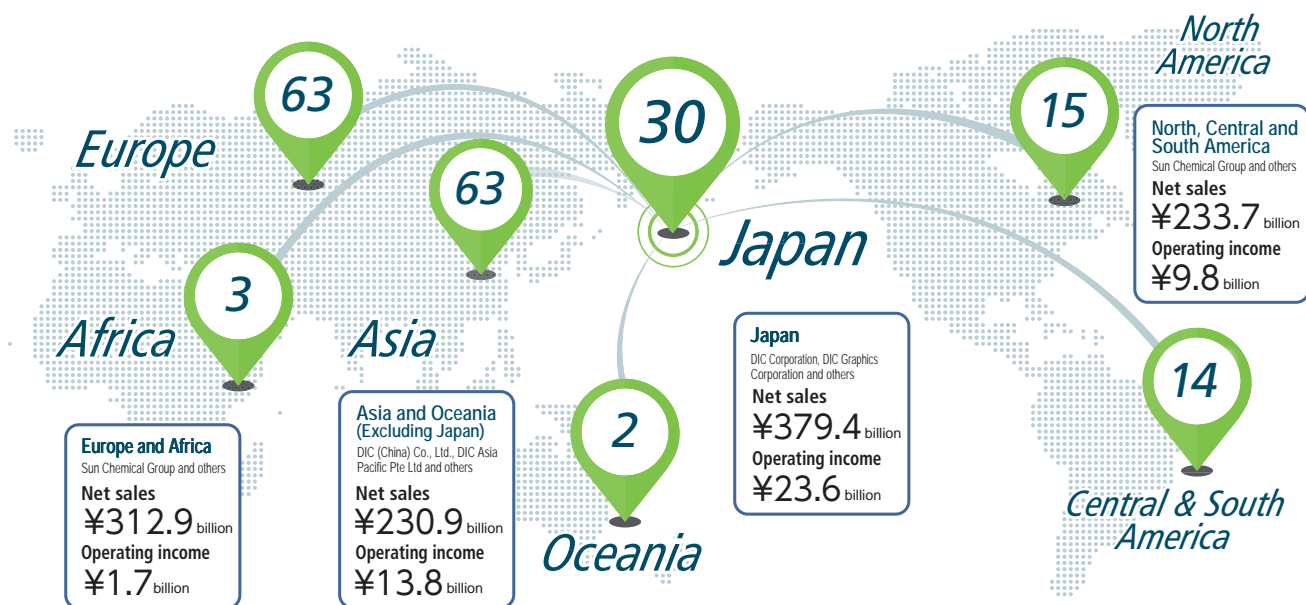
DIC reached an agreement with Idemitsu Kosan Co., Ltd., to build a new biomass plastics supply chain, as well as to begin exploring the production of biomass polystyrene. Both DIC and Idemitsu Kosan recognize stepping up efforts to address climate change and advancing the sustainable, circular use of resources as key management responsibilities, prompting the decision to explore production of low environmental impact polystyrene. The two companies have agreed on a basic policy of contributing to the reduction of CO<sub>2</sub> emissions in the plastics industry for the new supply chain they will build. Through this partnership, the two companies will continue to strengthen their cooperation with customers and suppliers, with the goal of ensuring the new supply chain's carbon neutrality and contributing to a circular economy.

## Other Management Issues

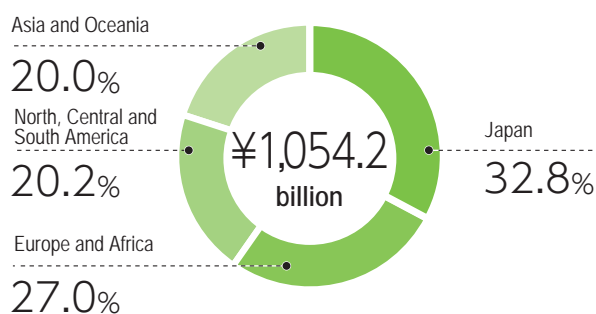
In the process of identifying material issues, the DIC Group also recognized the following as issues with the potential to significantly impact its management. The Group will continue working to address/strengthen its response to these issues through its business activities.

|                          |  |
|--------------------------|--|
| Environmental            | Product stewardship, reduction of environmental impact, intellectual property strategies   |
| Environmental and social | Strengthening of partnerships  |
| Social                   | Communication with customers and markets, contribution to local communities, response to pandemics   |
| Governance               | Ability to optimize capital efficiency, business continuity, political and geopolitical change, information security, response to tax-related risks, response to currency fluctuations |
| Other                    | Ability to help realize colorful and comfortable lifestyles  |

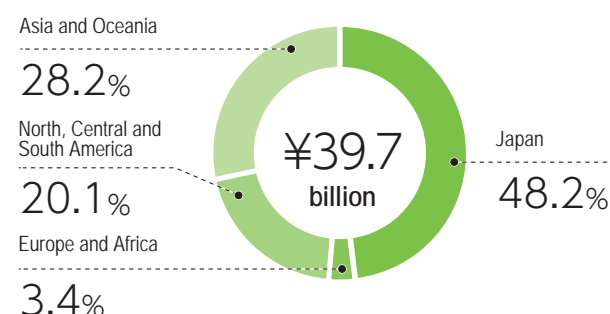
# The DIC Group: A Global Powerhouse



Breakdown of Fiscal Year 2022 Net Sales by Region

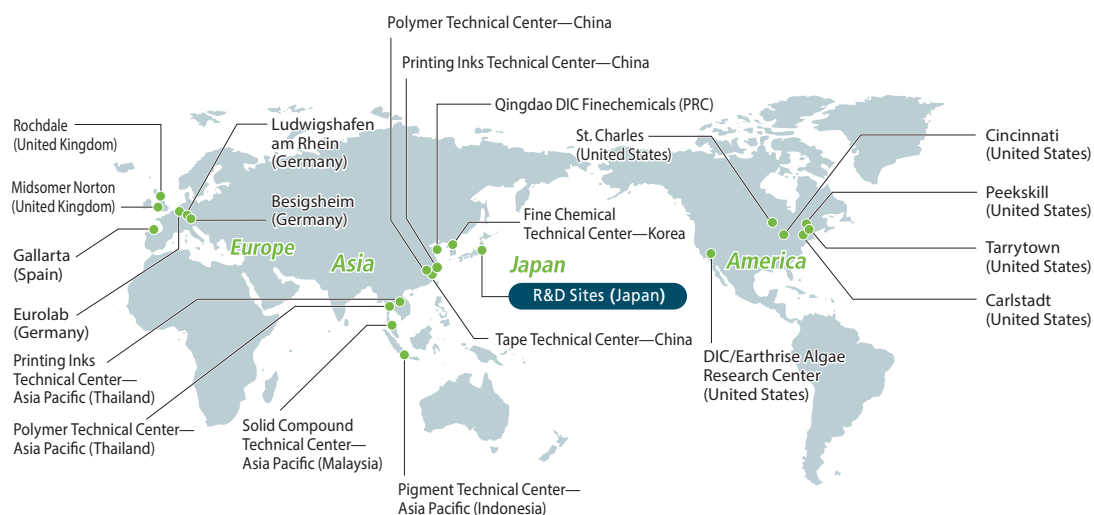


Breakdown of Fiscal Year 2022 Operating Income by Region



Note: Operating income as used here includes eliminations (approximately ¥9.2 billion). Accordingly, these percentages do not represent shares of reported operating income.

## Principal Group R&D Sites Outside Japan



# Advancing DIC Vision 2030: Sun Chemical's Activities



Collaborating and cooperating with colleagues to make progress toward addressing climate change and social imperatives

**Myron Petruch**

President and CEO  
Sun Chemical Corporation

## ■ Realizing a Sustainable Society through the Achievement of a Significant Reduction in Greenhouse Gas Emissions

Validated by the Science Based Targets initiative (SBTi),\* Sun Chemical is committed to: (1) reducing greenhouse gas emissions 27.5% by 2030 relative to the 2019 base year, (2) lowering greenhouse gas emissions from capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations and end-of-life treatment of sold products 13.5% by 2030 from the 2019 base year, and (3) working so that 80% of its suppliers by spend, covering purchased goods and services, will have science-based targets by 2027.

The DIC Group has set a target of reducing CO<sub>2</sub> emissions (Scope 1 and 2) by 50% from the fiscal year 2013 level by fiscal year 2030 and of achieving carbon neutrality by fiscal year 2050. This will be accomplished by transitioning to green power—including both purchased and generated on-site—and advancing fossil fuel reductions, mainly through energy-efficiency improvements.

\* The SBTi is a partnership that encourages companies to set science-based greenhouse gas emissions reduction targets that are in line with the goal of the Paris Agreement.

## ■ Strengthening Development of Sustainable Products Based on DIC Vision 2030

Sustainable product development at Sun Chemical is defined as the design of products or processes that reduce greenhouse gas emissions related to climate change, conserve virgin resources and/or lower the accumulation of waste compared to conventional products or processes they replace. In line with DIC Vision 2030, Sun Chemical uses the “5Rs” (reuse, reduce, renew, recycle and redesign) to align its sustainability practices through product development and supplier collaborations. These approaches span all our business units—inks, coatings, adhesives, color materials and advanced materials—and guide the way we develop, manufacture and distribute products.

To further strengthen sustainable product development, Sun Chemical utilizes EcoVadis,\* a third-party provider of sustainability ratings, to score its suppliers. More than 71% of suppliers (by addressable spend) are now on the EcoVadis platform. Sun Chemical requires its suppliers to address any deficiencies identified by EcoVadis.

\* EcoVadis SAS is a French company that evaluates the supply chain sustainability of companies in 160 countries.



## ■ Further Expanding the Scope of Efforts to Address Social Imperatives as a Market Leader

Sustainability is nothing new at Sun Chemical. For over a decade, Sun Chemical has shown its commitment and market leadership. With a cohesive strategy focused on operations, products and services, and collaboration, as well as an organizational framework positioned around the 5Rs approach, Sun Chemical has continued to strengthen its message and advance its portfolio of enabling solutions in the marketplace to be the clear sustainability partner of choice.

## ■ Sharing Ideas and Working Together Closely as “One Company”

Sun Chemical's actions in sustainability also allow for furthering the idea of “One Company” throughout the DIC Group. Sharing ideas across regions and collaborating on projects are a way to highlight the commitment to global sustainability and local diversity. Through this approach, both Sun Chemical and the overall DIC Group are stronger as an organization.

# Advancing DIC Vision 2030: DIC Asia Pacific's Activities



Leading the market by becoming a one-stop provider of products and services based on the concept of sustainability

Paul Koek  
Managing Director  
DIC Asia Pacific Pte Ltd

## ■ Focusing on Business Efficiency and Digitalization amid Turbulence

In 2022, the Asia-Pacific region faced a “perfect storm” of challenges, including the global supply chain disruptions, high raw materials costs, armed conflict and high energy costs, coupled with high interest costs, weak Asian currencies and inflation, all acting in concert to significantly impact consumers’ buying power. To address these challenges, DIC Asia Pacific focused on managing process efficiencies, driving business synergies, improving the product portfolio and streamlining business activities. Additionally, we continued with digitalization initiatives, further driving both standardization and consolidation of business processes and introduced customer relationship management (CRM) systems across all regional entities. We will continue to promote the use of IT and digitalization/automation to support business visualization, as well as to enhance the accessibility of information to drive the growth of our businesses.

## ■ Fostering a Culture of Sustainability and Transforming Our Business Portfolio

Our business portfolio has undergone a significant transformation toward sustainability. Expanded sales of sustainable products, such as functional coatings and barrier adhesives, are prime examples. This reflects our efforts to analyze market trends, respond to customers’ needs, promptly address environmental regulations established by the French government and swiftly introduce mineral oil-free offset inks.

By incorporating sustainable practices into business operations in this way, the overall sustainability of society is enhanced. One of our top priorities is to work closely with our staff to provide better education on sustainable products. This will create a culture of sustainability within the organization, reduce our environmental footprint, and enhance our competitiveness in the market.



## ■ Decarbonizing Manufacturing for a Better Future for the Planet and Society

DIC Asia Pacific has taken significant steps toward reducing its carbon footprint in the region. Specifically, we are managing CO<sub>2</sub> emissions and have implemented a comprehensive plan across all regional entities.

Our factories have made concerted efforts to reduce fuel/diesel oil usage by replacing equipment and machines with electric alternatives, adopting new technologies to manage electricity use better and improving waste management procedures. Additionally, we are exploring automation in production to reduce CO<sub>2</sub> emissions further, and introducing the use of solar to run some of the factory operations. We will continue to accelerate our decarbonization efforts with the aim of ensuring a better future for us and for the environment.

## ■ Maximizing DIC Group Synergies as “One Company”

The Asia-Pacific region is highly competitive, and customers here are primarily concerned with prices. As a result, sustainability goals have been put on the back burner. However, at DIC Asia Pacific, we see this as an opportunity to expand our operations and believe that improving our range of sustainable products and services and deepening our consulting activities, technical services and solutions will increase our competitiveness and add value to our products.

To this end, at DIC Asia Pacific, we recognize the importance of sustainable development and will prioritize programs and processes that will reduce greenhouse gas emissions, minimize waste, conserve energy and water, and promote renewable resources. We will continue to accelerate these initiatives and deepen cooperation not only in the Asia-Pacific region but also with our colleagues in the Americas, Europe and Greater China, as well as with corporate headquarters in Japan, with the aim of maximizing Group synergies as “One Company” and driving sustainable growth.



# Advancing DIC Vision 2030: DIC (China)'s Activities



Charting dramatic progress by focusing on R&D capabilities and sustainability strategies

Mao Jianwei

General Manager  
DIC (China) Co., Ltd.

## ■ Fortifying R&D to Drive Business Portfolio Transformation

As the entry of foreign-affiliated firms into the PRC and the rapid emergence of privately operated local companies have spurred fierce market competition, cutting-edge product development and technological innovation in the local market have become increasingly indispensable for a company to establish a position as an industry leader. We have seen an increasing number of global chemicals companies establish R&D bases here, as well as invest in local technological development capabilities. Against this backdrop, in 1996 DIC's management at the time had the foresight to set up Qingdao DIC Finechemicals Co., Ltd., the PRC's first foreign-affiliated R&D facility in the chemicals field. In recent years, we also established the Polymer Technical Center-China; the Printing Inks Technical Center-China, the PPS compounds technical service center and the Tape Technical Center-China. In 2022, the number of employees engaged in technological development surpassed 200. The focus of their efforts has also evolved from the in-house production of offerings developed overseas to the development of original products tailored to the needs of the domestic market.



## ■ Enhancing Our Operating Foundation by Making Strategic Investments and Promoting DX

In July 2022, the DIC Group acquired Guangdong TOD New Materials Co., Ltd. (TODNM). The purpose of this move was to boost its local production capacity for waterborne coating resins, as well as to further reinforce its product development capabilities, and support efforts to expand its local synthetic resins business in the PRC. The technologies of TODNM—since renamed Guangdong DIC TOD Resins Co., Ltd. (TOD)—complement the DIC Group's existing technologies, positioning us well to supply a broad range of customers with resins that both help reduce environmental impact and add functionality. The acquisition also further strengthened the Group's R&D, production and sales capabilities in the PRC, giving it a keen competitive edge in the local market for coating resins.

DIC (China) is also gradually taking steps to expedite the development of products tailored to the local market, introducing an incentive system as well as CRM, sales force automation (SFA) and development project management systems aimed at, among others, ensuring it keeps abreast of customer needs. We have also begun introducing digital marketing tools, and will continue to foster the development of a wide range of original products that reflect the distinctive characteristics of the domestic market by encouraging greater cooperation between our marketing and R&D teams so we are able to more swiftly identify customer needs.



## ■ Contributing to Sustainable Prosperity for the Planet and Society through DIC Vision 2030

As part of its sustainability strategy for Greater China, DIC (China) is encouraging companies in the region to promote various initiatives aimed at achieving carbon neutrality. Nantong DIC Color Co., Ltd., for example, achieved odor-free production by expanding its facilities and improving related processes. In another example, Hainan DIC Microalgae Co., Ltd., as the result of constructing a rainproof cover that shields 20% of the area of its algae cultivation facility, had as of October 2022 succeeded in reducing its annual total discharge of wastewater by 40,901 m<sup>3</sup>, an achievement that has not only reduced costs but also protects the environment.

In line with the basic policy of DIC Vision 2030, DIC (China) and the companies of the DIC Group in the PRC will continue to fortify their R&D efforts to accommodate the needs of domestic customers, devoting their utmost efforts to responding effectively and providing ever-greater value while at the same time striving to contribute to sustainability for our customers and society at large. We will also work closely with our colleagues in the Asia-Pacific region, Europe and the Americas, and at corporate headquarters in Japan, to support the stable and sustainable evolution of the global DIC Group as "One Company."

# Packaging & Graphic



SDGs Goals 12, 13 and 14



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

## Packaging Materials that Bring Safety and Peace of Mind

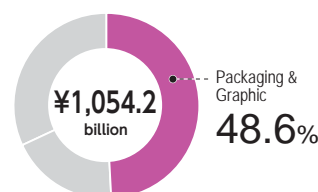
### Comment

DIC is the only company capable of providing comprehensive packaging solutions encompassing printing inks, coatings, adhesives and films. In fiscal year 2022, our *DUALAM™* system earned accolades from multiple quarters. Going forward, we will continue working to develop a wide range of environment-friendly products and to evolve as a solutions provider that contributes to society by helping realize sustainable packaging.

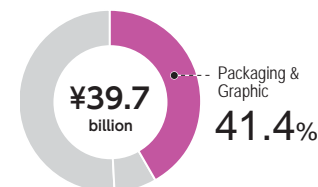


This segment includes not only printing inks but also adhesives, films and a broad range of other packaging materials and solutions, the markets for which continue to see robust growth in Asia and emerging economies.

Net Sales



Operating Income



Note: Fiscal year 2022 consolidated 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.

## Main Products

### [Printing Materials]

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

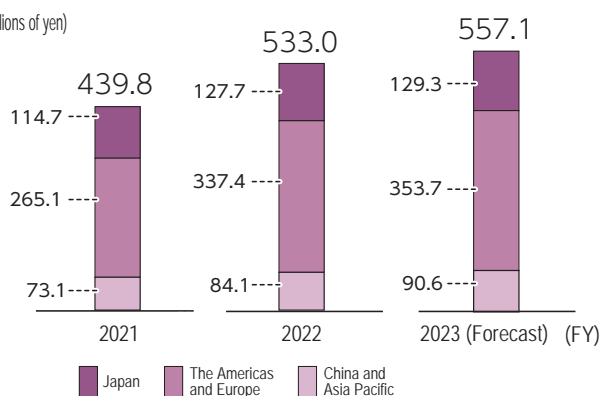
### [Packaging Materials]

Polystyrene, packaging adhesives, multilayer films

## Segment Operating Results

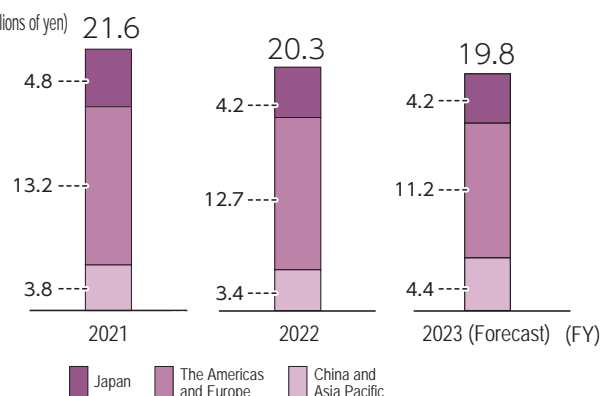
Net Sales

(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.

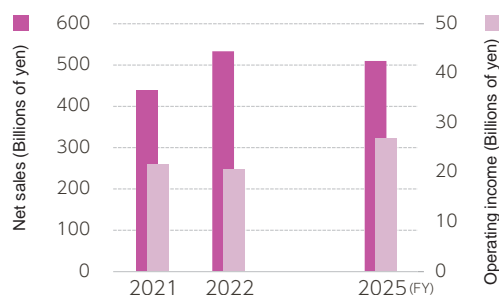
## Business Strategies Under DIC Vision 2030

### Basic Strategies

- Looking ahead to the realization of a circular economy, work to develop sustainable next-generation packaging materials with the aim of locking in new demand and expanding the packaging materials business
- Take the lead in the market for next-generation sustainable packaging by developing products and proposing solutions compatible with a focus on the "5Rs"
- Accelerate shift to high-performance, high-value-added products by, among others, expanding specialty products, promoting digitalization and responding to demand for smart packaging
- Build existing businesses into stable revenue sources by securing organic growth and streamlining operations in Asia

\* A five-tier waste management hierarchy (The Rs are reuse, reduce, renew, recycle and redesign).

### Net Sales and Operating Income Targets



### Principal Measures

#### Develop packaging materials and propose packaging solutions with a focus on the 5Rs

- Hasten the global deployment of fast-curing solvent-free adhesive *DUALAM*<sup>™</sup>
- Add depth to sustainable technologies, including those essential to the push toward paper, mono-material and biomass packaging, as well as those for deinking
- Build a closed-loop recycling system for polystyrene employing chemical recycling

#### Propose packaging solutions that capitalize on Group capabilities and deliver safety, peace of mind and convenience

- Develop functional films, including resealable products and peelable offerings for container lid films
- Capitalize on technologies for reducing foreign matter in packaging materials to improve safety and peace of mind

#### Provide solutions to needs arising from the spread of digitalization

- Expand applications for water-based jet inks that address needs resulting from the digitalization of industrial printing
- Respond to increased use of jet inks for printing on packaging (paper containers, corrugated cardboard, labels, etc.) and on textiles

In the Packaging & Graphic business, the DIC Group works to help realize safe, secure and convenient lifestyles by offering packaging materials suitable for a circular economy. With a focus on the 5Rs, the Group will continue striving to add depth to sustainable technologies, including those essential to the push toward paper, mono-material and biomass packaging, as well as those for deinkable, resealable and peelable materials, with the aim of providing market-leading next-generation sustainable products. The Group is also advancing efforts to build a closed-loop recycling system for polystyrene employing chemical recycling, leveraging jet ink technologies to promote digitalization and responding to demand for smart packaging. The Group will seek to build existing businesses into stable revenue sources by locking in demand and streamlining operations in Asia and other promising markets.

## Key Development in Fiscal Year 2022

### *DUALAM*<sup>™</sup> Solvent-Free Adhesive Wins Kinoshita Prize from the JPI

*High marks given to innovative dual-coating method that surmounts technical issues posed by conventional solvent-free adhesives*

In fiscal year 2022, DIC's *DUALAM*<sup>™</sup> solvent-free adhesive won the award for packaging technology in the Japan Packaging Institute (JPI)'s 46th Kinoshita Prize. Laminating adhesives are used to bond together the layers of packaging films for food products and daily necessities. Solvent-based adhesives account for approximately 70% of adhesives used in Japan to laminate packaging film layers. Nonetheless, the use of solvent-based adhesives is not without problems, notably negative environmental impacts such as the emission of volatile organic compounds (VOCs) and CO<sub>2</sub>. Solvent-free adhesives have gained in popularity, but issues such as poor designability after lamination and incompatibility with continuous lamination—key to high productivity—due to slow curing speeds have limited potential packaging applications.

DIC succeeded in resolving issues associated with the use of conventional solvent-free adhesives in film lamination by developing *DUALAM*<sup>™</sup>, a solvent-free adhesive designed for dual coating, that is, the separate coating of the component main and curing agents, on primary and secondary films, rather than requiring mixing of the two agents in advance. In addition to expanding applications for solvent-free laminating adhesives and significantly improving productivity by facilitating use in high-speed processing, *DUALAM*<sup>™</sup> reduces energy used in the aging process and minimizes the disposal of adhesive waste.

#### About the Kinoshita Prize

The Kinoshita Prize was created to commemorate the many years of contributions to the packaging industry by the late Matasaburo Kinoshita, JPI's second chairman. The prize is awarded annually in packaging-related industries to those that have made distinguished contributions to packaging R&D, packaging improvement and streamlining, and creation in new areas of packaging.



Flexible packaging manufactured using *DUALAM*<sup>™</sup>

# Color & Display



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

## Color and Display Materials that Make Life Colorful

### Comment

We are maximizing synergies with the recently acquired Colors & Effects pigments business with the goal of expanding our position as a leading provider of products for specialty applications such as displays, cosmetics and automobiles. In the healthcare business, which accounts for approximately 2% of segment net sales, we will work to promote well-being and increase society's emphasis on QOL. In so doing, we aim to fulfill the redefined "Color & Comfort" vision statement set forth in DIC Vision 2030.

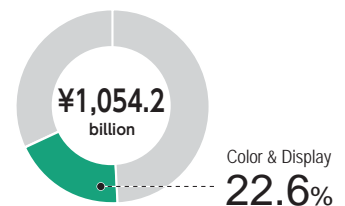
*We seek to contribute to a vibrant and sustainable society by providing products that leverage the power of color materials. We are also committed to building a diverse, global human resources portfolio.*

*Our guiding mantra is "Beyond Color Materials."*

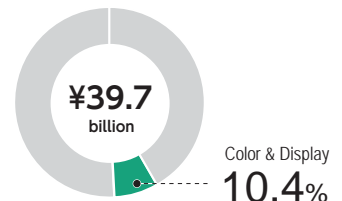


Products in this segment include a wide variety of materials indispensable to displays, including LC materials and organic pigments for color filters, as well as pigments for cosmetics, natural colorants and other materials that are safe and gentle for use by people.

Net Sales



Operating Income



Note: Fiscal year 2022 consolidated 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.

## Main Products

### [Color Materials]

Pigments for printing inks, pigments for coatings, pigments for plastics, pigments for specialty applications, pigments for color filters, pigments for cosmetics, health foods

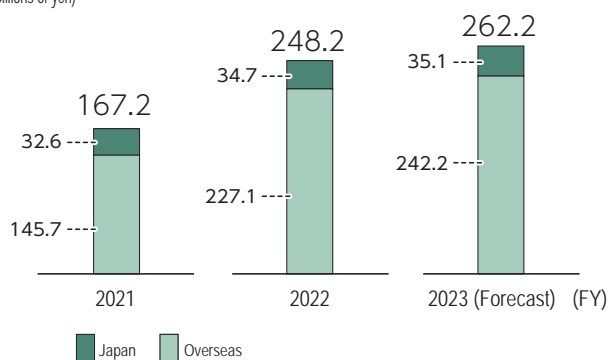
### [Display Materials]

Thin-film transistor liquid crystals (TFT LCs), supertwisted nematic liquid crystals (STN LCs)

## Segment Operating Results

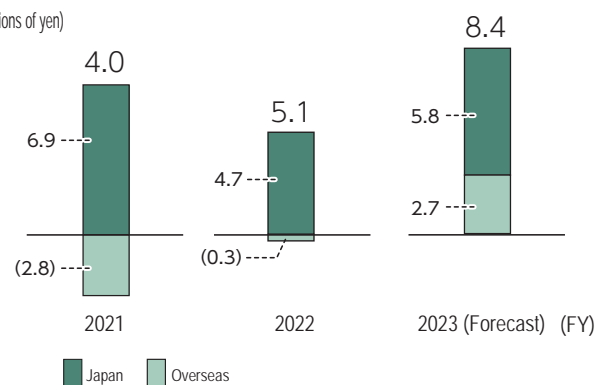
Net Sales

(Billions of yen)



Operating Income (Loss)

(Billions of yen)



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

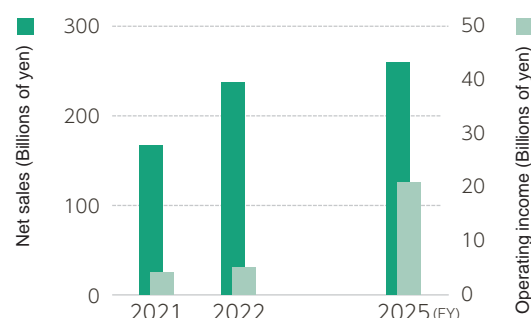


## Business Strategies Under DIC Vision 2030

### Basic Strategies

- Establish an unrivaled competitive advantage by swiftly realizing synergies with the Colors & Effects pigments business
- Shift focus to materials with outstanding decorative properties and functionality and increase the weighting of sustainable products that deliver both social value and economic value
- Redefine "Spirulina business" as "healthcare business"
- Redefine "LCs business" as "electronics business"

### Net Sales and Operating Income Targets



### Principal Measures

#### Expand selection of sustainable materials, functional materials and materials with outstanding decorative properties

- Focus on the expansion of effect pigments with outstanding decorative properties and sustainable color materials that are safe and environment friendly
- Emphasize functional pigments, including those for LiDAR signal coatings, which are key to autonomous driving vehicles
- Enter the markets for red and yellow pigments for displays

#### Enhance pigments for the cosmetics business

- Expand effect pigments for cosmetics
- Broaden portfolio of naturally derived products

#### Reinforce healthcare business by introducing new products

- Expand portfolio beyond Spirulina and *Linablu*® by adding new nutritional supplements, natural colorants and cosmetics materials

#### Create new next-generation businesses, which will join core TFT LCs

- Augment portfolio of materials for smart windows, and 5G/6G-enabled devices, among others
- Expand presence in the market for products for electronics applications

The Color & Display business saw the scope of its operations expand significantly with DIC's fiscal year 2021 acquisition of the Colors & Effects pigments business from BASF, as a result of which the Company became one of the world's leading pigments manufacturers, boasting diverse technologies ranging from organic synthesis to inorganic materials design. By integrating Colors & Effects' technologies and intellectual property with its own, DIC will leverage the resulting unparalleled development capabilities to shift its focus to functional pigments, including pigments with outstanding decorative properties and pigments for automotive coatings that do not interfere with autonomous driving vehicles' ability to detect LiDAR signals, and swiftly realize synergies to establish a presence unrivaled by any of its competitors.

The DIC Group will also broaden the emphasis of its Spirulina business to healthcare overall, encompassing naturally derived nutritional supplements, natural colorants and cosmetics materials. In the area of LC materials, the Group will expand its presence in the market for electronics applications by augmenting its portfolio of materials for smart windows and 5G/6G-enabled devices, among others.

## Key Development in Fiscal Year 2022

### DIC Steps Up Environmental Investments in Outdoor Algae Cultivation Facilities at Subsidiaries in the United States and the PRC Efforts aimed at contributing to a sustainable global environment by realizing zero discharge of wastewater off-site

In fiscal year 2022, DIC announced that it will make a new environmental investment of ¥1.2 billion at subsidiaries Earthrise Nutritionals LLC, in the U.S. state of California, and Hainan DIC Microalgae in the PRC, both of which produce edible blue-green algae *Spirulina* and *Spirulina*-derived natural blue food coloring *Linablu*®. The objective of the investments is to enable both companies to achieve zero discharge of wastewater from their outdoor algae cultivation facilities.

In 1978, DIC became the world's first successful commercial producer of *Spirulina*. Since then, the Company has pursued innovations in mass cultivation technologies to optimize culture conditions and discover useful algae strains, as well as to improve production efficiency, thereby reducing water and fertilizer use. Having positioned sustainability, including environmental issues, as a key management priority, DIC is working actively to help reduce CO<sub>2</sub> emissions in its markets, as well as in society as a whole, by expanding its selection of products and services that contribute to decarbonization.

Earthrise and Hainan DIC Microalgae, the DIC Group's two major *Spirulina* production bases, are also pursuing ambitious decarbonization initiatives. Earthrise has expanded its use of renewable energy, which now accounts for more than 50% of its total energy consumption, while Hainan DIC Microalgae has increased its use of biomass resources. The Group's decision to make this environmental investment was prompted by its desire to accelerate such efforts, with funds to be applied to facility upgrades and equipment installations crucial to achieving zero discharge of wastewater.

In addition to this investment, DIC will seek to introduce new cultivation technologies for algae and mycelia in collaboration with multiple biotech startups in which it has invested, as well as to expand its portfolio of biobased products with applications in diverse areas.



Outdoor cultivation facilities at Earthrise in California

# Functional Products



SDGs Goals 6, 12 and 13



**Takashi Ikeda**  
Managing Executive Officer  
President, Functional Products  
Business Group

## Functional Products that Add Comfort

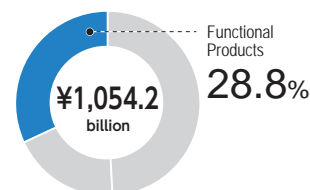
### Comment

In the area of synthetic resins, we are working to increase our presence in Asia, primarily in the market for use in industrial coatings, and to advance the development of sustainable products by promoting waterborne offerings and adopting biomass raw materials. For digital applications, we aim to enhance profitability by expanding our lineup of materials and processed products for use in semiconductors and high-speed communications. In resins for robots, drones, wearables and other AI devices, we seek to provide PPS and other specialty compounds, as well as precision processed materials, that impart new functions and value. By working in cooperation directly with consumers and society as a whole, we are striving to help realize a better future for all.

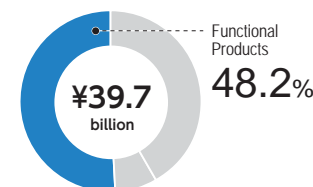


This segment provides coating and composite materials with diverse functions that address environmental issues and are used widely in state-of-the-art electronics products.

Net Sales



Operating Income



Note: Fiscal year 2022 consolidated 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.

## Main Products

### [Performance Materials]

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

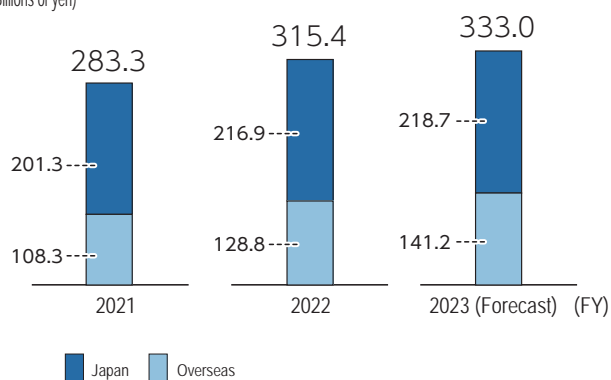
### [Composite Materials]

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

## Segment Operating Results

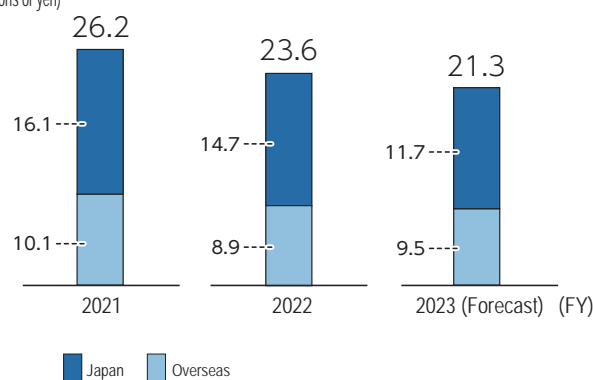
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



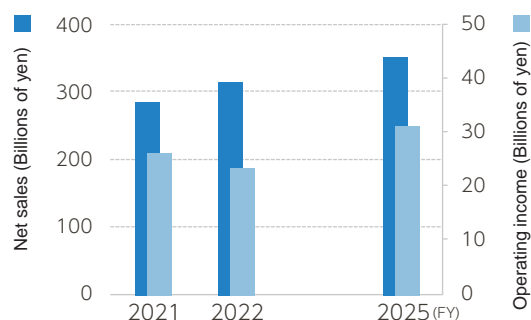
Note: Graph figures include interregional transactions within the segment. Accordingly, the aggregates of regional net sales and operating income figures for the segment differ from the figures presented above.

## Business Strategies Under DIC Vision 2030

### Basic Strategies

- Ensure the timely provision of functional materials that support digital innovation
- Contribute to a carbon-neutral society by promoting a shift to biomaterials
- Cultivate demand by directly communicating the appeal of materials, devices and services to consumers and society
- Supply polymers that help reduce environmental impact and impart functionality widely across Asia

### Net Sales and Operating Income Targets



### Principal Measures

#### Propose high-performance products for the semiconductor fabrication and mobility fields

- Extend functional materials portfolio with forward-looking offerings for an increasingly digital society, including low-dielectric resins, organic-inorganic hybrid resins and resins for optical materials
- Augment lineup of industrial adhesive tapes and PPS compounds, and offer bonding and disassembly solutions for electronics devices and CASE vehicles

#### Develop sustainable products

- Launch and expand sales of new environment-friendly waterborne resins
- Develop and offer biobased polymers

#### Increase selection of products that contribute to an improved QOL

- Augment portfolio of molding materials for medical applications

#### Expand operations in promising geographic areas

- Concentrate efforts to expand coating resins business in the PRC and the Asia-Pacific region on M&As

The Functional Products business will strive to offer forward-looking low-dielectric resins and other functional materials essential for an increasingly digital society, as well as to promote a shift to biomaterials, with the aim of contributing to the realization of a carbon-neutral (green) society, enabling it to not only provide materials but also cultivate demand by directly communicating the appeal of materials, devices and services to society.

In the PRC and the Asia-Pacific region, both of which continue to see strong market growth, DIC will promote efforts to expand its operations, particularly in the area of coating resins, including by securing new bases through M&As. In molding materials, DIC will seek to increase its selection of high-performance products for medical and other applications that will help realize a society with an improved QOL, as well as to leverage its diverse compounding, dispersion, mixing and other technologies to provide solutions for the post-pandemic new normal.

## Key Development in Fiscal Year 2022

### **GLOBINEX® W-1810-BIO 100% Biomass-Based Polyester Plasticizer Earns USDA Certified Biobased Product Accreditation**

DIC's 100% biomass-based polyester plasticizer *GLOBINEX® W-1810-BIO* was accredited as a Certified Biobased Product under the United States Department of Agriculture (USDA)'s BioPreferred Program.

The BioPreferred Program is a USDA initiative that aims to assist in the expansion of markets for biomass-based products. Certification under the program permits the use of the USDA Certified Biobased Product label, use of which is limited to products that have been tested by the USDA's accrediting authority and determined to have a biomass content at or above a certain level.

Plasticizers are additives that impart flexibility and other key properties to thermoplastic resins, particularly polyvinyl chloride, principal applications for which range from everyday items to industrial products and include automotive interior materials, sheath materials for home appliance power cables, inks for textiles used in clothing, and food contact materials.

*GLOBINEX® W-1810-BIO*, made entirely with plant-derived raw materials, fulfills all the basic performance requirements of a polyester plasticizer, including oil resistance and low migration, meaning it can easily be used in place of conventional petroleum-based polyester plasticizers. Substituting *GLOBINEX® W-1810-BIO* for a petroleum-based option will help reduce CO<sub>2</sub> emissions attributable to finished products, thereby increasing safety and peace of mind. In addition to USDA Certified Biobased Product accreditation, this product has earned the "Biomass 100%" Biomass Mark under the Japan Organics Recycling Association (JORA)'s Biomass Mark labeling system.

DIC believes that *GLOBINEX® W-1810-BIO*'s USDA Certified Biobased Product accreditation will enhance its reputation as an environment-friendly product in key markets, notably the United States, Europe and the PRC, leading to its adoption by manufacturers of a wide range of products, such as automobiles, electrical and electronics equipment, apparel, toys and consumer products.



The USDA Certified Biobased Product label

# New Business Development



SDGs Goals 8, 9 and 11



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

## New Businesses Created from the Perspective of ESH-Related Issues and Social Changes

### Comment

Global issues such as climate change and social disparities have become ever-more apparent, raising questions about current socioeconomic systems. Rather than focusing solely on the pursuit of economic value in a one-on-one relationship with individual customers, DIC seeks to contribute to the creation of an ecosystem through partnership with a broad range of stakeholders. We are also seeing the emergence of disruptive digital technologies and biotechnologies, which we aim to commercialize by securing outstanding solutions from third parties in a timely manner, rather than being determined to rely entirely on our own capabilities.

The New Business Development Headquarters, established in fiscal year 2019, has identified four priority areas where ESH-related issues and social changes intersect with the DIC Group's core competencies. The Group is making active use of external resources to secure access to new technologies with the aim of creating new businesses with the potential to become mainstays.

## Business Strategies Under DIC Vision 2030

### Basic Strategies

- Create businesses that reflect the dynamics of socioeconomic systems, including those for distributed energy and packaging materials recycling
- Accelerate the creation of new businesses in strategic areas that leverage new basic technologies, namely, inorganic materials design and biomaterials design technologies

### Net Sales and Operating Income Targets for Fiscal Year 2025

Net Sales  
¥33 billion

Operating  
Income  
¥10 billion

### Principal Measures

#### Sustainable energy

- Commercialize materials for next-generation secondary batteries and fuel cells that support the move to clean energy-powered automobiles
- Develop and expand sales of new inorganic fillers for use in automotive electronics that help reduce vehicle weight

#### Smart living

- Develop and expand sales of carbon fiber-reinforced plastic materials
- Expand sales of silver seed film developed to fabricate ultrafine wiring on printed wiring boards that reduce transmission loss in high-band communications

#### Sustainable packaging

- Realize the practical implementation of materials recycling for flexible packaging films and commercialize recycled plastics
- Develop and launch high-performance barrier films

#### Healthcare

- Develop and boost sales of naturally derived nutritional supplements
- Expand portfolio of biomaterials, including natural colorants and skincare materials

## Key Development in Fiscal Year 2022

The New Business Development Headquarters is fostering businesses in four priority areas (sustainable energy, smart living, sustainable packaging and healthcare). Fiscal year 2022 brought several key developments involving healthcare startups. The following were particularly notable:

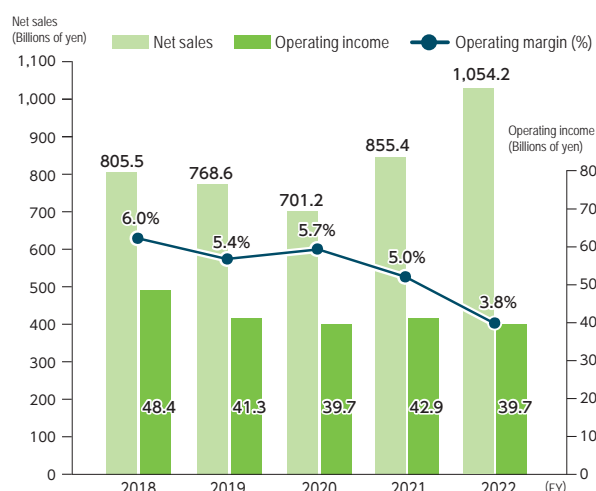
- DIC invested in U.S. company Back of the Yards algae sciences Inc. (BYAS), which owns proprietary technology for extracting active ingredients from biobased materials, notably algae and mycelia.
- Green Science Materials, Inc., which developed the world's first indoor mass cultivation technology for Suizenji nori freshwater blue-green algae, became a consolidated subsidiary.
- DIC and Checkerspot Inc. of the United States commenced joint development focused on engineering ingredient systems for microalgae-derived sustainable skincare and personal care products.

Achievements in the other three areas included launching new products in its *Halte Totte™* flexible wireless sensors that can be used to detect CO<sub>2</sub>, temperature and humidity levels. DIC also partnered with SAP SE and commenced a pilot project using blockchain technology in the construction of a waste plastics traceability system, and began working with Japanese firm DATAFLUCT, Inc., to verify changes in consumer behavior with the aim of realizing the closed-loop recycling of plastic packaging containers.

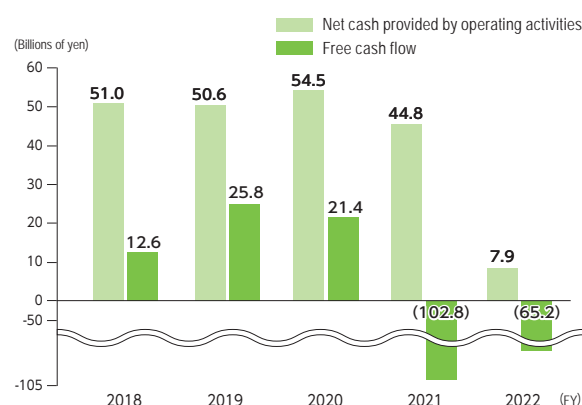


# Financial Information

## Net Sales, Operating Income and Operating Margin

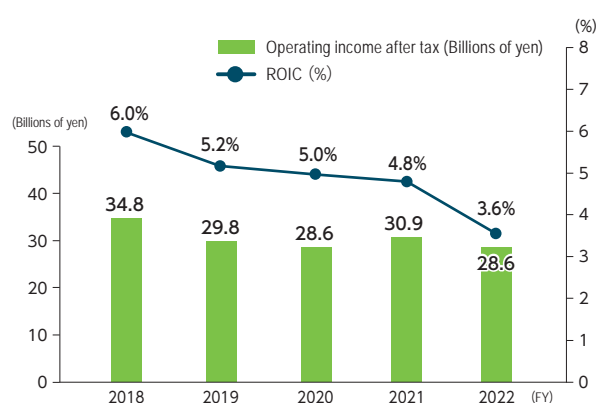


## Net Cash Provided by (Used in) Operating Activities and Free Cash Flow



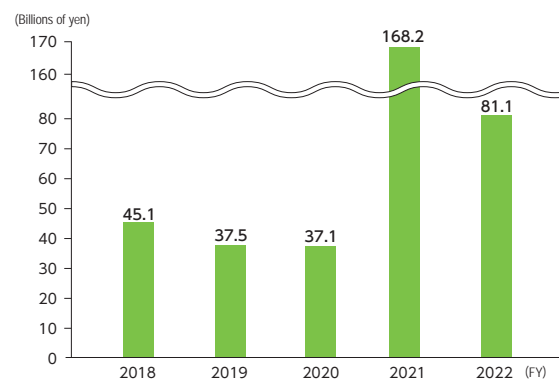
Note: The increase in net cash used in investing activities in fiscal year 2021 reflects the impact of DIC's acquisition of the Colors & Effects pigments business from BASF SE (acquisition cost: ¥128.9 billion).

## Operating Income after Tax and ROIC\*



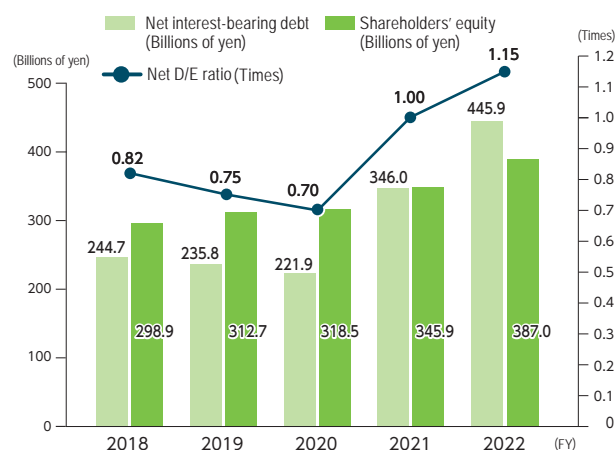
\* ROIC: Operating income x (1 — Effective tax rate of 28%) / (Net interest-bearing debt + Net assets)

## Capital Expenditure and Investment



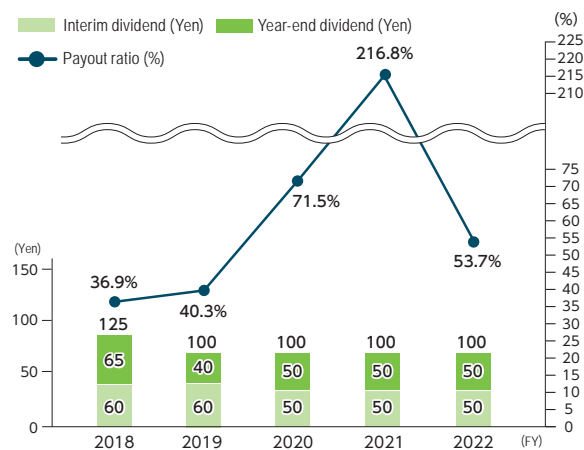
Note: The increase in capital expenditure and investment in fiscal year 2021 reflects the impact of DIC's acquisition of the Colors & Effects pigments business from BASF SE (acquisition cost: ¥128.9 billion).

## Shareholders' Equity, Net Interest-Bearing Debt and Net D/E Ratio\*



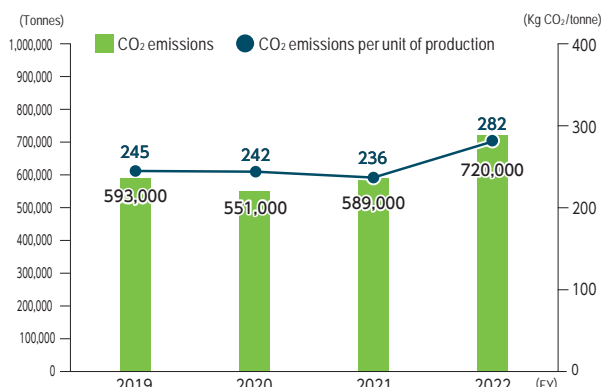
Note: Net D/E ratio: Net interest-bearing debt/Shareholders' equity

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



# Nonfinancial Information

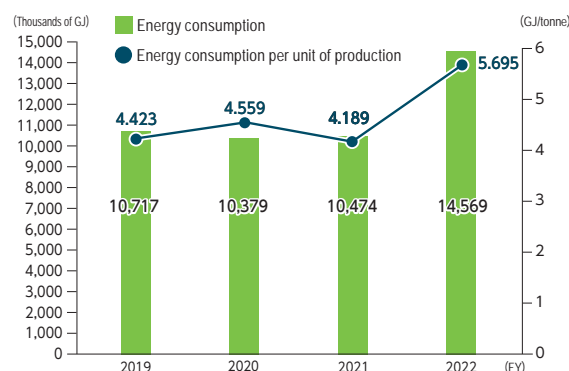
## Global CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions per Unit of Production (DIC Group)



Note: CO<sub>2</sub> 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)

The DIC Group aims to reduce its CO<sub>2</sub> emissions by 50% from the fiscal year 2013 level by fiscal year 2030 and to achieve carbon neutrality by fiscal year 2050. (For more information, please see "Metrics and Targets" on page 91 in the Climate Change section of this report.)

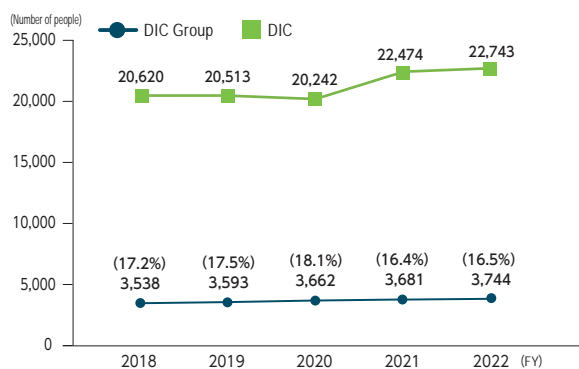
## Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)



Note: 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)

The DIC Group actively promotes energy-saving and decarbonization measures, including introducing highly efficient facilities and promoting process improvements. Going forward, the Group plans to further advance its use of renewable energy by shifting to biomass and other clean fuels and installing solar power facilities.

## Number of Employees (DIC Corporation and the DIC Group)

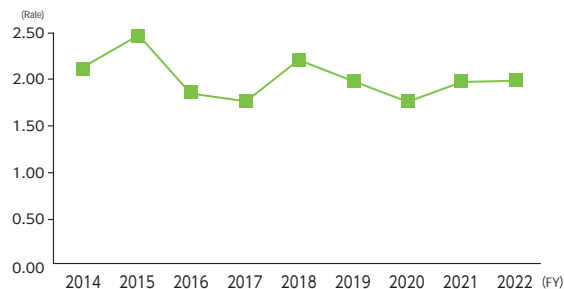


Notes:

- Percentage figures in parentheses represent the proportion of DIC Group employees accounted for by employees of DIC Corporation.
- Employee numbers for DIC Corporation are calculated based on information in the Company's Annual Securities Report and thus differ from those in the Human Resources Management section of this report.

The DIC Group is a multinational organization with a global labor force of 22,743 in 63 countries and territories. The Group will continue to capitalize on its diversity to drive innovation.

## Occupational Accident Frequency Rate (DIC Group)



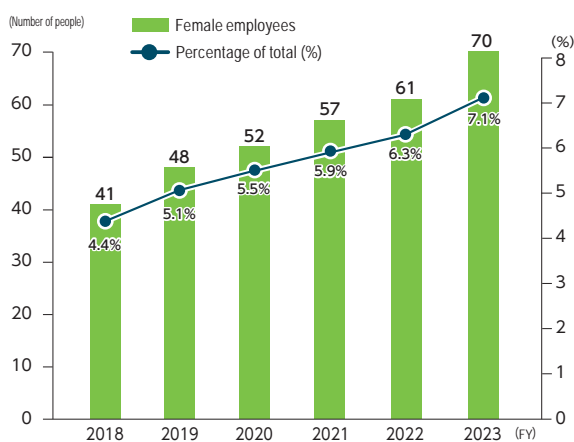
Note: The frequency rate expresses the frequency of accidents resulting in workdays lost in a fiscal year, calculated as the number of deaths or injuries per million work hours.

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

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

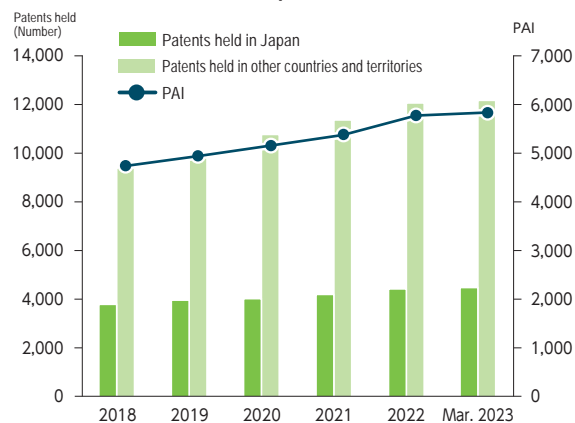
The DIC Group has set goals for Japan, the PRC, the Asia-Pacific region and the Americas and Europe and is working to eliminate occupational accidents.

## Female Employees in Management Positions (DIC Corporation)



In fiscal year 2023, the percentage of management positions at DIC occupied by women was 7.3%, an increase of 0.8 percentage point from the previous period. The Company is working to create environments where diverse human resources can fully realize their potential. (For regional data, please see page 105 in the Human Resources Management section of this report.)

## Patents in Force (DIC Group)



Patent Asset Index (PAI): Metric that measures the relative quality of individual patent families (Part of LexisNexis' PatentSight patent analytics solution)

The number of patents held by the DIC Group continues to grow, as does the Group's patent assets. Of particular note, the number of patents held in other countries and territories is increasing, reinforcing the Group's global competitive edge from the perspective of intellectual property.

# CFOメッセージ

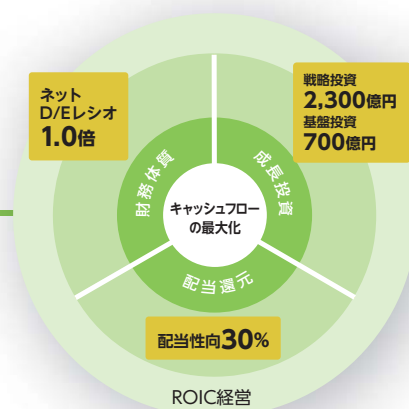


長期的な株主価値向上に向け  
成長事業への投資を加速し  
ポートフォリオ変革を推進します。

最高財務責任者  
取締役 常務執行役員 財務経理部門長

ふるた しゅうじ

古田 修司



## ■ 基本方針

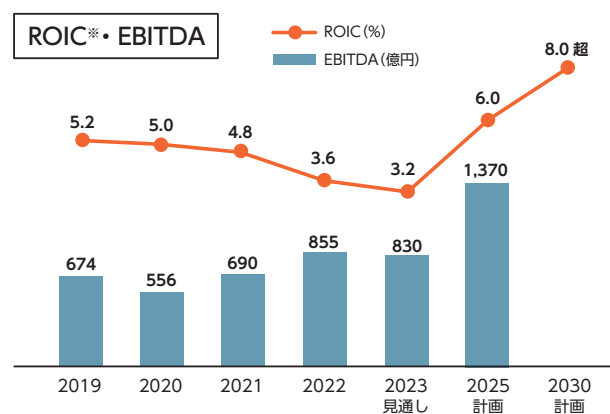
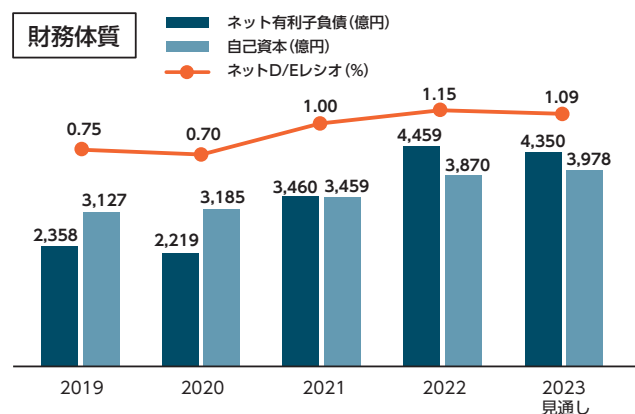
当社は、2022年よりスタートした長期経営計画「DIC Vision 2030」の目指す姿を実現するため、投資効率や稼ぐ力を重視したROICを重要経営指標と定め、事業ポートフォリオの変革を推進しております。財務方針としては、「健全な財務体質」、「成長投資」、「利益成長に応じた株主還元」のバランスの取れた運用を目指すとともに、サステナブルファイナンスへの積極的な取り組みを通じて、サステナブル戦略の推進を加速してまいります。

「DIC Vision 2030」では、ROIC以外に経営指標として、ネットD/Eレシオ<sup>※1</sup>（財務健全性）、配当性向（株主還元）、EBITDA<sup>※2</sup>（キャッシュフロー創出力）を設定しました。これらを財務活動の経営指標と位置づけ、株主価値の最大化を図ってまいります。

## ■ 運転資本の適正化による健全な財務体質の維持

2022年度は、中国および欧州での企業買収に加えて、原料やユーティリティコスト上昇による在庫の積み上がりとそれに伴う運転資本増加の影響により、有利子負債が大幅に増加しました。その結果、ネットD/Eレシオは1.15倍と目標を大きく超過しました。当期においては、地域ごとに定めるキャッシュ・コンバージョン・サイクル<sup>※3</sup>の目標管理を徹底し運転資本の適正化を図るとともにEBITDAの改善によりネットD/Eレシオ有利子負債を削減し、ネットD/Eレシオを1.1倍以下とする予定です。

ROICについては、高付加価値製品の売上比率を高めるとともに低収益低成長事業からの撤退を図り事業ポートフォリオ変革を推進、同時に保有資産の見直しにより資産効率を改善し2030年度ROIC8%超の達成を目指します。なお、社内業績評価指標の一部としてROICを採用しております。



※ROIC: 営業利益×(1-実効税率)/(ネット有利子負債+純資産)

## ■ 事業ポートフォリオ変革に向けた成長投資

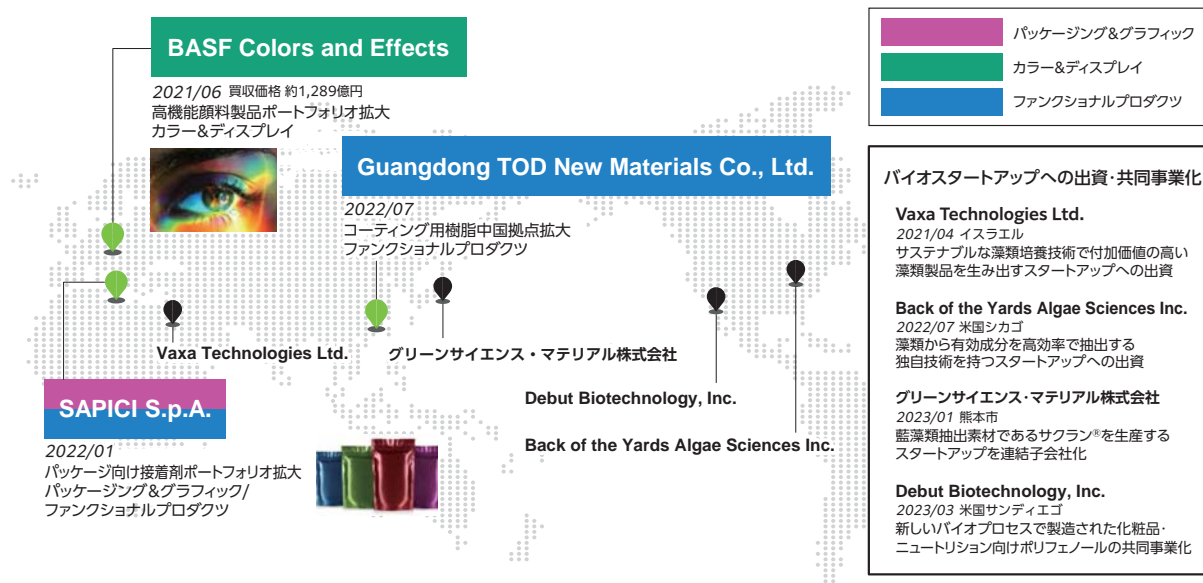
当社は、「DIC Vision 2030」の実現に向け、2022年から2025年までの4年間に、「戦略投資」2,300億円と「基盤投資」700億円の総額3,000億円の投資枠を設定しております。

「戦略投資」については、2022年にはイタリアの接着剤・ポリマーメーカー「Sapici S.p.A.」、中国のコーティング用

樹脂メーカー「Guangdong TOD New Materials Co., Ltd.」を買収。事業基盤を強化し、環境負荷低減と機能性付与に供する製品を広く供給開始しております。

「基盤投資」については、CO<sub>2</sub>削減等のサステナビリティ投資として、バイオマスボイラの導入や設備更新、IT・DXの推進として基幹システム構築、サプライチェーン管理システム、品質管理システムの導入等、持続的な成長を支えるためのインフラ整備として投資を実施しました。

### ■ 最近の主な戦略投資の実績



## ■ サステナブルな事業推進に向けて

当社は、カーボンニュートラル社会の実現に向けて、2030年度までにCO<sub>2</sub>排出量50%削減（2013年度比）を掲げております。2022年、CO<sub>2</sub>排出量削減目標に連動して借入条件が変わる「サステナビリティ・リンク・ローン」※（以下「SLL」）を実施しました。環境問題をはじめとするサステナビリティを重要な経営課題と位置づけ、脱炭素に貢献する製品・サービスの拡大によって、市場および社会におけるCO<sub>2</sub>排出量削減への寄与に向け積極的に取り組んでまいります。

※日本格付研究所からSLL原則への適合性について第三者意見を取得

## ■ 安定的な株主還元

「DIC Vision 2030」では、引き続き安定配当をベースとして連結配当性向30%を中期的な配当水準の目安としております。2022年度の配当については、中間配当50円、期末配当50円、通期100円（対前年同額）となりました。2023年度については、通年100円を見込んでいます。

※1 ネットD/Eレシオ=ネット有利子負債／自己資本

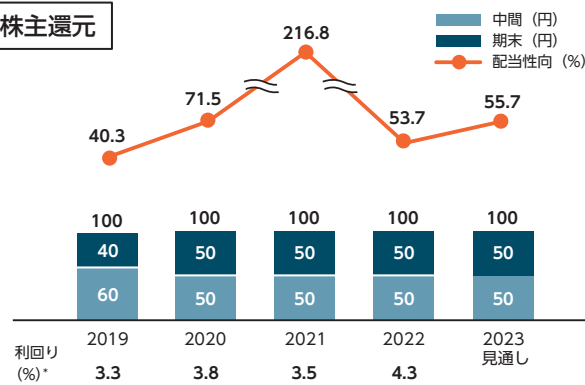
※2 EBITDA=親会社株主に帰属する当期純利益+法人税等合計+支払利息-受取利息+減価償却費+のれん償却額

※3 キャッシュ・コンバージョン・サイクル=企業が原材料や商品を仕入れて利益に変換するまでの日数を計算した経営指標

### 主なサステナブルファイナンス実績

| 年月             | 内容  |
|----------------|---|
| 2022年<br>6月・8月 | 農林中央金庫との間で、「サステナビリティ・リンク・ローン」の融資契約を締結       |
| 2022年<br>7月    | 日本政策投資銀行（以下「DBJ」）が実施する「DBJ環境格付」取得による資金調達を実施 |
| 2023年<br>3月    | 三井住友信託銀行との間で、「ポジティブ・インパクト・ファイナンス」の融資契約を締結   |

### 株主還元



\* 配当利回り：年間配当金/期末の株価終値



# 12-Year Summary

## Key Financial Data

| Period  | 114    | 115    | 116                | 117    | 118    | 119    | 120    | 121    | 122    | 123    | 124     | 125     |
|---|--------|--------|--------------------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| Fiscal year   | 2011   | 2012   | 2013 <sup>*3</sup> | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021    | 2022    |
| Income  |        |        |                    |        |        |        |        |        |        |        |         |         |
| Net sales (Billions of yen)   | 734.3  | 703.8  | 784.0              | 830.1  | 820.0  | 751.4  | 789.4  | 805.5  | 768.6  | 701.2  | 855.4   | 1,054.2 |
| Operating income (Billions of yen)                                    | 35.0   | 38.5   | 44.1               | 41.1   | 51.1   | 54.2   | 56.5   | 48.4   | 41.3   | 39.7   | 42.9    | 39.7    |
| Operating margin (%)  | 4.8    | 5.5    | 5.6                | 4.9    | 6.2    | 7.2    | 7.2    | 6.0    | 5.4    | 5.7    | 5.0     | 3.8     |
| R&D and technology-related expenses <sup>*1</sup> (Billions of yen)   | 23.7   | 23.0   | 19.8               | 25.3   | 26.8   | 26.2   | 27.4   | 28.4   | 27.9   | 26.2   | 28.0    | 29.9    |
| Of which, R&D costs (Billions of yen)                                 | 9.1    | 8.8    | 8.8                | 10.9   | 12.2   | 11.2   | 12.4   | 12.9   | 12.5   | 12.0   | 13.5    | 15.1    |
| Ordinary income (Billions of yen)                                     | 30.8   | 35.1   | 40.9               | 39.9   | 49.0   | 55.8   | 57.0   | 48.7   | 41.3   | 36.5   | 43.8    | 39.9    |
| Net income attributable to owners of the parent (Billions of yen)     | 18.2   | 19.1   | 28.8               | 25.2   | 37.4   | 34.8   | 38.6   | 32.0   | 23.5   | 13.2   | 4.4     | 17.6    |
| EBITDA (Billions of yen)  | 61.5   | 65.2   | 69.1               | 77.0   | 94.0   | 82.6   | 86.1   | 81.4   | 67.4   | 55.6   | 69.0    | 85.5    |
| EBITDA margin (%)   | 8.4    | 9.3    | 9.8                | 9.3    | 11.5   | 11.0   | 10.9   | 10.1   | 8.8    | 7.9    | 8.1     | 8.1     |
| Financial Position  |        |        |                    |        |        |        |        |        |        |        |         |         |
| Total assets (Billions of yen)  | 675.1  | 693.0  | 761.7              | 803.7  | 778.9  | 764.8  | 831.8  | 801.3  | 803.1  | 818.0  | 1,071.5 | 1,261.6 |
| Net assets (Billions of yen)  | 124.5  | 160.7  | 218.9              | 276.7  | 289.9  | 307.0  | 344.0  | 327.3  | 343.5  | 351.4  | 381.0   | 421.1   |
| Equity ratio (%)  | 15.1   | 19.8   | 25.6               | 31.1   | 33.7   | 36.4   | 37.9   | 37.3   | 38.9   | 38.9   | 32.3    | 30.7    |
| Net interest-bearing debt (Billions of yen)                           | 298.8  | 293.0  | 283.6              | 257.4  | 244.1  | 224.0  | 247.8  | 244.7  | 235.8  | 221.9  | 346.0   | 445.9   |
| Net D/E ratio (Times)   | 2.93   | 2.14   | 1.45               | 1.03   | 0.93   | 0.80   | 0.79   | 0.82   | 0.75   | 0.70   | 1.00    | 1.15    |
| Cash Flows  |        |        |                    |        |        |        |        |        |        |        |         |         |
| Net cash provided by operating activities (Billions of yen)           | 31.2   | 41.4   | 33.9               | 46.4   | 29.1   | 62.5   | 54.2   | 51.0   | 50.6   | 54.5   | 44.8    | 7.9     |
| Net cash used in investing activities (Billions of yen)               | (17.6) | (23.7) | (9.8)              | (27.4) | (10.0) | (32.2) | (58.9) | (38.4) | (24.9) | (33.0) | (147.6) | (73.2)  |
| Free cash flow (Billions of yen)                                      | 13.7   | 17.7   | 24.0               | 19.0   | 19.1   | 30.3   | (4.7)  | 12.6   | 25.8   | 21.4   | (102.8) | (65.2)  |
| Net cash provided by (used in) financing activities (Billions of yen) | (7.1)  | (26.6) | (32.8)             | (26.1) | (24.8) | (26.9) | 11.4   | (11.8) | (26.8) | 6.3    | 99.5    | 83.9    |
| Cash and cash equivalents (Billions of yen)                           | 29.6   | 22.5   | 15.0               | 16.4   | 15.1   | 16.7   | 17.7   | 18.6   | 16.7   | 41.4   | 37.6    | 62.6    |
| Per Share Information <sup>*2</sup>                                   |        |        |                    |        |        |        |        |        |        |        |         |         |
| Earnings per share (Yen)  | 197.90 | 207.98 | 292.26             | 267.81 | 389.40 | 366.72 | 407.56 | 338.40 | 248.29 | 139.81 | 46.12   | 186.05  |
| Price earnings ratio (PER) (Times)                                    | 8.4    | 9.5    | 10.9               | 10.9   | 8.5    | 9.7    | 10.5   | 10.0   | 12.2   | 18.6   | 62.8    | 12.5    |
| Dividends per share (Yen)   | 40     | 60     | 60                 | 60     | 80     | 100    | 120    | 125    | 100    | 100    | 100     | 100     |
| Payout ratio (%)  | 20.2   | 28.8   | 20.5               | 22.4   | 20.5   | 27.3   | 29.4   | 36.9   | 40.3   | 71.5   | 216.8   | 53.7    |
| Other Indicators  |        |        |                    |        |        |        |        |        |        |        |         |         |
| ROIC (%)  | 5.8    | 6.3    | 6.1                | 5.7    | 6.9    | 7.3    | 7.2    | 6.0    | 5.2    | 5.0    | 4.8     | 3.6     |
| Return on equity (ROE) (%)  | 17.3   | 16.0   | 16.1               | 11.3   | 14.6   | 12.9   | 13.0   | 10.4   | 7.7    | 4.2    | 1.3     | 4.8     |
| Capital expenditure (Billions of yen)                                 | 27.0   | 26.6   | 27.1               | 33.6   | 32.1   | 31.3   | 33.6   | 32.1   | 35.0   | 34.0   | 38.6    | 49.5    |
| Depreciation and amortization (Billions of yen)                       | 29.7   | 27.4   | 25.9               | 33.8   | 32.9   | 32.4   | 31.5   | 32.8   | 33.1   | 32.6   | 37.4    | 47.1    |
| Overseas sales ratio (%)  | 58.2   | 56.7   | 66.6               | 63.4   | 65.1   | 62.4   | 63.4   | 63.6   | 63.5   | 64.8   | 67.3    | 70.8    |
| Average exchange rate (¥/US\$)  | 79.77  | 79.93  | 97.06              | 106.32 | 120.85 | 109.96 | 112.33 | 110.46 | 109.11 | 106.37 | 109.75  | 130.59  |
| Average exchange rate (¥/EUR)   | 110.88 | 103.11 | 129.25             | 141.41 | 134.14 | 122.06 | 127.03 | 130.46 | 122.13 | 121.43 | 129.73  | 137.71  |
| Number of employees   | 20,455 | 20,273 | 20,034             | 20,411 | 20,264 | 20,481 | 20,628 | 20,620 | 20,513 | 20,242 | 22,474  | 22,743  |

\*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.

# 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 environmental, social and governance (ESG)-related issues.

## Sustainability Program

Amid rising environmental concerns, including climate change, and increasingly urgent social imperatives, companies today face an ever-more diverse array of challenges, including rising awareness of the need to achieve sustainability in a manner that takes into account the environment, ecosystems and socioeconomic issues. In fiscal year 2018, DIC established the ESG Unit, a specialized department to further expand Group ESG initiatives worldwide.

The framework for sustainability-related disclosure in Japan

is evolving. Effective from 2023, publicly listed companies must disclose nonfinancial as well as financial information in the annual securities report that they are legally required to file with the Japanese government. This is prompting significant related changes, including to pertinent laws and regulations, as well as to business practices. In line with its basic sustainability policy, the DIC Group continues to promote 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 unflinching growth, thereby enhancing its own sustainability.

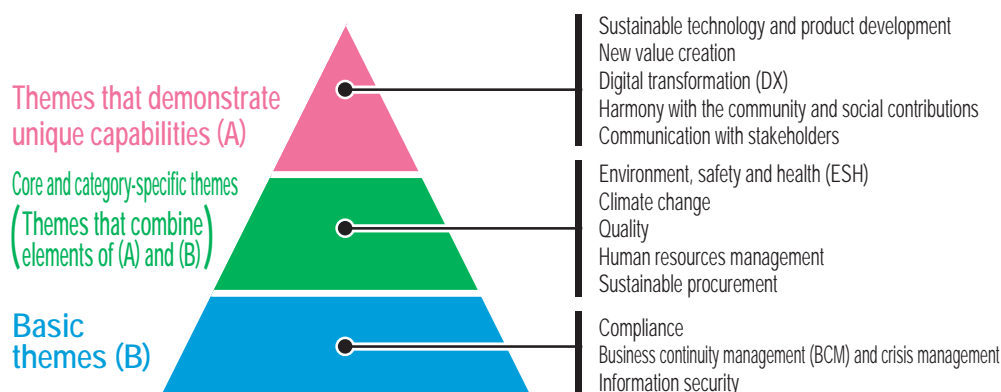
Notes: 1. With the aim of ensuring that it remains a globally trusted corporate citizen with a proud reputation, in December 2010 the DIC Group became a signatory to the UNGC. The Group also takes the guidelines provided by ISO 26000, the International Organization for Standardization's standard for 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

The DIC Group's sustainability framework comprises 13 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

In line with its basic sustainability policy, the DIC Group has formulated a medium-term (fiscal years 2022–2025) policy and creates an annual activity plan for each of its key sustainability themes. The Group makes use of the plan-do-check-act (PDCA) cycle in promoting initiatives and reports on its achievements annually in the DIC Report.

Individual business groups, product divisions, sites, and DIC Group companies in Japan and in other countries and territories, 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, and promoting sustainability initiatives that align with business targets.

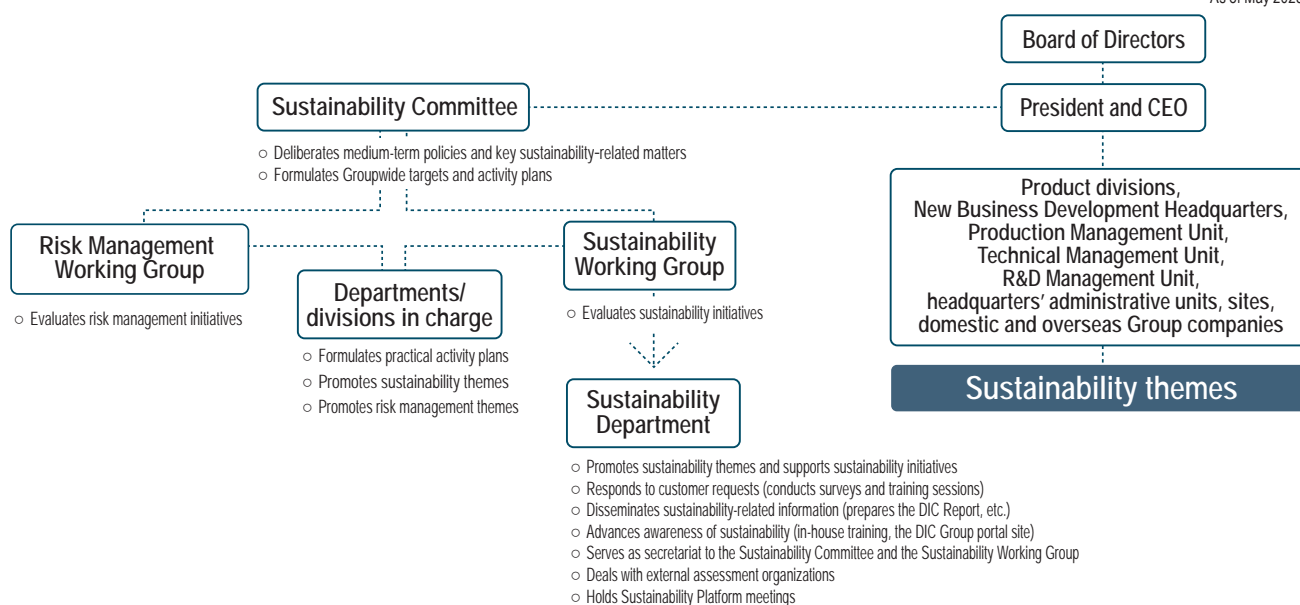
## System for Promoting Sustainability Initiatives

The DIC Group's system for promoting sustainability issues centers on the Sustainability Committee, which answers directly to the president and CEO and which met four times in fiscal year 2022. The committee functions as an advisory body, and is responsible for formulating responses to key social imperatives. The Sustainability Committee is also tasked with reinforcing sustainability initiatives and deliberating on critical related matters. Since January 2020, the committee has been chaired by the president. In fiscal year 2022, DIC began promoting initiatives in line with the sustainability strategies of DIC Vision 2030, which are to expand sustainable products, reduce CO<sub>2</sub> emissions and respond to a circular economy.

## Members of the Sustainability Committee

President and CEO, Executive Vice President, Head of the Finance and Accounting Unit, Head of the Corporate Strategy Unit, Head of the General Affairs and Legal Unit, Head of the ESG Unit, Head of the SCM Unit, Head of the IT Strategy Unit, Presidents of the business groups, General managers of the product divisions, General Manager of the Production Management Unit, General Manager of the Technical Management Unit, General Manager of the R&D Management Unit, General Manager of the New Business Development Headquarters, General Manager of the Corporate Planning Department, CEOs of regional headquarters, presidents of key Group companies, and Members of the Audit & Supervisory Board

As of May 2023



## Ensuring DIC Remains a Globally Trusted Corporate Citizen with a Proud Reputation

### Leveraging 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 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.

#### Applying the Ten Principles of the UNGC

The DIC Group Code of Business Conduct conforms with the Ten Principles of the UNGC. The Group is capitalizing on its participation in this program to advance its operations around the world, while at the same time giving ever-greater consideration to the environment and human rights, with the aim of ensuring sustainability for global society.

#### Complying with ISO 26000

The DIC Group operates in a manner that is consistent with ISO 26000, released in November 2010, which provides businesses and organizations guidelines for operating in a socially responsible manner.

WE SUPPORT



### Ten Principles of the UNGC (Official Version)

|                 |              |  |
|-----------------|--------------|--|
| Human rights    | Principle 1  | Businesses should support and respect the protection of internationally proclaimed human rights; and                 |
|                 | Principle 2  | make sure that they are not complicit in human rights abuses.  |
| Labour          | Principle 3  | Businesses should uphold the freedom of association and effective recognition of the right to collective bargaining; |
|                 | Principle 4  | the elimination of all forms of forced and compulsory labour;  |
|                 | Principle 5  | the effective abolition of child labour; and   |
|                 | Principle 6  | the elimination of discrimination in respect of employment and occupation.   |
| Environment     | Principle 7  | Businesses should support a precautionary approach to environmental challenges;                                      |
|                 | Principle 8  | undertake initiatives to promote greater environmental responsibility; and   |
|                 | Principle 9  | encourage the development and diffusion of environmentally-friendly technologies.                                    |
| Anti-corruption | Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery.                         |

# A Message from the Head of the ESG Unit



We are working to leverage the capabilities of all employees to further enhance sustainability for the DIC Group.

Kuniko Torayama

Executive Officer  
Head of ESG Unit, In Charge of Diversity

The DIC Group has now embarked on the second year of its DIC Vision 2030 long-term management plan. Sustainability has been positioned more prominently under this plan, as evidenced by its basic policy, which places a priority on two central goals—"Build a business portfolio that contributes to sustainable prosperity for society" and "Help achieve sustainability for the global environment and for society"—through the Group's business activities. The Group's sustainability program encompasses initiatives in line with themes in three categories, which are outlined below.

## ■ Three Categories: Sustainable Products, Climate Change and Circular Economy

In the first category, Products, we are working to increase sales of sustainable products, that is, products that contribute to the resolution of social imperatives, to 60% of net sales by fiscal year 2030. Themes include determining what qualifies a product as sustainable and what we can provide to customers through our business activities. I look forward to working with Group employees to achieve this target, bearing in mind of course that sustainable products must evolve with the rapidly changing times.

The second category centers on our initiatives to address climate change. Of particular note, we are actively shifting to green power to meet our target of reducing Scope 1 and 2 CO<sub>2</sub> emissions by 50% from the fiscal year 2013 level by fiscal year 2030. We are also accelerating efforts with a view to revising manufacturing processes, promoting electrification and, over the long term, generating our own clean energy. We of course understand that day-to-day energy-saving initiatives at sites not exclusively involved in production, including processing facilities and offices, are also indispensable and will continue working and sharing know-how with Group companies around the world.

The third category involves initiatives aimed at responding to and helping to realize a circular economy. Cognizance of this as an issue is increasing in many regions. For example, the European Commission has adopted a new Roadmap to a Resource Efficient Europe. We will closely monitor the situation to determine whether our regional targets require updating, or rather simply that the speed with which such targets are achieved will vary. At the same time, we will focus on the early practical implementation of DIC's new closed-loop recycling system for polystyrene.

## ■ Improving Job Satisfaction and Productivity by Shining a Spotlight on Employee Competencies

Through measures to encourage diversity spearheaded by the Work Style Revolution (WSR) 2020 Committee, which began with the objective of improving job satisfaction and productivity, in Japan we are working to advance career opportunities for women and to improve our ability to retain and effectively utilize employees who are not Japanese nationals. In fiscal year 2022, we launched a project designed to shine a spotlight on employee competencies. We then developed training and e-learning programs to help employees better reflect project findings in their own work. We also introduced one-on-one meetings between employees and their supervisors aimed at realizing more effective work styles. I am confident that these efforts will go a long way to boosting employee job satisfaction and inspiring a sense of well-being.

Slow and steady wins the race. Recognizing that day-to-day initiatives may not yield immediate results, I will nevertheless press ahead with such initiatives, working together with colleagues from across the DIC Group as a cohesive unit, in the firm belief that the accumulation of such initiatives will help change not only DIC but society itself.

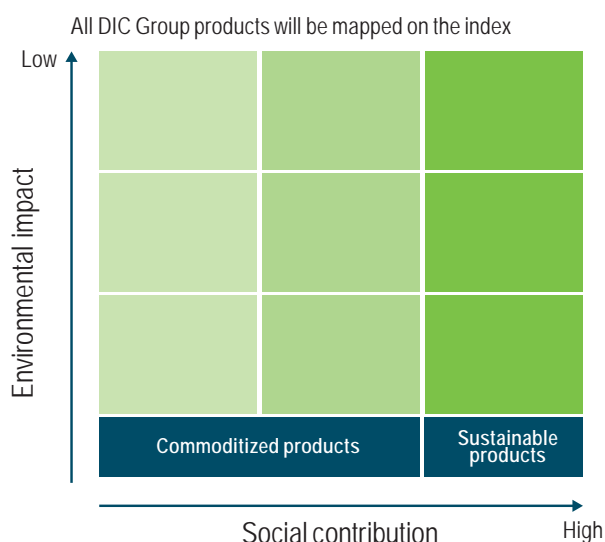


# The DIC Sustainability Index

## Promoting Steady Business Portfolio Transformation

The DIC Sustainability Index is a tool designed to make the Group's product mix more resilient. From the perspective of building a sustainable society, DIC will clarify the sustainability of its inks, pigments and other products by quantifying social contribution (horizontal axis) and environmental impact (vertical axis). Mapping all DIC Group products on the index will make it possible to formulate appropriate measures for the transformation of its business portfolio and at a certain stage elucidate the results thereof. The index will further underpin the Group's efforts to help realize a sustainable society by ensuring it meets the DIC Vision 2030 target of increasing sustainable products as a percentage of net sales to 60%, thereby ensuring its resilience to various changes in the external environment.

### DIC Sustainability Index



## Comprehensive Efforts to Address the Critical Issue of Climate Change

While a broad range of products have enhanced the convenience and affluence of modern lives, it is also true that the production thereof negatively impacts the global environment. A particularly pressing concern is climate change. It has become increasingly obvious that the earth will not be sustainable unless decisive steps are taken to achieve ambitious targets. In the DIC Group's case, these are a 50% reduction of Scope 1 and 2 CO<sub>2</sub> emissions from the fiscal year 2013 level by fiscal year 2030 and the achievement of carbon neutrality—net zero CO<sub>2</sub> emissions—by fiscal year 2050.

The DIC Sustainability Index expresses greenhouse gases generated in the manufacturing process as emissions per unit of production, measured as emissions of CO<sub>2</sub> per tonne in kilograms. By taking into account various issues, including regional differences, and relocating and consolidating its production facilities, the DIC Group set ambitious reduction targets and will promote comprehensive efforts to ensure achievement thereof.

## Focus on Products that Demonstrate Unique Competitive Strengths

How much does a product contribute to society? The horizontal axis of the DIC Sustainability Index makes it possible to judge a product's contribution to society by determining whether it is a distinctively DIC offering or demonstrates the Group's competitive strengths. The DIC Group believes that all of the products it provides around the world contribute to society in some way. In some instances, however, the availability of other similar products inevitably limits the value—including the degree of social contribution and the stability and sustainability of supplies—delivered by a Group's offering. As a manufacturer of fine chemicals, the Group believes that it can contribute to a more sustainable society by focusing on products that demonstrate its unique competitive strengths and by further enhancing such strengths, and has thus set related targets under DIC Vision 2030. Going forward, the Group will continue working to provide distinctively DIC products that are both sustainable and contribute to the realization of a sustainable society.

| The society to which DIC seeks to contribute   | Value provided by DIC products   | Sustainable product examples  |
|--|--|---|
| <b>Green</b> <ul style="list-style-type: none"> <li>Achieve carbon neutrality</li> <li>Realize a circular economy</li> </ul>   | <ul style="list-style-type: none"> <li>Contain renewable materials</li> <li>Lower energy use, improve insulation and reduce weight</li> <li>Address the issue of marine plastics</li> <li>Can be recycled</li> <li>Reduce waste</li> <li>Prolong product life</li> </ul> | <ul style="list-style-type: none"> <li><b>Sustainable energy</b> <ul style="list-style-type: none"> <li>Materials for next-generation secondary batteries and fuel cells</li> <li>Functional inorganic fillers</li> </ul> </li> <li><b>Sustainable packaging</b> <ul style="list-style-type: none"> <li>Materials with outstanding barrier properties</li> <li>Biomass packaging</li> </ul> </li> <li><b>Color science</b> <ul style="list-style-type: none"> <li>Biomass pigments</li> <li>Functional pigments for heat-blocking coatings</li> </ul> </li> </ul> |
| <b>Digital</b> <ul style="list-style-type: none"> <li>Propel the evolution of information and communications</li> <li>Drive the evolution of CASE vehicles and MaaS</li> <li>Promote the development of AI and IoT technologies</li> </ul> | <ul style="list-style-type: none"> <li>Contribute to high-capacity, high-speed communications</li> <li>Support the IoT</li> </ul>  | <ul style="list-style-type: none"> <li><b>Smart living</b> <ul style="list-style-type: none"> <li>Materials for 5G/6G-enabled devices</li> <li>Resins for next-generation semiconductors</li> </ul> </li> <li><b>Color science</b> <ul style="list-style-type: none"> <li>Functional pigments for LIDAR signal coatings</li> </ul> </li> </ul>  |
| <b>QOL</b> <ul style="list-style-type: none"> <li>Deliver safety, peace of mind and convenience</li> <li>Prolong healthy life expectancy</li> <li>Embrace diverse values</li> </ul>  | <ul style="list-style-type: none"> <li>Contribute to health and comfort</li> <li>Help reduce food loss</li> <li>Reduce emissions of VOCs and enhance safety</li> </ul>   | <ul style="list-style-type: none"> <li><b>Healthcare</b> <ul style="list-style-type: none"> <li>High-performance nutritional products</li> <li>Natural skincare materials</li> </ul> </li> <li><b>Color science</b> <ul style="list-style-type: none"> <li>Natural colorants for cosmetics</li> </ul> </li> </ul>   |

# Cultivating Next-Generation Businesses

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives                                    | Goals for fiscal year 2022  | Achievements in fiscal year 2022  | Evaluation | Goals for fiscal year 2023   |
|---|---|---|------------|--|
| Create businesses with the potential to become new pillars. | Designate business areas where <b>ESG-related issues and social changes</b> intersect with DIC's core competencies as priorities and establish next-generation businesses that contribute to the resolution of social imperatives.        | Efforts centered on priority business areas. In 3D printing materials and heat-dissipating fillers, the emphasis was on establishing mass production and launching new products. In healthcare, the focus was on establishing a mass production technology for <i>SACRAM™</i> and launching a new cosmetics business. | ★★★        | Designate business areas where <b>ESH-related issues and social changes</b> intersect with DIC's core competencies as priorities and establish next-generation businesses that both maximize corporate profits and amplify social value. |
|   | Promote open innovation (through CVC, collaboration with academic institutions and M&As) and strategic investments with the aim of enhancing the DIC Group's technology platform and driving the creation of new businesses and products. | A strategic investment in U.S. biotechnology startup BYAS and participation in a collaborative JAIST project involving collaboration among industry, government and academia strengthened capabilities insufficient in existing assets, thereby helping advance the creation of new businesses.                       | ★★★        | Promote open innovation and strategic investments in areas that will contribute to a society that is increasingly green, digital and QOL-oriented with the aim of driving the creation of new products and services.                     |

## Creating New Value

The DIC Group's redefined vision statement expresses its goals of improving the human condition to realize sustainable prosperity. Seeing its mission as being to achieve sustainable growth for itself and society, the Group is pursuing various initiatives aimed at helping realize carbon neutrality, in line with its basic policy of providing greater social benefits that enhance shareholder value and build long-term corporate value.

Seeking to fulfill its mission, the DIC Group set a target in its DIC Vision 2030 long-term management plan of increasing sustainable products to 60% of its net sales by expanding businesses in growth markets and creating new businesses to promote portfolio transformation. Through the initiatives set forth in the plan, the Group pledges to contribute to the realization of a society that is more green, digital and QOL-oriented.

## Portfolio Transformation

The COVID-19 pandemic has created a new normal that is expected to significantly accelerate the transition to a digital society and fundamentally altered consumer behavior. Recent years have also heightened corporate awareness of the importance of achieving carbon neutrality by 2050. Amid these paradigm shifts, the DIC Group has identified five priority business areas at the intersection of ESH-related issues and social changes and its core competencies: Sustainable energy, healthcare, smart living, color science and sustainable packaging.

The New Business Development Headquarters is charged with commercializing products in next-generation and growth businesses, while the R&D Management Unit is in charge of establishing inorganic materials design and biomaterial design technologies as new basic

technologies essential to the creation of new businesses. A seamless framework for cooperation between the two will further drive portfolio transformation by facilitating the swift establishment of new businesses.

Next-generation and growth businesses are highly competitive and evolve rapidly. In addition to strengthening internal cooperation to promote the commercialization of new products in such areas, the Group will make active use of external resources by promoting open innovation by, among others, leveraging corporate venture capital (CVC) and connections in other industries, investing in startups, and collaborating with academic institutions and other companies.

### ① JDA Aimed at Realizing New Method for Synthesizing Natural Red Pigments

Recent years have seen a rapid increase in demand—notably for use as food colorings and in cosmetics—for natural alternatives to conventional synthetic petroleum-derived pigments. Nonetheless, there have been significant challenges to commercialization of pigments derived from natural materials, including plants, due to unacceptably low yields (the amount that can be extracted is often small), excessive post-extraction waste generation and environmental concerns such as **extensive land and water requirements**.

DIC is currently collaborating with U.S. synthetic biology company Debut Biotechnology, Inc., with which it has a joint development agreement (JDA), to realize a new method for synthesizing naturally derived pigments. Debut possesses outstanding enzyme discovery and design technologies, as well as an advanced biomanufacturing platform (precision fermentation and cell-free manufacturing) using these enzymes. By working together, DIC and Debut are seeking to achieve the swift commercialization of high-purity and odorless plant-derived pigments that also overcome environmental, quality and supply issues.

In the first phase of the JDA, the partners achieved titers one-thousand times higher than those typically achieved using traditional methods. In the second phase, which commenced in July 2022, the two companies will focus on developing and scaling up a sustainable and highly efficient pigment production process.

The DIC Group adds color to people's lives through the provision of superior color materials. In line with its vision statement, "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*," DIC will continue striving through this JDA with Debut to offer safer and more environment-friendly products.



## ② The New DIC Human Sensitivity Lab: A Base for Developing Products and Services Based on Human Sensibilities

With economic progress, people are increasingly making the conscious choice to prioritize spiritual wealth over material affluence. Together with Tokyo-based Leave A Nest Co., Ltd., DIC established the DIC Human Sensitivity Lab, which will work to theoretically quantify—and to create new products, services and businesses that echo—human sensibilities.

By scientifically illuminating and theoretically quantifying the five senses—the biological system used for sensation, that is, the gathering of information about the world through the detection of stimuli—as well as human sensibilities, which are emotional reactions that are informed by habits, experiences and environmental factors, the DIC Human Sensitivity Lab seeks to build the *Kansei*<sup>®</sup> Technology Platform, a product and service development platform. One specific development theme involves collaborating with Japanese firm Kansei AI Co., Ltd., a startup that began as part of The University of Electro-Communications, to develop a new materials development system that uses measuring technologies to quantify and objectively present the "*kansei* value" of the tactility and texture of materials.

In 1968, DIC launched Japan's first color sample book for the printing industry, the *DIC Color Guide*<sup>®</sup>, setting standards for colors that are

both subjective and closely linked to human perceptions, and, by giving numerical representation to colors, creating a common language understood by everyone involved in the printing process. Going forward, the DIC Group will continue to advance the creation of new products, services and businesses that echo human sensibilities, as well as embody its "Color & Comfort" brand slogan, contributing to the realization of a sustainable society in which people and the earth exist in harmony.

<sup>\*</sup> A Japanese expression meaning "human sensibilities"

## ③ Development of the World's First Indoor Mass Cultivation Technology for Suizenji Nori

Blue-green algae, which absorbs CO<sub>2</sub> and produces multiple useful substances through photosynthesis, is attracting increasing attention not only from the perspective of sustainability but also as a material for use in various industries, including healthcare, medicine and food. Suizenji nori (scientific name: *Aphanothece sacrum*) is a freshwater blue-green algae indigenous to Japan that has been highly valued as an ingredient in high-end Japanese cuisine since the Edo Period (1603–1867). Macromolecular polysaccharide *SACRAN*<sup>™</sup>,<sup>\*</sup> extracted from Suizenji nori, is used widely in cosmetics thanks to its outstanding moisture-retention capacity, skin barrier functions and anti-inflammatory properties. Owing to environmental change, Suizenji nori habitats have declined to the point where today the only place it grows naturally is in and around the Kogane River in the city of Asakura, Fukuoka Prefecture.

In March 2021, DIC entered into a capital and business alliance with Japanese biotech startup Green Science Materials Co., Ltd. (GSM). In fiscal year 2022, this alliance, which brings together DIC's algae culture technology, fostered over 40 years of producing edible blue-green algae *Spirulina*, with the results of basic research in the cultivation of Suizenji nori conducted by GSM, led to the development of the world's first indoor mass cultivation for the rare freshwater algae. The companies are currently working toward commencing mass indoor Suizenji nori cultivation, as well as to global sales of *SACRAN*<sup>™</sup>, extracted from Suizenji nori as a uniquely Japanese cosmetic ingredient. DIC and GSM will also continue striving to capitalize on the functionality of Suizenji nori to expand applications in areas other than cosmetics, including medicine, nutritional supplements, personal care and apparel.

By strengthening its biobased materials business in the area of healthcare and leveraging functional materials extracted from algae, the Company will work to enhance its contributions to QOL, as set forth in its DIC Vision 2030 long-term management plan.

<sup>\*</sup> *SACRAN* is a trademark of GSM.

### TOPIC

#### DIC Launches Skincare Brand *fillwith*, Which Pleases Users' Sensibilities and Benefits Their Skin

In fiscal year 2022, DIC launched new skincare brand *fillwith*. Designed to please users' sensibilities, *fillwith* is the embodiment of "comfort." In addition to moisturizing, these products resonate with the senses of sight, touch and smell, appealing to refined sensibilities and enveloping the user in luxury. They are designed to be an extension of the individual user, inspiring an emotional response and evoking the progress of life and the changing of the seasons.

Drawing on the bounty of nature, *fillwith* cosmetics are crafted with carefully selected natural ingredients, including fragrances, derived from plants and algae. Particularly notable is a naturally derived macromolecular polysaccharide, extracted from Suizenji nori blue-green algae, that boasts approximately 10 times the moisture-retention capacity of hyaluronic acid.<sup>\*</sup> Sales of *fillwith* cosmetics, which are available exclusively via an official online store, commenced in February 2023.

Looking ahead, DIC will continue to offer *fillwith* cosmetics made with macromolecular polysaccharide extracted from Suizenji nori that respond to changing skincare needs, helping to support users' physical and spiritual well-being.

Official Brand Website <https://fillwith-style.com/shop>

<sup>\*</sup> As measured by the Japan Advanced Institute of Science and Technology using a modified tea bag method.

  
fillwith



# Proposing Solutions that Leverage Core Technologies

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objectives of initiatives   | Goals for fiscal year 2022   | Achievements in fiscal year 2022   | Evaluation | Goals for fiscal year 2023   |
|---|--|--|------------|--|
| Enhance ability to develop products and technologies that facilitate contribution to a sustainable society. | <ul style="list-style-type: none"> <li>Accelerate collaboration among global technology bases in the development of strategic products and new technologies.</li> <li>Make use of compounding technologies, open innovation and AI to hasten the development of technologies that create added value.</li> </ul> | <ul style="list-style-type: none"> <li>Various facilities collaborated to promote R&amp;D</li> <li>Steps were taken to advance the use of AI and MI to reduce the number of research themes and development time, and to promote collaboration with specialized third-party AI and biotech firms.</li> </ul> | ★★         | <ul style="list-style-type: none"> <li>Accelerate collaboration among global technology bases in the development of strategic products and new technologies.</li> <li>Make use of compounding technologies, open innovation and AI to hasten the development of technologies that create added value.</li> </ul> |
| Accelerate efforts to develop products that contribute to sustainability.                                   | Accelerate efforts to develop products that contribute to sustainability.  | Efforts led to the launch of multiple new biomass products, including a polyester plasticizer, UV-curable clear varnish and packaging materials suitable for recycling.  | ★★         | Accelerate efforts to develop products that contribute to sustainability.  |

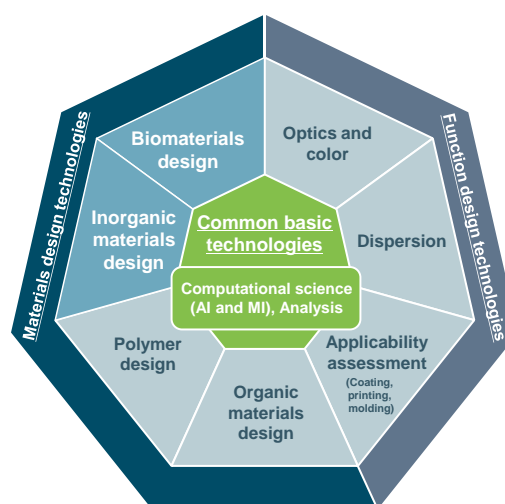
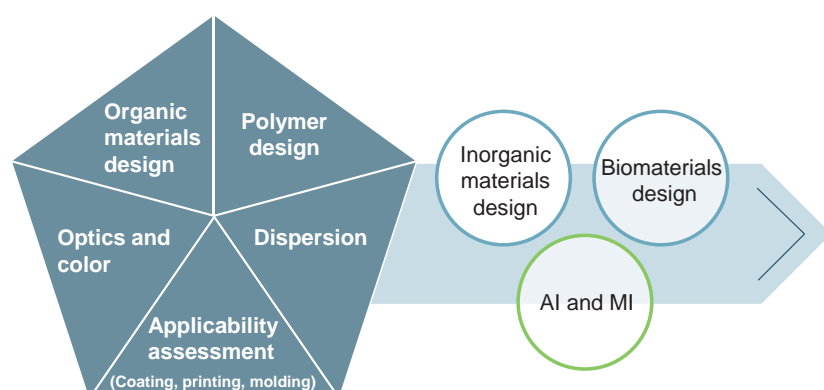
## Achieving Sustainable Growth

With the aim of realizing its redefined vision statement, "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*," the DIC Group strives to add depth to its existing basic technologies in the areas of optics and color, organic materials design, polymer design and dispersion, and to foster new technologies in the areas of inorganic materials design and

biomaterials design. The Group also actively promotes the use of AI and materials informatics (MI), as well as the training of AI specialists.

To build a portfolio of next-generation products and new technologies and drive sustainable growth, the DIC Group continues working to integrate Groupwide technological resources, as well as promotes open innovation by, among others, collaborating with industry, government and academia and making use of CVC.

### Existing Basic Technologies



DIC's rich lineup of basic technologies is a competitive advantage

## Specific Initiatives and Achievements

The DIC Group is advancing the development and use of clean technologies. This includes promoting the development of materials for use in such areas as sustainable packaging, color science and smart

living that improve the environmental performance of the products in which they are used, making the use of DIC products a way customers can contribute to addressing global environmental issues. In Japan, the Group devotes approximately 54% of its technological resources to the development of such products.



## ■ Sustainable Packaging

Highlights in the area of printing inks include the development and launch of a new series of low temperature-drying web offset inks that reduce associated CO<sub>2</sub> emissions attributable to use because less gas is required for drying, a series of UV-curable clear varnishes that earned the Biomass Mark from the Japan Organics Recycling Association (JORA), and antibacterial and antiviral overprint varnishes. In materials for packaging, the DIC Group expanded its lineup of products, introducing adhesives with barrier properties, ordinary coatings and heat-resistant coatings that are compatible with recyclable mono-material packaging. The Group also worked to expand sales of products that contribute to the reduction of food loss, including easy-peel films for the lids of prepared food containers used by convenience stores and pulp molded containers for home-delivery frozen lunch boxes.

In response to market demand and sustainability trends in the regions in which it operates, the Sun Chemical Group focused on developing new integrated solutions for making packaging more recyclable, including barrier, temperature-resistant and protective coatings, adhesives, sealants and recycle-friendly inks. These technologies are enablers for recyclability, for reducing weight and for transitioning from plastic to paper packaging.

## ■ Color Science

As well as the development of new products in the area of pigments for color filters used in displays, the DIC Group's achievements in the area of color materials included the commercialization of pigments for water-based flexo inks with reduced concentrations of harmful primary aromatic amines. The Group also developed and began shipping samples of a new UV dispersing ingredient for sunscreen, an active cosmetic ingredient containing polysaccharide *SACRAN*<sup>™</sup>, extracted from Suizenji nori, a freshwater blue-green algae.

Overseas, the Sun Chemical Group inaugurated sales of a range of new products. Among these were two new orange and eight new plant-derived natural effect pigments for cosmetics, as well as eight new effect pigments for automobile coatings that expand color choices available for use on vehicles.

## ■ Smart Living

R&D in the area of synthetic resins centered on low-dielectric materials for electronic circuit boards for 5G/6G-enabled communications devices and biomass resins such as an all-sustainable alkyd resin composed of biobased and recycled monomers and bioderived solvents. In metal carboxylates, the DIC Group embarked on the provision of a new cobalt-free drier for coatings in the particularly environment-conscious European market. In addition, DIC's 100% biomass-based polyester plasticizer was accredited as a Certified Biobased Product under the USDA's BioPreferred Program, which is expected to help boost its adoption by a broad range of industries, including in the United States, Europe and the PRC, while in industrial adhesive tapes the Group expanded its lineup of products for attaching smartphone components and fixing panels in the production of computers that deliver excellent removability and reworkability.

## ■ A Global R&D Configuration that Underpins Product Development

The Group's R&D organization in Japan comprises the Technical Management Unit, which is responsible for product development and

modification connected directly to businesses; DIC Graphics Corporation's Technical Division; the R&D Management Unit, which is responsible for adding depth to existing basic technologies 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 products. Overseas, the Group's R&D is conducted by the Sun Chemical Group's research centers in the United States, the United Kingdom and Germany; Qingdao DIC Finechemicals Co., Ltd., 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. These facilities are working as one with the new Tape Technical Center-China, established in 2023, to promote the global development of products and technologies.

## ■ Accelerating the Expansion of Sustainable Products

DIC has introduced the proprietary DIC Sustainability Index. (For more information, please see page 36.) This index is used to simultaneously assess all DIC Group products from the perspectives of environmental impact and social contribution. The Group defines products that will help it address key social imperatives as sustainable. The index is also used in R&D to determine the focus of research and product development themes, including the modification of products to reduce environmental impact.

## ■ Product Stewardship

The DIC Group views product stewardship as a key aspect of its operations. The Group has established a global product stewardship team for printing inks, adhesives and other products used in food packaging, which it supplies to customers around the world. The team shares information on regulations and relevant topics from various markets, as well as advances awareness thereof and provides training. Knowledge thus gained is incorporated into product design and is used to produce compliance certificates across the supply chain, which are sought by customers worldwide.

The DIC Group also strives to maintain a solid grasp of laws and regulations in different countries and territories, and of trends in environmental initiatives, to ensure its ability to design products that comply with diverse controls on the use of chemical substances. In addition, the Group conducts environmental assessments on a continuous basis.

## ■ Innovation through Compounding

Building on its fundamental pigment and resin dispersion and formulating technologies, realized through the production of printing inks, the DIC Group has succeeded in combining materials with different properties and performance characteristics to develop groundbreaking products and create new value. In the area of compounds for 3D printing, the Group's antiviral and antibacterial thermoplastic polyurethane resin (TPU) filament for additive manufacturing became the first such material to earn certification from the Society of International sustaining growth for Antimicrobial Articles (SIAA). In PPS compounds, the Group promoted the development of products with outstanding insulating properties and thermal conductivity for use in motor components for electric vehicles (EVs) and e-bikes. The Group will continue to harness its distinctive compounding capabilities to transform its diverse technologies into competitive advantages with the aim of driving innovation.

## ■ Responding to a Circular Economy

In line with the “5Rs” (reuse, reduce, renew, recycle and redesign), which seeks to advance the circular use of resources, the DIC Group is working to expand its lineup of biomass products, crucial to the achievement of carbon neutrality, shift to recyclable materials, and develop biodegradable and compostable materials. In addition, the Group is promoting the development of production processes using algae and bacteria, and of biopolymers, as well as the realization of a closed-loop chemical recycling process for polystyrene and an innovative deinking agent. The Group is also taking active steps to help reduce waste plastic and marine plastics, recognizing these as challenges that, as a manufacturer of fine chemicals, it has a responsibility to address.

## ■ Intellectual Property

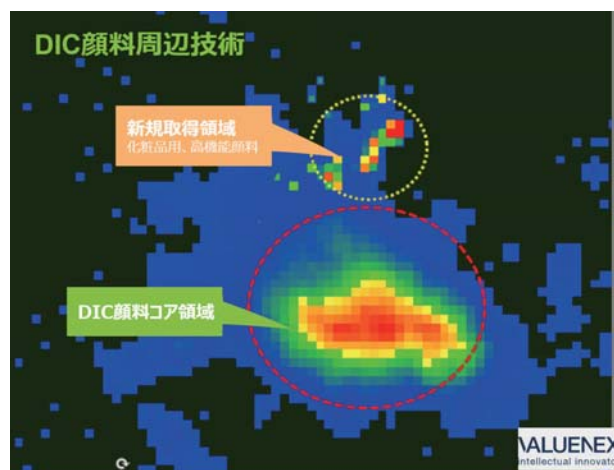
### Basic Approach

The DIC Group recognizes intellectual property as an important management resource and advances related initiatives, including the development of new technologies and branding, that are in conformance with its business and technology strategies, with the goal of building valuable intangible assets.

### Actively Promoting Intellectual Property Strategies in Priority Business Areas in Line with DIC Vision 2030

The analysis of patent information, a treasure trove of big data that plays a key role in the formulation of business strategies, using DX is emerging as a mainstay of intellectual property strategies. With the aim of establishing new basic technologies and creating new sustainability-related and other businesses, the DIC Group is promoting more extensive use of patent landscapes, which combine analyses of patent data with business information, yielding insights that assist its efforts to promote new businesses, in tandem with marketing activities conducted by business groups and technical teams.

With the focus of its core business areas shifting toward sustainability-related areas, the DIC Group will also broaden its use of patent landscapes to add depth to these businesses by identifying areas in which it can demonstrate core competencies, evaluating potential M&A targets in terms of ability to bolster business scale and analyzing the strategies of competitors. One such area is pigments, where patent landscapes have enabled the Group to not only reinforce existing businesses but also diversify into new areas such as cosmetics. Patent landscapes also increased the effectiveness of M&A activities by clarifying to what degree the acquisition of the Colors & Effects pigments business would be beneficial in expanding the Group's intellectual property portfolio in this area. This is shown in the image at the top of the next column.



The DIC Group is also capitalizing on AI and ML to actively implement its intellectual property strategies, as well as to transform its intellectual property portfolio by swiftly applying for related patents. To these ends, the Group is working closely with its Data Science Center.

### Protecting Corporate Value by Managing Intellectual Property Risks

In line with its basic policy on compliance, the DIC Group works to protect business earnings and minimize intellectual property risks by conducting exhaustive patent clearance searches in new markets and for new technologies, promoting contract management, effectively managing confidential information and advancing initiatives to prevent counterfeiting, patent infringement and the use of similar trademarks. Accordingly, the Group is building a configuration for intellectual property management that conforms closely with business and product development strategies and fostering greater awareness of intellectual property and related risks by providing training, including e-learning programs offered at Group sites both in Japan and overseas.

### Improving Corporate Value through Effective Intellectual Property Governance

The DIC Group strives to bolster its corporate value by enhancing the visibility of its intangible assets, as well as by accurately evaluating its competitiveness and ensuring compliance with Japan's revised Corporate Governance Code. DIC's intellectual property initiatives are also attracting notice from external observers. The Company is regularly among the top companies in the chemicals industry in Japan in terms of patent assets owned in a ranking conducted by an independent firm.\*

\* Patent Result Co., Ltd.; in the 2022 ranking, DIC was eighth

## VOICE | We developed antibacterial and antiviral overprint varnishes that contribute to a better QOL.

With the aim of helping ensure that the targets of DIC Vision 2030 are met, DIC Graphics' Paste Ink Technical Group is focusing its efforts on developing sustainable ink products that will help make society greener and more QOL-oriented. We recently developed a series of overprint varnishes with antibacterial and antiviral properties that can be cured even with energy-efficient LED-based UV curing systems. In addition to the superb performance of a conventional product in terms of imparting decorative properties and protective coatings, these products earned certification from SIAA for their ability to suppress the growth of bacteria and inactivate viruses.

Paste Ink Technical Group, DIC Graphics Corporation Tomokazu Yamada



# Driving Business Model and Portfolio Transformation

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives | Goals for fiscal year 2022  | Achievements in fiscal year 2022   | Evaluation | Goals for fiscal year 2023  |
|--------------------------|---|--|------------|---|
| Promote DX.              | Establish a framework that balances the need for speed with that for the management of risks. | A dedicated framework was established to oversee important DX measures, including digital marketing and the building of a standard SCM model, on a Companywide basis. A system was created to lead these initiatives that involves cooperation among business units, administrative departments and production facilities. | ★★★        | Steadily advance DX initiatives across an increasing number of business units/functional departments. |
|                          | Advance DX measures across multiple business units/functional departments.                    | As important DX projects currently being promoted involve multiple departments, steps were taken to encourage cross-departmental cooperation and ensure smooth implementation.   | ★★         | Introduce digital initiatives that support the exploration of business model transformation.          |
|                          | Begin exploring business model transformation.  | Efforts were launched to explore the effective use of digital technologies in business model transformation initiatives being undertaken by business units.  | ★★★        | Further strengthen the framework for promoting DX in terms of human resources, skills and expertise.  |

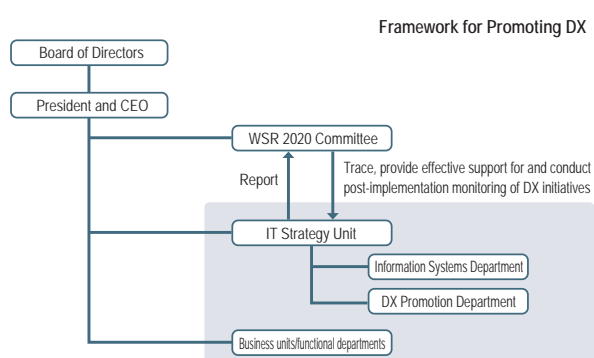
## Basic Policy

The DIC Group promotes DX with the objective of providing new value and reinforcing its corporate structure and competitive advantages through the use of digital technologies and data. The Group is advancing initiatives in three key areas: Market,\* production and technology, and supply chain management (SCM). The Group is also working to realize a next-generation digital integrated platform and securing and training human resources to establish the infrastructure necessary to advance DX.

\* "Market" is used here in the sense of sales and marketing functions.

## Framework for Promotion

The IT Strategy Unit's Information Systems Department and the DX Promotion Department capitalize on data and digital technologies, eliminating boundaries between IT and DX, to promote process optimization, work style reforms and the innovation of business models over the short term, as well as the medium to long term. Looking ahead, the DIC Group expects to see an increase in the promotion of independent DX initiatives by individual business units and functional departments. Accordingly, the Work Style Revolution (WSR) 2020 Committee traces, provides effective support for and conducts post-implementation monitoring of such initiatives to ensure optimization from a Groupwide perspective.



## Market

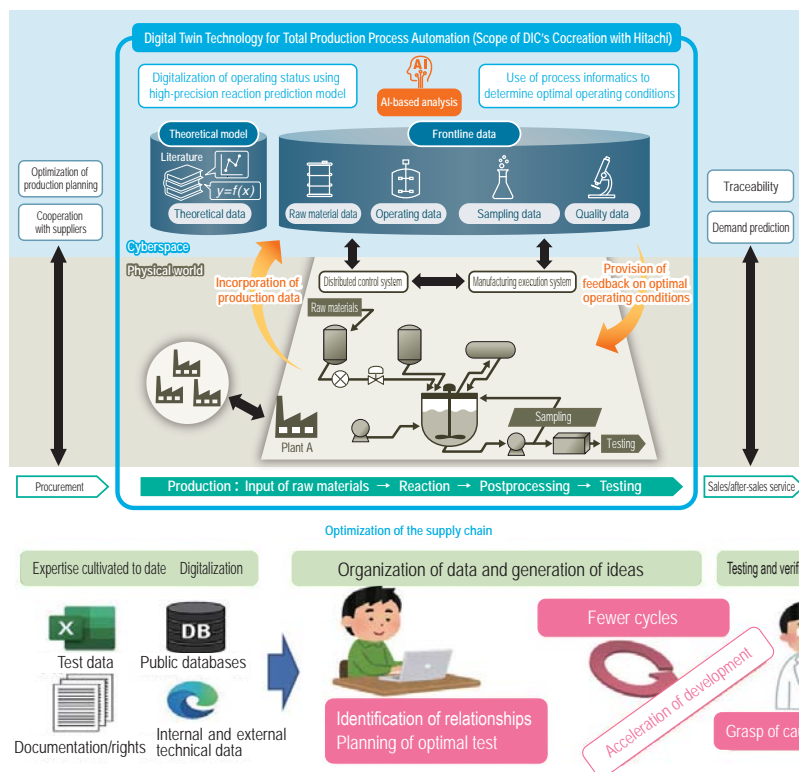
Through DX, the DIC Group seeks to enhance brand strength by creating high-level customer experiences, as well as to achieve business model transformation. With the accelerating digitalization of its operations and the increasing use of telework, the importance of digital media as a channel for contact with customers is growing. The Group is working to encourage continued patronage by extending proposals that incorporate the customer's perspective, thereby creating business opportunities, as well as by improving customers' experiences with the goal of encouraging continued patronage. In fiscal year 2023, the Group will further leverage digital marketing in the creation of new customer experiences. Through DX, the Group will also seek to stimulate collaboration within the DIC Group to drive business model transformation.

## Production and Technology

On the production side, DIC is deploying digital technologies widely at production sites with the aim of realizing smart factories that reduce workloads and ensure safe, stable operations. The DIC Group developed a testing machine in fiscal year 2022 that utilizes reaction simulation, an AI technology, to optimize small-lot, high-mix production of resins using digital twins. Efforts to verify the machine's effectiveness are currently underway. The Group is also accelerating the development of a database infrastructure and reinforcing its cyber security management, which is essential to the realization of smart factories.

On the technology side, the DIC Group sought to expedite the transformation of its business portfolio, as outlined in DIC Vision 2030, by shifting the focus of its efforts to computational science, which uses AI and MI.\* In fiscal year 2021, the Group established the Data Science Center, a specialized AI organization, through which it is working to halve the development stage for new products and double the number of development themes in play.

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



## SCM

In addition to improving the visibility of the flow of goods and information through its supply chains, the DIC Group is promoting related reforms designed to ensure supply chain-wide optimization. To this end, the Group is leveraging digital technologies to realize real-time platform linkage between sales and production data, as well as statistical demand forecasting, which it began rolling out gradually in Japan, the PRC and the Asia-Pacific region in fiscal year 2022.

## Updating Core Business Systems and Establishing a Global Digital Integration Platform

The DIC Group plans to update its core business systems in fiscal year 2024. Seeing this as an opportunity, the Group will respond to changes in its operating environment, business structural reforms and advances in digital technologies to build a global digital platform that will be capable of evolving even 10 years down the road. The Group will also establish a next-generation

comprehensive digital integration platform that will enable the use of digital technologies and data, as well as facilitate flexible and rapid system linkage with internal and external parties.

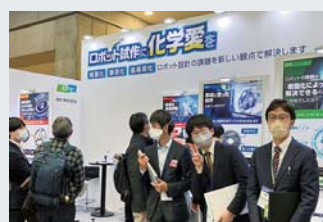
## Securing and Fostering Human Resources

DIC is also focusing on taking advantage of digital technologies and data to creating a human resources management foundation for promoting business reforms, problem solving and decision making that encompasses both executives and employees. In fiscal year 2020, the DIC Group began offering training for future data scientists and other individuals whose jobs require the use of data. In fiscal year 2022, the Group created a framework and team for driving digitalization in business units and introduced practical education and training of staff for this purpose. The Group is also fostering in-house human resources, as well as actively recruiting new graduates and mid-career hires, to expand on-site data utilization using agile and other practices.

### TOPIC | Digital Marketing Initiatives Are Advancing

Four years have passed since DIC introduced Salesforce cloud-based services and marketing automation, during which digital marketing has become firmly cemented in all pertinent departments. Beginning with point-of-sales digital marketing, individual departments have stepped up efforts to include conducting quantitative analyses of outcomes before determining subsequent actions. The entrenchment of digital marketing has also spurred individual departments to build a framework for these activities. Owing to the greater prevalence of offline marketing initiatives compared with fiscal year 2021, the Company promoted "hybrid" activities, which incorporate digital marketing into participation in trade shows, in fiscal year 2022. One example was the use of email marketing in conjunction with its trade show participation with the purpose of gaining promising leads, which succeeded in increasing the number of business cards received and creating a new point of contact with customers.

Digital marketing is not something that can be completed on a computer. Maintaining a Companywide perspective, DIC will continue striving to communicate the appeal of its products by capitalizing on the expertise and experience accumulated by sales and technical teams, thereby further enhancing customer value.



Trade show participation incorporating digital marketing



## Adding Color & Comfort to Lifestyles

### Basic Approach to Social Contribution

Based on its Guidelines for Social Contribution Activities, established in fiscal year 2009, the DIC Group works to ensure harmony with local communities and individuals through activities aimed at building a strong relationship with society.

### Guidelines for Social Contribution Activities

In line with its vision statement, "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*," the DIC Group will promote social contribution in three areas: Business activities, culture and education, and communities and society.

#### *Business activities*

The DIC Group will offer products and services that contribute to the development of a sustainable society and protection of the global environment from the perspective of "sustainability through business activities."

#### *Culture and education*

The DIC Group will engage in initiatives that will contribute to the development and promotion of culture, the arts, science and education, including fostering next-generation human resources in areas such as the culture of color and chemistry.

#### *Communities and society*

The DIC Group will strive to coexist harmoniously with local communities to develop a relationship of mutual trust. Moreover, the Group will provide an environment that enables employees to engage in voluntary initiatives in their respective local communities.

### Principal Initiatives

#### ○ CUD: The Future of Color and Comfort

The DIC Group is actively involved in R&D in the area of color universal design (CUD) as well as in expanding public awareness and understanding of CUD's importance.

##### • 2007–2010

Under the supervision of the University of Tokyo, the DIC Group, the Japan Paint Manufacturers Association, the Industrial Research Institute of Ishikawa and the Color Universal Design Organization embarked on a project to create the Color Universal Design–Recommended Color Set. Thanks to repeated verification tests, the organizations realized a set of colors that are relatively easy to distinguish regardless of ability to see colors and can be reproduced using printing inks, coatings and digital imaging, and embarked on efforts to encourage recognition and use.

##### • 2011–2014

The DIC Group and architect Kengo Kuma collaborated to develop new tactile paving that ensures high visibility for visually impaired individuals and is in harmony with the landscape. Subsequently, in spring 2018, two new color options—a warm orangey yellow and a cool yellowish green—were commercialized under the name *Lucida*<sup>®</sup>, which have since been adopted for use in numerous buildings and stations.

##### • 2015–2017

The DIC Group participated in a joint industry–academic research project, as part of which Chiba University, the Central Research Laboratories and DIC Color Design, Inc., gave presentations at academic conferences around the world on joint research in the color appearance of red spot colors used for printed warnings and other important information on packaging and on the use of color in printed materials to enhance readability for seniors.

##### • 2018

Taking into account nearly a decade of use, the participants in the original project to create the Color Universal Design–Recommended Color Set revised the set's color values to further enhance usability. The organizations also cooperated to publish a guidebook on effective use of the set and have since worked to promote understanding and awareness.

In 2018, the Japan Industrial Standards (JIS) announced a groundbreaking new standard for safety colors that can be distinguished by people with diverse types of color vision (JIS Z 9103). As a member of the original drafting committee, the DIC Group was involved in setting recommended CMYK values for process printing and also cooperated in subsequent activities aimed at advancing awareness.

##### • 2019–2021

DIC began participating as an expert in the field of color in the verification of safety-related color schemes for applications such as disaster prevention information. In this capacity, the DIC Group took part in verification testing for the setting of RGB values for screen displays for a color scheme (five colors) developed to convey heavy rain warning levels in an easy-to-understand manner, which was announced in 2020 by Japan's Cabinet Office. In formulating CMYK values for the same color scheme, announced in 2021, DIC Graphics cooperated by not only verifying candidate colors but also printing a color chart for use in the verification process.

##### • March–April 2022

In March and April 2022, the DIC Group published a two-part feature on its efforts to contribute to society through color in the Japanese-language space of its global website. Since then, the Group has continued working to provide stakeholders with information on its initiatives to make society

more accessible to people with diverse types of color vision, as well as to introduce key difference makers from both within and outside the Group.

• **March 2023**

DIC Color Design held a webinar on the value and purpose of CUD and how it can be used to promote activities in accordance with the Sustainable Development Goals (SDGs). Taking into account the challenges associated with color use and design in a diverse society, the DIC Group leveraged its expertise in CUD, as well as related technologies, to people involved in the production of goods and information to ensure that color and CUD fulfill their potential to contribute to the realization of the SDGs.



○ **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. 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. In addition to a standing exhibit from its permanent collection, the museum stages special exhibitions multiple times a year to encourage a deeper understanding of the works in its collection.

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 2023, the museum is celebrating its 34th anniversary. Two special exhibitions are being held. *"Rendez-vous dans le Midi"* focuses on the south of France as a place where art flourished in the 20th century, exhibiting approximately 150 works by around 30 artists from museum and other collections in Japan through which it highlights the extensive interaction among artists active in the region, as well as the forms of expression and artistic techniques that evolved. *"Josef Albers: Pedagogical Experiments"* will introduce works by the painter, designer and art professor, who was active in Germany and the United States. This will be the first retrospective of Albers' works held in Japan.

Many museum programs, including regularly scheduled guided tours, the "mite!" ("look!") online interactive art-viewing experience, art appreciation tours for students and other educational support activities, and group museum visits were curtailed over the past three years due to COVID-19. The museum is promoting the gradual resumption of these and other activities, making adjustments as necessary to

prevent the spread of infection, with the ultimate goal of restoring these initiatives to pre-pandemic levels.

Looking ahead, the museum will continue to plan and stage exhibitions centered around works from its collection. The museum will also advance social contribution activities and enhance its digital presence with a view to encouraging communication with the community.



Kawamura Memorial DIC Museum of Art



Museum entrance hall



Outdoor terrace

○ **Visiting Science Lab Program**

In line with the Japanese government's efforts to further career education initiatives, DIC conducts visiting science labs at public elementary schools. Based on the theme of "Color & Comfort," this program, which highlights how science can help secure a brighter future for humanity and the planet, comprises experiments that involve observing the mechanism of color printing, extracting natural pigments from algae and dissolving recyclable adhesives.

Since launching this program in 2010, DIC has provided labs for approximately 3,300 students at 46 elementary schools and university facilities (as part of an event). Visiting science labs were suspended in fiscal year 2020, the program's 10th year, as a result of COVID-19. While unfortunate, this provided the opportunity for a careful reassessment of the program. A new, updated version was unveiled in December 2022 when the Company participated in Tohoku University's Science Campus project. The program was well received by participating students, who commented on the interesting nature of the experiments and the joy of making new discoveries, as well as by parents and guardians and event organizers, who expressed appreciation at the opportunity to understand principles they find mystifying, and to learn how companies develop products that align with contemporary concerns. Going forward, the DIC Group will continue to promote this and other programs that make science fun for children and which spark enthusiasm for chemistry.



### ○ Initiatives Led by the Central Research Laboratories

The Central Research Laboratories provides support for education through a variety of initiatives. These include assisting with the Annual Meeting on Scientific Research by High Schools, which is sponsored by Chiba University's Section of Collaboration with High Schools and features research presentations from across Japan. In fiscal year 2022, five researchers attended this event, listening to a total of 493 presentations, taking part in Q&A sessions and otherwise encouraging research by participating high school students, who aspire to careers in the sciences.

The Central Research Laboratories also advances efforts that leverage DIC's unique capabilities. These include lectures for high schools that have earned Super Science High School\* designation, including Seishin Gakuen High School in Ibaraki Prefecture, and Sakura Senior High School and Funabashi High School in Chiba Prefecture, as well as fashion design workshops for students from Sakura Higashi High School in Chiba Prefecture.

\* "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.

#### • Highlights of Fiscal Year 2022

Educational support activities in fiscal year 2022 included holding workshops at Sakura Higashi High School and Super Science High School lectures at Seishin Gakuen High School, among others. The Central Research Laboratories also continued to assist Super Science High School-designated schools through participation by executive-level employees in the steering committees of Sakura Senior High School and Funabashi High School.

Other initiatives in fiscal year 2022 included once again hosting the Chiba Prefectural Dream Challenge Hands-On School, a popular program for elementary school children organized by the prefecture's Board of Education. The Central Research Laboratories also participated in the "Now I Get It! Technologies of the Future" exhibition, held to coincide with schools' summer vacation with the aim of nurturing children's curiosity about science and technology and encouraging the next generation's interest in work in the manufacturing sector.

### ○ 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 Duel System—since 2008. In fiscal year 2022, three students from the school's industrial chemistry and information sciences programs participated in lectures on product knowledge, safety and compliance, and in practical training at the plant, over a period of three months.

### ○ Social Contribution Activities at DIC Group Companies in Other Countries and Territories

#### • New Sun Chemical Colombia Bottom-Up Environmental Project

Sun Chemical Colombia S.A.S. launched a zero-waste project to drastically reduce the volume of waste generated by its production activities in a bid to lower its impact on the environment. A bottom-up initiative, this project was inspired by suggestions put forth by

site employees, including to reuse containers and logistics materials deployed in production processes, rigorously separate and recycle waste, and prevent the discharge of hazardous substances by adopting sealed lids for the storage of volatile solvents. The DIC Group will continue to espouse a corporate culture that encourages each and every employee to take on new challenges, thereby helping secure a brighter future for humanity and the planet.

#### • Supporting Humanitarian Assistance for Ukrainian Refugees

DIC has donated approximately \$300,000 to help provide humanitarian assistance for refugees from the current crisis in Ukraine. In addition to a donation to the United Nations High Commissioner for Refugees (UNHCR)—the UN Refugee Agency—the Company set up a joint fund with Sun Chemical, with both companies contributing approximately €100,000. This fund forwards donations to various nonprofit organizations for the provision of assistance and relief, including housing and gifts for children, to employees of the DIC Group and customer companies, as well as to refugees who have fled the country.

### ○ 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 2022 drive and matching gift program were donated to 19 children's homes and facilities providing support for disabled individuals.



# Promoting Disclosure and Communication

## Basic Approach to Disclosure and Communication

The DIC Group places a priority on communication with its stakeholders worldwide, as outlined in Article 8 of its Policy on Corporate Governance.

### Article 8 (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.

Guided by this policy, the DIC Group promotes communication with stakeholders through television advertisements, participation in exhibitions, websites and events. By communicating effectively with stakeholders, the Group strives to ensure an adequate understanding of stakeholder expectations and to reflect such expectations in its business activities. The Group is also expanding its awareness of the concept of stakeholder engagement, a key requirement under ISO 26000.

|                                 | 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 understanding through effective publicity, advertising and other communications efforts.  |
| Communications tools            | <ul style="list-style-type: none"> <li>DIC Report</li> <li>News releases</li> <li>Television advertisements</li> <li>Corporate brand film</li> <li>Websites</li> </ul> <ul style="list-style-type: none"> <li>Product pamphlets</li> <li>Digital marketing</li> <li>Corporate profile DVDs</li> </ul> | <ul style="list-style-type: none"> <li>DIC Report</li> <li>News releases</li> <li>Television advertisements</li> <li>Corporate brand film</li> <li>Websites</li> <li>Press conferences</li> </ul> <ul style="list-style-type: none"> <li>Quarterly results announcements</li> <li>Yuka Shoken Hokokusho (financial disclosure document required of listed companies in Japan)</li> <li>Timely disclosure</li> <li>Notice of Convocation of the Annual General Meeting of Shareholders</li> <li>Shareholder newsletters</li> </ul> | <ul style="list-style-type: none"> <li>DIC Report</li> </ul> <ul style="list-style-type: none"> <li>DIC Group Sustainable Procurement Guidelines</li> <li>DIC Group Green Procurement Guidelines</li> <li>Supplier sustainable procurement questionnaires</li> <li>Feedback sheets</li> <li>Conflict Minerals Reporting Template</li> </ul> | <ul style="list-style-type: none"> <li>DIC Report</li> <li>News releases</li> <li>Television advertisements</li> <li>Corporate brand film</li> <li>Websites</li> </ul> <ul style="list-style-type: none"> <li>Site reports</li> </ul>  | <ul style="list-style-type: none"> <li>DIC Report</li> <li>News releases</li> <li>Television advertisements</li> <li>Corporate brand film</li> </ul> <ul style="list-style-type: none"> <li>Better Tomorrows (in-house digital newsletter)</li> <li>Intranet</li> <li>DIC Pocket Book (in-house Group data file)</li> <li>Global linkage</li> <li>The DIC Way Handbook</li> <li>DIC Vision 2030 presentation materials/presentations</li> <li>Branding questionnaire</li> <li>The DIC Way Vision and Core Values Awards</li> <li>Teams Plaza employee communication website</li> <li>WSR 2020 activities</li> </ul> | <ul style="list-style-type: none"> <li>DIC Report</li> <li>News releases</li> <li>Television advertisements</li> </ul> <ul style="list-style-type: none"> <li>Websites</li> <li>Press conferences</li> </ul> <ul style="list-style-type: none"> <li>Publication of news releases on global website</li> <li>Interviews with journalists</li> </ul> |
| Opportunities for communication | <ul style="list-style-type: none"> <li>Sales activities</li> <li>Participation in exhibitions</li> <li>Lectures on the SDGs for customers</li> </ul>  | <ul style="list-style-type: none"> <li>Annual General Meeting of Shareholders</li> <li>Results presentations</li> <li>IR conferences</li> <li>IR meetings</li> <li>Individual investor briefings</li> </ul>   | <ul style="list-style-type: none"> <li>On-site inquiries</li> </ul>   | <ul style="list-style-type: none"> <li>Production facility tours</li> <li>Participation in projects involving collaboration among industrial concerns, government bodies and academic institutions</li> <li>Participation in community events</li> <li>Environmental monitoring</li> <li>Kawamura Memorial DIC Museum of Art</li> <li>Plant Bon Odori</li> </ul> | <ul style="list-style-type: none"> <li>Labor-management councils</li> <li>Results presentations for employees</li> <li>DIC Group Code of Business Conduct presentations</li> <li>Sustainability presentations</li> <li>DIC Family Day</li> <li>Plant tours for employee families</li> <li>The DIC Way digital presentations</li> <li>DIC Vision 2030 presentations</li> </ul>   | <ul style="list-style-type: none"> <li>Newspapers</li> <li>Economic publications</li> <li>Industry publications</li> <li>Web media</li> <li>Social networking services</li> </ul>  |



## ■ Ties with Customers

The DIC Group works to strengthen communication with its customers, placing a priority on gaining their understanding of its efforts and initiatives, in line with the basic policy of the DIC Vision 2030 long-term management plan. Principal avenues of communication include exhibitions and events, support for business partners, workshops, websites and social media.

### ○ Exhibitions

In fiscal year 2022, the spread of COVID-19 once again encouraged the DIC Group to use an online or hybrid format for certain exhibitions, presentations or other events.

#### Japan

- The DIC Group chose a hybrid format for its participation in the 2022 Tokyo International Packaging Exhibition (TOKYO PACK 2022), held in October, combining a physical booth with a virtual exhibition.
- The Group took part in both Sustainable Material Expo (SUSMA) shows in fiscal year 2022 (April and December), which focused on product solutions that contribute to the resolution of issues such as marine plastics and to decarbonization and the achievement of carbon neutrality via an on-site booth and a virtual platform.
- At the Fine Chemicals Japan 2022 next-generation chemical materials exhibition in April, the Group exhibited new functional materials that help conserve energy and reduce the weight of finished products, introducing its efforts to create new businesses to chemical manufacturers from around the world.

#### Other Countries and Territories

- Sun Chemical, which oversees DIC Group operations in the Americas and Europe, participated in a variety of exhibitions during the period. Notable among these was In-Cosmetics Global 2022, held in March in Paris, France, where it displayed organic pigments for cosmetics, shining a spotlight on sustainable solutions featuring natural materials.
- In Asia, DIC Asia Pacific and DIC South Asia Private Limited collaborated to exhibit a wide range of high-grade resins for coatings, applications for which are diverse, at PAINT INDIA 2022, one of India's largest exhibitions of coatings and related materials, which took place in May in Mumbai.

### ○ Websites

To bolster communication with customers, the DIC Group expanded the content of its global website, as well as its official PRC and Asia-Pacific region websites. Improvements to the websites were also made to ensure that information shared by the Group is conveyed in an appropriate manner. Group company Sun Chemical also upgraded its website, improving links to information about products it sells in global markets with the goal of bolstering customer satisfaction. The Group also made use of social media, including Twitter, LinkedIn and Instagram, as a tool to attract more website traffic.

### ○ Digital Marketing

The DIC Group actively promotes digital marketing activities. In addition to expanding product information on Group websites, steps were taken in fiscal year 2022 to disseminate information on topics such as sustainable solutions, basic technologies and packaging.

The Group is also diversifying the digital marketing channels it uses to reach customers worldwide to include, among others, private websites and various third-party media.

In fiscal year 2023, the DIC Group will further expand digital content and strengthen its efforts to communicate with customers using varied approaches to disseminating information with the aim of improving customer value. Use of digital tools will also be increased to invigorate Groupwide collaboration in the area of marketing.

## ■ Ties with Shareholders and Investors

The DIC Group has established a policy for promoting constructive dialogue with shareholders and investors and strives to ensure fair, appropriate and timely disclosure, as well as to encourage communication, while also seeking to raise awareness of its sustainability initiatives. Views and concerns expressed are shared with management and incorporated into operations as appropriate.

In fiscal year 2022, the DIC Group emphasized enhancing investors' understanding of the DIC Vision 2030 long-term management plan, which was announced in February. Two small group meetings were held to provide details on the plan with institutional investors and securities analysts. Meetings were held online with institutional investors in North America, Europe, the PRC and the Asia-Pacific region to encourage greater familiarity with the Group's management strategies. Active efforts to advance communication with investors around the world also included 105 one-on-one meetings conducted in person or by telephone. Other channels used to explain DIC Vision 2030 included holding online seminars, appearing on information programs for investors on television, and placing articles in investors' magazines.

The DIC Group also continued to expand its provision of information via its global website to investors with whom direct communication was not possible, publishing video recordings of its financial results presentations and holding online seminars for individual investors. Indicative of the high marks given these efforts, in fiscal year 2022 DIC won a grand prize in Daiwa Investor Relations Co. Ltd.'s Internet IR Awards, the third consecutive year it has earned this honor.



## Ties with Society

In addition to the business community, the DIC Group strives to communicate effectively with ordinary citizens, including students.

### ○ Kawamura Memorial DIC Museum of Art

From mid-March through mid-September 2022, the Kawamura Memorial DIC Museum of Art held "Color Fields," an extended exhibition originally scheduled for 2020 to commemorate the museum's 30th anniversary and planned as particularly fitting given the DIC Group's history as a provider of color. This was Japan's first-ever exhibition of Color Field paintings and attracted a considerable interest. This was followed in October by "Affections: Objects of Man Ray," which provided visitors with an opportunity to better understand Man Ray, one of the artists featured in the museum's collection.

In fiscal year 2022, the museum was able to offer regularly scheduled guided tours while taking precautions to prevent the spread of COVID-19, as well as its "mitel" online interactive art-viewing experience. The museum will continue working to expand its role as a community-based facility.

### ○ Calendar

For its original calendar for 2023—titled "Calendar 2023 The Museum and Light"—DIC focused on the relationship between architecture and light at the Kawamura Memorial DIC Museum of Art. Photographs taken in line with this theme capture a structure conceived with a priority on creating a delicately balanced internal space, with exhibit areas that match the nature and size of works in the museum's collection and lighting design chosen to ensure a comfortable viewing experience, as well as on the harmony the architecture achieves with various sources of light, including natural light, reflected, internal lighting and light coming through window glass. Going forward, the Company will continue to plan, design and produce attractive original calendars that are highly rated by stakeholders.

### ○ Corporate Advertising

The DIC Group continued to promote active branding initiatives in line with its "Color & Comfort" brand slogan. DIC produced a new installment of its brand advertisement for television featuring popular actress Riho Yoshioka that introduces DIC products that help address social imperatives to communicate the Group's commitment to being an organization that pursues sustainable prosperity for people and for the earth. Capitalizing on the increasing diversification of media, DIC also focused efforts on digital advertising.

### ○ Online Presence

To enhance communication with ordinary citizens, the DIC Group updated and enhanced the content of its PRC and Asia-Pacific region websites. As noted in "Ties with Shareholders and Investors" above, the Group's websites continue to be evaluated highly by external organizations. The Group also continues working to enhance the accessibility of its websites to stakeholders around the world.

Enhancing and expanding ESG information is another focus of the DIC Group's website improvement efforts. In addition to explaining its sustainability policy in an easy-to-understand manner, the Company is increasing its disclosure of related quantitative data in response to requests from a variety of stakeholders.



### ○ Communication with Local Communities

In line with the DIC Group's "Color & Comfort" brand slogan, technical divisions and site employees spearhead a variety of initiatives aimed at sparking children's interest in science and enabling them to experience the joy of making new discoveries.

Based on the theme of "Color & Comfort," the DIC Group unveiled an updated visiting science lab program consisting of three components—observing the mechanism of color printing, extracting natural pigments from DIC Spirulina and conducting experiments to verify the water repellency and oil resistance of *HYDRECT* water-based coating varnish—as part of Tohoku University's Science Campus project.

As host of the Chiba Prefectural Dream Challenge Hands-On School program for children, the DIC Group invited participants to take part in scientific experiments at the Central Research Laboratories, observing color changes and reporting their impressions by, among others, including the experience in their summer free study projects. (Japanese schoolchildren are commonly assigned such projects over summer vacation.) Adequate measures were taken to prevent the spread of COVID-19.

## Monetary Contributions and Other Expenditures

The DIC Group conducts its operations while maintaining relationships with a broad range of industry associations and other external organizations.

### ○ Monetary Contributions

The DIC Group's monetary contributions in fiscal year 2022 amounted to approximately ¥101 million. This represents a significant increase from the previous fiscal year attributable to the provision of assistance for humanitarian support for Ukrainian refugees. Monetary contributions in Japan consisted of a designated donation of around ¥12 million to support education and research and approximately ¥49 million to specified public service promotion corporations and for other social contribution-related purposes. The Group made no contributions to political organizations during the period.

### ○ Participation in Industry Organizations

In its capacity as a manufacturer of fine chemicals, the DIC Group participates in a variety of activities as a member of key industry organizations, including providing specialized information, conducting investigations and collecting materials. In Japan, the Group is a member of organizations ranging from the Japan Chemical Industry Association (JCIA), the Keidanren (Japan Business Federation), the Japan Dyestuff and Industrial Chemicals Association (JDICA), the Japan Thermosetting Plastics Industry Association (JTPIA) and the Japan Printing Ink Makers Association (JPIMA) to the Global Compact Network Japan (GCNJ). In fiscal year 2022, expenditures for participation in various external activities (membership dues) across the global DIC Group amounted to approximately ¥161 million.

## ■ Ties with Employees

The DIC Group continues to promote a variety of initiatives to facilitate active communication with Group employees around the world, including establishing an internal Group chat function, a Group intranet and other new digital channels, thereby enhancing its communications infrastructure.

### ○ Communication Across the Global DIC Group

In fiscal year 2022, the DIC Group launched The DIC Way Vision and Core Values Awards with the objective of fostering awareness of The DIC Way, which represents the Group's fundamental management philosophy, among employees worldwide. Awards were conferred twice in the inaugural year, with gold, silver and bronze award winners selected from among hundreds of nominations received from Group employees recommending outstanding colleagues who embody the Group's core values, helping encourage solidarity across the DIC Group family. The Group also completed and began using globally standardized materials templates, a key point of contact with stakeholders around the world, thereby helping ensure a consistent image is conveyed to stakeholders worldwide.

### ○ In-House Newsletter

The DIC Group publishes an in-house digital newsletter entitled *Better Tomorrows*, which is compiled and published by teams in Japan, the PRC and the Asia-Pacific region. *Better Tomorrows* provides information that assists employees in advancing DIC Vision 2030 and highlights Group technologies, products, businesses, employees and corporate culture, serving as a key tool for improving communication with each other.

### ○ Ties with the Media

DIC is reinforcing its publicity activities as a means of communicating with its many stakeholders, including its customers, shareholders, investors and local communities. This reflects its conviction that promoting active disclosure that facilitates objective media coverage is vital to securing stakeholders' understanding of the DIC Group and its operations, and to promoting a sense of unity among employees. In fiscal year 2022, DIC put out news releases regarding business acquisitions, new products and capital investments, operating results and sustainability initiatives, among others. The Company also disseminated information on its long-term vision, as articulated in DIC Vision 2030, through interviews with members of the media and other means, encouraging understanding of its commitment to deliver value that exceeds the provision of fine chemicals with the goal of contributing to sustainable prosperity.

|   |   |
|---|---|
| Press conferences held<br>in fiscal year 2022 | Interviews with<br>journalists<br>in fiscal year 2022 |
| 75  | 57  |

## ■ External Assessments

In fiscal year 2022, DIC was selected for inclusion in the Dow Jones Sustainability Indices Asia Pacific Index, a leading benchmark for sustainability initiatives in the Asia-Pacific region and part of the Dow Jones Sustainability Indices (DJSI), a global family of indices for socially responsible investment (SRI). This was the eighth straight year that DIC was selected for inclusion.

DIC was also selected as a constituent of the MSCI Japan ESG Select Leaders Index—an ESG investment index of leading Japanese companies—and the MSCI Japan Empowering Women Index (WIN), both developed by U.S.-based MSCI Inc., for the sixth consecutive year, and the FTSE4Good Index and the FTSE Blossom Japan Index for the fifth consecutive year. In fiscal year 2022, the Company was chosen for the first time for inclusion in FTSE Russell's FTSE Blossom Japan Sector Relative Index. In addition, DIC was selected for inclusion in the S&P/JPX Carbon Efficient Index, which weights constituents using disclosure of environmental information and carbon efficiency (carbon emissions per unit of revenue) within an industry group, earning the second-highest "2" rating for the latter factor.

In fiscal year 2022, DIC was thus once again included in the five ESG investment indices targeting Japanese equities used by Japan's Government Pension Investment Fund (GPIF), which seeks stock indices comprising companies with outstanding ESG performances (MSCI Japan ESG Select Leaders Index, MSCI WIN, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index and S&P/JPX Carbon Efficient Index). DIC's ESG performance also resulted in it once again being selected as one of 300 constituents of Sompo Asset Management Co., Ltd.'s annually updated SOMPO Sustainability Index.

DIC reports to the CDP, a global nonprofit organization that works on behalf of institutional investors to collect and analyze information on corporate initiatives to address climate change and other environmental issues. In fiscal year 2022, DIC earned a score of B (Management Level) in the CDP program's climate change and water security sectors.

For the sixth consecutive year, DIC and DIC Graphics earned certification in the large enterprise category of the 2023 Health & Productivity Outstanding Entities Recognition Program (dubbed the "White 500"), which is organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi ("Japan Health Council").

With the aim of driving sustainable growth, in fiscal year 2022 the DIC Group continued to participate in the ESG, GC Internal Promotion, Reporting and other United Nations Global Compact (UNGC) working groups administered by the GCNJ.

Member of

# Dow Jones Sustainability Indices

Powered by the S&P Global CSA

## 2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX



FTSE4Good



FTSE Blossom  
Japan



FTSE Blossom  
Japan Sector  
Relative Index





# Toward the Achievement of a Sustainable Society

## Policies, Targets and Framework



### Basic Approach

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

### Initiatives to Date

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. Having established its Principle and Policy for the Environment, Safety and Health in 1992, in 1995 DIC pledged to implement the precepts of Responsible Care. Since reaffirming its support for Responsible Care management in January 2006 by signing the CEO's Declaration of Support for the Responsible Care Global Charter, the Company has promoted constant improvements. 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.

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.



DIC is a signatory to the International Council of Chemical Associations (ICCA)'s Responsible Care Global Charter.

## Environment, Safety and Health Policy

As a responsible corporate citizen and as a company that manufactures and sells chemical substances, DIC recognizes that care for the environment, safety and health is fundamental to the management of the Company. DIC is committed to the concept of sustainable development in all aspects of its businesses and contributes to the global environment, including biodiversity, by creating environmentally sound products and technologies.

- ① We take responsibility for the environmental, safety and health implications of products throughout their life cycles.
- ② We continuously set goals and targets for environmental, safety and health improvements.
- ③ We comply strictly with laws, regulations and agreements relative to the environment, safety and health. For countries lacking such laws, we prioritize safe operations and protection of the environment.
- ④ We systematically provide education and training on the environment, safety and health.
- ⑤ We prepare systems and audit internally to benefit the environment, safety and health.

We disclose these policies internally and externally and ask that all DIC Group companies observe them. The abovementioned "safety" also encompasses security and disaster prevention.

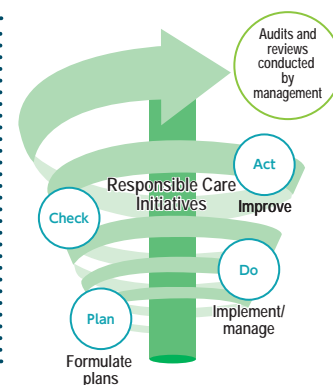
### Responsible Care Codes

The DIC Group manages its Responsible Care program in accordance with seven codes:<sup>\*</sup> "Occupational safety and health" (protection of the safety and health of employees), "disaster prevention" (prevention of fires, explosions and the discharge of chemicals), "environmental protection" (continuous reduction of chemical emissions and the discharge of waste), "safety in logistics" (reduction of chemical risks associated with the distribution of chemicals), "chemical substance safety" (management of risks associated with chemicals), "dialogue with society" (communication

with local communities regarding ESH) and "management systems" (ensure the uniform administration of the first six codes). In line with these codes, the Group applies the PDCA cycle and conducts annual ESH audits and management reviews to evaluate initiatives.

<sup>\*</sup> The seven Responsible Care codes were developed by the Japan Responsible Care Council (JRCC), which is part of the JCIA, as a framework for Responsible Care programs with the goal of helping achieve a society that supports efforts to address ESH-related initiatives.

- ① Occupational safety and health (protection of the safety and health of employees) ..... Page 56
- ② Disaster prevention (prevention of fires, explosions and the discharge of chemicals) ..... Page 62
- ③ Environmental protection (continuous reduction of chemical emissions and the discharge of waste) ..... Page 63
- ④ Safety in logistics (reduction of chemical risks associated with the distribution of chemicals) ..... Page 75
- ⑤ Ensuring the safety of chemical substances (management of risks associated with chemicals) ..... Page 77
- ⑥ Engaging with society (communication with local communities regarding ESH) ..... Page 81
- ⑦ Management systems (ensure the uniform administration of the first six codes) ..... Page 82



## Message from the President

DIC's president prepares a message for employees for Environment Month and National Safety Week.

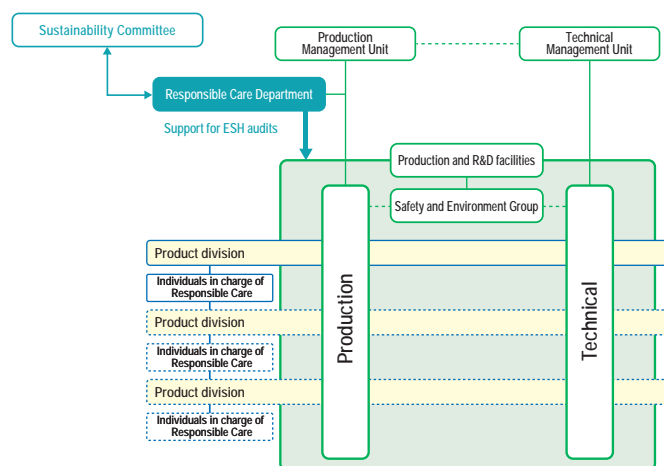
## Responsible Care Education

As a company that manufactures and sells chemical substances, DIC incorporates education regarding the importance of Groupwide Responsible Care efforts into training for new employees (both new graduates and mid-career hires). Ongoing education is provided as part of rank-specific training for newly promoted employees.

| Target  | Format                              |
|---|-------------------------------------|
| New graduates                                 | Lectures + hands-on safety training |
| Mid-career hires                              | Lectures                            |
| Regular employees                             | Lectures                            |
| Management-level and newly promoted employees | Lectures                            |
| Newly appointed CEOs of Group companies       | Lectures                            |
| Employees newly assigned to overseas posts    | Lectures                            |
| Interns from technical colleges               | Lectures                            |

## Framework for Promoting Responsible Care

The Sustainability Committee, which answers directly to the president and CEO, is responsible for setting Responsible Care initiatives. Currently chaired by the president and CEO, the committee includes business group presidents, administrative unit heads, CEOs of regional headquarters and members of the Audit & Supervisory Board. The committee approves Groupwide sustainability targets and policies, as well as deliberates and evaluates medium-term sustainability policies and annual sustainability activity plans. The PDCA cycle is used to evaluate voluntary Responsible Care initiatives implemented by Group companies, plants and R&D facilities in line with these policies and plans in collaboration with the Safety and Environment Group. The Responsible Care Department provides support to ensure the smooth progress of these initiatives and conducts audits to ensure compliance and improve safety and environmental performance.



## Deployment of Responsible Care Initiatives at Group Companies

The Responsible Care Department provides wide-ranging support to DIC Group companies worldwide, regardless of operating scale, with the goal of enhancing Responsible Care initiatives Groupwide. Of particular note, the department assigns representatives to assist regional headquarters overseeing Group operations in Greater China and the Asia-Pacific region, as well as supports local initiatives to foster human resources.

### ① Initiatives in Japan

The DIC Group has 12 companies and 36 sites in Japan. Safety and Environment groups have been established at each site, which are overseen by the Responsible Care Department. DIC and DIC Graphics hold GM conferences, which are gatherings of ESH officers from principal sites who have been appointed group managers, four times a year. Other domestic Group companies participate in twice-annual Responsible Care conferences. These various conferences facilitate the discussion of efforts to prevent accidents and disasters, share information on environmental challenges and ensure common awareness of Groupwide rules.

## TOPIC | DIC and DIC Graphics Establish Horizontal ESH Framework

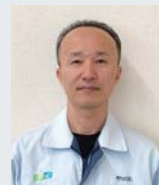
During a meeting with management in fiscal year 2021, ESH officers proposed that steps be taken to strengthen communication among DIC Group sites in Japan. This led to the establishment of a horizontal framework linking of ESH officers from all 36 of these sites.

Before this, information sharing among site ESH officers frequently tended to deteriorate whenever anyone retired or was reassigned. Since fiscal year 2020, we have seen opportunities for communication among sites decline even further as a result of COVID-19. New people, in particular, have been unable to network. With the aim of improving this situation, we set up a horizontal framework to encourage cross-site interaction, primarily through online activities. This began with the idea that a horizontal line through the Group's vertical corporate organization would make it easier to share information with each other and bolster site ESH initiatives. To encourage communication, we have introduced online chats for sharing concerns

regarding such initiatives and regular online meetings to facilitate face-to-face exchanges. In addition to continuing with current activities, we look forward to creating chances for site ESH officers to meet in person.



Manager, Safety and Environment Group, Komaki Plant  
Kazuhito Ishida



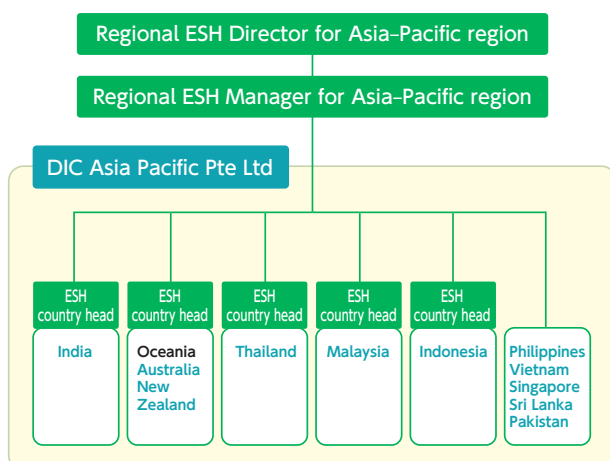
Safety and Environment Group, Gunma Plant  
Hiroshi Noguchi

## ② Initiatives in the Asia-Pacific Region

The DIC Group has 17 companies and 23 sites across the Asia-Pacific region. DIC has installed ESH country heads (individuals in charge of ESH initiatives) in 10 countries and territories in the region under the supervision of a regional ESH director, who has been installed at DIC Asia Pacific, the Group's regional headquarters, in Singapore. An annual conference and regular quarterly meetings involving the Responsible Care Department in Tokyo, the regional ESH director and the ESH country heads are held to ensure effective communication. The Responsible Care Department has also dispatched an ESH manager from corporate headquarters to provide on-site guidance. Country heads hold country- and territory-specific meetings periodically to consider initiatives, targets and challenges.

The fiscal year 2022 edition of the DIC Asia-Pacific Region Annual ESH Conference was held in November. Unlike in fiscal years 2020 and 2021, when the conference was held online due to COVID-19, ESH country heads, site ESH officers, the regional ESH manager, the director in charge of regional Group operations and Responsible Care Department staff gathered in person in Indonesia. Participants discussed ESH policies, targets and challenges for fiscal year 2023.

### Framework for Promoting ESH in the Asia-Pacific Region



## ③ Initiatives in Greater China

In Greater China, the DIC Group has 16 companies and 17 sites. DIC has installed a regional ESH director at DIC (China), the Group's regional headquarters, in Shanghai. The Company has also reinforced its regional ESH framework by assigning ESH coordinators to oversee efforts in the southern and eastern parts of the country. An annual conference and regular teleconferences involving the Responsible Care Department in Tokyo, the regional ESH manager and the ESH coordinators are held to ensure effective communication. The Responsible Care Department has also dispatched an ESH manager from corporate headquarters to provide on-site guidance.

The fiscal year 2022 Greater China Annual ESH and Energy Conservation Conference was held in November. As in the previous two fiscal years, the conference was held online because of COVID-19. Participants, which included site ESH officers, the regional ESH manager, the director in charge of regional Group operations and Responsible Care Department staff, discussed ESH policies, targets and challenges for fiscal year 2023.

## ④ Initiatives in the Americas, Europe and Africa

The Sun Chemical Group oversees all Responsible Care initiatives by DIC Group companies in the Americas, Europe and Africa. With the aim of ensuring the DIC Group's ESH policy and its values are shared by all, the Responsible Care Department in Tokyo holds periodic online conferences and ESH manager meetings with local Responsible Care staff. The Responsible Care initiatives of the Colors & Effects pigments business, the acquisition of which was completed in July 2021, are also overseen by the Sun Chemical Group.

## VOICE | Thoughts on Daily Efforts to Ensure Safety

What does "safety" mean? At my previous company, it was endless classes, protective gear to change into before starting work, frontline risks to comprehend, safety notices on the walls and written rules. At DIC, it is the education and training I attend, the protective gear I put on, the risks I identify, the safety notices that I am consistently aware of and the rules that I observe without fail. These may sound pretty much the same on the surface, but in fact the safety culture of the two companies is really very different.



From Companywide emergency drills to itemized emergency response plans, the monthly sharing of case studies and meticulous on-site work processes, DIC's approach reflects the people-first philosophy that underscores its safety culture. All around us, there are protective guards on sharp-cornered control panels and fluorescent labels on stairs to prevent falls. Every day at our morning meeting, key passages from *Principles of Safe Conduct* are read aloud. An effective safety culture is a result of the daily accumulation of experience and know-how. In this environment, my mindset changed. I began to see safety not as something being forced on me, but rather something that I do of my own accord. This is the sentiment conveyed in DIC's safety slogan, "Safety is one's own responsibility."

Qingdao DIC Finechemicals Co., Ltd. **Yu Hezhi**

## Annual Activity Plans

The DIC Group formulates an annual Responsible Care Activity Plan and oversees Groupwide initiatives. Based on the Group's annual plan, which is prepared by the Responsible Care Department, regional

headquarters develop their own region-specific activity plans, while individual Group companies, in line with the concept of management by objectives (MBO), translate these plans into reality by promoting a variety of Responsible Care initiatives.

## The DIC Group's Annual Responsible Care Activity Plan for Fiscal Year 2022

### 1 Occupational safety and health

- The DIC Group's fundamental objective remains the achievement of accident-free workplaces. With this in mind, set regional targets for total recordable incident rate (TRIR)\*<sup>1</sup> in fiscal year 2022 and implement related initiatives.
- Encourage safety and health awareness among all employees.

### 2 Disaster prevention

- Encourage the horizontal deployment of measures based on the lessons learned from past major accidents and take steps to prevent their recurrence.
- Conduct risk assessments with the aim of reducing process risks.
- With the aim of reducing process safety accidents, continue calculating such accidents in accordance with the International Council of Chemical Associations (ICCA) guidelines.

### 3 Environmental protection

- Maintain/lower the impact of production activities on air and wastewater quality.
- Reduce the generation of and maintain/increase the resource recycling rate\*<sup>2</sup> for industrial waste.
- Continue to assess water risks affecting production activities. Consider approaches to managing targets for the reduction of water consumption, among others.
- Implement initiatives aimed at improving environmental compliance.

### 4 Safety in logistics

- Continue to provide information pertinent to the safe transport of chemicals.

### 5 Chemical substance safety

- Promote the creation of a new global system for managing chemical substance information.
- Further expand deployment of the Weracs and Atrion at DIC Group companies overseas.
- Increase understanding of domestic and overseas laws and regulations governing chemical substances and prevent violations thereof by further enhancing in-house legal and regulatory training, including at overseas Group companies.

### 6 Dialogue with society

- Continue to publicize the results of Responsible Care activities.

### 7 Management systems

- Make use of the ESH data collection system.
- Reinforce relations between corporate headquarters and regional headquarters to prevent accidents/disasters in Greater China and the Asia-Pacific region.
- Rebuild environment- and safety-related management systems.
- Promote environment- and safety-related education.

\*1 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

\*2 Resource recycling rate is calculated as (Volume of industrial waste recycled (material recycling) + Waste heat recovered) / Volume of industrial waste generated



## Occupational Safety and Health/Disaster Prevention

### Occupational Safety and Health

#### Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objectives of initiatives              | Scope of target | Goals for fiscal year 2022   | Achievements in fiscal year 2022  | Evaluation | Goals for fiscal year 2023   |
|--|-----------------|--|---|------------|--|
| Ensure occupational safety and health. | Global          | Reduce TRIR.<br>Targets:<br>DIC Group in Japan: 2.40<br>PRC: 1.00<br>Asia-Pacific region: 1.10<br>Americas and Europe: 8.00<br>(Global DIC Group: 4.36)              | DIC Group in Japan: 2.23<br>PRC: 0.79<br>Asia-Pacific region: 1.21<br>Americas and Europe: 6.33<br>(Global DIC Group: 4.00)           | ★★★        | Reduce TRIR.<br>Targets:<br>DIC Group in Japan: 2.10<br>PRC: 1.00<br>Asia-Pacific region: 1.00<br>Americas and Europe: 8.00<br>(Global DIC Group: 4.65)                              |
| Prevent disasters.                     | Global          | <ul style="list-style-type: none"> <li>Continue working to prevent major accidents.</li> <li>Further promote the calculation of process safety accidents.</li> </ul> | <ul style="list-style-type: none"> <li>Number of major accidents: 0</li> <li>Process safety accident frequency rate: 0.055</li> </ul> | ★★★        | <ul style="list-style-type: none"> <li>Maintain 0 major accidents.</li> <li>Achieve process safety accident frequency rate of 0.110 (maintain at fiscal year 2022 level).</li> </ul> |

#### Policies

##### Basic Approach

Viewing the prioritization of operational safety as a core management tenet, the DIC Group works tirelessly to prevent occupational accidents and disasters, as well as to bolster occupational health and safety levels.

The DIC Group recognizes operational safety both as fundamental to its businesses and the core component of Responsible Care. The Group 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. Because its operations span diverse fields, the Group has numerous processes that use hazardous and toxic materials, as well as rotating devices, not all of which involve chemical reactions. Any accident using such materials or devices has the potential to significantly impact society in general and damage the health of Group and/or partner company employees and

local residents. With the aim of preventing such accidents, the Group encourages Group companies to earn the International Organization for Standardization's Occupational Safety and Health Management System (OSHMS) certification and, based on the results of stringent risk assessments, prioritizes reducing risks in the workplace by promoting adherence to *Principles of Safe Conduct* and training highly perceptive safety personnel. The Group also strives to enhance safety through efforts to reinforce its safety infrastructure and create a safety-oriented corporate culture.



Workplace safety poster featuring DIC's president and CEO in three languages for use at sites in Japan and overseas

## Framework for Promotion

Under the supervision of the Sustainability Committee chair (DIC's president and CEO), the Safety and Environment groups of DIC Group companies, plants and R&D facilities, and the Responsible Care Department collaborate to promote a variety of initiatives. In Japan, the Responsible Care Department meets regularly with site ESH officers to confirm the status of priority issues and the achievement of targets,

as well as to manage the progress of related efforts. Elsewhere, the Responsible Care Department and individual regional headquarters work together to set regional targets, while site ESH officers conduct site risk assessments, analyze accidents and promote remedial measures to ensure the continuous improvement of occupational safety and health overseas. (For more information, please see "Policies, Targets and Framework" on page 52.)

### TOPIC | Management Spearheads the Promotion of Safety Initiatives

Believing that it is important for management to take the lead in promoting the idea of "Safety First," the managing executive officer who serves as general manager of the Production Management Unit prepares a monthly memo for distribution to all sites, including those of Group companies, as part of a campaign dubbed "Learning from the Past and Implementing Practical Solutions." Each memo presents a recent actual occupational accident or introduces occupational accidents that are likely to occur at specific times—e.g., heatstroke in summer or static electricity-related accidents in winter—with an analysis of causes and suggestions for countermeasures. This memo is also read out once a month at a morning assembly at each site to promote awareness among employees and encourage a common understanding.



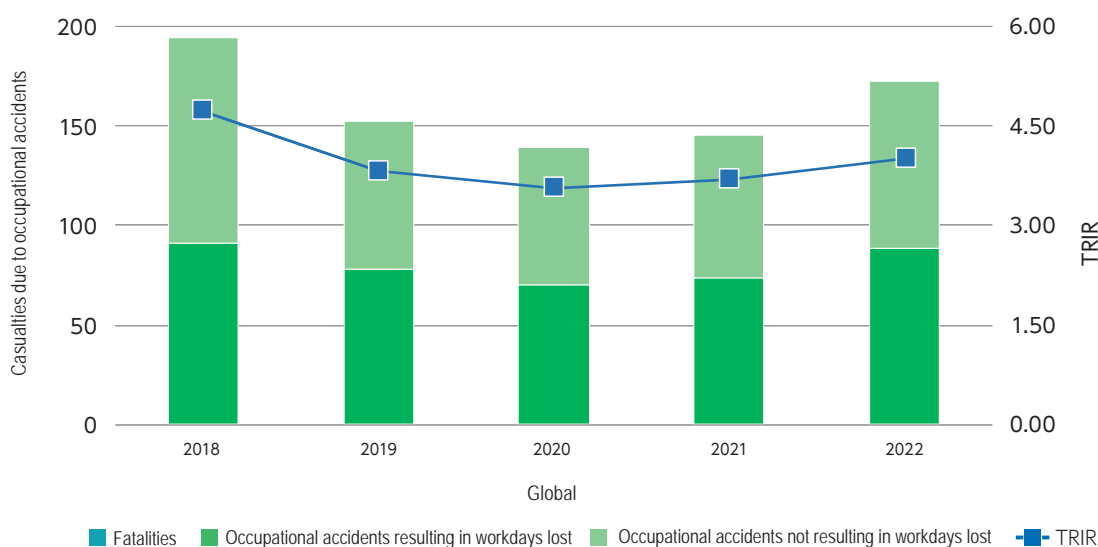
## Principal Initiatives in Fiscal Year 2022

### ① Global DIC Group

The DIC Group promotes a variety of initiatives around the world with the aim of eliminating occupational accidents. Of particular note, the Group sets targets for total recordable incident rate (TRIR)—calculated as the number of casualties (i.e., fatalities and injuries) due to occupational accidents, both those resulting in workdays lost and those not resulting in workdays lost, per million work hours—for the DIC Group in Japan, the PRC, the Asia-Pacific region, and the Americas and Europe. In all regions, the number of employees used to calculate TRIR is the number of direct regular, temporary and part-time employees. Employees of on-site and outside contractors are not included.

In fiscal year 2022, the TRIR for the global DIC Group was 4.00, below its 4.36 target. None of the occupational accidents at global Group sites resulted in fatalities. A total of 89 injuries resulting in workdays lost were reported, while injuries not resulting in workdays lost numbered 83. Looking ahead, the Group will continue working to reduce occupational accidents by promoting the sharing of information on and analyzing the causes of accidents and disasters, conducting risk assessments, promoting adherence to *Principles of Safe Conduct* and providing occupational safety and health-related education and training. Some of these efforts are described in this report.

TRIR and Casualties Due to Occupational Accidents (FY2019–2022)



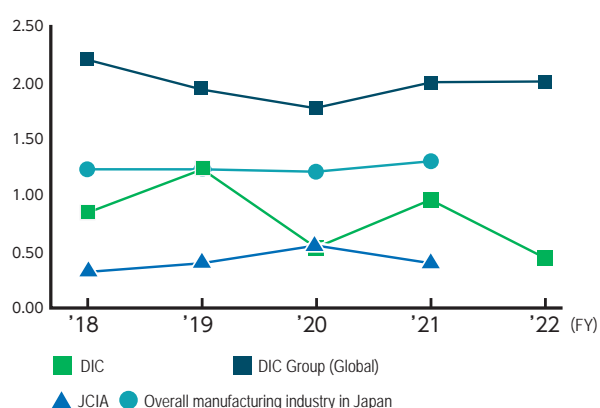
## ② DIC Group in Japan

In fiscal year 2022, the DIC Group in Japan achieved a TRIR of 2.23, better than its target of 2.40 and a significant improvement from 3.60 in the previous fiscal year. No occupational accidents resulting in fatalities were reported. There were four occupational accidents resulting in workdays lost and 16 occupational accidents not resulting in workdays lost. These numbers are broken down in the table below. At 0.45, the frequency rate of occupational accidents was lower than the average for the manufacturing industry in Japan and for member companies of the Japan Chemical Industry Association (JCIA). The severity rate was 0.015, which is also lower than the average for manufacturers in Japan and in line with that of JCIA member companies.

## DIC Group (Japan)

|   | Casualties | Illness/ill health | Total |
|---|------------|--------------------|-------|
| Fatalities                              | 0          | 0                  | 0     |
| Injuries resulting in workdays lost     | 3          | 1                  | 4     |
| Injuries not resulting in workdays lost | 15         | 1                  | 16    |
| Total                                   | 18         | 2                  | 20    |

## Occupational Accident Frequency Rate

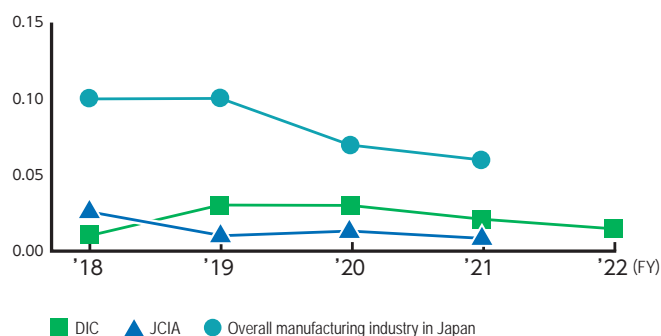


Note: The frequency rate expresses the frequency of accidents resulting in workdays lost in a fiscal year, calculated as the number of deaths or injuries per million work hours.

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

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

## Occupational Accident Severity Rate



Note: The severity rate expresses the number of workdays lost due to occupational accidents per 1,000 work hours.

$$\text{Severity rate} = \frac{\text{Total number of workdays lost due to occupational accidents}}{\text{Total work hours}} \times 1,000$$

A severity rate of 0.10 means 100 workdays lost in one year at a site with 500 employees.

## ③ DIC Group in Other Countries and Territories

The TRIR for the DIC Group in the PRC was 0.79, while that for the Americas and Europe (the Sun Chemical Group) was 6.33, both in line with regional targets. The DIC Group in the Asia-Pacific region reported a TRIR of 1.21, falling short of the regional target. No

occupational accidents resulting in fatalities were reported. There were 81 injuries due to occupational accidents resulting in workdays lost and 65 injuries due to occupational accidents not resulting in workdays lost. (For more information, please see page 83.)

### TOPIC

### DIC Fine Chemicals' Dahej Plant Achieves 4,500 Consecutive Days of Safe Operation

On March 24, 2022, DIC Fine Chemicals Private Limited's plant in Dahej celebrated 4,500 consecutive days of safe operation, that is, with no injuries resulting in workdays lost. "Safety is the cornerstone of the DIC Group," said the company's safety and environmental officer regarding this accomplishment. "The Dahej Plant has established standards for the implementation of important safety procedures. We see the well-being of our employees as our utmost priority. There are no words to express my appreciation to the team for their tireless efforts to keep everyone safe." The Dahej Plant was opened in 2010 as a production facility for sheetfed inks.



Employees at the Dahej Plant celebrate

## Infrastructure for Preventing Occupational Accidents

### 1 Monthly Occupational Safety and Health Data

The DIC Group conducts its diverse businesses in accordance with a wide range of national and regional legal systems, working conditions and practices. However, to raise the level of occupational safety and health of the entire Group, it is crucial to establish common standards and benchmarks and to align regional initiatives. The DIC Group promotes the sharing of information related to occupational safety and health across the global Group by aggregating regional statistical data on a monthly basis. Specifically, local data is gathered by DIC (China) for the PRC, DIC Asia Pacific for the Asia-Pacific region, and Sun Chemical for the Americas and Europe, which is then collated and analyzed by the Responsible Care Department. This makes it possible to objectively compare and evaluate the operational safety of individual Group companies, establish precise targets for individual countries and regions, and formulate programs to achieve improvements. In fiscal year 2019, the Group introduced the DIC ESH Data Collection System (DECS), a cloud-based system for recording data. (For more information, please see page 82.)

#### Statistical Occupational Safety and Health Data

- Number of employees
- Number of casualties due to occupational accidents resulting in workdays lost and not resulting in workdays lost
- Number of workdays lost
- TRIR
- Total work hours
- Number of accidents involving fires/explosions
- Occupational accident frequency rate

### 2 Principles of Safe Conduct

Using resources such as case studies of accidents and disasters in the past, DIC has created rules and codes of conduct to ensure operational safety, which it has compiled as a guidebook titled *Principles of Safe Conduct*, the fifth edition of which was published in fiscal year 2019. English- and Chinese-language versions have also been prepared for use by DIC Group companies in the Asia-Pacific region and Greater China.

### 3 Conducting Risk Assessments

By understanding potential risks in production processes, facilities and devices, and the hazards of chemical substances, the DIC Group systematically prepares initiatives to prevent accidents and occupational injuries. In Japan, the Group has formulated guidelines for conducting risk assessments when deploying new or modified equipment or changing production processes to identify and evaluate the impact on employees and the community from design through to operation. With the aim of reducing risks associated with chemical substances, since fiscal year 2015 the Group has promoted the creation of a framework to facilitate the methodical implementation of risk assessments in line with the policy set by the Ministry of Health, Labour and Welfare. Of particular note, in fiscal year 2016 the Group formulated proprietary assessment guidelines, including for assessment procedures, and is evaluating hazards associated with and the toxicity of chemicals set forth in Japan's Poisonous and Deleterious Substances Control Act, as well as considering measures to lower related risks, including revising handling methods and upgrading facilities.

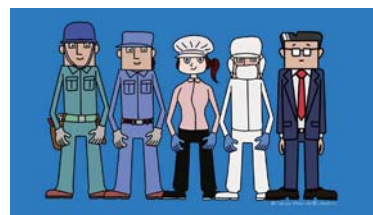
### 4 Analyzing Accidents and Disasters and Providing Information in a Timely Manner

In the event of an accident or disaster at a DIC Group site, the site in question and the corporate headquarters' department in charge of safety work together

to analyze the causes thereof and implement appropriate countermeasures. The department in charge of safety and site Safety and Environment groups hold regular meetings to dig deeper into the causes of accidents and debate the effectiveness of countermeasures. Findings are deployed horizontally to Group sites and companies with the aim of preventing recurrence, as well as shared with DIC Group companies worldwide. DIC has compiled such information to create Accident Case Studies and Occupational Accident Case Study databases, which are used in safety education for Group companies in Japan.

### 5 Promoting E-Learning-Based Safety and ESH Training at Production Facilities

To enhance its capabilities in the area of occupational safety and health, and in disaster prevention, the DIC Group recognizes the importance of ensuring that all of its employees gain a broad understanding of chemical substances, production processes, and pertinent laws and regulations. In fiscal year 2016, the Group introduced an e-learning program in Japan. Initially structured around laws and regulations pertinent to the operational safety of production facilities, including Japan's Fire Service Act, Air Pollution Control Law and High Pressure Gas Safety Act, the e-learning program's focus was later expanded to include static electricity as a non-regulatory component, with the appropriateness of the program's training materials verified from the perspective of Responsible Care Department specialists, site ESH officers and production departments. Employees are able to take up to 16 classes. In fiscal year 2022, the Group introduced an online occupational safety and health education service from Tokyo-based LaKeel, Inc., that centers on the distribution of short films on the subject.



Characters from  
LaKeel's online service

### 6 Accident and Disaster Calendar

In fiscal year 2022, the DIC Group compiled information on past accidents and disasters into case studies in the form of a monthly calendar that is visible to all employees on the first page of the DIC Group portal site. Information posted includes date of occurrence, site, type of event (i.e., heatstroke, chemical injury or other) and impact (i.e., resulted in workdays lost or did not result in workdays lost). This allowed users to identify incidents of concern to them and view detailed data summarizing conditions surrounding occurrence and the effectiveness of countermeasures. Displaying data for all accidents and disasters on a monthly basis also sheds light on trends. Employees looking at the calendar on any given day are able to learn about an accident or disaster that occurred on that day in the past, bolstering awareness of safety and disaster prevention across the Group.



Clicking on color-coded incidents  
reveals detailed event data





## TOPIC | DIC Graphics' Gunma and Tokyo Plants Conduct Fall Prevention Training

DIC Graphics' Gunma Plant, in collaboration with several affiliated and associated companies, launched the Fall Prevention Project, which held four sessions in fiscal year 2022. The first session, a fall prevention seminar, featured a physiotherapist who introduced exercises to relieve lower back pain that can be done while lying down or sitting. This was followed by a seminar focusing on risk assessment self-checks (physical fitness checks) and gauging awareness levels. Individuals displaying a significant gap between physical fitness and awareness were judged as being at particular risk of falls and were urged to exercise caution. Third was a presentation by a nutritionist on dietary changes that can help prevent locomotive syndrome, a condition involving decreased mobility due to disorders of the musculoskeletal system. For the fourth session, members of the Hitachi Transport System Track and Field Club were invited to give a seminar about functional training,\* which centered on correct walking posture, how to maintain one's center of gravity and awareness, and how to use one's shoulder blades and hamstrings, among others, as well as the importance of all of these factors. Also on offer was a program developed by Hitachi Transport System, Ltd., directed at the prevention of falls caused by tripping and stumbling.

The Tokyo Plant also conducted fall prevention training. Here, too, instructors were members of the Hitachi Transport System Track and Field Club, a renowned corporate club that is active in competitions across Japan, including the New Year Ekiden, one of Japan's preeminent long-distance running multistage relay races. The Club's manager, Kenji Beppu, taught participants how to walk correctly, including how to improve their posture, position their shoulders and raise their legs. Demonstrations were given by Kenta Ueda, a current member of the Club, who earned praise for his excellent posture and lithe movements. Going forward, the DIC Group will continue to plan programs like this that help improve employee health.



Fall prevention training

## Hands-On Safety Training

The DIC Group's full-fledged hands-on safety training program began in 2012 with the introduction of a mobile initiative using equipment transported from site to site using a 10-tonne truck. Since fiscal year 2013, the Group has installed permanent training equipment at six sites in Japan, as well as expanded deployment globally, including in the PRC and the Asia-Pacific region. This program has helped to almost halve the occupational accident frequency rate at Group sites in Japan. By simulating common production floor accidents—including those involving entanglement in rotating devices, falls from high places and incised wounds caused by cutting equipment—based on actual previous examples, the Group's hands-on safety training seeks to reduce employees' willingness to take risks and foster their ability to recognize danger. In doing so, the Group seeks to transform the mindset of employees by encouraging them to think and act on their own to protect themselves and each other from latent risks.

In fiscal years 2020 and 2021, COVID-19 forced the DIC Group to cancel hands-on safety training. However, the Group used the period to review and revise equipment and procedures to facilitate implementation even during the pandemic. Ordinary in-person training resumed in fiscal year 2022.

### ① DIC Group Companies in Japan

In fiscal year 2014, the DIC Group opened the Saitama Hands-On Safety Center, a training facility that fosters skilled safety personnel by incorporating hands-on safety training in the new employee and rank-specific training programs. In the same year, DIC and DIC Graphics began including hands-on safety training and Kiken Yochi Training (KYT) ("hazard prediction training") in the training curricula

for new employees. The Chiba, Sakai, Hokuriku, Tokyo, Kashima and other plants have also established their own hands-on safety training equipment to further ingrain a safety-conscious corporate culture. In fiscal year 2015, the Group downsized six types of hands-on training equipment for lending to individual sites as part of a mobile training initiative. The Responsible Care Department trains employees at individual sites to serve as hands-on training instructors and has established an instructor licensing system.



Training for new employees at the Saitama Plant



Hands-on safety training simulating an accident involving a fall

### ② DIC Group Companies in Other Countries and Territories

DIC Group companies in other countries and territories are also deploying hands-on safety training. In Greater China, hands-on safety training equipment has been installed at Nantong DIC Color Co., Ltd., DIC Graphics (Guangzhou) Ltd. and Changzhou Huari New Materials Co., Ltd., in the PRC and DIC Graphics Chia Lung Corp. in Taiwan. In the Asia-Pacific region, equipment has been installed at DIC Compounds (Malaysia) Sdn. Bhd., PT DIC ASTRA Chemicals in Indonesia, Thailand's Siam Chemical Industry Co., Ltd., and DIC India Limited's Noida Plant. These companies provide hands-on safety training for employees across their respective regions, as well as training for instructors.

## TOPIC | DIC Asia Pacific Holds Safety Day for Regional DIC Group Companies

The United Nations' and the International Labour Organization (ILO)'s World Day for Safety and Health at Work, part of its campaign to promote occupational safety and health, is celebrated annually on April 28. In line with this initiative, DIC Asia Pacific held its first annual Safety Day on May 6, 2022. The theme of Safety Day in fiscal year 2022 was "CARE for Safety," with the first word being an acronym drawn from three key ideas:

- Communication between colleagues and learning from each other
- Awareness of environmental and safety issues
- Responsibility for actions and/or in actions

DIC Asia Pacific has set a target for its ESH program, encapsulated in the phrase "DIC ESH—Goal Zero," which local Group employees are united in working to achieve. Safety Day 2022 activities at Group companies across the Asia-Pacific region centered on a Safety

Day town hall meeting, which included video messages from the managing director who serves as general manager of the Production Management Unit and the managing director of DIC Asia Pacific, and Safety Day events and activities, which included games, quizzes, competitions, an awards ceremony and performances devised by the individual company.



Safety Day 2022

## Efforts to Foster a Safety-Conscious Corporate Culture

### ① Safe Corporate Climate Cultivation Working Groups

In line with its "Safety First" philosophy, the DIC Group works to foster a safety-conscious corporate culture. In fiscal year 2011,

personnel in charge of safety at plants belonging to DIC and DIC Graphics created Safe Corporate Climate Cultivation working groups, which regularly meet to discuss and exchange proposals regarding safety policies and measures.

| Fiscal Year | Working Group Initiatives  |
|-------------|--|
| 2012        | Working groups presented recommendations on safety policies and produced warning stickers to enhance awareness of workplace hazards.   |
| 2013        | Working groups prepared safety posters featuring the president and CEO and started reading out key passages from <i>Principles of Safe Conduct</i> in workplaces with the aim of making the practices therein routine.   |
| 2014        | Working groups prepared an illustrated version of <i>Principles of Safe Conduct</i> for reading out in workplaces.   |
| 2015        | Working groups edited <i>Principles of Safe Conduct</i> into a tear-off calendar version for workplace reading circles, which was distributed to sites. The calendar version was also translated into English and Chinese.   |
| 2016        | Working groups in the PRC began reading out key passages from <i>Principles of Safe Conduct</i> to foster a culture of safety.   |
| 2017        | Working groups updated <i>Principles of Safe Conduct</i> .   |
| 2018        | Working groups published the fifth edition of <i>Principles of Safe Conduct</i> .  |
| 2019        | Working groups commenced production of a version of the fifth edition of <i>Principles of Safe Conduct</i> for workplace reading circles.  |
| 2020        | The publication of a version of the fifth edition of <i>Principles of Safe Conduct</i> for workplace reading circles was scheduled, but was postponed until 2021 as a result of COVID-19.  |
| 2021        | Site meetings were held at production facilities, with the president and vice president of DIC and the general manager of the Production Management Unit visiting each site to meet with frontline employees. A version of the fifth edition of <i>Principles of Safe Conduct</i> for workplace reading circles was published. |
| 2022        | Manual for protective equipment was revised.   |

#### DIC 安全基本動作



#### DIC Basic Safety Action Reading Circle Version



#### DIC 安全基本動作 图文宣传版



A tear-off calendar version of *Principles of Safe Conduct* for workplace reading circles (available in Japanese, English and Chinese)



Reading out passages from *Principles of Safe Conduct* at the Komaki Plant

### ② DIC Safety Pledge Day

DIC has declared September 6 "DIC Safety Pledge Day," an annual occasion for all of the DIC Group employees to pledge their commitment to ensuring safe operations and not repeating past serious accidents and disasters. On this day, each employee makes their pledge by writing a personal declaration on a special card.



2022 safety declaration card

## TOPIC | DIC Participates in National Industrial Safety and Health Convention

The general manager of DIC's Responsible Care Department took the stage as a panelist at National Industrial Safety and Health Convention 2022, which took place in Fukuoka, Japan, in November. The event, which focused on legal and regulatory changes in the realm of occupational health and safety made in 2022, featured panelists from government, academia and industry, namely, the Ministry of Health, Labour and Welfare; the University of Occupational and Environmental Health, Japan; the Japan Industrial Safety & Health Association; and DIC, who discussed challenges faced by companies in responding to legal revisions. Attendance at the event was high, with many attracted by the fact that it shone a spotlight on diverse related corporate initiatives. Participants could also take part from satellite facilities in other parts of the country. As a manufacturer of fine chemicals that handles a broad range of chemical substances, DIC presented past efforts to effectively manage chemical substances and comply with amended laws.



## Disaster Prevention

### Policies

#### Basic Approach

In addition to establishing a safety management system to prevent major accidents, the DIC Group implements prompt, effective countermeasures in the event an accident occurs.

Any fire, explosion or leak of a hazardous substance from a chemicals plant could have a tremendous impact on local residents and the rest of the community and damage the health of employees, including those of our partner companies. As well as operating and maintaining its facilities in line with pertinent laws and regulations, the DIC Group regularly conducts emergency drills and has earthquake and other response measures in place in the event a major accident occurs.

### Framework for Promotion

Under the supervision of the Sustainability Committee chair (DIC's president and CEO), the Safety and Environment groups of DIC Group companies, plants and R&D facilities collaborate with the Responsible Care Department to promote a variety of initiatives. The Responsible Care Department holds meetings regularly with site Safety and Environment groups to exchange information, as well as to confirm the status of priority issues and the achievement of targets, and to manage the progress of related efforts. (For more information, please see "Policies, Targets and Framework" on page 52.)

### Principal Initiatives in Fiscal Year 2022

#### ① Process Safety Accidents

The International Council of Chemical Associations (ICCA) formulated criteria for chemical process safety accidents that require reporting in fiscal year 2017. Since fiscal year 2018, the DIC Group has reported process safety accidents for the Group in Japan in line with these standards. In fiscal year 2022, the Group reported three process safety accidents. The process safety accident frequency rate—the number of such accidents per 200,000 work hours—was 0.055. Beginning in fiscal year 2023, the Group will set targets based on results for the immediately preceding three years and implement measures to ensure their achievement.

|  | Fiscal year<br>2018 | Fiscal year<br>2019 | Fiscal year<br>2020 | Fiscal year<br>2021 | Fiscal year<br>2022 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Number of ICCA process<br>safety accidents | 10                  | 6                   | 4                   | 7                   | 3                   |
| Process safety accident<br>frequency rate  | 0.175               | 0.110               | 0.073               | 0.128               | 0.055               |

#### ② Risk Assessments at Chemicals Production Facilities

The DIC Group's production facilities have an array of application-specific equipment, ranging from units where chemical reactions are conducted to machine presses and other processing equipment. In 2013, the Group formulated the DIC Process Risk Management (PRM) Guidelines, which it uses to conduct systematic risk assessments at individual sites. These guidelines outline timetables and implementation frameworks for assessing risks associated with chemical substances handled, production processes, production formulas, machinery and work practices with the aim of comprehensively identifying and steadily reducing risks associated with R&D processes. Since fiscal year 2020, the Group has also used hazard and operability (HAZOP) studies developed to assess the risk of accidents such as leaks, fires or explosions at chemicals production facilities. Specifically, the Group deploys HAZOP studies to assess risks at facilities that have chemical reaction equipment, including the Yokkaichi, Chiba, Kashima and Hokuiku plants.

#### ③ Third-Party Assessments by the Safety Competency Enhancement Center

In 2013, DIC introduced an assessment system as a means of objectively evaluating and enhancing its safety competency.\* This system was developed by the Japan Society for Safety Engineering (JSSE), together with chemicals industry engineers, as a common industry benchmark and is currently used by all companies in Japan that are members of the Safety Competency Enhancement Center. Assessments were conducted

at all DIC Plants, beginning with the Kashima Plant in fiscal year 2014, which was followed by the Yokkaichi and the Saitama plants in fiscal year 2017, the Komaki Plant in fiscal year 2018, the Chiba and Tatebayashi plants in fiscal year 2019 and the Hokuriku Plant in fiscal year 2020. These facilities have used assessment results to promote further improvements. The Yokkaichi Plant, for example, subsequently launched a HAZOP study-based risk assessment.

In December 2019, the Safety Competency Enhancement Center provided DIC's president and CEO with an overall report on the results of assessments conducted at six production facilities, facilitating the sharing of understanding regarding safety and disaster-related issues across the management team.

\* The assessment system encompasses questions about safety infrastructure (technical considerations) and culture of safety (operation and management of organizational culture).

#### ④ Emergency Response Drills

In addition to daily security patrols and periodic equipment checks, the DIC Group conducts regular emergency response drills based on business continuity plans (BCPs), at production sites in Japan and overseas.



Comprehensive disaster drill at the Sakai Plant, a designated special disaster protection area



Comprehensive disaster drill at the Tokyo Plant

## Environmental Protection

### ■ Policies

#### Basic Approach

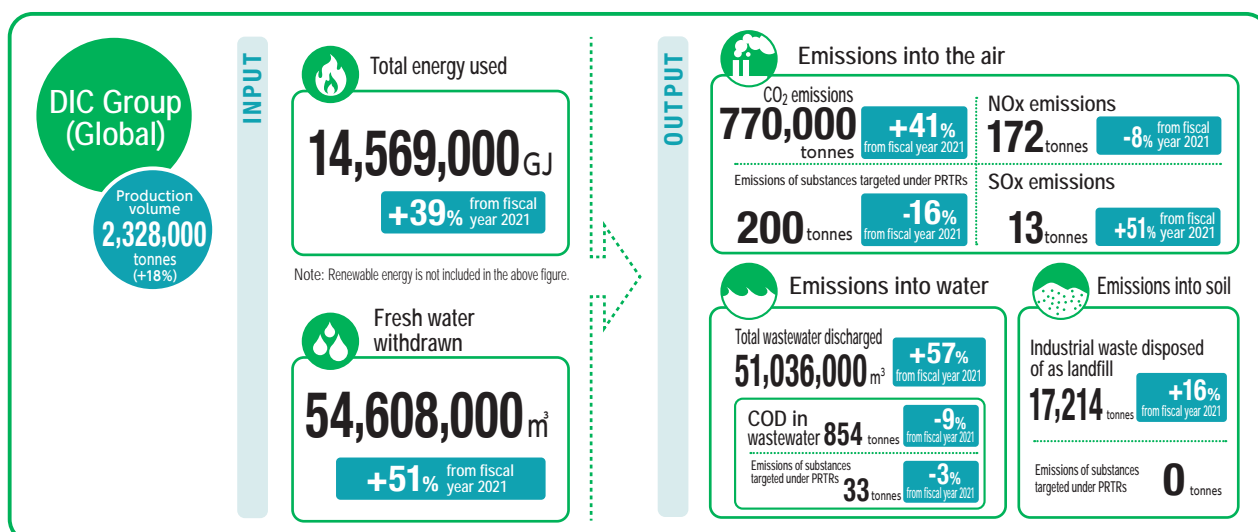
The DIC Group seeks to contribute to protection of the global environment by improving its own environmental performance, as well as by complying with pertinent laws and regulations.

Environmental protection is among the most important of corporate sustainability activities. The DIC Group's efforts focus on a number of areas, including addressing climate change, preventing environmental pollution, managing industrial waste (responding to a circular economy), managing water resources and biodiversity. As a manufacturer of fine chemicals with operations around the world, the Group promotes environmental protection with a global perspective.

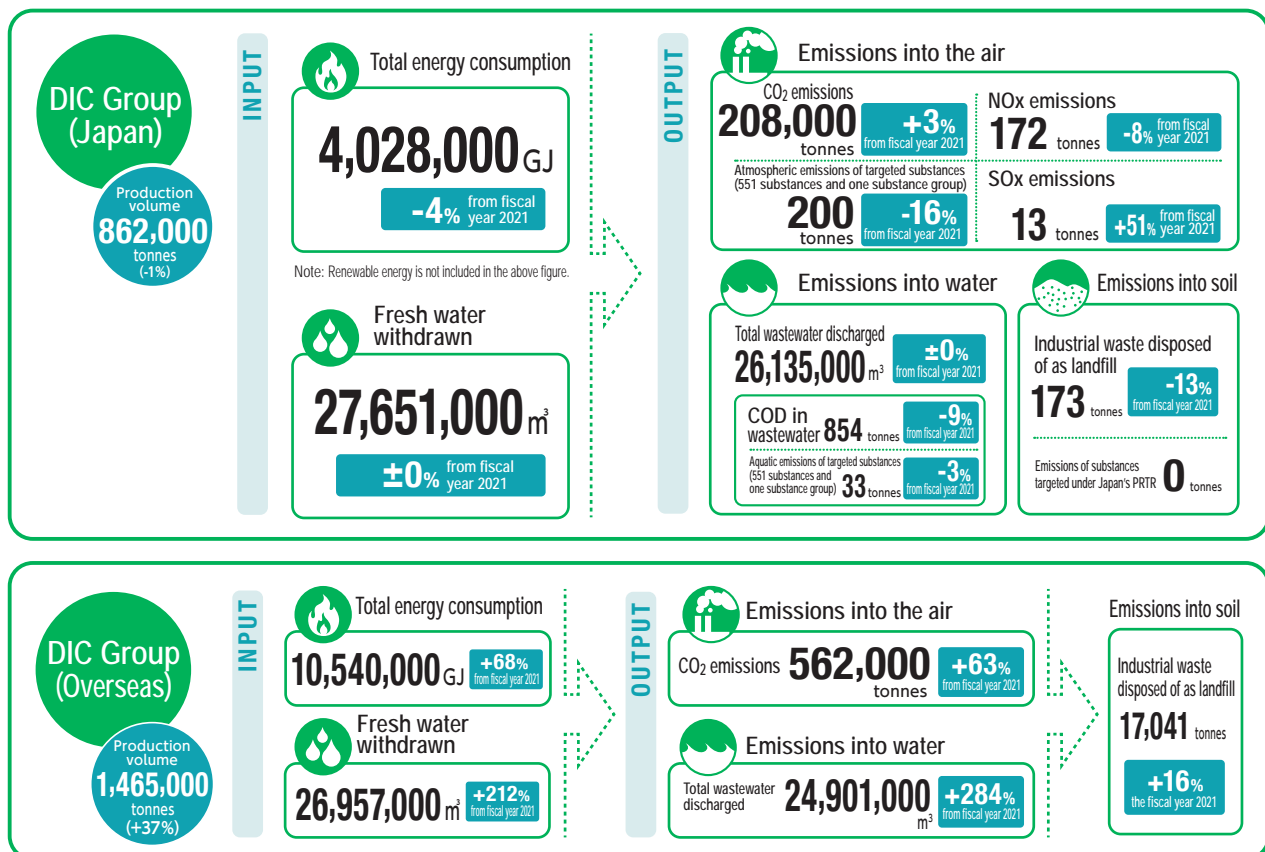
### ■ Groupwide Environmental Performance

The DIC Group quantifies the environmental inputs (consumption of energy and other resources) and outputs (emissions into the environment) of its operating activities, and uses its findings to formulate far-reaching and efficient strategies for reducing its environmental footprint. The chart below is a comprehensive

illustration of the environmental impact of the Group's operating activities in Japan and in other countries and territories. The chart below shows environmental impact for two key items (total energy consumption and total water consumption) and three output items (emissions into the air, emissions into water and emissions into soil) in three categories: CO<sub>2</sub> emissions, total wastewater discharged and industrial waste disposed of as landfill. (Data for the DIC Group in Japan also includes emissions of targeted substances into the air, water and soil of NO<sub>x</sub> and SO<sub>x</sub>, as well as COD in wastewater.) Beginning in fiscal year 2022, data for the DIC Group in other countries and territories includes that for the Colors & Effects pigments business, which joined the DIC Group in July 2021.







Note: 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.

# Preventing Environmental Pollution

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives               | Scope of target | Goal for fiscal year 2022   | Achievement in fiscal year 2022 | Evaluation | Goal for fiscal year 2023  |
|--|-----------------|---|---------------------------------|------------|--|
| Reduce emissions of VOCs into the air. | Japan           | DIC Group (Japan): 325 tonnes (maintain at essentially level with fiscal year 2021; down 30% from fiscal year 2000) | DIC Group (Japan): 200 tonnes   | ★★★        | DIC Group (Japan): 280 tonnes (maintain at a level down 50% from fiscal year 2000) |

## Policies and Organization

### Basic Approach

The DIC Group works to grasp the environmental impact of its operating activities and promotes systematic measures to reduce its environmental footprint. The Group also advances efforts aimed at 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 works to grasp the environmental impact of its operating activities and promotes systematic efforts to reduce its environmental footprint. The Group also advances efforts aimed at preventing environmental pollution. In Japan, the Group has worked since fiscal year 2005 to reduce emissions into the air, water and soil of substances designated in pertinent laws and regulations—including the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements in the Management Thereof, the Soil Contamination Countermeasures Act, the PRTR Law, the Ozone Layer Protection Law, the Act on Rational Use and Proper Management of Fluorocarbons and the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes—and of substances targeted for management under a voluntary scheme created by the JCIA.\*

\* The JCIA is a general incorporated association. As one of Japan's major industry organizations, the JCIA is a member of the ICCA and pursues the healthy development of the chemicals industry together with other chemical-industrial organizations around the world.

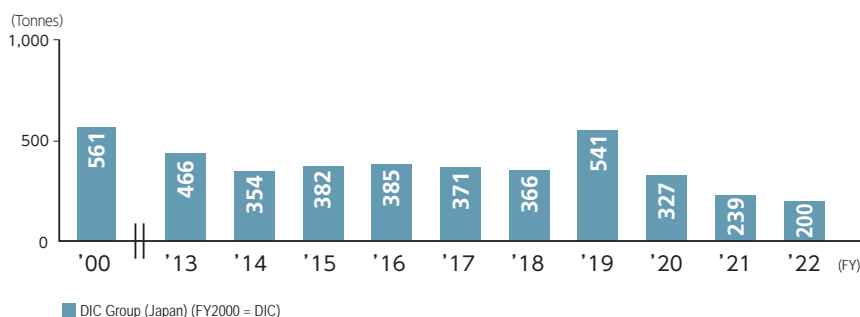
## Principal Initiatives in Fiscal Year 2022

### ① Reducing Emissions of VOCs

The DIC Group in Japan succeeded in achieving its voluntary target for reducing emissions of VOCs into the air for fiscal year 2010—30% from the fiscal year 2000 level—in fiscal year 2007. The Group has since raised this target to a 50% reduction from the fiscal year 2000 level. In fiscal year 2022, Group companies in Japan reported total emissions of VOCs of 200 tonnes, a decline of 16% from fiscal year 2021. The principal reason behind this was a decrease in products that are responsible for significant emissions of VOCs from the product mix. DIC Group companies in Greater China and the Asia-Pacific region continued to carefully monitor their 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.

### Emissions of VOCs (Targeted Chemical Substances) into the Air

(551 targeted substances, including those designated by Japan's PRTR<sup>\*1</sup>, and one substance group<sup>\*2</sup>)



\*1 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.

\*2 The "551 substances and one substance group" comprises 462 class 1 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.

In fiscal year 2022, the DIC Group in Japan monitored 462 class 1 chemical substances designated by the PRTR and 89 PRTR-designated substances (other than class 1) and one substance group (chain hydrocarbons with up to 4–8 carbon atoms). During the period, Group companies in Japan used and/or produced a combined total of 126 of these substances in amounts exceeding 1.0 tonne.

Number of Targeted Chemical Substances Used and/or Produced in Japan in Amounts Exceeding 1.0 Tonne in Fiscal Year 2022

DIC Group (Japan)

**126**

Environmental Emissions of VOCs (Targeted Chemical Substances) (551 Substances, Including Those Designated by Japan's PRTR, and One Substance Group) in Japan in Fiscal Year 2022

|                        | DIC Group (Japan) |
|------------------------|-------------------|
| Emissions into the air | <b>200 tonnes</b> |
| Emissions into water   | <b>33 tonnes</b>  |
| Emissions into soil    | <b>0 tonnes</b>   |
| Total                  | <b>234 tonnes</b> |

Targeted Chemical Substances for Which Emissions Exceeded 10.0 Tonnes in Fiscal Year 2022

| Substance                   | DIC Group (Japan)              |
|-----------------------------|--------------------------------|
|                             | Emissions into the environment |
| Ethyl acetate               | <b>80 tonnes</b>               |
| Toluene                     | <b>30 tonnes</b>               |
| Methyl ethyl ketone         | <b>22 tonnes</b>               |
| <i>N</i> -methylpyrrolidone | <b>16 tonnes</b>               |
| Propyl alcohol              | <b>13 tonnes</b>               |

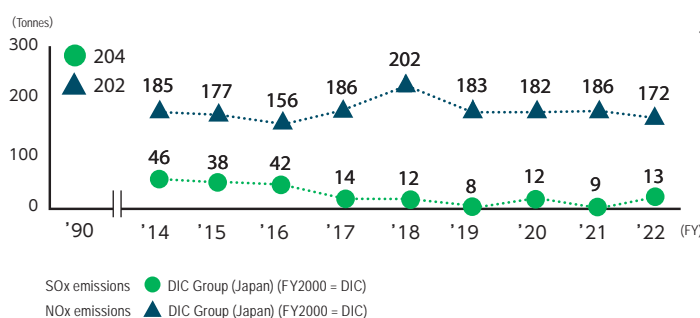
## ② Reducing SOx, NOx and COD

Taking fiscal year 1990 as the base year, the DIC Group in Japan has taken steps to reduce SOx and NOx emissions from boilers. The Group has also worked to reduce COD, an indicator of environmental impact, in wastewater, particularly by installing biomass boilers and modifying production processes. In fiscal year 2022, emissions of SOx by the Group in Japan amounted to 13 tonnes, a decline of more than 10% from the fiscal year 1990 level, while emissions of NOx were 172 tonnes, down 15% from fiscal year 1990. In contrast, the domestic DIC Group's COD was 854 tonnes, lower than in the previous fiscal year, but still high and up 15% from fiscal year 1990. Principal contributing

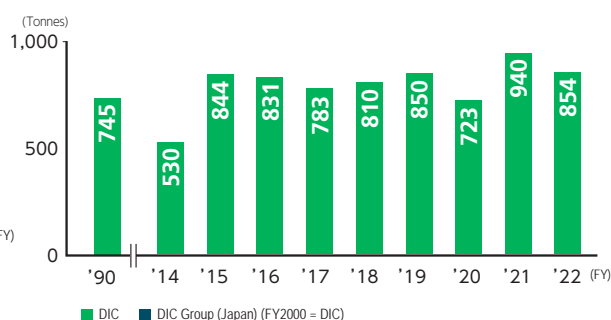
factors behind this result included an increase in production volume and changes in the product mix. The Group will continue working to reduce COD by promoting the effective management of water quality.

DIC Group companies in other countries and territories are also switching from diesel to natural gas, and from diesel- and heavy oil-fired boilers to biomass boilers. To reduce COD, these companies are promoting the reuse of water and the installment of environment-friendly closed-loop recycling and wastewater treatment systems that purify wastewater to a level that exceeds that mandated by local laws.

### SOx and NOx Emissions in Japan



### COD in Japan



## ③ Complying with Regulations Governing Emissions of Dioxins

In Japan, the DIC Group monitors emissions of dioxins from facilities that produce these byproducts, in accordance with the Act on Special Measures Against Dioxins. At present, the Group has five such facilities\* in Japan, each of which has achieved reductions that surpass the standards set forth in the Act.

\* In fiscal year 2022, DIC Interior Co., Ltd., shuttered operations, as a result of which the number of dioxin-emitting DIC Group facilities in Japan declined from six to five.

## ④ Ensuring the Appropriate Collection and Storage of PCBs

DIC Group companies in Japan work to ensure the appropriate collection, storage and management of equipment containing polychlorinated biphenyls (PCBs), including older-model transformers and capacitors, in accordance with the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes. These companies also ensure that equipment containing PCBs is disposed of in accordance with the practices of the Japan Environmental Storage & Safety Corporation (JESCO). The DIC Group in Japan expects to complete disposal of waste with high concentrations of PCBs in the first half of fiscal year 2023. Efforts to manage and dispose of low-concentration PCB waste will proceed apace.

### Dioxin Concentrations in Waste Gas and Wastewater Emissions from DIC Group Incinerators in Japan

| Site   | Waste gas                          |  | Wastewater          |   |
|--|------------------------------------|--|---------------------|---|
|  | Standard (ng-TEC/Nm <sup>3</sup> ) | Emissions reported in fiscal year 2021 (ng-TEC/Nm <sup>3</sup> ) | Standard (pg-TEC/l) | Emissions reported in fiscal year 2021 (pg-TEC/l) |
| Chiba Plant (DIC)*                               | 5                                  | 0.07   | 10                  | 0.030   |
|  |                                    |  | 10                  | 2.4   |
| Hokuriku Plant (DIC)                             | 5                                  | 0.00000  | 10                  | 0.0047  |
| Hokkaido Plant (DIC Kitanihon Polymer Co., Ltd.) | 10                                 | Dormant  | NA                  | —   |
| Tohoku Plant (DIC Kitanihon Polymer Co., Ltd.)   | 10                                 | 0.028  | NA                  | —   |
| Harima Plant (SEIKO PMC CORPORATION)             | 10                                 | 0.011  | NA                  | —   |

## ⑤ Responding to Asbestos Risks

The DIC Group in Japan strives to respond to potential risks associated with asbestos during demolition or when retrofitting equipment, as outlined in the Ordinance on the Prevention of Health Impairment due to Asbestos and the revised Air Pollution Control Law.

## ⑥ Soil and Groundwater Pollution

In addition to complying strictly with the Soil Contamination Countermeasures Act, the DIC Group in Japan implements soil and groundwater surveys and countermeasures as necessary to assess related risks. In fiscal year 2021, a voluntary survey conducted at a third site belonging to the Hokuriku Plant resulted in the site being designated as an "Area which Requires Measures." Purification measures are currently being implemented in line with the Act, as well as with pertinent regulations.



# Managing Industrial Waste

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objectives of initiatives  | Scope of target | Goals for fiscal year 2022   | Achievements in fiscal year 2022   | Evaluation            | Goals for fiscal year 2023  |
|--|-----------------|--|--|-----------------------|---|
| <ul style="list-style-type: none"> <li>Reduce industrial waste disposed of as landfill (achieve "zero emissions").</li> <li>Reduce industrial waste generated by production facilities.</li> </ul> | Japan           | <ul style="list-style-type: none"> <li>Industrial waste disposed of as landfill<br/>DIC Group (Japan): 200 tonnes (essentially level with fiscal year 2021; down 95% from fiscal year 2000)</li> <li>Industrial waste generated by production facilities<br/>DIC Group (Japan): 45,000 tonnes (essentially level with fiscal year 2021)</li> </ul> | <ul style="list-style-type: none"> <li>Industrial waste disposed of as landfill: 173 tonnes</li> <li>Industrial waste generated by production facilities: 41,422 tonnes</li> </ul> | <p>★★★</p> <p>★★★</p> | <ul style="list-style-type: none"> <li>Industrial waste disposed of as landfill<br/>DIC Group (Japan): 200 tonnes (down 95% from fiscal year 2000)</li> <li>Industrial waste generated by production facilities<br/>DIC Group (Japan): 45,000 tonnes (essentially level with fiscal year 2022)</li> </ul> |
| Promote recycling.   | Japan           | Resource recycling rate*<br>DIC Group (Japan): 90%   | Resource recycling rate: 91%   | ★★★                   | Resource recycling rate<br>DIC Group (Japan): 80%   |

\* Resource recycling rate: (Volume of industrial waste recycled + Waste heat recovered) / Volume of industrial waste generated

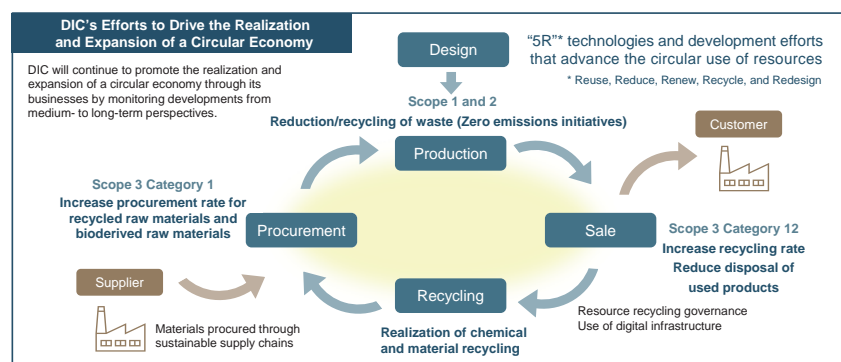
## Policies and Organization

### Basic Approach

To promote the realization of a circular economy, the DIC Group strives to use resources effectively, as well as to reduce the impact of its disposal of industrial waste.

In seeking to promote the realization of a circular economy, the DIC Group is stepping up efforts to encourage the reuse, reduction and recycling of industrial waste. Of particular note, the Group is striving to minimize production losses by increasing throughput yields. The Group also works to fully grasp and effectively manage industrial waste at production facilities from generation through to discharge, intermediate treatment and final disposal as landfill, as well as

to reduce its disposal of industrial waste as landfill and to boost its resource recycling rate by increasing recycling (material and chemical) and recovering waste heat from incineration. To ensure strict compliance, the Group has introduced a system for managing electronic manifests (e-manifests), thereby ensuring traceability. The Group also conducts on-site checks to ensure the practices of subcontracted waste disposal companies.



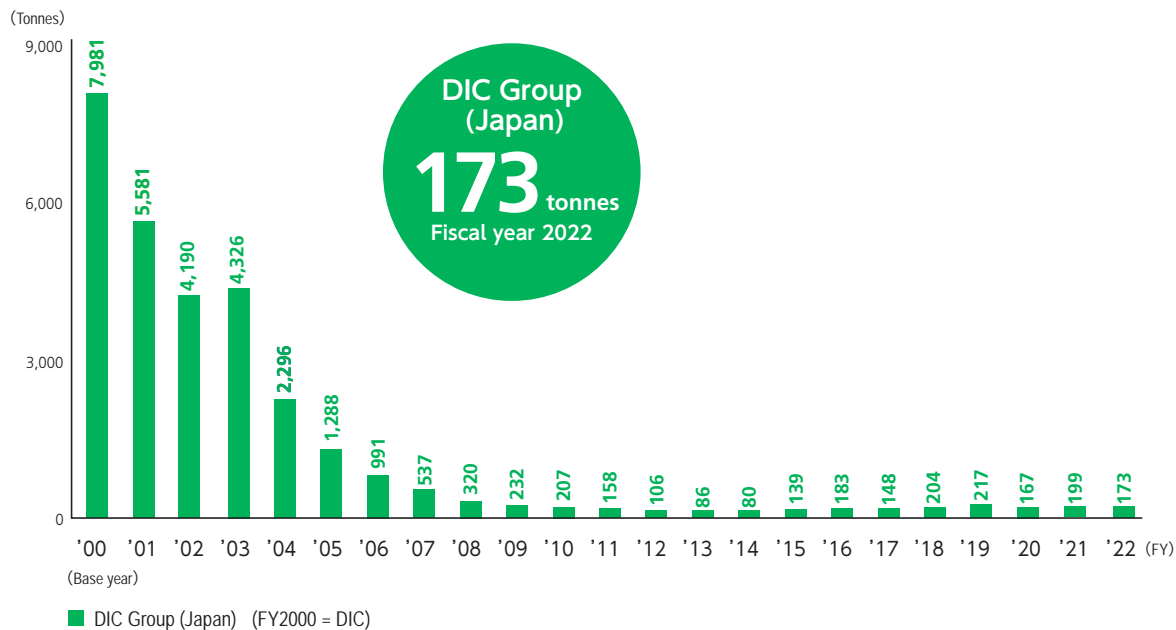
## Principal Initiatives in Fiscal Year 2022

### ① DIC Group in Japan

The DIC Group in Japan has long promoted zero emissions initiatives with the aim of reducing the total volume of industrial waste disposed of off-site as landfill by 95% from the fiscal year 2000 level, a target it actually achieved in fiscal year 2010. The Group is currently working to maintain the annual industrial waste it disposes of as landfill at this level (200 tonnes). With efforts to shift toward a circular economy intensifying in recent years, the Group is now also working to reduce waste generated and waste discharged by Group production facilities as well as to curb waste disposed of as landfill and has set a target for the former.

In fiscal year 2022, the DIC Group in Japan met its target for industrial waste generated by Group production facilities in Japan, which amounted to 41,422 tonnes, a decrease of 3% from fiscal year 2021, thanks to robust initiatives at individual facilities. The Group also outpaced its target for industrial waste disposed of as landfill by Group companies in Japan, which totaled 173 tonnes, down 13% from the previous period, as a result of which it also achieved a decline in industrial waste disposed of as landfill. Going forward, the Group will continue to reinforce its zero emissions initiatives. Group companies also pressed ahead with efforts to ensure the appropriate disposal of equipment containing PCBs and of unprocessed waste. The disposal of unprocessed waste was completed in the first half of fiscal year 2023.

## Industrial Waste Disposed of as Landfill



## Breakdown of Waste Generated by Production Facilities in Japan in Fiscal Year 2022

| Type of waste  | Volume generated (tonnes) |
|--|---------------------------|
| Cinders  | 763                       |
| Sludge   | 11,246                    |
| Waste oil  | 10,254                    |
| Waste acid   | 469                       |
| Waste alkali   | 1,677                     |
| Waste plastics   | 5,220                     |
| Scrap rubber   | 1                         |
| Scrap metal  | 1,996                     |
| Waste glass, concrete and ceramic                          | 48                        |
| Slag   | 0                         |
| Debris   | 7                         |
| Dust   | 21                        |
| Waste paper  | 736                       |
| Wood chips   | 708                       |
| Fiber waste  | 0                         |
| Animal and plant residues                                  | 7                         |
| Unwanted animal solid matter                               | 0                         |
| Livestock excreta  | 0                         |
| Animal carcasses   | 0                         |
| Industrial waste from products containing mercury          | 1                         |
| Total for nontoxic waste (ordinary industrial waste, etc.) | 33,153                    |
| Toxic waste (specially controlled industrial waste)        | 8,268                     |
| Total waste (toxic and nontoxic)                           | 41,422                    |

### ② Initiatives Related to Waste Plastics

The Act on Promotion of Resource Circulation for Plastics, which came into force in April 2022, obliges companies to make efforts to recycle plastic resources throughout a product's life cycle, from design through to final disposal. Companies responsible for generating waste plastics specified by the Act are taking steps to curtail the volume they generate and to expand recycling into new plastic resources. As both DIC and DIC Graphics each generate more than 250 tonnes of waste plastics

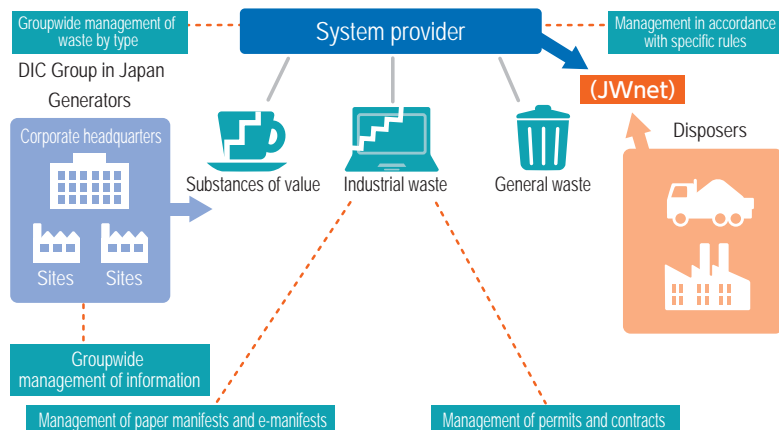
annually in Japan, it is expected that they will be considered by the Act as businesses with high-level emissions. The two companies are currently collecting pertinent data for fiscal year 2022 and will disclose this information in the DIC Report beginning in fiscal year 2023. Other domestic Group companies will also disclose fiscal year 2022 emissions data. Looking ahead, the Group will continue striving to reduce its generation and increase its recycling of waste plastics.

### ③ Deployment of a Comprehensive Industrial Waste Management System

Japan's e-Manifest system helps manage the movement of industrial waste by facilitating the electronic transmission of manifest information and tracking the flow of waste from generation through transport, intermediate

treatment and disposal. In fiscal year 2016, the DIC Group in Japan introduced GENESYS ECO, a comprehensive industrial waste management system, for use with the e-Manifest system. Deployment of this system was completed at all Group production sites in fiscal year 2019, an achievement that has helped to both save labor and ensure legal compliance.

#### Comprehensive Industrial Waste Management System



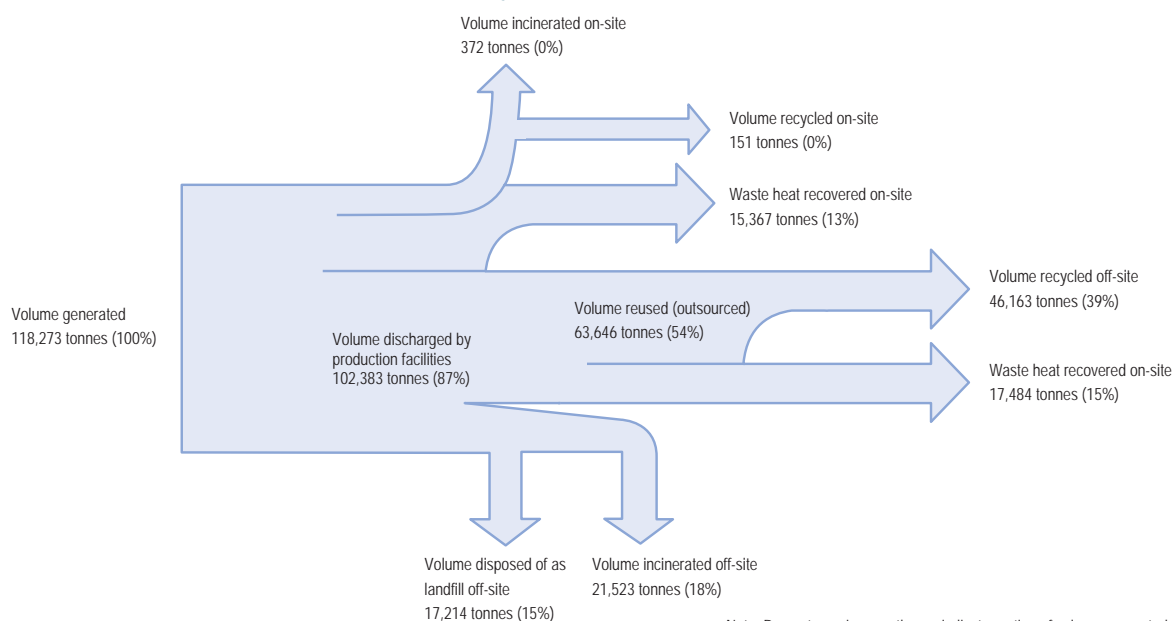
### ④ DIC Group in Other Countries and Territories

In addition to ensuring that disposal of industrial waste complies with national and regional legal and regulatory requirements, the DIC Group's production facilities outside Japan work to minimize waste through the voluntary recycling and reuse of materials. At production facilities in the Americas and Europe, Greater China and the Asia-Pacific region, the Group is introducing new waste treatment systems and promoting the horizontal deployment of best practices, including those aimed at improving production processes. In fiscal year 2022, waste generated by DIC production sites in other countries and territories totaled 76,851 tonnes, up 20% from fiscal year 2021. This significant increase reflected the inclusion for the first time of data for the Colors & Effects pigments business in results for the Americas and Europe. Waste disposed of as landfill at these sites rose 16%, to 17,041 tonnes. Going forward, the Group's regional headquarters outside Japan will focus on reinforcing compliance with local laws and regulations, as well as curbing the generation of industrial waste and the disposal thereof as landfill.

### ⑤ Generation and Disposal of Industrial Waste by the Global DIC Group

The definition of "industrial waste"—including whether it encompasses both toxic and nontoxic substances, and both hazardous and nonhazardous substances—varies in different countries and regions, as do the methods used to dispose of such waste. The DIC Group works to ensure the management of industrial waste in a manner appropriate for the degree of danger posed and in compliance with the laws of the countries and territories in which its sites are located. The Group works to fully grasp and manage industrial waste on a global basis, from generation at production facility through to discharge, intermediate treatment and final disposal as landfill. The chart below illustrates the generation and disposal of industrial waste by the global DIC Group in fiscal year 2022. As this shows, the Group breaks down and calculates amounts at all stages of the industrial waste disposal process.

#### Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2022



# Managing Water Resources

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives                               | Scope of target | Goals for fiscal year 2022  | Achievement in fiscal year 2022  | Evaluation | Goals for fiscal year 2023  |
|--|-----------------|---|--|------------|---|
| Asses and manage water risks at production facilities. | Global          | Target implementation rates for countermeasures at high-risk sites: 50% by fiscal year 2022, 100% by fiscal year 2024 | The implementation rate for countermeasures at four high-risk sites was 50%. | ★★★        | Target implementation rates for countermeasures at high-risk sites: 75% by fiscal year 2023, 100% by fiscal year 2024 |

## Policies and Organization

### Basic Approach

The DIC Group maintains a firm grasp of water risks relevant to Group operations and promotes a variety of initiatives to ensure the effective use of water resources.

Finding effective ways to conserve and manage water resources is a crucial global challenge. The DIC Group withdraws fresh water from multiple sources for cooling production equipment, as well as for use in products and as drinking water for employees. The Group also discharges wastewater—after purifying it in accordance with internal standards that exceed official standards in the countries and territories in which it has operations—into rivers and other fresh water bodies. In addition to evaluating water risks at each of its production sites around the world and implementing countermeasures, the Group works to protect and ensure the effective use of water resources.

## Principal Initiatives in Fiscal Year 2022

### ① Assessing Water Risks

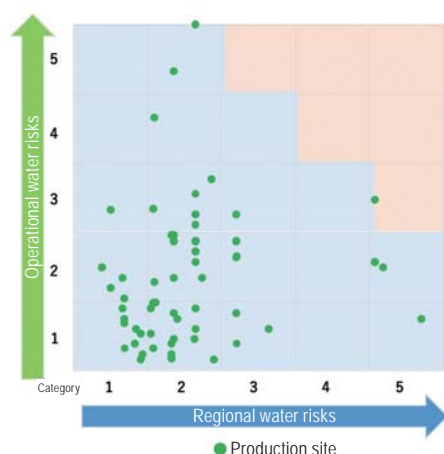
In recognition of the fact that water risks, which include drought, floods and water quality, vary greatly from region to region, companies are increasingly expected to set targets that take into account local water conditions in line with regional challenges as outlined recently by the World Wide Fund for Nature (WWF).<sup>\*1</sup> In fiscal year 2018, the DIC Group began using the Aqueduct Water Risk Atlas.<sup>\*2</sup> However, Aqueduct assesses only regional water risks, that is, risks associated with a site's location, which are caused by external factors, and does not take into account operational water risks, which are attributable to internal factors. Accordingly, under the guidance of a third-party

organization the Group established a consistent global framework for assessing water risks arising from both local water conditions and site operations, which it has deployed to screen sites in Japan, the PRC and the Asia-Pacific region. Specifically, the Group classified water risks into categories such as drought, floods and water quality, and mapped them using two scales, namely, "regional water risks" and "operational water risks," classifying those sites that register at the upper end of both scales as being high risk, as shown in the diagram below. Regional water risks were assessed using the Aqueduct Water Risk Atlas, while operational water risks were evaluated using a questionnaire developed in-house. Screening identified 16 sites as being high risk.

Between fiscal years 2021 and 2024, the DIC Group will implement and confirm countermeasures at these 16 high-risk sites and set a target for their implementation. In fiscal year 2025, the Group will revise its water risk assessment criteria to identify sites with lower risk levels, which it will designate as medium-risk sites. In fiscal year 2022, the Group implemented countermeasures at four high-risk sites, the same number as in fiscal year 2021.

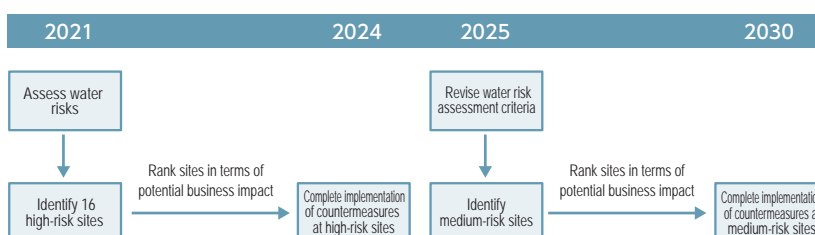
<sup>\*1</sup> Targets were published in the World Resources Institute (WRI)'s Setting Site Water Targets Informed by Catchment Context: A Guide for Companies.

<sup>\*2</sup> The DIC Group uses the WRI's Aqueduct Water Risk Atlas to map water risks such as drought and floods, among others, at 186 sites worldwide.



Mapping of regional water risks and operational water risks

### Water Risk Assessment Road Map (Fiscal Years 2021–2030)







Assessment of regional water risks using Aqueduct

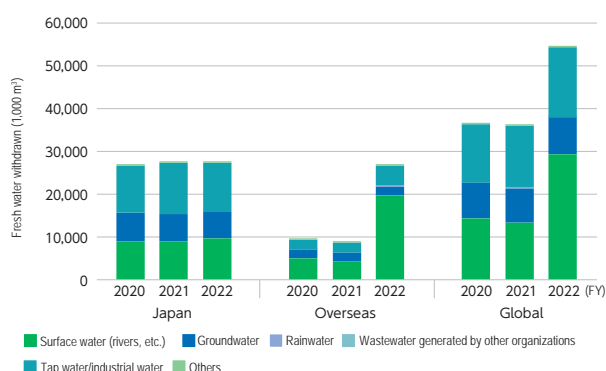
## ② Managing the Withdrawal of Water at and Discharge of Wastewater from Sites

Since fiscal year 2017, the DIC Group has used the Global Reporting Initiative (GRI)'s guideline\* for collecting data on fresh water withdrawn and wastewater discharged at each of its sites. In fiscal year 2022, the DIC Group in Japan withdrew 27,651,000 m<sup>3</sup> of fresh water and discharged 26,135,000 m<sup>3</sup> of wastewater, both level with fiscal year 2021.

Water withdrawn at and wastewater discharged from DIC Group sites in other countries and territories were up sharply from the previous fiscal year, owing primarily to the addition of the Colors & Effects pigments business to results in the Americas and Europe, soaring 212%, to 26,957,000 m<sup>3</sup>, and 284%, to 24,901,000 m<sup>3</sup>, respectively. As a consequence, fresh water withdrawn and total wastewater discharged by the global DIC Group were up sharply in fiscal year 2022, with the former increasing 51%, to 54,608,000 m<sup>3</sup>, and total wastewater discharged climbing 57% to 51,036,000 m<sup>3</sup>.

\* This guideline is included in the GRI's G4 Sustainability Reporting Guidelines.

### Total Fresh Water Withdrawn (Fiscal Years 2019–2021)



## ③ Efforts to Reduce Use of Water Resources and Address Risks Related to the Discharge of Wastewater

Most of the water used by the DIC Group is for the cooling of equipment. Accordingly, the Group uses cooling towers, among others, to recycle water and reduce use of water resources. To lower risks associated with wastewater generated by its production facilities, the

Group purifies such wastewater to a level that exceeds that mandated by law. For example, plant domestic wastewater (gray water) undergoes primary treatment using a process such as oil–water separation before being discharged off-site. Wastewater from production processes also goes through secondary treatment—for example, an activated sludge process—before being cooled to a normal room temperature, undergoing oil–water separation and being discharged off-site. In some cases, a tertiary process such as activated carbon treatment is further employed to remove harmful substances.

DIC's Central Research Laboratories in Chiba Prefecture, Japan, and subsidiary Siam Chemical Industry Co., Ltd., in Thailand have achieved zero discharge of wastewater. Both continue working to further reduce their impact on water resources. At the Central Research Laboratories, groundwater is used to supply the approximately 60 m<sup>3</sup> of water used by the site daily. The facility has established a fully closed system, which means all water is treated and reused or disposed of on-site. The Central Research Laboratories has formulated a plan to install additional water purification equipment with the aim of improving the quality of treated wastewater, thereby reducing the amount of water it withdraws.



## ④ Reporting to the CDP's Water Security Program in 2022

In fiscal year 2022, the DIC Group received a score of B in the CDP's\* Water Security Program. Going forward, the Group will continue working to strengthen its water security initiatives and earn a higher evaluation.

\* The CDP, formerly the Carbon Disclosure Project, is a nonprofit organization that operates a global disclosure system that seeks to promote greenhouse gas emissions reductions, water resources management and forest conservation.

# Biodiversity

## Basic Approach

The DIC Group works to grasp the impact of its operating activities on biodiversity, as well as to use land and natural capital in a sustainable manner.

### ① Biodiversity Preservation Initiatives since 2011

The DIC Group has long recognized the importance of preserving biodiversity. In 2011, a lecture was given by an outside expert on the relationship between corporate activities and biodiversity. The lecture was attended by executives from corporate headquarters, as well as from plants and Group companies across the country, and prompted the launch of a wide range of related initiatives, examples of which are given below.

- ① Initiatives designed to ensure an effective grasp of the relationship between the Group's operating activities and biodiversity at all stages of its products' life cycle, from R&D and the procurement of raw materials through to end-of-life disposal or recycling.
- ② Obtaining a third-party assessment of management of the natural forest and gardens on the site in Sakura, Chiba Prefecture, occupied by the Central Research Laboratories and the Kawamura Memorial DIC Museum of Art.

### ② Biodiversity Preservation Initiatives since 2011

DIC prints the DIC Report, its convocation notice and a variety of pamphlets and other printed materials on paper certified by the Forest Stewardship Council (FSC).

### ③ Participation in JBIB

In April 2022, DIC joined the Japan Business Initiative for Biodiversity (JBIB), a group of Japanese companies committed to preserving biodiversity that works actively to collect up-to-date information and network with other members. As part of this initiative, the DIC Group is conducting study sessions with outside experts and companies from other industries with the objective of promoting more ambitious efforts to preserve biodiversity.

## TOPIC | Biodiversity Initiatives at the Kawamura Memorial DIC Museum of Art

The *satoyama*\* landscape of the extensive site occupied by the Kawamura Memorial DIC Museum of Art and the Central Research Laboratories makes it an ideal home for numerous tree and flower varieties, as well as for an abundance of wildlife. Loved by the community, the site has welcomed approximately 200,000 visitors annually since the opening of the museum in 1990. On this site, originally a cedar forest, the museum is promoting a three-year plan, concluding in 2023, to create a thicket of 300 broadleaf trees, giving careful attention to ensuring an ecosystem that will support coexistence with wild birds and small animals.

\* *Satoyama* is a Japanese term applied to the area between mountain foothills and arable flat land.



Museum staff take part in planting seedlings.

The forest and gardens of the site occupied by the Kawamura Memorial DIC Museum of Art are always alive with seasonal flowers and foliage.

## Safety in Logistics

### Responsible Logistics

#### Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives                                    | Scope of target | Goal for fiscal year 2022   | Achievements in fiscal year 2022  | Evaluation            | Goal for fiscal year 2023  |
|---|-----------------|---|---|-----------------------|--|
| Reduce CO <sub>2</sub> emissions attributable to logistics. | Japan           | Reduce energy consumption per unit of production attributable to logistics by 1% from fiscal year 2021 by promoting modal shift and improving transport efficiency. | <ul style="list-style-type: none"> <li>Energy consumption per unit of production attributable to logistics was down 3%.</li> <li>CO<sub>2</sub> emissions attributable to logistics declined 5%.</li> </ul> | <p>★★★</p> <p>★★★</p> | Reduce CO <sub>2</sub> emissions attributable to logistics by 1.23% from fiscal year 2022. |

#### Basic Approach

The DIC Group works with logistics partners to minimize risks, including by supplying information needed for the safe shipping and transport of chemicals.

#### Policies and Organization

Having positioned the reduction of CO<sub>2</sub> emissions attributable to logistics as a key aspect of its commitment to promoting Responsible Care, the DIC Group sets annual targets and promotes related initiatives on an ongoing basis. DIC's logistics configuration—components of which include transport between production facilities, the transport of products to customers and international logistics—previously centered on a dedicated subsidiary, which operated under the direct supervision of DIC. In a bid to rationalize and increase the efficiency of logistics, in 2011 DIC transferred this subsidiary to a logistics partner—a third-party logistics (3PL)<sup>\*1</sup> firm—and began to outsource its logistics. Since then, the Group has worked closely with this and other logistics partners to improve the safety of, and reduce CO<sub>2</sub> emissions attributable to, its logistics activities. To respond better

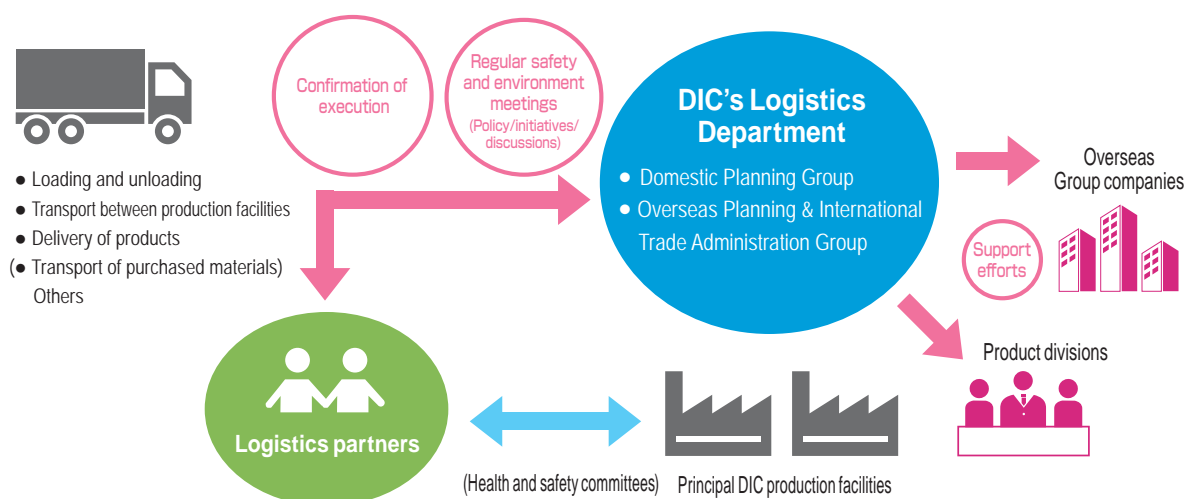
to social imperatives associated with the transport of chemicals, in fiscal year 2016 DIC combined the logistics components of its various departments to create a single Logistics Department.

The Logistics Department is charged with devising strategies to optimize logistics in Japan and across Asia, and with capitalizing on export controls and free trade agreements (FTAs)<sup>\*2</sup> in line with the Foreign Exchange Law. The department consists of the Domestic Planning Group, which implements measures to reduce import–export costs, and the Overseas Planning & International Trade Administration Group, which advances initiatives to enhance the safety and reduce the environmental impact of logistics planning

<sup>\*1</sup> 3PLs are firms that provide partial or complete outsourced logistics services.

<sup>\*2</sup> FTAs are agreements between two or more countries or customs territories to eliminate import taxes, import quotas and other trade barriers for a set period of time, thereby encouraging trade.

#### DIC's Logistics Configuration



## Reducing Environmental Impact and Supporting White Logistics

The operating environment for Japan's logistics industry continues to recover from a temporary decrease in shipment volume attributable to COVID-19, but the issue of driver shortages persists, owing to growing popularity of e-commerce and restrictions on drivers' working hours resulting from a legal amendment dubbed the "2024 issue." In addition, the Japanese government's target for achieving a 46% reduction of greenhouse gas emissions by fiscal year 2030, announced in April 2021, obliged companies to step up efforts to lower the burden of logistics activities on the environment.

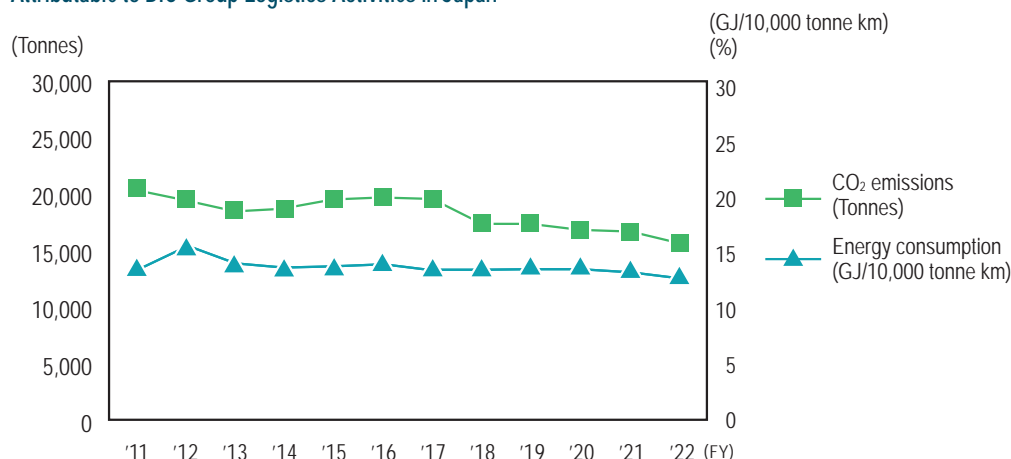
Against this backdrop, DIC continues to promote the transport of products using modes qualifying as "modal shift" in Japan with the aim of reducing the environmental impact of the transport of its products. In fiscal year 2022,

the Company continued using larger trucks and taking decisive steps to improve loading efficiency, as a result of which it achieved declines in energy consumption and CO<sub>2</sub> emissions attributable to logistics of approximately 6% and 5%, respectively.

DIC also continues to support the White Logistics movement, an initiative put forward by the Ministry of Land, Infrastructure, Transport and Tourism, among others, to improve working environments in the logistics industry. The Company also works with logistics partners and shipping companies to ensure business continuity. In fiscal year 2022, the Company began using returnable pallets, which reduce the work associated with pallet transshipment, at another production facility.

DIC Group companies in other countries and territories also continue to actively advance the use of returnable pallets and other initiatives to lower the environmental impact of their logistics activities.

### CO<sub>2</sub> Emissions and Energy Consumption per Unit of Production Attributable to DIC Group Logistics Activities in Japan



## Safety in Logistics

### ○ Safety Management Initiatives

The firms to which the DIC Group outsources logistics use containers that comply with the Fire Service Act and other transportation laws, as well as with related UN standards. The Group supplies information needed to display labels complying with the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) as well as provides safety data sheets (SDSs) and other documentation to ensure safe shipping whether in Japan or overseas. The Group also holds in-house presentations regarding transport of products requiring UN numbers (i.e., hazardous substances) by sea and air to facilitate the sharing of information, including alerts.

In Japan, the Logistics Department cooperates with logistics partners, meeting regularly to discuss measures for improving the safety of both loading and transport work. Of particular note, logistics quality issues such as leaks, undelivered cargo and delivery errors are designated as incidents for priority attention and decisive steps are taken to ensure improvements. Other ongoing efforts include initiatives aimed at preventing the recurrence of past accidents and regular logistics safety campaigns. Members of site

health and safety committees also participate in each other's meetings, as well as meetings of logistics partners' site general managers. The Logistics Department also inspects the offices of logistics partners located on-site at its main domestic production facilities. In fiscal year 2022, issues were pointed out at four of these offices, after which improvements were confirmed. In addition, DIC endeavors to maintain and enhance safety by requiring transport personnel to carry Yellow Cards.\*

\* Yellow Cards are part of activities recommended by the JCIA. These cards contain information about the correct actions to take if an accident occurs. They provide contact details to ensure proper responses by transportation companies, firefighters and police officers if an accident occurs during the transport of chemical substances. Transport personnel must carry these cards at all times.



Regular meeting with a logistics partner



## TOPIC | Taking Meetings with 3PL firms Online

COVID-19 forced DIC to adopt an online format for its meetings with 3PL firms. This format has since taken firm root. Despite the restrictions of the online format for safety training, the Company used photographs and videos to reiterate the importance of robust safety and prevent memories of past accidents from fading. These efforts contributed to a 9% decline in the frequency of accidents.



Online meeting with a 3PL firm

## VOICE | We are working to contribute to the realization of sustainability through effective logistics.

Although the storage space shortages and soaring shipping costs of recent years, both consequences of global inflation and declining consumption brought about by COVID-19, have stabilized, the operating environment for logistics services continues to deteriorate as a result of the crisis in Ukraine, which has driven up fuel costs, and of frequent natural disasters and concerns over Taiwan.

In this environment, the Logistics Department remains keenly aware of the importance of prioritizing environmental and safety concerns to ensure its ability to contribute to the realization of sustainability. As such, we work closely with logistics firms and shipping companies to reduce both the environmental impact of our logistics activities and the incidence of logistics-related accidents. Looking ahead, we will continue to cooperate with our logistics partners to promote modal shift and support the White Logistics movement.



General Manager, Logistics Department, DIC Corporation **Kenichi Tsuruta**

## Ensuring the Safety of Chemical Substances

### Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objectives of initiatives  | Scope of target   | Goals for fiscal year 2022   | Achievements in fiscal year 2022   | Evaluation                       | Goals for fiscal year 2023   |
|--|---|--|--|----------------------------------|--|
| <ul style="list-style-type: none"> <li>Enhance functions of comprehensive chemical substance information management systems.</li> <li>Continue to expand deployment of the Weracs and Atrion at DIC Group companies in other countries and territories.</li> </ul> | <ul style="list-style-type: none"> <li>Japan</li> <li>PRC</li> <li>Asia-Pacific region</li> </ul> | <ul style="list-style-type: none"> <li>Launch the new comprehensive global chemical substance information management system in the PRC.</li> <li>Promote deployment of the Weracs and Atrion at DIC Group companies in other countries and territories.</li> </ul> | <ul style="list-style-type: none"> <li>Launch of the new comprehensive global chemical substance information management system in the PRC was delayed until fiscal year 2023.</li> <li>Deployment of the Weracs and Atrion at Group companies in the PRC and the Asia-Pacific region proceeded.</li> </ul>   | <p>★</p> <p>★★</p>               | <ul style="list-style-type: none"> <li>Launch the new comprehensive global chemical substance information management system in the PRC.</li> <li>Continue promoting deployment of the Weracs and Atrion at DIC Group companies in the PRC and the Asia-Pacific region.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Review business flow to ensure compliance with laws and regulations around the world.</li> <li>Comply with laws and regulations in other countries and territories.</li> </ul>  | <ul style="list-style-type: none"> <li>Japan</li> <li>PRC</li> <li>Asia-Pacific region</li> </ul> | <ul style="list-style-type: none"> <li>Deploy new business flow in the PRC.</li> <li>Address revisions to the ROK's K-REACH.</li> <li>Address revisions to labeling and reporting-related laws and regulations in the PRC.</li> </ul>                              | <ul style="list-style-type: none"> <li>New processes and flows were deployed in the PRC.</li> <li>The re-registration of existing substances in accordance with revisions to K-REACH proceeded, focusing on substances with a registration deadline of 2024.</li> <li>Revisions to labeling and reporting-related laws and regulations in the PRC were monitored and local sites were notified.</li> </ul> | <p>★★★</p> <p>★★★</p> <p>★★★</p> | <ul style="list-style-type: none"> <li>Continue deploying new business flow in the PRC and begin deployment in the Asia-Pacific region.</li> <li>Continue promoting the re-registration of substances in line with revisions to K-REACH and ensure compliance with Taiwan's TSCCA.</li> <li>Address revisions to labeling and reporting-related laws and regulations in the PRC. Gather information and prepare for enforcement of new national laws in that country.</li> </ul> |

### Basic Approach

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

## Policies and Organization

In 2002, countries and territories participating in the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, including the United States, EU member states and Japan, agreed on a goal for the management of chemical substances to minimize the impact thereof on human health and the environment by 2020. In 2015, the UN General Assembly set the SDGs, a collection of common goals designed as a blueprint for global society.

As a comprehensive chemicals manufacturer with operations around the world, the DIC Group created uniform standards for managing chemical substances that exceed legal and regulatory standards well before the WSSD. In line with its Environment, Safety and Health Policy (established in 1992), the Group views product stewardship\* as the foundation of Responsible Care and works to provide stakeholders with information on the appropriate handling of its products over their entire life cycle. The Group also develops alternative offerings that exert less of an impact on the environment and to this end promotes the management of chemical substance information to contribute to the achievement of sustainability. To this end, the DIC Group has also established bases in the PRC and the Asia-Pacific region, better positioning it to disseminate information to Group companies around the world.

\* Product stewardship is a philosophy that emphasizes assessing product-specific risks and sharing findings and information on appropriate handling with stakeholders with the aim of reducing the ESH impact of products over their entire life cycle, i.e., from the development of chemical substances through to procurement, production, transport, sale, use and disposal or recycling.

## Managing Chemical Substances

In 2003, the UN Economic Commission for Europe (UNECE) issued the first edition of the GHS.\*<sup>1</sup> Many countries have since introduced the GHS, including

Japan, which in 2006 compelled use of the system in the Industrial Safety and Health Act. As part of its effort to ensure effective product stewardship, the foundation of Responsible Care, DIC was early to respond to this development, providing customers with crucial hazard-related information and encouraging them to use such information to reduce risks.

Concurrent with the enforcement of the Industrial Safety and Health Act in 2006, DIC began providing GHS-compliant SDSs.\*<sup>2</sup> In 2009, the Company developed CIRIUS (Chemical Substance Information Comprehensive Management System), a proprietary system that centralizes the management of information on chemical substances in raw materials and products, as well as automatically checks various laws and regulations—including the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.—to facilitate swift responses to customers' requests for information. In 2013, the Company began using the Weracs, an SDS and label creation system that facilitates the translation of data into 46 languages, for products destined for overseas markets, while in 2015 it also began deploying the Weracs outside Japan. At present, the system is in use at 23 Group companies in 11 countries and territories. DIC also continues to advance the creation of a new comprehensive global chemical substance information management system dubbed CIGNAS (Chemicals Information Global Network Access System). In fiscal year 2021, DIC replaced the Weracs and CIRIUS in Japan with CIGNAS. Current plans are to begin using the new system at DIC Group companies in the PRC and the Asia-Pacific region in fiscal year 2023, with the aim of achieving full deployment, replacing the Weracs, by fiscal year 2024. The Sun Chemical Group has used Atrion International Inc.'s eponymous chemical substance information management system since 2006, enabling it to provide highly accurate information to its customers worldwide.

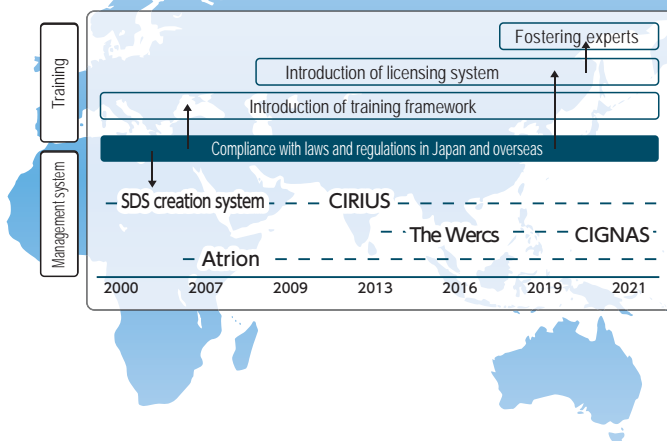
Recognizing the importance of specialized expertise in the manufacture, import and handling of chemical substances in accordance with applicable laws and regulations, in 2000 DIC began providing related training. Since 2007, the Company has had a proprietary licensing system designed to

maintain and enhance the skills of employees who have become experts in chemical substance management.

\*1 The GHS was formally adopted by the UN in 2003 to facilitate the uniform global classification and labeling of hazard information for chemicals.

\*2 SDSs contain information on the hazards of chemicals to ensure their safe handling.

## The DIC Group's Global Chemical Substance Information Management Systems



| Business area  | Controller   | System    |
|--|--------------|-----------|
| Japan  | DIC          | CIRIUS    |
| Asia-Pacific region, PRC                                 | DIC          | The Wercs |
| North America, Central and South America, Europe, Africa | Sun Chemical | Atrion    |
| Australia  | DIC          |           |

## Creating a New Chemical Substance Information Management System and Framework

DIC's Global Chemical Information Management Project (GCIP), established to develop the CIGNAS system, is responsible for not only system design and development but also reviewing and standardizing procedures to be used globally for gathering information to ensure smooth operation following launch. Key highlights to date include the following:

- In fiscal year 2019, project team members visited 11 DIC Group companies in three countries to deepen their understanding of these companies' procedures for managing chemical substances. Findings were incorporated into development efforts.
- In fiscal year 2021, the project team conducted online interviews with colleagues from 12 Group companies in five countries to clarify their expectations of the new system.

The results of the above initiatives were reflected in CIGNAS' system requirements and standard workflow. CIGNAS is currently in use at all sites in Japan and will be deployed at DIC Group companies in the PRC and the Asia-Pacific region in the near future.

### Designing and Developing CIGNAS

DIC applied capabilities, experience and expertise accumulated in the design, development and operation of CIRIUS and the Wercs to designing and developing its new CIGNAS system. The Company also recognized that a unified global system for managing chemical substance information will enhance its operational efficiency and thus created a framework for data integration with its ERP system.

Individual divisions and departments make use of chemical substance information in its particular work. Accordingly, the system is used not only by experts in the management of chemical substances but also by diverse other employees across the global DIC Group. The Group was thus aware of the importance of designing the interface so that even non-experts can use CIGNAS with ease. The new system stores confidential information on, among others, the chemical composition of products and raw materials. For this reason, and because of the wide range of individuals using the system, meticulous attention to security was a key consideration in system design and development.

### A Global Framework

Techniques used to manage chemical substance information vary greatly depending on country/territory and site, as does the quality of management. Given the expected further tightening of laws and regulations governing chemical substances and the increasing number and changing nature of substances used, implementing an organized global approach is essential. The DIC Group recognizes that introducing a new system is only part of the solution, and so it has also commenced efforts to establish a new information management framework to support administration of the new system after creation and deployment. In fiscal year 2019, the Chemical Substance Information Management Group was established at DIC's corporate headquarters in Tokyo to oversee this process. In April 2020, this group also began promoting initiatives in Shanghai. In January 2023, collaboration was expanded to encompass the Asia-Pacific region, with the Chemical Substance Information Management Group in Tokyo providing appropriate support. Through such efforts, the Group will leverage know-how accumulated in Japan to integrate information management, thereby ensuring consistent quality, securing compliance and strengthening governance.

## ■ Complying with Laws and Regulations

### ① Complying with Laws and Regulations in Japan

DIC recognizes legal and regulatory compliance as central to risk management. In Japan, this includes fulfilling without exception obligations related to the reporting of new chemical substances set forth in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the Industrial Health and Safety Act, and to the keeping of records on manufacturing, importing and sales laid out in the Poisonous and Deleterious Substances Control Act. To enhance the reliability of its compliance efforts, the DIC Group is promoting diverse initiatives, from collecting and analyzing information to formulating guidelines, promoting awareness among Group companies and customers, and advancing deployment of CIGNAS.

The Food Sanitation Act, which was amended in fiscal year 2018, stipulates the adoption of a Positive List system, which allows only substances that have been evaluated for safety to be used in utensils, containers and packaging for food. DIC manufactures a wide range of polymers, including polystyrene, inks and other raw materials used in food packaging. Accordingly, the Company is proceeding with efforts to gather information and apply for the list in cooperation with pertinent industry organizations. There were no legal violations by the DIC Group in Japan requiring the registration or reporting of chemical substances in fiscal year 2022.

### Outlook for Principal Initiatives in Fiscal Year 2023

Japan's revised Industrial Safety and Health Act will come into force in fiscal year 2023. The revised Act emphasizes the transition to a regulatory system for chemical substances based on autonomous management, notably on establishing a system for implementing autonomous management and strengthening the communication of information on hazards and toxicity. A significant number of new chemical substances will be added to the Appended Table 9 of the Order for Enforcement of the Industrial Safety and Health Act. It will also be possible to obtain SDSs without seeking approval of the other party simply by, for example, checking and scanning 2D barcodes printed on containers or viewing the appropriate website product page. The DIC Group in Japan will continue working to ensure it manages chemical substances, as well as prepares and distributes SDSs, in compliance with the revised Industrial Safety and Health Act. DIC will also take decisive steps to address the WSSD goal that will supersede the goal for 2020, which was expected to be discussed at the International Conference on Chemicals Management (ICCM) but was delayed due to COVID-19, paying close attention to how the new goal is reflected in policies, laws and regulations.

### ② Complying with Laws and Regulations in Other Countries and Territories

Recent years have brought the establishment and amendment of major laws and regulations governing chemical substances across East Asia. Key examples include revisions to the Republic of Korea (ROK)'s Act on the Registration and Evaluation of Chemicals (K-REACH) in fiscal year 2019 and the PRC's China REACH legislation in fiscal year 2020. Other countries that currently do not have chemical substance registration systems, including Thailand, Vietnam, Turkey, Russia and Eurasian Economic Community member countries, are also moving in this direction, but in many cases progress is behind schedule.

Deployment of the GHS has been made mandatory in most countries, with latecomer India now taking steps toward enacting a law obliging GHS compliance.

DIC gathers the latest information on chemical substances in overseas markets through local consultants, as well as through its global network, which includes Sun Chemical and other DIC Group companies, ensuring its ability to respond effectively to revisions to laws and regulations and to provide information to Group companies and customers. As a leading member of the JCIA working group charged with collecting Japanese companies' opinions and proposals regarding the enactment and revision of laws and regulations, DIC conducts dialogue with government authorities, playing a leading role in ensuring the legal and regulatory compliance of JCIA members. Thanks to effective monitoring of regulatory trends and swift responses to revisions to pertinent laws, there were no violations of legal violations requiring the registration or reporting of chemical substances by the DIC Group in other countries and territories in fiscal year 2022.

### Outlook for Principal Initiatives in Fiscal Year 2023

The DIC Group will continue pressing ahead with preparations to re-register chemical substances as required under the ROK's revised K-REACH legislation, prioritizing substances with large volumes that are close to the re-registration deadline. The Group will also prepare to meet the re-registration deadline for Taiwan's Toxic and Chemical Substances of Concern Control Act (TCSCCA). Additionally, the Group will continue to gather information and take steps to register chemical substances to ensure compliance with newly introduced registration systems in other countries and territories. In India, the Group will keep abreast of developments surrounding India's move to mandate GHS compliance and will submit opinions and proposals through the JCIA.

## ■ Training and Systems

In line with the principles of product stewardship, the DIC Group recognizes the importance of greater employee awareness and know-how to ongoing efforts to improve the safety of chemicals and manufactured goods. The Group places considerable emphasis on training for employees involved in the manufacture, import and handling of chemical substances in accordance with applicable laws and regulations and endeavors to improve understanding and knowledge of applicable laws and regulations in Japan and other countries and territories, which it provides through its program to foster experts and its proprietary licensing system.

### ① Fostering Experts

As a comprehensive global chemicals manufacturer, the DIC Group recognizes legal and regulatory compliance as central to risk management and promotes training designed to foster experts in this area. DIC began offering an entry-level course on laws and regulations governing chemical substances in fiscal year 2014. An online format was adopted in fiscal year 2021 to make it easier for employees in the target group—mainly employees at sites with technical departments—to participate in training. In fiscal year 2022, the Company continued to provide training on the legal handling of chemical substances, expanding participation in this training to include employees of DIC Group companies. In fiscal year 2023, efforts will focus on designing courses and preparing study materials to facilitate the creation of a practical program focused on various chemicals-related laws and regulations.

### ② Licensing Systems in Japan

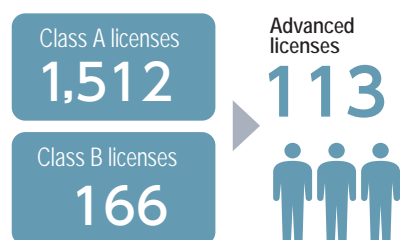
Under a proprietary licensing system, DIC provides mandatory specialized training for individuals in Japan engaged in the export and import of chemical substances and issues licenses to employees who have



completed training and passed in-house examinations. The period of validity is two years for export licenses and three years for import licenses. Training for individuals involved in exporting and importing chemical substances focuses on the Foreign Exchange and Foreign Trade Act, while that for individuals involved exclusively in importing centers on the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., the Industrial Safety and Health Act and the Poisonous and Deleterious Substances Control Act. To renew a license, an employee must once again go through training and pass the in-house examination. In fiscal year 2022, training and examinations were conducted online. As of the fiscal year-end, 342 employees held an import license; 166 held a Class B export license, requiring general knowledge; and 1,512 held a Class A export license, which requires high-level specialized expertise, while a further 113 had completed an advanced export license course, an achievement requiring superior capabilities.

In fiscal year 2023, DIC will further enhance the content of this training. With the importance of economic partnership agreements increasing, owing to, among others, the entry into force of the Regional Economic Partnership (RCEP), the Company launched a licensing system for employees who prepare certificates of origin based on such agreements. DIC will also continue to expand related training in fiscal year 2023.

#### Export Licenses



#### Import Licenses



### ③ Training at DIC Group Companies in Other Countries and Territories

In response to the Group's mandate for effective management of chemical compliance, Guangdong DIC TOD Resins Co., Ltd. (TOD), which became a member of the DIC Group in July 2022, is actively promoting legal compliance efforts and is working to build a management framework. DIC (China)'s Corporate ESH Department held two presentations on managing new chemical substances for all TOD sales representatives with the goal of deepening the company's understanding of chemical compliance management. These included explanations defining new chemical substances, legal and regulatory requirements, and the DIC Group's compliance measures.

Looking ahead, the DIC Group will continue working to deepen chemical compliance management across the Group by providing education through presentations and training, as well as to share information on the latest legal and regulatory developments, in response to requests from Group companies in other countries and territories.



Presentation by Yundan Zhao of DIC (China)'s Corporate ESH Department on the management of new chemical substances

#### VOICE | This is our key consideration in designing and administering CIGNAS.

The working group responsible for designing and administering CIGNAS, of which I am a member, works continuously to enhance the efficiency and ensure the stable operation of the system. CIGNAS, which was launched in Japan in November 2021, replacing CIRIUS, is already playing a crucial role as the DIC Group's global chemical substance information management system, including by supporting the issue of SDSs for use in other countries and territories.

Procedures for managing chemical substance information have increased and become more complex. In addition to inputting information on products and the raw materials and chemical substances used therein, we need CIGNAS to facilitate the more efficient output of information required by internal and external stakeholders. Accordingly, we continue collaborating with technical teams and Responsible Care Department colleagues to guarantee that data input and updated daily into CIGNAS is transformed swiftly into the information required for in-house chemical substance management, the provision of information to customers and other purposes. I look forward to working with everyone in optimizing this new system.



Manager, Product Safety & Regulatory Group, DIC Corporation **Hitoshi Ishizuka**

### ■ Position on the Use of Animals in Testing

In line with the "3Rs" of animal use in research (replacement, reduction, refinement), which are guidelines designed to ensure the more ethical use of animals in testing, the DIC Group actively promotes safety evaluation using quantitative structure–activity relationship (QSAR) models that do not employ animals.

### ■ Safe Product Transport

The DIC Group has created Yellow Cards containing simplified SDSs. This provides critical information to transport personnel, facilitating the appropriate responses in the unlikely event of an accident to protect the environment and ensure safety. (For more information, please see page 75.)

## Engaging with Society

### Basic Approach

DIC actively discloses information on its Responsible Care initiatives to stakeholders and promotes a variety of initiatives with the aim of deepening mutual understanding as well as endeavors to respond appropriately to public concerns, and responding to issues of concern.

#### ① Information Disclosure

The DIC Group strives to increase the transparency of its activities through the active disclosure of information and at the same time promotes dialogue with stakeholders. In fiscal year 2022, DIC disclosed information on the global Group's safety and environmental activities in its integrated report. DIC Report 2022 included an extensive data file to make the report easier to understand for external stakeholders. For the first time, the English-language version of the report was published exclusively in an electronic format. DIC Group production facilities publish site reports outlining their safety and environmental initiatives, as well as strive to provide information to local residents and other stakeholders.

#### ② Engaging with Society

In Japan, the DIC Group holds regular presentations on safety and environmental initiatives for the communities around its

production facilities. In fiscal year 2022, Responsible Care community meetings were held at plants located in industrial complexes. Environmental presentations were also held at production facilities located near residential areas. Other efforts included preparing site reports, inviting junior and senior high school students for hands-on lab lessons, participating in community disaster drills and providing assistance for local festivals.

At sites in other countries and territories, the DIC Group also seeks to advance dialogue and interaction with local communities by participating in tree plantings and other activities aimed at helping prevent global warming and preserving biodiversity. In fiscal year 2022, many of these efforts were suspended as a consequence of COVID-19. The Group looks forward to resuming active engagement with society at the earliest possible date.



Bon Odori (Bon festival dance) at DIC Graphics' Tokyo Plant in fiscal year 2018



Site report



Comprehensive disaster drill for the Sakai-Senboku Special Disaster Protection Area hosted by the Sakai Plant in fiscal year 2019

## Management Systems

### Basic Approach

The DIC Group operates management systems for occupational safety and health, safety and disaster prevention, environmental protection, chemical and product safety, engagement with society and logistics safety.

### Management Systems Certified Under ISO Standards

#### ① Certification Under ISO 14001

The DIC Group's sites around the world seek certification under ISO 14001, the International Organization for Standardization's standard for environmental management systems. As of December 31, 2022, DIC Group companies responsible for 78% of the Group's production volume had acquired certification under ISO 14001.

#### ② Certification Under OHSAS 18001 and/or ISO 45001

For occupational health and safety management systems, the DIC Group's sites around the world seek certification under OHSAS 18001, the Occupational Health and Safety Assessment Series' internationally accepted standard, and/or ISO 45001, the International Organization for Standardization's standard, for such systems. In the Asia-Pacific region, for example, the Group has 17 companies in 10 countries and territories. In addition to diverse customs and languages, a key challenge is differences in awareness regarding occupational health and safety. For this reason, it was crucial to actively support the implementation of an occupational health and safety management system regionwide. As of December 31, 2022, 19 DIC Group sites in the Asia-Pacific region had earned certification under OHSAS 18001 and/or ISO 45001, giving the Group in the region a certification rate of 98%.

### Introduction of the DECS

In fiscal year 2019, the DIC Group introduced the DIC ESH Data Collection System (DECS), a cloud-based system for gathering occupational safety and health, climate change, water resources, waste and other pertinent ESH-related data to facilitate the centralized management thereof. The system targets more than 70 Group sites in Japan, the PRC and the Asia-Pacific region. In addition to making the collection process more efficient and less labor-intensive, the DECS helps improve the reliability of data submitted for third-party verification.

### ESH Audits

#### ① Framework for Promotion

The DIC Group regularly conducts ESH audits to ensure the effectiveness of Responsible Care initiatives at Group companies, plants and R&D facilities. Because these audits assess a variety of factors, in Japan they are carried out by audit teams composed of Responsible Care Department specialists, the executive officer responsible for production, production and R&D site administrators, and labor union-endorsed union members.

Audits also look at the implementation of safety initiatives and the progress of remedial measures undertaken in response to issues cited in the previous year's audit. DIC's president also takes part, underscoring senior management's active engagement in efforts to ensure ESH-related concerns are addressed. As a result of COVID-19, in fiscal year 2022 teams were limited to Responsible Care Department specialists and site administrators. In other countries and territories, regional headquarters' ESH officers conducted audits together with Responsible Care Department specialists and local site administrators to ascertain the progress of initiatives with the aim of enhancing Responsible Care at individual sites.

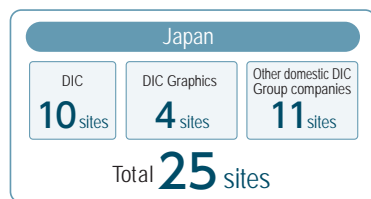
#### ② ESH Audits in Fiscal Year 2022

In Japan, Responsible Care Department specialists lead ESH audits not only at DIC but also at DIC Group companies to certify initiatives and support efforts to improve performance. In fiscal year 2022, audits were conducted at principal Group sites in Japan, 10 belonging to DIC and four to subsidiary DIC Graphics. These consisted of systems audits, designed to verify management levels; site inspections, which focus on frontline facilities; and compliance audits, which are conducted by a third-party consulting firm. These audits helped improve the level of safety and environmental management, identify production line hazards and improve compliance with pertinent laws and regulations. Systems audits were also conducted at 11 sites belonging to eight Group companies other than DIC Graphics and the SEIKO PMC Group with the aim of enhancing safety and environmental management.

DIC Group companies in other countries and territories also undergo ESH audits. In fiscal year 2022, audits were carried out at 17 sites belonging to 12 companies in the Asia-Pacific region. Owing to COVID-19, these audits were limited to principal sites. In Greater China, audits were conducted at 14 sites belonging to 13 companies. This included three sites in Taiwan that, because of COVID-19, were implemented autonomously. In the Americas, Europe and Africa, ESH audits were conducted at 66 sites belonging to Sun Chemical Group companies.

ESH audits were also implemented at 10 sites around the world belonging to the SEIKO PMC Group, which manufactures papermaking chemicals and resins for printing inks and reprographic products. The SEIKO PMC Group audits were conducted online because of COVID-19.

## Outline of ESH Audits Implemented in Fiscal Year 2022



## Audits Conducted at Subsidiaries' Sites in Fiscal Year 2022



## Administrative Penalties

In fiscal year 2022, no violations of Responsible Care-related regulations with a significant financial penalty\* were reported across the global DIC Group.

\* Penalty in excess of \$10,000

## Key Data

\* Global = Japan, PRC, Asia-Pacific region, Americas and Europe, and other regions

| Theme                          | Item  | Unit                       | Boundary            | Third-party verification | Fiscal year 2020 | Fiscal year 2021 | Fiscal year 2022 |
|--------------------------------|---|----------------------------|---------------------|--------------------------|------------------|------------------|------------------|
| Occupational safety and health | TRIR  | Persons/million work hours | Japan               | ✓                        | 2.51             | 3.60             | 2.23             |
|                                |   |                            | PRC                 | ✓                        | 2.29             | 1.94             | 0.79             |
|                                |   |                            | Asia-Pacific region | ✓                        | 1.13             | 0.90             | 1.21             |
|                                |   |                            | Americas and Europe | —                        | 5.63             | 5.33             | 6.33             |
|                                |   |                            | Global*             | —                        | 3.56             | 3.69             | 4.00             |
|                                | Frequency rate for occupational accidents resulting in workdays lost            | Persons/million work hours | Japan               | ✓                        | 0.55             | 1.31             | 0.45             |
|                                |   |                            | PRC                 | ✓                        | 1.27             | 1.45             | 0.53             |
|                                |   |                            | Asia-Pacific region | ✓                        | 0.91             | 0.79             | 0.99             |
|                                |   |                            | Americas and Europe | —                        | 2.96             | 2.70             | 3.36             |
|                                |   |                            | Global*             | —                        | 1.79             | 1.89             | 2.07             |
|                                | Fatalities due to occupational accidents  | Persons                    | Japan               | ✓                        | 0                | 0                | 0                |
|                                |   |                            | PRC                 | ✓                        | 0                | 0                | 0                |
|                                |   |                            | Asia-Pacific region | ✓                        | 0                | 0                | 0                |
|                                |   |                            | Americas and Europe | —                        | 0                | 0                | 0                |
|                                |   |                            | Global*             | —                        | 0                | 0                | 0                |
|                                | Injuries due to occupational accidents resulting in workdays lost               | Persons                    | Japan               | ✓                        | 5                | 12               | 4                |
|                                |   |                            | PRC                 | ✓                        | 5                | 6                | 2                |
|                                |   |                            | Asia-Pacific region | ✓                        | 8                | 7                | 9                |
|                                |   |                            | Americas and Europe | —                        | 50               | 45               | 70               |
|                                |   |                            | Global*             | —                        | 70               | 74               | 89               |
|                                | Injuries due to occupational accidents not resulting in workdays lost           | Persons                    | Japan               | ✓                        | 18               | 21               | 16               |
|                                |   |                            | PRC                 | ✓                        | 4                | 2                | 1                |
|                                |   |                            | Asia-Pacific region | ✓                        | 2                | 1                | 2                |
|                                |   |                            | Americas and Europe | —                        | 45               | 44               | 62               |
|                                |   |                            | Global*             | —                        | 69               | 71               | 83               |
| Disaster prevention            | Process safety accidents  | Events                     | Japan               | ✓                        | 4                | 7                | 3                |
|                                | Frequency of process safety accidents   | Events/200,000 work hours  | Japan               | ✓                        | 0.073            | 0.128            | 0.050            |
| Environmental pollution        | Emissions of VOCs   | Tonnes                     | Japan               | —                        | 327              | 239              | 200              |
|                                | Emissions of PRTR-designated chemical substances (into the air, water and soil) | Tonnes                     | Japan               | —                        | 354              | 273              | 234              |
|                                | Emissions of NOx  | Tonnes                     | Japan               | —                        | 182              | 186              | 172              |
|                                | Emissions of SOx  | Tonnes                     | Japan               | —                        | 12.1             | 8.8              | 13.3             |
|                                | COD   | Tonnes                     | Japan               | —                        | 723              | 940              | 854              |



| Theme                                       | Item  | Unit                 | Boundary | Third-party verification | Fiscal year 2020 | Fiscal year 2021 | Fiscal year 2022 |
|---|---|----------------------|----------|--------------------------|------------------|------------------|------------------|
| Total waste<br>(toxic and nontoxic)         | Volume generated  | Tonnes               | Japan    | ✓                        | 43,900           | 42,914           | 41,422           |
|   |   |                      | Overseas | —                        | 64,846           | 64,101           | 76,851           |
|   |   |                      | Global   | —                        | 108,745          | 107,015          | 118,273          |
|   | Volume discharged by production facilities                | Tonnes               | Japan    | ✓                        | 32,564           | 30,541           | 31,627           |
|   |   |                      | Overseas | —                        | 59,792           | 57,186           | 70,756           |
|   |   |                      | Global   | —                        | 92,355           | 87,727           | 102,383          |
|   | Volume recycled   | Tonnes               | Japan    | ✓                        | 19,034           | 17,733           | 16,725           |
|   |   |                      | Overseas | —                        | 24,595           | 26,856           | 29,589           |
|   |   |                      | Global   | —                        | 43,630           | 44,589           | 46,314           |
|   | Waste heat recovered                                      | Tonnes               | Japan    | ✓                        | 20,598           | 20,434           | 20,849           |
|   |   |                      | Overseas | —                        | 13,458           | 15,832           | 12,001           |
|   |   |                      | Global   | —                        | 34,057           | 36,266           | 32,850           |
|   | Waste heat not recovered<br>(including from incineration) | Tonnes               | Japan    | ✓                        | 4,100            | 4,548            | 3,675            |
|   |   |                      | Overseas | —                        | 7,735            | 7,847            | 18,221           |
|   |   |                      | Global   | —                        | 11,835           | 12,394           | 21,895           |
|   | Volume disposed of as landfill                            | Tonnes               | Japan    | ✓                        | 167              | 199              | 173              |
|   |   |                      | Overseas | —                        | 19,058           | 14,702           | 17,041           |
|   |   |                      | Global   | —                        | 19,224           | 14,902           | 17,214           |
|   | Resource recycling rate                                   | %                    | Japan    | ✓                        | 90%              | 89%              | 91%              |
|   |   |                      | Overseas | —                        | 59%              | 67%              | 54%              |
|   |   |                      | Global   | —                        | 71%              | 76%              | 67%              |
| Toxic waste<br>(subject to special control) | Volume generated  | Tonnes               | Japan    | ✓                        | 7,170            | 7,660            | 8,268            |
|   |   |                      | Overseas | —                        | 33,832           | 37,938           | 47,546           |
|   |   |                      | Global   | —                        | 41,002           | 45,597           | 55,815           |
|   | Volume discharged by production facilities                | Tonnes               | Japan    | ✓                        | 5,583            | 6,136            | 7,069            |
|   |   |                      | Overseas | —                        | 28,820           | 31,068           | 41,495           |
|   |   |                      | Global   | —                        | 34,402           | 37,203           | 48,564           |
|   | Volume recycled   | Tonnes               | Japan    | ✓                        | 2,623            | 2,522            | 2,945            |
|   |   |                      | Overseas | —                        | 14,415           | 16,214           | 18,952           |
|   |   |                      | Global   | —                        | 17,038           | 18,736           | 21,897           |
|   | Waste heat recovered                                      | Tonnes               | Japan    | ✓                        | 4,291            | 4,212            | 4,597            |
|   |   |                      | Overseas | —                        | 11,515           | 15,671           | 9,935            |
|   |   |                      | Global   | —                        | 15,806           | 19,883           | 14,532           |
|   | Waste heat not recovered<br>(including from incineration) | Tonnes               | Japan    | ✓                        | 234              | 898              | 707              |
|   |   |                      | Overseas | —                        | 5,856            | 3,623            | 15,375           |
|   |   |                      | Global   | —                        | 6,090            | 4,521            | 16,083           |
|   | Volume disposed of as landfill                            | Tonnes               | Japan    | ✓                        | 22               | 28               | 19               |
|   |   |                      | Overseas | —                        | 2,046            | 2,430            | 3,283            |
|   |   |                      | Global   | —                        | 2,068            | 2,458            | 3,303            |
| Fresh water withdrawn                       | Surface water   | 1,000 m <sup>3</sup> | Japan    | ✓                        | 9,168            | 8,922            | 9,789            |
|   |   |                      | Overseas | —                        | 5,195            | 4,372            | 19,699           |
|   |   |                      | Global   | —                        | 14,364           | 13,293           | 29,487           |
|   | Groundwater   | 1,000 m <sup>3</sup> | Japan    | ✓                        | 6,585            | 6,505            | 6,403            |
|   |   |                      | Overseas | —                        | 1,799            | 1,840            | 2,278            |
|   |   |                      | Global   | —                        | 8,383            | 8,345            | 8,681            |
|   | Rainwater   | 1,000 m <sup>3</sup> | Japan    | ✓                        | 0                | 0                | 0                |
|   |   |                      | Overseas | —                        | 129              | 191              | 163              |
|   |   |                      | Global   | —                        | 129              | 191              | 163              |

| Theme                 | Item  | Unit                 | Boundary | Third-party verification | Fiscal year 2020 | Fiscal year 2021 | Fiscal year 2022 |
|-----------------------|---|----------------------|----------|--------------------------|------------------|------------------|------------------|
| Fresh water withdrawn | Wastewater generated by other organizations | 1,000 m <sup>3</sup> | Japan    | ✓                        | 0                | 0                | 0                |
|                       |   |                      | Overseas | —                        | 0                | 0                | 0                |
|                       |   |                      | Global   | —                        | 0                | 0                | 0                |
|                       | Tap water/industrial water                  | 1,000 m <sup>3</sup> | Japan    | ✓                        | 11,134           | 12,178           | 11,441           |
|                       |   |                      | Overseas | —                        | 2,427            | 2,153            | 4,771            |
|                       |   |                      | Global   | —                        | 13,562           | 14,331           | 16,212           |
|                       | Others                                      | 1,000 m <sup>3</sup> | Japan    | ✓                        | 15               | 20               | 19               |
|                       |   |                      | Overseas | —                        | 70               | 77               | 47               |
|                       |   |                      | Global   | —                        | 85               | 96               | 66               |
|                       | Total                                       | 1,000 m <sup>3</sup> | Japan    | ✓                        | 26,902           | 27,625           | 27,651           |
|                       |   |                      | Overseas | —                        | 9,621            | 8,632            | 26,957           |
|                       |   |                      | Global   | —                        | 36,524           | 36,257           | 54,608           |
| Wastewater discharged | Rivers                                      | 1,000 m <sup>3</sup> | Japan    | —                        | 15,371           | 15,126           | 15,879           |
|                       |   |                      | Overseas | —                        | 2,013            | 2,204            | 2,067            |
|                       |   |                      | Global   | —                        | 17,384           | 17,330           | 17,946           |
|                       | Oceans                                      | 1,000 m <sup>3</sup> | Japan    | —                        | 6,763            | 7,341            | 6,888            |
|                       |   |                      | Overseas | —                        | 0                | 1                | 0                |
|                       |   |                      | Global   | —                        | 6,763            | 7,342            | 6,888            |
|                       | Wastewater treatment plants                 | 1,000 m <sup>3</sup> | Japan    | —                        | 3,084            | 3,627            | 3,367            |
|                       |   |                      | Overseas | —                        | 832              | 888              | 750              |
|                       |   |                      | Global   | —                        | 3,915            | 4,515            | 4,117            |
|                       | Below ground                                | 1,000 m <sup>3</sup> | Japan    | —                        | 2                | 1                | 1                |
|                       |   |                      | Overseas | —                        | 6                | 7                | 7                |
|                       |   |                      | Global   | —                        | 8                | 8                | 8                |
|                       | Third parties                               | 1,000 m <sup>3</sup> | Japan    | —                        | 0                | 0                | 0                |
|                       |   |                      | Overseas | —                        | 0                | 0                | 0                |
|                       |   |                      | Global   | —                        | 0                | 0                | 0                |
|                       | Others                                      | 1,000 m <sup>3</sup> | Japan    | —                        | 0                | 0                | 0                |
|                       |   |                      | Overseas | —                        | 4,867            | 3,380            | 22,077           |
|                       |   |                      | Global   | —                        | 4,867            | 3,380            | 22,077           |
|                       | Total                                       | 1,000 m <sup>3</sup> | Japan    | —                        | 25,220           | 26,094           | 26,135           |
|                       |   |                      | Overseas | —                        | 7,717            | 6,481            | 24,901           |
|                       |   |                      | Global   | —                        | 32,937           | 32,574           | 51,036           |
| Water consumed        | Total                                       | 1,000 m <sup>3</sup> | Japan    | —                        | 1,683            | 1,531            | 1,516            |
|                       |   |                      | Overseas | —                        | 1,904            | 2,151            | 2,056            |
|                       |   |                      | Global   | —                        | 3,587            | 3,682            | 3,572            |
| ISO 14001             | Acquisition of certification                | %                    | Global   | —                        | 79%              | 79%              | 78%              |



# Preventing Global Warming

## Basic Approach

The DIC Group works to reduce CO<sub>2</sub> emissions over the entire life cycle of its products and, through its business activities, to lower risks associated with climate change.

## Initiatives Aimed at Preventing Global Warming

In line with its goal of contributing to the realization of sustainability for the global environment and for society, in June 2021 the DIC Group announced DIC NET ZERO 2050, which sets a target of achieving carbon neutrality—net zero CO<sub>2</sub> emissions (Scope 1 and 2)—by fiscal year 2050. In January 2023, the Group's CO<sub>2</sub> emissions target received official endorsement from the Science Based Targets initiative (SBTi),<sup>\*1</sup> which was established with the purpose of driving CO<sub>2</sub> emissions reduction in the private sector. (Information regarding the impact of the acquisition of the Colors & Effects pigments business will be communicated to the SBTi going forward.)

The DIC Group comprises 190 companies in 63 countries and territories. The Group is committed to working as one to cut emissions to ensure achievement of this target. Prior to this, in May 2019 the Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD),<sup>\*2</sup> pledging to disclose climate-related information in line with the TCFD recommendations.

<sup>\*1</sup> The SBTi is a partnership that encourages companies to set science-based greenhouse gas emissions reduction targets that are in line with the goal of the Paris Agreement. The SBTi endorses targets set by companies for the next five to 15 years as "science-based" if they are consistent with what climate science says is necessary to limit average global warming to well below 2°C above pre-industrial levels and the pursuit of a limit of 1.5°C.

<sup>\*2</sup> The TCFD was established under the auspices of the Financial Stability Board and announced in June 2017 with the objective of mitigating climate-related risks in financial markets that have the potential to affect performance over the medium to long term.

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives                                   | Goals for fiscal year 2022   | Achievements in fiscal year 2022  | Evaluation | Goals for fiscal year 2023   |
|--|--|---|------------|--|
| Reduce CO <sub>2</sub> emissions at sites (Scope 1 and 2). | DIC Group (global):<br>Reduce CO <sub>2</sub> emissions at DIC Group sites (Scope 1 and 2) by 50% from the fiscal year 2013 level by fiscal year 2030 (average annual decrease of 3.5%). | DIC Group (global):<br>CO <sub>2</sub> emissions: 720,444 tonnes<br>• Down 21.8% from fiscal year 2013 (921,386 tonnes)*<br>* Fiscal year 2013 emissions were calculated including an estimate for the Colors & Effects pigments business for that year.) | ★★         | DIC Group (global):<br>Reduce CO <sub>2</sub> emissions at DIC Group sites (Scope 1 and 2) by 50% from the fiscal year 2013 level by fiscal year 2030 (average annual decrease of 2.9%). |
|  | DIC Group (Japan):<br>Reduce energy consumption per unit of production by 17.0% from the fiscal year 2013 level by fiscal year 2030 (average annual decrease of 1.0%).                   | DIC Group (Japan):<br>Energy consumption per unit of production: 3.687 GJ/tonne<br>• Up 0.9% from fiscal year 2020 (3.656 GJ/tonne)<br>• Down 11.6% from fiscal year 2013 (4.170 GJ/tonne)  | ★          | DIC Group (Japan):<br>Reduce energy consumption per unit of production by 17.0% from the fiscal year 2013 level by fiscal year 2030 (average annual decrease of 1.0%).                   |

Reference:

CO<sub>2</sub> emissions per unit of production in fiscal year 2022: DIC Group in Japan: 190.6 kg/tonne

- Down 3.0% from fiscal year 2021 (196.6 kg/tonne)
- Down 20.1% from fiscal year 2013 (238.7 kg/tonne)

## Framework for Promotion

The DIC Group works to reduce CO<sub>2</sub> emissions through its business activities in four regions: Japan, the Americas and Europe (overseen by Sun Chemical), the Asia-Pacific region and Greater China. Despite differences in energy requirements and access to renewable energy depending on region and site location, the Group is committed to working as one to ensure it achieves its target of reducing its Scope 1 and 2 CO<sub>2</sub> emissions by 50% from the fiscal year 2013 level by fiscal year 2030.

Recognizing climate change as a critical social imperative, the DIC Group is working to reduce CO<sub>2</sub> emissions from its sites. Important measures are proposed to the Sustainability Committee to be deliberated and determined. 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. An Energy-Saving Working Group has also been set up at each site comprising members selected by the site itself to foster the exchange of information and research pertaining to new energy-saving measures, as well as to advance the horizontal deployment of effective measures across domestic Group sites. This combination of site- and Group-level initiatives forms the framework under which the DIC Group endeavors to reduce its CO<sub>2</sub> emissions.

In the Americas and Europe, Sun Chemical is promoting efforts to reduce its CO<sub>2</sub> emissions, a considerable challenge with the expansion of its operating scale owing to the integration of the Colors & Effects pigments business. In the Asia-Pacific region and Greater China, Group companies are encouraging a variety of independent energy-saving initiatives that align with related Group policies. DIC's Production Management Unit provides support on multiple fronts, including managing overall progress.

### Principal Efforts

- ① Undertake energy-saving initiatives Groupwide.
- ② Promote DX to optimize energy management for production and utility equipment.
- ③ Actively establish energy-saving facilities, including efficient cogeneration systems and net zero-energy buildings (ZEBs).
- ④ Employ energy from renewable sources—e.g., biomass boilers, wind power and net solar power—at suitable sites.
- ⑤ Conduct energy-saving analyses and support the deployment of energy-saving initiatives at DIC Group companies, including those in other countries and territories.
- ⑥ When installing or expanding facilities, purposefully select energy-efficient options and formulate related rules, including for investment in environmental value and the introduction of internal carbon pricing.

## Disclosure in Line with the TCFD Recommendations

With the aim of helping institutional investors grasp climate-related risks and opportunities and reflect this in their 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. The DIC 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.

### TCFD Recommendations for Financial Disclosures

| Governance  | Strategy   | Risk management   | Metrics and targets  |
|---|--|---|--|
| Governance around climate-related risks and opportunities | Actual and potential impacts of climate-related risks and opportunities on businesses, strategy and financial planning | Processes used to identify, assess and manage climate-related risks | Metrics and targets used to assess and manage relevant climate-related risks and opportunities |

#### 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 CO<sub>2</sub> emissions, are deliberated and determined by the Sustainability Committee, which meets 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.

To appropriately assess and manage climate change-related risks and opportunities, thereby ensuring the effective management of its operations, the Sustainability Committee consists of the president and CEO, the general managers of the Production Management Unit and Technical Management Unit, and the heads of the Corporate Strategy Unit, General Affairs and Legal Unit, Finance and Accounting Unit, and ESG Unit, as well as the presidents of the business groups and the general managers of the product divisions.

### Principal Climate Change–Related Issues Deliberated by the Sustainability Committee in Fiscal Year 2022

| Fiscal year | Principal issues   |
|-------------|--|
| 2022        | Report on and evaluation of sustainability initiatives in fiscal year 2021           |
|             | Submission of CO <sub>2</sub> emissions reduction target for endorsement by the SBTi |
|             | Consideration of the purchase of green power   |

#### ② Strategy

With pressure on the global community to achieve carbon neutrality by 2050 intensifying rapidly, changes to rules governing

competitiveness are expected to transform the socioeconomic system going forward. DIC is promoting sustainable business strategies, recognizing the importance of risks and opportunities associated with climate change. Because the impacts of climate change are likely to surface over the medium to long term, the Company is working to enhance its understanding of the principal climate-related risks and opportunities (transition as well as physical) that are likely to have a financial impact over the medium to long term.

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. In fiscal year 2020, DIC also established the Climate Change Subcommittee, which is tasked with helping facilitate the achievement of net zero CO<sub>2</sub> emissions by fiscal year 2050. The activities of the subcommittee are reported to and debated by the Sustainability Committee.

### Key Risk Management Perspectives

- ① 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 CO<sub>2</sub> emissions a factor that directly affects costs.
- ② 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).
- ③ 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).

## Principal Climate-Related Risks

| Type                              | Description   |
|-----------------------------------|---|
| Emerging regulations (Transition) | There is a risk that emerging regulations (e.g., the introduction of carbon pricing) will increase direct costs and impact on the operating environment/profitability (e.g., facility costs and raw materials prices).  |
| Technology (Transition)           | With technological innovations, there is a risk of products and services becoming obsolete and demand declining.  |
| Market (Transition)               | There is a risk that an insufficient grasp of evolving customer/consumer preferences will mean the loss of market opportunities. There is also a risk that businesses will shrink if demand related to the realization of a circular economy cannot be met.                             |
| Market (Transition)               | There is a risk that businesses will be affected, including through the loss of commercial rights, if rapidly expanding market/customer demand for products with a reduced carbon footprint cannot be met.  |
| Reputation (Transition)           | If DIC's attitude toward and ability to respond to climate change is seen by external observers as insufficient for a manufacturer of fine chemicals, there is a risk that its reputation will suffer.  |
| Acute (Physical)                  | Should extreme weather events become more frequent, there is a risk that operations at production sites will be affected.   |
| Chronic (Physical)                | If temperatures remain persistently high, there are risks of increased production site maintenance and operating costs and of damage to health.   |
| Upstream (Physical)               | In addition to a risk of uncertainty regarding the supply of raw materials monopolized by certain suppliers, there are BCP risks and risks that costs may increase due to, among others, rising prices for fuel and electric power, or to the imposition of taxes on exported products. |

## Principal Climate-Related Opportunities

| Type                                      | Description  |
|---|--|
| Emerging regulations (Transition)         | With emerging regulations, there is an opportunity to establish new business models that demonstrate the superiority of DIC's businesses.  |
| Technology (Transition)                   | Technological innovation provides opportunities to create new low-carbon/decarbonized businesses that respond to climate change and to increase product cost competitiveness through the use of revolutionary technologies to improve processes.               |
| Market (Transition/physical)              | Accurately grasping evolving customer/consumer preferences—e.g., shift to low-carbon business models, chance that certain existing businesses will be avoided—provides the opportunity to develop new products and services that anticipate lifestyle changes. |
| Upstream/downstream (Transition/physical) | Addressing climate change (adaptation and mitigation) over products' entire life cycles through organic collaboration with customers and suppliers provides the opportunity to create new businesses and systems.  |

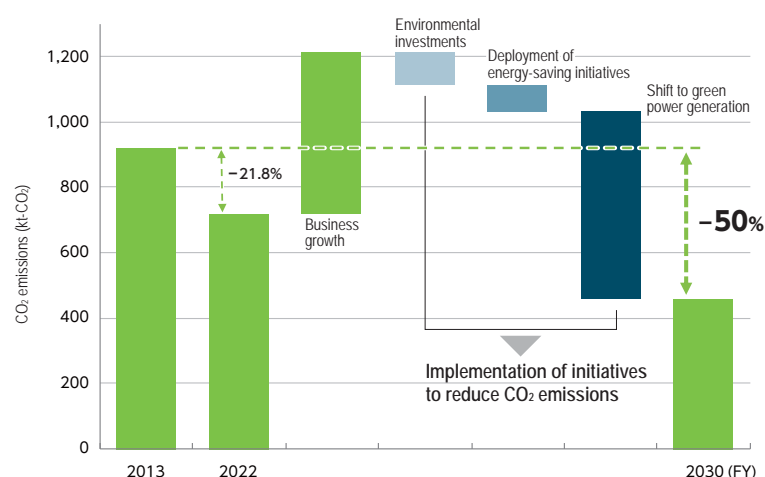
## Strategies for Reducing CO<sub>2</sub> Emissions

As an organization with a CO<sub>2</sub> emissions reduction target, the DIC Group will promote a variety of related initiatives as outlined below. The Group currently plans to make environmental investments of approximately ¥15 billion in Japan between fiscal years 2022 and 2030.

Notes:

1. In Japan, Scope 1 CO<sub>2</sub> emissions are calculated using emissions factors set by the country's Ministry of the Environment. In other regions, Scope 1 emissions are calculated using emissions factors set by the United States Environmental Protection Agency (EPA).
2. In Japan, Scope 2 emissions—attributable to the consumption of purchased electric power—are calculated using emissions factors of electric power utilities with which Group companies have contracts or, in cases where such data is not available, using emissions factors set by the country's Ministry of the Environment. Scope 2 emissions in North America are calculated using the EPA's Emissions & Generation Resource Integrated Database (eGRID), while those in other regions are calculated using emissions factors set by the International Energy Agency (IEA).

CO<sub>2</sub> Emissions by the Global DIC Group (Scope 1 and 2)

















## Scenario Analysis

| Scenario information    | 2°C scenario  | 4°C scenario   |
|-------------------------|---|--|
| Scenario details        | Based on the IEA's World Energy Outlook (WEO) Sustainable Development Scenario and Energy Technology Perspectives (ETP) 2017 2°C scenario | Based on the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5 |
| Time frame              | 2030  | 2030   |
| Carbon price assumption | ¥8,000/tonne  | —  |



## Results of Scenario Analysis

Opportunity  Risk 

|  | Implications for society and the business environment  | Risk and opportunity assessment  |  | DIC Group countermeasures   |
|--|--|--|--|---|
| 2°C scenario:<br>Strengthening of policies and regulations   | Introduction of carbon pricing (direct implications for manufacturing and the procurement of raw materials)  | Possible direct impact on manufacturing costs: ¥5.03 billion* (Annual CO <sub>2</sub> emissions in fiscal year 2018: 617,964 tonnes)<br><br>Reference:<br>Possible impact on procurement costs: ¥11.8 billion (Annual CO <sub>2</sub> emissions (Scope 3, Category 1) in fiscal year 2018: 1,480,561 tonnes)   |    | <ul style="list-style-type: none"> <li>Take steps to maintain cost competitiveness, assuming global introduction.</li> <li>Promote enhanced functionality to minimize the impact of carbon pricing in key businesses, including products for automotive, electronics and display applications and for healthcare, as well as pigments for cosmetics.</li> </ul>   |
|  |  |  |    |   |
|  |  |  |    |   |
| 2°C scenario:<br>Changes in demand attributable to circular economy  | Global movement to minimize use of one-way plastics and efforts by brand owners seeking to reduce packaging<br><br>Increase in production and sales of recycled plastics | Demand for some plastics (one-way plastics) will decrease, but increased demand for plastic alternatives will mean only a negligible impact on materials suitable for applications other than plastics.<br><br>While it is unclear what will happen vis-à-vis demand changes, a failure to launch commercial distribution will mean the loss of future market opportunities.   |    | <ul style="list-style-type: none"> <li>Promote core products as appropriate for use with both plastics and plastic-alternative materials; differentiate with barrier and other functions.</li> <li>Foster businesses that respond to demand for materials that are biodegradable and/or use bioderived raw materials.</li> <li>Seek tie-ups with customers and step up exploration of chemical and materials recycling.</li> <li>Focus on adding value, including by advancing innovations in materials and formulations that enhance recyclability.</li> </ul>   |
|  |  |  |    |   |
|  |  |  |    |   |
| 2°C scenario:<br>Reduction of CO <sub>2</sub> emissions attributable to manufacturing  | Introduction of energy-saving and renewable energy equipment<br><br>Shift of focus to the achievement of net zero CO <sub>2</sub> emissions by fiscal year 2050          | Annual investment in energy-saving and renewable energy equipment is estimated at ¥2.0 billion (direct impact on manufacturing costs).<br><br>Ongoing efforts to reduce CO <sub>2</sub> emissions attributable to production will also be necessary.<br><br>Efforts to reduce CO <sub>2</sub> emissions enough to keep the increase in global average temperature over the current century to 1.5°C from the pre-industrial level are already underway. There is an increased risk that this target will be imposed across entire supply chains. |    | <ul style="list-style-type: none"> <li>Continue investing in energy-saving and renewable energy equipment with the aim of achieving the target for reducing Scope 1 and 2 emissions by 30% from the fiscal year 2013 level by fiscal year 2030.</li> <li>The reduction of CO<sub>2</sub> emissions is expected to reduce costs by an average of ¥2.31 billion annually between fiscal years 2013 and 2030 (estimated annual emissions reduction: 289,000 tonnes).</li> <li>Consider the setting of a new science-based target conducive to keeping the increase in global average temperature to 1.5°C.</li> <li>Apply internal carbon pricing system to increase investment in energy savings and improve CO<sub>2</sub> emissions reduction performance.</li> </ul> |
|  |  |  |    |   |
| 4°C scenario:<br>Risk that supply chains will be interrupted due to an increase in climate-related disasters                       | Suspension of production at suppliers' facilities due to frequent climate-related disasters<br><br>Suspension of supplies of plant-derived raw materials                 | <ul style="list-style-type: none"> <li>Stable procurement risks affect certain businesses, i.e., those dependent on raw materials procured overseas or monopolized by certain suppliers.</li> <li>For most products, coordination among departments will facilitate the use of alternative raw materials.</li> </ul>   |  | <ul style="list-style-type: none"> <li>For key raw materials, promote two-company shared procurement in multiple regions and enhance BCP responses.</li> <li>For key products, ensure ample inventories of raw materials and products.</li> </ul>   |
|  |  |  |  |   |
| 4°C scenario:<br>Risk that operations at production facilities will be interrupted due to an increase in climate-related disasters | Suspension of production at own facilities due to frequent climate-related disasters<br><br>Depletion of groundwater resources   | <ul style="list-style-type: none"> <li>Production sites are scattered across the globe, so impact on overall operations is limited. Certain products for which production is concentrated at certain facilities may be affected.</li> <li>Countermeasures are required in areas where there are concerns that water-related risks will increase.</li> </ul>  |  | <ul style="list-style-type: none"> <li>Locate printing inks and other production facilities around the world to ensure complementary capabilities and cooperate with other companies to minimize the impact in the event port facilities are damaged due to storm surges or flooding.</li> <li>Strengthen measures for sites located in coastal areas. Reinforce the effectiveness of BCPs by providing related training.</li> <li>Implement measures to address water-related risks.</li> </ul>  |
|  |  |  |  |   |
| 4°C scenario:<br>Response to changes in lifestyles attributable to rising temperatures   | Increases in non-life insurance fees<br><br>Changes in lifestyles and consumption patterns attributable to rising temperatures and resulting changes in demand           | <ul style="list-style-type: none"> <li>Insurance premiums may increase.</li> <li>Demand for certain products may be affected by changing consumption patterns attributable to rising temperatures, but because demand sources are diverse the risk to overall business is low.</li> <li>The potential for increases in new demand as a consequence of changes in lifestyles attributable to rising temperatures is high.</li> </ul>  |  | <ul style="list-style-type: none"> <li>Bolster profitability by reinforcing and expanding portfolio of sustainable products.</li> <li>Rising temperatures present an opportunity in the form of increased demand for thermal barrier-related products.</li> <li>Given that dietary preferences are also expected to change, capitalize on expanding demand from beverage manufacturers and for materials used in frozen foods.</li> <li>Take advantage of higher demand in the health foods and life sciences fields attributable to increasing health consciousness.</li> </ul>  |
|  |  |  |  |   |

\* These figures are based on results in fiscal year 2018, the year the scenario analysis was conducted. As CO<sub>2</sub> emissions in fiscal year 2022 amounted to 720,444 tonnes, the impact of carbon pricing under the same conditions would be as much as ¥5.76 billion.

## Initiatives for Fiscal Years 2020–2023

- Introduce internal carbon pricing.  
Quantify climate change risk and provide economic incentives for reducing CO<sub>2</sub> 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 CO<sub>2</sub> emissions into estimates of investment benefits.
- Promote full-scale collaboration with FP Corporation (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 Subcommittee, implement various measures and announce new targets for achieving carbon neutrality by fiscal year 2050.
- Raise funds through sustainable finance.
- Build ZEBs.  
Group company DIC Kyushu Polymer Co., Ltd., completed a new office building that employs ZEB-compliant construction methods. The new building has earned certification under the highest of four ZEB series' ranks.
- Embark on efforts to reduce the carbon footprint of products.

## Regional Initiatives in Fiscal Year 2022

### Japan

The bulk of renewable energy used by DIC Group companies in Japan is natural energy generated by a biomass boiler, as well as wind and solar power facilities, at the Kashima Plant. In fiscal year 2022, the DIC Group in Japan used 742,000 GJ of renewable energy (equivalent to 19,136 kl of crude oil), up 5.5% from fiscal year 2021 and equivalent to 15.5% of total energy (steam and electric power) used by these companies.

The use of renewable energy by DIC Group companies in Japan in fiscal year 2022 accounted for a reduction in CO<sub>2</sub> emissions of 47,173 tonnes, equivalent to 18.5% of the total annual reduction achieved by the Group in Japan. Highlights of the period include the start of operations at a new solar power facility with a generating capacity of 205 kW at Group company SEIKO PMC's Mizushima Plant. Looking ahead, the Group will continue taking decisive steps to advance its use of renewable energy with the aim of meeting its DIC NET ZERO 2050 target.

### Americas and Europe

To reduce its greenhouse gas emissions and contribute to achievement of the goals of DIC Vision 2030, Sun Chemical has formulated a plan to significantly increase its purchases of green power, while at the same promoting energy savings and reducing its use of fossil fuels, and is advancing a variety of related initiatives.

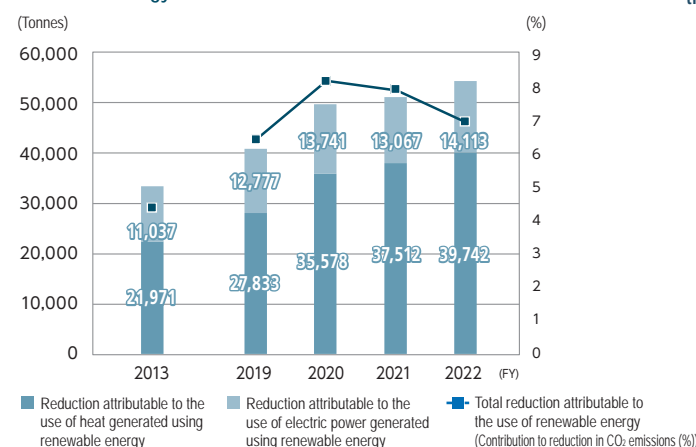
One successful project aimed at cutting fossil fuel use in fiscal year 2022 was the installation of a thermal oxidizer on the premises of Sun Chemical's factory in Caleppio, Milan, in Italy, that controls the emission of waste solvent vapor into the atmosphere. This unit concentrates waste solvent emissions in a zeolite bed, significantly lowering the amount of natural gas required for its operation, facilitating an annual decrease in CO<sub>2</sub> emissions of 3,100 tonnes. At its Osterode site in Germany, Sun Chemical installed a large-scale photovoltaic array that significantly reduces the amount of purchased electric power required for production at the site. This will lower annual CO<sub>2</sub> emissions by 166 tonnes. Going forward, Sun Chemical will step up its green procurement plan, which combines efforts to purchase green power and use green power generated on-site, to further reduce its carbon footprint.



### Greater China

DIC Zhangjiagang Chemicals Co., Ltd., was the first DIC Group company to adopt an on-site power purchase agreement. Using its roof and other on-site locations made it possible to install a 700 kW solar power generating facility without incurring initial investment costs, greatly contributing to the reduction of CO<sub>2</sub> emissions.

## Reduction in Global CO<sub>2</sub> Emissions Attributable to the Use of Renewable Energy

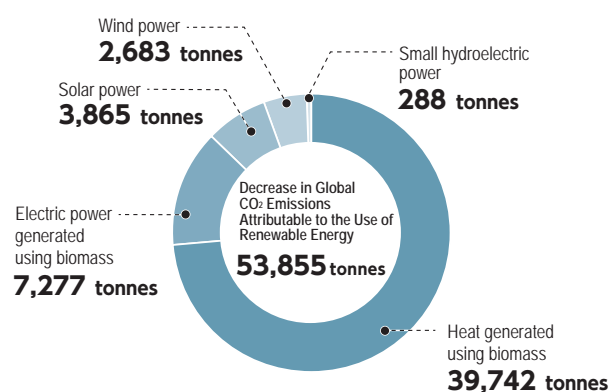


Note: For more information on these figures, please see "Reduction in Global CO<sub>2</sub> Emissions Attributable to the Use of Renewable Energy (Tonnes/%) below.

## Reduction in Global CO<sub>2</sub> Emissions Attributable to the Use of Renewable Energy (Tonnes/%)

|  | 2013    | 2019    | 2020    | 2021    | 2022    |
|--|---------|---------|---------|---------|---------|
| Reduction attributable to the use of heat generated using renewable energy           | 21,971  | 27,833  | 35,578  | 37,512  | 39,742  |
| Reduction attributable to the use of electric power generated using renewable energy | 11,037  | 12,777  | 13,741  | 13,067  | 14,113  |
| Total reduction attributable to the use of renewable energy                          | 33,008  | 40,611  | 49,319  | 50,579  | 53,855  |
| Reduction attributable to the use of renewable energy (%)                            | 4.5%    | 6.4%    | 8.2%    | 7.9%    | 7.0%    |
| Total global CO <sub>2</sub> emissions   | 703,443 | 593,093 | 551,049 | 588,985 | 720,444 |

## Breakdown of Reduction in Global CO<sub>2</sub> Emissions Attributable to the Use of Renewable Energy in Fiscal Year 2022 (53,885 Tonnes)

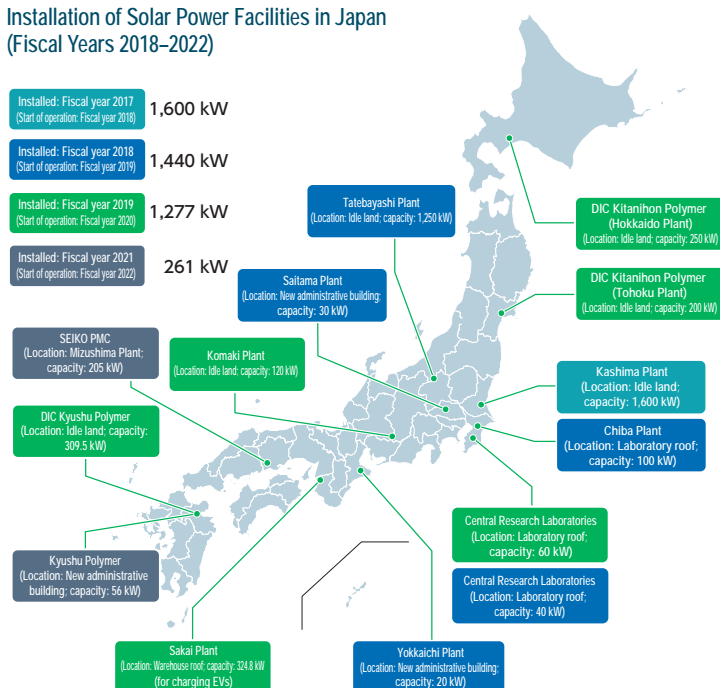


## Reduction in Global CO<sub>2</sub> Emissions Attributable to the Use of Renewable Energy (Tonnes/%) (Continued)

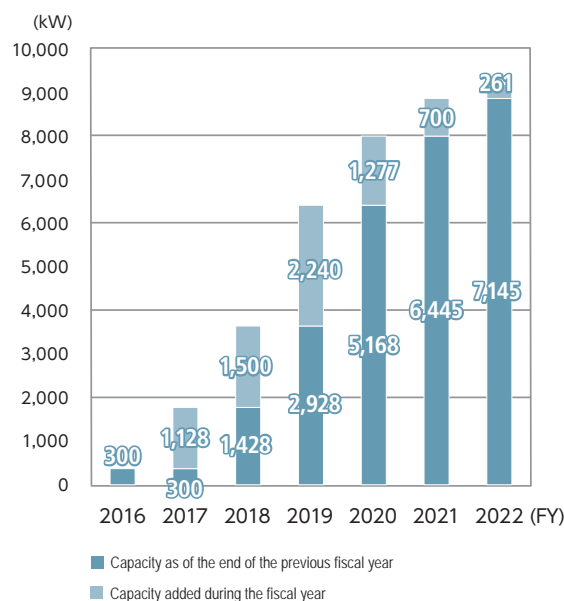
|   | 2019   | 2020   | 2021   | 2022   | Change from previous fiscal year |
|---|--------|--------|--------|--------|----------------------------------|
| Reduction attributable to the use of heat generated using biomass           | 27,833 | 35,578 | 37,512 | 39,742 | 5.9%                             |
| Reduction attributable to the use of electric power generated using biomass | 7,847  | 7,739  | 6,542  | 7,277  | 11.2%                            |
| Reduction attributable to the use of solar power                            | 2,956  | 3,574  | 3,703  | 3,865  | 4.4%                             |
| Reduction attributable to the use of wind power                             | 1,765  | 2,025  | 2,451  | 2,683  | 9.5%                             |
| Reduction attributable to the use of small hydroelectric power              | 209    | 403    | 371    | 288    | -22.4%                           |
| Total reduction attributable to the use of renewable energy                 | 40,611 | 49,319 | 50,579 | 53,855 | 6.5%                             |

The use of renewable energy in fiscal year 2022 accounted for a 7.0% reduction in global CO<sub>2</sub> emissions by the DIC Group. This is calculated by dividing the total reduction in CO<sub>2</sub> emissions attributable to the use of renewable energy by the aggregate of global CO<sub>2</sub> emissions plus the total reduction in CO<sub>2</sub> emissions attributable to the use of renewable energy, or 53,855 tonnes / (720,444 tonnes + 53,855 tonnes).

## Installation of Solar Power Facilities in Japan (Fiscal Years 2018–2022)

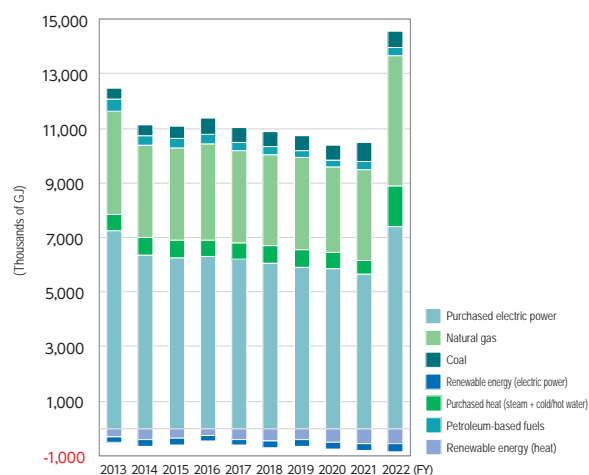


## The DIC Group's Global Solar Power Generating Capacity (For Internal Consumption)

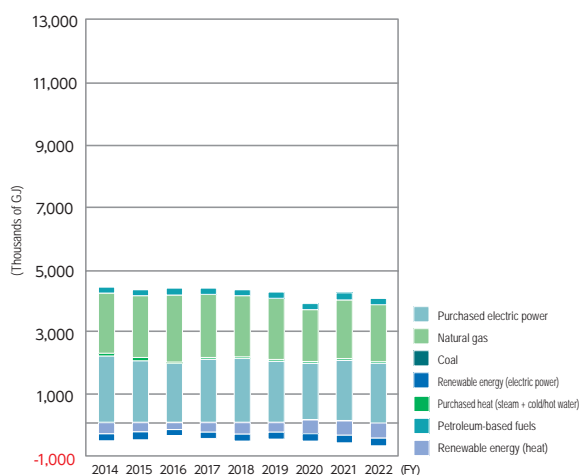


## Energy Mix

### DIC Group in Other Countries and Territories



### DIC Group in Japan



## 3 Risk Management

### Processes Used to Identify and Assess Climate Change-Related Risks

The DIC Group recognizes risks related to its response to climate change—a key component of its framework of sustainability themes, the foundation of its sustainability activities—and works to evaluate, address and manage them effectively. In fiscal year 2022, the Group began addressing climate change-related risk—until the previous fiscal year treated as a component of ESH—as an independent risk theme.

The Sustainability Working Group, a subsection of the Sustainability Committee, is charged with identifying and debating priority risks. Risks designated as priorities are submitted for consideration to the Sustainability Committee.

## 4 Metrics and Targets

In light of accelerated global efforts to decarbonize, the DIC Group has

set new targets for the reduction of its CO<sub>2</sub> emissions and pledged to step up related efforts. DIC now aims to achieve carbon neutrality—net zero CO<sub>2</sub> emissions—by fiscal year 2050 and will seek to reduce CO<sub>2</sub> emissions by 50% from the fiscal year 2013 level by fiscal year 2030.\*

\* Targets are for Scope 1 and 2 emissions.

|                  |  |
|------------------|--|
| Fiscal year 2050 | Achieve carbon neutrality (Scope 1 and 2)  |
| Fiscal year 2030 | Reduce CO <sub>2</sub> emissions 50% from the fiscal year 2013 level (Scope 1 and 2) |

## Principal Initiatives in Fiscal Year 2022

### ① Energy Consumption and CO<sub>2</sub> Emissions by the Global DIC Group (Scope 1 and 2)

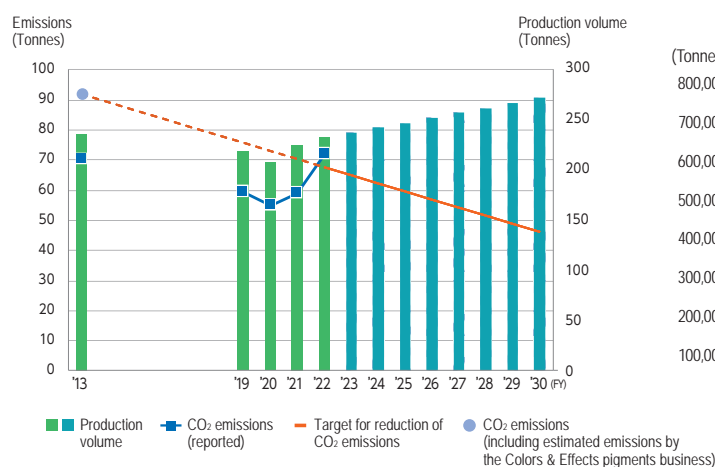
Energy consumption by the global DIC Group in fiscal year 2022 amounted to 14,569,201 GJ, while CO<sub>2</sub> emissions totaled 720,444 tonnes. CO<sub>2</sub> emissions per unit of production were 281.6 kg/tonne. Both energy consumption and CO<sub>2</sub> emissions were up sharply from fiscal year 2021, owing to the acquisition of the Colors & Effects pigments business. The Group intends to obtain third-party verification of its energy consumption and CO<sub>2</sub> emissions (Scope 1 and 2) data, including the impact of this change.

The DIC Group achieved its goals for reducing its CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per unit of production worldwide as a result of efforts by Group companies to break down the target set forth in the three-year management plan that concluded in fiscal year 2021—a 50% decrease from the fiscal year 2013 level by fiscal year 2030—into an annual average decrease of 3.5% from the fiscal year 2018 level—and the promotion of more ambitious energy-saving and decarbonization initiatives, including the adoption of internal carbon pricing. Some of these initiatives are outlined below.

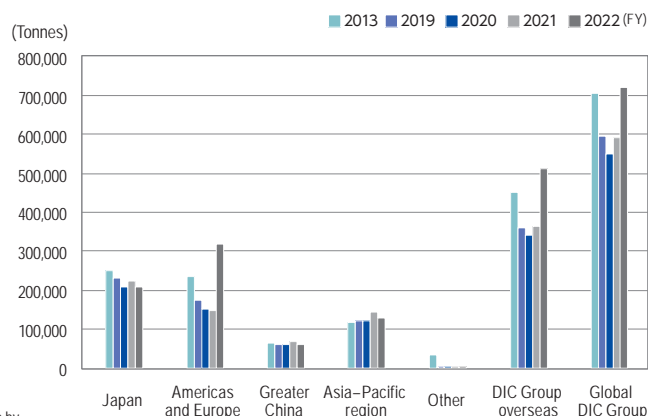
Going forward, the DIC Group will continue to implement a variety of energy-saving measures, including introducing highly efficient facilities, promoting process improvements and boosting capacity utilization rates, while at the same time further advancing its use of renewable energy by shifting to biomass and other clean fuels and installing solar power facilities.

In addition, the Sustainability Committee has made the decision to adopt CO<sub>2</sub>-free electric power at all DIC Group sites in Japan. The DIC Building (DIC's corporate headquarters) and the No. 2 DIC Building in Tokyo switched fully to CO<sub>2</sub>-free purchased electric power. Remaining sites will begin gradually changing over in fiscal year 2023.

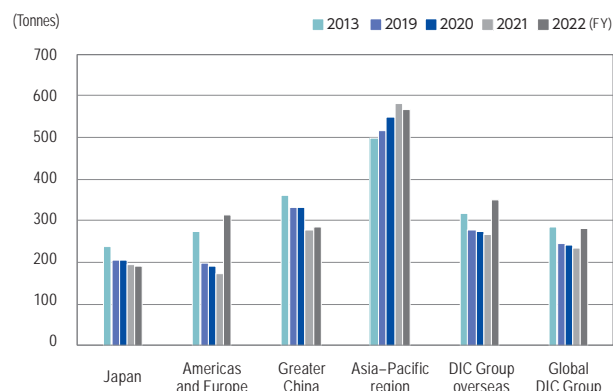
### Global CO<sub>2</sub> Emissions: Results and Forecast for Fiscal Year 2030



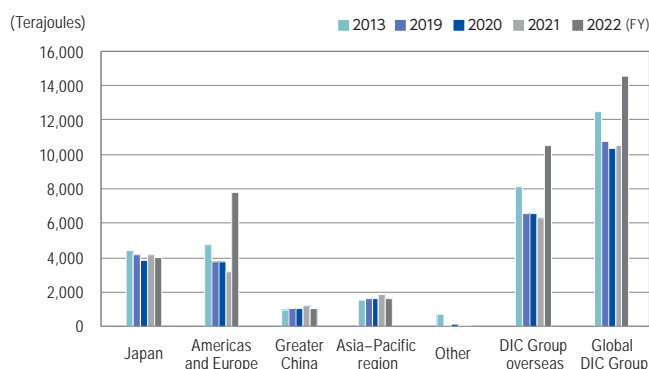
### Global CO<sub>2</sub> Emissions



### Global CO<sub>2</sub> Emissions per Unit of Production



### Global Energy Consumption



## Factors Contributing to Change in Global CO<sub>2</sub> Emissions

|  | Factors   | Impact on CO <sub>2</sub> emissions (tonnes) |         | Decrease (%) |         |
|--|---|--|---------|--------------|---------|
| DIC Group in Japan                           | Decrease in production volume (-4.2% from fiscal year 2021)                       | -5,685                                       | -16,684 | 2.8          |         |
|  | Implementation of 473 energy-saving initiatives at sites                          | -7,469                                       |         |              |         |
|  | Reduction of emissions factor for electric power                                  | -3,396                                       |         |              |         |
|  | Other factors (including start-up of biomass boiler)                              | -135   |         |              |         |
| DIC Group in other countries and territories | Asia-Pacific region: Decrease in production (-9.4% from fiscal year 2021)         | -5,754                                       | -16,225 | 6.5          |         |
|  | Asia-Pacific region: Implementation of 60 energy-saving initiatives at sites      | -6,265                                       |         |              |         |
|  | Asia-Pacific region: Other factors (including start-up of biomass boiler)         | -4,236                                       |         |              |         |
|  | Greater China: Decrease in production (-13.4% from fiscal year 2021)              | -5,643                                       | -7,885  |              |         |
|  | Greater China: Implementation of 28 energy-saving initiatives at sites            | -2,073                                       |         |              |         |
|  | Greater China: Other factors (including introduction of energy-saving facilities) | -169   |         |              |         |
|  | Sun Chemical Group: Decrease in production (-0.5% from fiscal year 2021)          | -509   | -14,147 |              |         |
|  | Sun Chemical Group: Other factors (including production facility closure)         | -13,638                                      |         |              |         |
|  | Other: Decrease in production volume (-9.1% from fiscal year 2021)                | -109   | -109    |              |         |
|  | Acquisition of the Colors & Effects pigments business                             | 186,539                                      | 186,539 |              | -31.6   |
|  | Change in CO <sub>2</sub> emissions (tonnes)                                      |  |         |              | 131,459 |
|  | Global CO <sub>2</sub> emissions in fiscal year 2021                              |  | 588,985 |              |         |
|  | Global CO <sub>2</sub> emissions in fiscal year 2022                              |  | 720,444 |              |         |

### ② Grasping CO<sub>2</sub> Emissions Across the DIC Group's Supply Chains (Scope 3)

The DIC Group recognizes the importance of reducing emissions of greenhouse gases across its supply chains and works to ensure a grasp of emissions in all categories of Scope 3. The Group has also revised its calculation for emissions in category 1 (Purchased goods and services) with the aim of refining data reported in this category.

#### Greenhouse Gas Emissions Across the DIC Group's Supply Chain in Fiscal Year 2022

| Category number | Category   | Emissions |
|-----------------|--|-----------|
| 1               | Purchased goods and services                                       | 5,152,536 |
| 2               | Capital goods  | 183,875   |
| 3               | Fuel- and energy-related activities (not included in Scope 1 or 2) | 125,217   |
| 4               | Upstream transportation and distribution                           | 257,016   |
| 5               | Waste generated in operations                                      | 64,029    |
| 6               | Business travel  | 2,957     |
| 7               | Employee commuting   | 6,597     |
| 9               | Downstream transportation and distribution                         | 256       |
| 10              | Processing of sold products  | 144,770   |
| 12              | End-of-life treatment of sold products                             | 1,500,725 |
| 15              | Investments  | 12,987    |

### ■ Initiatives in Areas Other than Production (Offices and Research Facilities)

In fiscal year 2022, energy consumed by the DIC Group's 21 offices and research sites in Japan (excluding the Central Research Laboratories) rose 17.6%, with contributing factors being an increase in the number of sites and the inclusion in the calculation, for the first time, of fuel used by Company cars. Principal energy-saving initiatives implemented include replacing aged light fixtures and air conditioning equipment with newer, high-efficiency models that satisfy standards set by the Energy Conservation Center, Japan (ECCJ) for its Top Runner program, turning off lights when not needed and implementing

mandatory 22°C winter and 28°C summer air conditioning settings, working with facility management companies to implement diligent energy-saving measures and instituting a year-round no-jacket/no-tie dress code under the WSR 2020 project.

In fiscal year 2022, Group company DIC Kyushu Polymer Co., Ltd., completed construction of a new office building that incorporates net zero-energy building (ZEB)\*<sup>1</sup> construction, which aims to achieve virtually zero energy consumption. The new office building was designed with a variety of energy-saving equipment and fixtures, including solar power generation facilities, heat insulation materials and LED lighting fixtures, allowing it to achieve a reduction in primary energy consumption (energy saving + energy creation) of 111% and earning it certification as a top-level ZEB\*<sup>2</sup> building. DIC Kyushu Polymer participated in the 2021 ZEB demonstration project conducted by the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy, earning that company certification as a ZEB Leading Owner.\*<sup>3</sup> DIC Kyushu Polymer is the first Group company to pursue such an initiative. The DIC Group will continue working actively on building ZEB-compliant offices.

\*<sup>1</sup> A ZEB is a building with considerably reduced annual energy consumption by saving as much energy as possible via better heat insulation, solar shading, natural energy and high-efficiency equipment as well as creating energy (e.g., with photovoltaic power generation), while maintaining comfortable environments.

\*<sup>2</sup> The ZEB series consists of four ranks based on net reduction in primary energy consumption achieved: ZEB (net energy saving of 100% or more), Nearly ZEB (buildings that achieve net energy saving of 75% or more), ZEB Ready (buildings that achieve net energy saving of 50% or more) and ZEB-oriented (buildings with a floor space in excess of 10,000 m<sup>2</sup> that achieve net energy saving of 40% or more).

\*<sup>3</sup> A ZEB Leading Owner is an owner of a ZEB building that publicly discloses its targets for promoting awareness of ZEB, introduction plans and implementation results, as well as the results of related efforts.





### Procurement Initiatives

Based on the DIC Group Sustainable Procurement Guidelines, DIC formulated the DIC Group Sustainable Procurement Guidebook, version 3 of which was published in February 2020, which it uses to survey suppliers and encourage them to reduce their emissions of greenhouse gases. With the objective of better understanding and lowering the carbon footprint of DIC products, the Group is also making provisional calculations of the carbon footprint of the raw materials it uses, as well as seeking to expand its use of bioderived and recycled raw materials. The Group is also working to reduce greenhouse gas emissions by using common tools such as EcoVadis to expand dialogue with suppliers.

### Logistics Initiatives

In Japan, DIC Group companies are using fewer, larger trucks and taking decisive steps to improve loading efficiency, as well as promoting the use of modal shift and the efficient combination of truck, rail and marine transport. Group companies in other countries and territories are advancing initiatives tailored to local circumstances. Over the long term, the Group expects that the expanded use of next-generation vehicles and LNG carriers will further help reduce greenhouse gas emissions attributable to logistics.

### Internal Carbon Pricing System

In fiscal year 2021, the DIC Group introduced an internal carbon pricing system. Instituting its own internal price places a monetary value on greenhouse gas emissions (Scope 1 and 2) that the Company can then factor in cost-benefit assessments. This will allow more accurate capital investment decisions by making it possible to quantify the impact of emissions reductions while also raising awareness of the relationship between capital investments and CO<sub>2</sub> emissions. With the goal of expanding the applications of its internal carbon pricing system, DIC will also look at using internal carbon pricing to factor the cost of emissions into calculations for energy procurement and rationalization efforts.

### DIC Sustainability Index

The DIC Sustainability Index was established as a yardstick for measuring the social value of DIC Group products. The index's vertical axis quantifies each product's contribution to the reduction of environmental impact, which the Group is working continuously to reduce. In particular, the Group is focused on reducing greenhouse gas emissions (Scope 1 and 2) and ensuring steady progress toward achievement of the targets it has set for fiscal years 2030 and 2050.

### Calculating Products' Carbon Footprint

To lower CO<sub>2</sub> emissions across its supply chain, the DIC Group calculates and works to minimize emissions associated with its products from the sourcing of raw materials through to provision to the customer. The Group is currently developing a scheme to calculate each product's carbon footprint, which it believes will assist its efforts to foster dialogue with suppliers and respond to customer expectations and social imperatives. In response to requests from global customers, the Group is also creating guidelines for calculating products' carbon

footprint that are consistent with those employed by Sun Chemical, as well as to create an information-sharing mechanism. For customers in Japan, the Group set up a system for responding to inquiries related to products' carbon footprint that is spearheaded by the Sustainability Department and held related presentations for technical and sales teams.

### Avoided Emissions

The term "avoided emissions" refers to CO<sub>2</sub> emissions that can be avoided through the use of a product. Examples include products that contribute to improving fuel efficiency by reducing vehicle body weight and products that help reduce energy used for heating and cooling by improving insulation. The DIC Group is working to appropriately calculate avoided emissions' contribution to emissions across the supply chain, as well as to quantify their importance to the value its products deliver.

### Innovation

By capitalizing on open innovation to promote the chemical recycling of its products, as well as the recycling and conversion of recovered CO<sub>2</sub> into new raw materials, the DIC Group is working to realize manufacturing that does not rely on fossil fuels, thereby helping contribute to sustainability for the global environment and for society, as set forth in DIC Vision 2030.

## ■ Protecting the Ozone Layer

Hydrofluorocarbons (HFCs) are used widely as refrigerants in equipment and facilities. While not an ozone-depleting substance (ODS), HFCs have a warming potential 100–10,000 times that of CO<sub>2</sub> and their use is expected to account for a 0.5°C increase in the global average temperature by the end of the 21st century. At the 28th Meeting of the Parties in Kigali, Rwanda, held in October 2016, the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer reached an agreement to phase out the production and use of HFCs (the Kigali Amendment). Japan subsequently amended its Act on the Protection of the Ozone Layer Through the Control of Specified Substances and Other Measures in line with the amendment, which as of September 26, 2022, had been ratified by 138 Parties. (Having surpassed the condition of ratification by at least 20 Parties, the Kigali Amendment entered into force on January 1, 2019.)

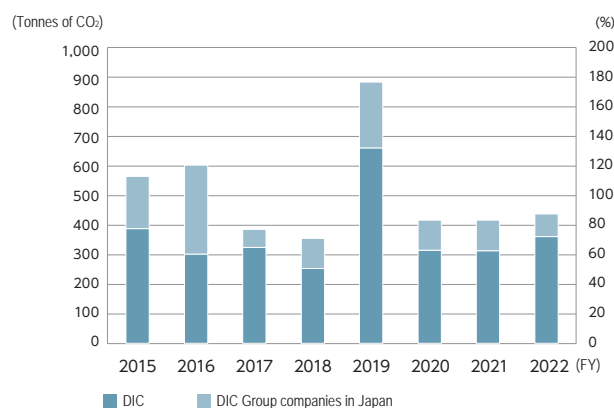
In April 2015, Japan also revised its Fluorocarbons Recovery and Destruction Law. The same month, the Act on Rational Use and Proper Management of Fluorocarbons entered into force, compelling stakeholders to ascertain and report leaks of fluorocarbons from commercial equipment and facilities.

In fiscal year 2022, leaked fluorocarbons from DIC Group sites were equivalent to 439 tonnes of CO<sub>2</sub>. (Leaks in excess of 1,000 tonnes per site or per company must be reported to the Japanese authorities.)

The Company has worked to effectively manage fluorocarbons since fiscal year 2015, when the Act on Rational Use and Proper Management of Fluorocarbons entered into force, and has managed to keep leaks below the level requiring reporting. In fiscal year 2022,

the Group's efforts to comply with laws governing leaked fluorocarbons were recognized in the Japan Refrigerant and Environmental Organization's second JRECO Fluorocarbon Rating, which selected it as one of 49 A-rank performers from among 1,840 companies surveyed. Going forward, the Group will continue working to ensure compliance with pertinent laws and regulations, as well as to reduce leaked fluorocarbons from its sites by, among others, choosing air conditioning equipment with low environmental impact refrigerants, including those containing no fluorocarbons.

#### Leaked Fluorocarbons by the DIC Group in Japan (CO<sub>2</sub> Equivalent)



#### Key Data

| Category   | Unit     | Boundary            | Fiscal year 2019 | Fiscal year 2020 | Fiscal year 2021 | Fiscal year 2022 |
|--|----------|---------------------|------------------|------------------|------------------|------------------|
| Energy used (converted into GJ)                  | 1,000 GJ | Japan               | 4,184            | 3,827            | 4,183            | 4,028            |
|  |          | PRC                 | 1,056            | 1,036            | 1,197            | 1,066            |
|  |          | Asia-Pacific region | 1,623            | 1,606            | 1,835            | 1,650            |
|  |          | Sun Chemical        | 3,784            | 3,791            | 3,196            | 7,767            |
|  |          | Other               | 69               | 118              | 63               | 58               |
|  |          | Global              | 10,717           | 10,379           | 10,474           | 14,569           |
| Energy consumed per unit of production           | GJ/tonne | Japan               | 3.706            | 3.733            | 3.656            | 3.687            |
|  |          | PRC                 | 5.574            | 5.698            | 4.749            | 4.881            |
|  |          | Asia-Pacific region | 6.810            | 7.151            | 7.389            | 7.331            |
|  |          | Sun Chemical        | 4.371            | 4.705            | 3.739            | 7.603            |
|  |          | Other               | 133.440          | 3.030            | 108.223          | 110.776          |
|  |          | Global              | 4.423            | 4.559            | 4.189            | 5.695            |
| CO <sub>2</sub> emissions                        | Tonnes   | Japan               | 232,028          | 209,018          | 224,916          | 208,231          |
|  |          | PRC                 | 63,000           | 60,163           | 70,342           | 62,457           |
|  |          | Asia-Pacific region | 122,812          | 123,227          | 144,107          | 127,851          |
|  |          | Sun Chemical        | 173,146          | 153,374          | 147,553          | 319,946          |
|  |          | Other               | 2,107            | 5,267            | 2,068            | 1,958            |
|  |          | Global              | 593,093          | 551,049          | 588,985          | 720,444          |
| CO <sub>2</sub> emissions (Scope 1)              | Tonnes   | Japan               | 135,428          | 118,786          | 135,612          | 128,458          |
|  |          | PRC                 | 14,004           | 13,098           | 15,287           | 14,635           |
|  |          | Asia-Pacific region | 66,199           | 69,597           | 88,575           | 76,127           |
|  |          | Sun Chemical        | 53,780           | 50,283           | 51,503           | 121,361          |
|  |          | Other               | 1,236            | 1,299            | 1,085            | 1,029            |
|  |          | Global              | 270,647          | 253,064          | 292,063          | 341,610          |
| CO <sub>2</sub> emissions (Scope 2)              | Tonnes   | Japan               | 96,600           | 90,231           | 89,304           | 79,773           |
|  |          | PRC                 | 48,996           | 47,065           | 55,054           | 47,822           |
|  |          | Asia-Pacific region | 56,613           | 53,630           | 55,531           | 51,725           |
|  |          | Sun Chemical        | 119,366          | 103,091          | 96,050           | 198,585          |
|  |          | Other               | 871              | 3,967            | 982              | 929              |
|  |          | Global              | 322,446          | 297,986          | 296,922          | 378,834          |
| CO <sub>2</sub> emissions per unit of production | Kg/tonne | Japan               | 206              | 204              | 197              | 191              |
|  |          | PRC                 | 332              | 331              | 279              | 286              |
|  |          | Asia-Pacific region | 515              | 549              | 580              | 568              |
|  |          | Sun Chemical        | 200              | 190              | 173              | 313              |
|  |          | Other               | 4,053            | 135              | 3,579            | 3,731            |
|  |          | Global              | 245              | 242              | 236              | 282              |

# Enhancing Product Quality and Customer Satisfaction

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives | Goals for fiscal year 2022   | Achievements in fiscal year 2022  | Evaluation | Goals for fiscal year 2023  |
|--------------------------|--|---|------------|---|
| Secure product quality.  | Investigate the root causes of improprieties and issues of nonconformance and take decisive steps to prevent recurrence.           | A list of pertinent laws and regulations was prepared and put into use. Deployment of a system for swiftly collating complaints and criticisms was completed at DIC Group companies in Japan.                                     | ★★         | Cultivate a deeper understanding of quality and customers, taking into account the role of departments responsible for quality, with the aim of providing products that are trusted by customers and society. |
|                          | Approach product quality from the perspective of customers and society and guarantee a level of quality that matches requirements. | Efforts to motivate employees, including a regular online "All About Quality" lecture, continued. The implementation of design reviews was delayed, with implementation methods included among the issues that must be addressed. | ★★         | Create a scheme for fostering individuals' sense of ownership over their own work and apply it to tasks performed by management-level employees.  |

## Basic Approach

In line with The DIC Way and its basic sustainability policy, the DIC Group positions its Environment, Safety and Health Policy and its Quality Policy as two inseparable aspects of its operations. Accordingly, the Group works continuously to provide products and services that respond to the needs of customers and society at large.

## DIC's Quality Policy

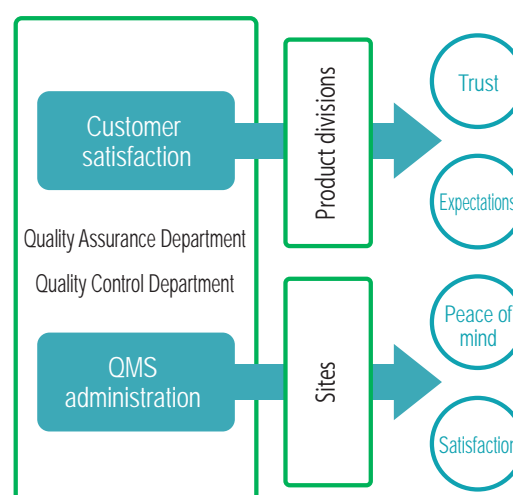
Contribute to the prosperity of customers and society by consistently providing reliable products (Updated in May 2015)

## Framework for Promotion

To better leverage its agility and comprehensive capabilities, DIC previously employed a matrix-like quality management configuration with product divisions on the vertical axis and the Technical Management Unit and Production Management Unit on the horizontal axis. In fiscal year 2021, the Company launched a new configuration in which the product division quality assurance groups have been absorbed into the Production Management Unit.

This realignment also involved creating the position of deputy general manager in charge of quality control within the Production Management Unit and establishing a unified organization that oversees quality assurance groups at individual sites. The goals here were to ensure the independence of the framework for promoting quality assurance to guarantee customers' quality requirements are met; clarify the roles of quality control and quality assurance; and task the Quality Assurance Department and the Quality Control Department with identifying issues facing sites and product divisions and devising the most effective measures in response.

DIC has also established a new Quality Committee to enable the president to be directly involved in quality management for the DIC Group in Japan. In principle, the Quality Committee meets quarterly to formulate DIC Group quality policies and important quality measures. At committee meetings, product division general managers and unit heads report on the status of these measures and summarize related activities.



## ■ Framework for Promotion

The Quality Assurance Department and the Quality Control Department implement measures deliberated by the Quality Committee and in their respective roles work to improve the overall level of quality management. In the event an issue of nonconformance arises, the departments take corrective measures to prevent recurrence and improve customer satisfaction.

### ① Initiatives Aimed at Increasing Customer Satisfaction

The Quality Assurance Department's principal responsibilities are as follows:

- ① Plan and implement quality policies and important quality measures, primarily at DIC Group companies in Japan;
- ② Ensure the appropriate management and auditing of the Quality Management System (QMS);
- ③ Evaluate the seriousness of complaints and criticisms, and of issues of nonconformance, and promote effective external responses; and
- ④ Foster a customer- and compliance-focused mindset.

To provide high-quality products that customers feel secure using, the DIC Group promotes a variety of quality improvement initiatives during product planning, design and development, the procurement of raw materials, product storage, production and sales, giving consideration to the need for effective product stewardship.

In addition to conducting regular internal quality audits, the Quality Assurance Department repeatedly monitors and inspects domestic sites to ensure that the QMS is administered effectively, thereby ensuring that an awareness of the need to place customers first remains firmly rooted across the DIC Group.

In fiscal year 2022, audit teams engaged in rigorous dialogue with sites regarding principal audit themes, which included the deployment of site policies regarding quality, as well as education and training regarding quality inspections. In fiscal year 2023, the focus will shift to realizing design quality, troubleshooting in production processes and process control methods, with the aim of ensuring even more stable production.

### ② Initiatives Aimed at Enhancing Product Quality

The Quality Control Department's principal responsibilities are as follows:

- ① Plan, implement and evaluate quality-related education;
- ② Manage and supervise the appropriate implementation of quality-related processes by product divisions and units, as well as by sites in Japan, including those of DIC Group companies; and
- ③ Promote DX for processes related to quality control and quality inspections.

Management of changes to maintain compliance with quality requirements is necessitated by the expansion of facilities to accommodate production expansion, the replacement of aged equipment or the transition to new, more cost-competitive products. For this reason, it is necessary to prevent the discharge of nonconforming products, a key concern, and to fortify efforts to respond to complaints and criticisms.

In addition to sharing best practices from sites, the DIC Group is advancing the horizontal deployment of DX aimed at improving operating efficiency and preventing human error, thereby promoting the evolution of quality control and quality inspection processes. The Quality Assurance Department, Quality Control Department and site quality assurance groups conduct themselves daily with confidence and pride in their role as "gatekeepers of quality," ensuring the stable delivery of safety and peace of mind to its customers.

### ③ Compliance-Focused Initiatives

Recognizing compliance as the top priority for the Group in Japan, DIC believes that a corporate climate in which each employee works to ensure its quality is essential to its ability to provide products that satisfy its customers, as well as to contribute to society. In fiscal year 2020, the DIC Group launched ISO 9001 Top Management Training for technical and sales department leaders who have many opportunities to interact with customers. Rather than being conceptual in nature, this program employs case studies as study materials and emphasizes the importance of each individual thinking and acting as if quality is their responsibility even if they are not directly involved in production.

Also in fiscal year 2020, a quality compliance e-learning program was launched for DIC Group employees in Japan to prevent the recurrence of quality improprieties. This program, which uses actual Group incidents as case studies, consistently enjoys a participation rate of 100% of eligible employees. In a new initiative, in fiscal year 2022 the Group inaugurated a regular online lecture called "All About Quality," which introduces quality-related topics and external case studies. Going forward, the Group will continue to expand training designed to give employees a greater sense of ownership over their own work.

### ④ Mechanisms for Dealing Appropriately with Issues

The deputy general manager in charge of quality control in Japan conducts DIC Group quality conferences, the purpose of which is to communicate specific measures for implementing the Group's annual quality activity plan to the Quality Committee, which is headed by the president, and to monitor the status thereof. The conference also plays a role in improving quality management across the Group by advancing the horizontal deployment of best practices and case studies illustrating significant issues.

Product division quality conferences, which are led by product division general managers and focus on raising customer satisfaction, are also held. In addition to proposing solutions that deliver value to customers, the product divisions lead BCM initiatives and the management of changes, both matters of importance to customers. Site quality conferences, which are conducted by site general managers, are tasked with ensuring the appropriate functioning of the DIC Group's QMS and promote improvements. In response to issues of nonconforming products, site quality conferences investigate causes, implement corrective measures and take steps to prevent recurrence. The Quality Assurance Department and the Quality Control Department participate in these conferences and respond swiftly and appropriately to issues as required.

### ⑤ Collaboration with DIC Group Companies in Other Countries and Territories

At present, all subsidiaries in other countries and territories have earned certification under ISO 9001, the International Organization for Standardization's benchmark for quality management, in line with which they conduct a variety of product quality-related initiatives. In fiscal year 2023, DIC will consider a new framework that strengthens cooperation with the DIC Group in the PRC, the Asia-Pacific region and Sun Chemical.



# Reinforcing Human Capital

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objectives of initiatives  | Goals for fiscal year 2022  | Achievements in fiscal year 2022  | Evaluation | Goals for fiscal year 2023  |
|--|---|---|------------|---|
| Foster human resources and build a human resources infrastructure with the aim of advancing global management. | <b>Foster human resources.</b> <ul style="list-style-type: none"> <li>Consider building a framework for talent management with the expectation of shifting to a global management system.</li> <li>Continue providing training for selected employees.</li> </ul>   | <ul style="list-style-type: none"> <li>Cooperation among regional headquarters to share and integrate human resources information and training know-how commenced.</li> <li>In addition to existing training programs, leadership training for young employees was launched in Japan.</li> </ul>  | ★★         | <b>Human resources</b> <ul style="list-style-type: none"> <li>Promote department-specific human resources portfolio planning.</li> <li>Systematically foster Group management candidates and future global leaders.</li> </ul>  |
|  | <b>Build a human resources infrastructure.</b> <p>Formulate a vision of the ideal global human resources system and a road map for its establishment.</p>   | In collaboration with Sun Chemical, a study of a global human resources system and a schedule for deployment, including conducting a Fit-Gap analysis, was drawn up.  | ★★         | <b>Human resources infrastructure</b> <ul style="list-style-type: none"> <li>Examine deployment of a global human resources system in Japan and elsewhere in Asia.</li> <li>Build a management system for human resources-related KPIs based on ISO 30414.</li> </ul>   |
| Support efforts to secure a diverse labor force.   | <b>Advance career opportunities for women.</b> <p>Advance diversity and inclusion by promoting initiatives focused particularly on the latter.</p>  | A training program designed to transform the mindsets of mid-career female employees was offered for the first time in four years, with 13 individuals taking part. A networking conference for employees who are foreign nationals was held twice.   | ★★         | <b>Diversity</b> <ul style="list-style-type: none"> <li>Continue to implement measures to promote diversity (training for female employees in leadership roles, career support for employees who are foreign nationals).</li> <li>Continue working to reinforce relations between corporate headquarters and the special-purpose subsidiary.</li> <li>Increase the percentage of the total labor force accounted for by individuals with disabilities at corporate headquarters, sites, and subsidiaries and affiliates.</li> </ul> |
|  | <b>Promote the hiring of individuals with disabilities.</b> <ul style="list-style-type: none"> <li>Continue working to reinforce relations with special needs schools.</li> <li>Provide support to strengthen the retention rate for employees with disabilities.</li> <li>Maintain the percentage of DIC's total labor force accounted for by individuals with disabilities at 2.60%.</li> </ul> | <ul style="list-style-type: none"> <li>As of December 31, 2022, the percentage of DIC's total labor force accounted for by individuals with disabilities was 2.48%.</li> <li>Efforts to recruit new employees from special needs schools continued in the recruitment period beginning in April 2023.</li> <li>A manager in the General Affairs and HR Department was put in charge of advancing efforts to hire individuals with disabilities.</li> <li>DIC began providing support to Group companies in Japan for the hiring of individuals with disabilities.</li> <li>An application was submitted in November 2022 for certification of a Group company as a special-purpose subsidiary. (Certification was obtained in January 2023.)</li> </ul> | ★★         | <b>Job satisfaction</b> <ul style="list-style-type: none"> <li>Encourage one-on-one meetings to enhance internal communications.</li> <li>Make use of StrengthsFinder™ to build collective team strengths.</li> <li>Advance career support measures to assist the efforts of employees to design their own careers.</li> <li>Enhance the "Job Challenge" system.</li> <li>Create workplace environments conducive to new work styles.</li> </ul>  |
| Promote measures to protect the human rights and ensure the safety and health of employees.                    | <b>Guarantee human rights.</b> <ul style="list-style-type: none"> <li>Grasp global trends in human rights-related issues and measures promoted by the UN and individual countries and territories to address such issues. Continue to provide guidance to DIC Group companies worldwide.</li> <li>Conduct human rights due diligence at Group companies in India and the PRC.</li> </ul>          | Efforts to redesign the DIC Group's human rights due diligence, including determining an ideal overall format and promoting collaboration with relevant parties, got underway with the sharing of information and exchanging of opinions with departments in charge of compliance and purchasing, as well as regional headquarters (DIC (China) and DIC Asia Pacific). Additionally, human rights due diligence was conducted at DIC Group companies in the PRC (19 companies) and India (four companies), results of which were satisfactory.  | ★★         | <b>Human rights</b> <p>Human rights-related risks were reconsidered and designated, and steps were taken to promote awareness Companywide.</p>  |
|  | <b>Protect employee health.</b> <ul style="list-style-type: none"> <li>Prevent mental health disorders and take steps to ensure the prompt identification of issues.</li> <li>Implement measures to improve health literacy.</li> </ul>   | A health management strategy map was created and the objectives of various measures were clarified, after which both were announced internally and to the public. Ongoing initiatives included conducting online health promotion seminars and physician-led interviews with extremely overworked employees. A new initiative involved interviewing mental health industrial physicians regarding workplace improvements based on an analysis of the results of employee stress checks.   | ★★         | <b>Health management</b> <p>Continue to implement corporate health management measures.</p>   |

\* CliftonStrengths® is a registered trademark of Gallup, Inc.



## Basic Approach to Human Resources Management

To ensure its vision statement, "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*," permeates the work of all employees, the DIC Group aims to be a highly engaged organization in which a broad spectrum of individuals work together with a sense of unity to amplify the social value. Recognizing human resources as capital critical to the execution of strategies, the Group is committed to respecting human rights and guaranteeing the safety of all employees, as well as to creating work environments that empower its diverse employees to fully realize their potential, and strives to create systems and an infrastructure that support autonomous growth. The Group also strives to foster human resources who can play an active global role and contribute to greater organizational cohesiveness.

### 1. Efforts to Reinforce Management of Human Capital

#### ① Building a Strategic Human Resources Portfolio that Maximizes the Value of Human Capital

In line with The DIC Way, which represents its fundamental management policy, DIC in Japan works with regional headquarters overseeing operations in Greater China, the Asia-Pacific region, and the Americas, Europe and Africa to promote the effective management of human resources. The DIC Vision 2030 long-term management plan, announced in February 2022, recognizes human resources as capital that is crucial to the execution of management strategies, identifies three strategic priorities for building a strategic human resources portfolio that maximizes the value

of human capital and calls for the building of a personnel management platform that underpins these priorities.

The DIC Group is promoting the swift implementation of measures in line with these strategic priorities, which are to foster human resources, ensure mobility (hiring, retention and succession), and improve engagement and organizational cohesiveness, seeing this as essential to building a human resources portfolio that will ensure the Group achieves the goals of DIC Vision 2030. The Group is also working to build a new personnel management platform by advancing initiatives to reinforce its human capital from the perspectives of framework creation, risk management and corporate culture/work style reform.

#### DIC Vision 2030: Three Strategic Priorities and a Personnel Management Platform



#### ② WSR 2020

In fiscal year 2022, Work Style Revolution (WSR) 2020, which was launched two years earlier as a limited-time project to develop new work styles with the aim of boosting employee job satisfaction and productivity, was transformed into an all executive-led committee in which all employees will participate. In addition to seeking to resolve existing issues, the rapid advance of digitalization, together with the advent of COVID-19 and projections for the post-pandemic "new normal," highlighted a need to revamp work styles to ensure job satisfaction and productivity in a continuously evolving environment, a task to which all executives have committed themselves. In fiscal year 2023, measures to reinforce management human capital were also taken up, in line with DIC Vision 2030, as well as themes such as changes in corporate culture and related issues, with the goal of strengthening the win-win relationship between DIC and employees.

#### WSR 2020 Committee Reforms and Targets

##### ● Job Satisfaction Improvement Reforms

Create workplaces that embody The DIC Way by encouraging enthusiasm about taking on various challenges, evaluating performance fairly and recognizing personal value.

- Establish a foundation that empowers employees to fully exercise their abilities.
- Adopt systems that ensure employees' challenges and achievements are evaluated appropriately and reflected to the maximum degree possible in their treatment.
- Support career development for individual employees based on a performance-oriented approach.

##### ● Workplace Reforms

Realize work environments that motivate employees to achieve Company, department/division and individual objectives, and make it possible for them to work comfortably and productively, anytime and anywhere, in collaboration with team members, colleagues and related parties. To this end, establish an effective remote work system by creating an infrastructure that fully deploys IT technologies and by achieving improved employee IT literacy.

##### ● Process Reforms

Dramatically improve the productivity of individuals, departments/divisions and the entire Company and reinforce the Group's competitiveness by leveraging DX to revamp existing work styles and business processes and by building new business models.

### ③ Basic Personnel Statistics (DIC)

|                             |         | Fiscal year 2020 | Fiscal year 2021 | Fiscal year 2022 |  |         | Fiscal year 2020         | Fiscal year 2021         | Fiscal year 2022         |
|-----------------------------|---------|------------------|------------------|------------------|--|---------|--------------------------|--------------------------|--------------------------|
|                             |         |                  |                  |                  |  |         | (Fiscal year 2017 hires) | (Fiscal year 2018 hires) | (Fiscal year 2019 hires) |
| Number of employees         | Male    | 2,669            | 2,659            | 2,646            | Retention rate (after three years)               | Male    | 92.3%                    | 93.0%                    | 84.4%                    |
|                             | Female  | 691              | 686              | 709              |  | Female  | 100%                     | 90.0%                    | 81.8%                    |
|                             | Overall | 3,360            | 3,345            | 3,355            |  | Overall | 94.0%                    | 92.1%                    | 83.6%                    |
| Average age                 | Male    | 42.7             | 42.9             | 42.7             | Mid-career hires (percentage of total new hires) | Male    | 52                       | 63                       | 109                      |
|                             | Female  | 42.5             | 42.8             | 42.6             |  | Female  | 3                        | 7                        | 30                       |
|                             | Overall | 42.7             | 42.9             | 42.7             |  | Overall | 40.4%                    | 53.8%                    | 67.8%                    |
| Average years of employment | Male    | 18.3             | 18.2             | 17.7             | Separations (voluntary) (number of individuals)  | Male    | 33                       | 54                       | 43                       |
|                             | Female  | 20.1             | 20.2             | 19.5             |  | Female  | 16                       | 12                       | 16                       |
|                             | Overall | 18.6             | 18.6             | 18.1             |  | Overall | 49                       | 66                       | 59                       |
| New graduates hired         | Male    | 59               | 42               | 44               | Separation rate (voluntary)                      | Male    | 1.2%                     | 2.0%                     | 1.6%                     |
|                             | Female  | 22               | 18               | 22               |  | Female  | 2.3%                     | 1.8%                     | 2.3%                     |
|                             | Overall | 81               | 60               | 66               |  | Overall | 1.5%                     | 2.0%                     | 1.8%                     |

Note: The number of employees refers to individuals registered as employees of DIC Corporation and thus differs from the figure in the annual securities report.

## 2. Three Priority Strategies

### ① Foster Human Resources

#### (1) Global-Based Talent Management

One of the basic strategies outlined in the DIC Vision 2030 long-term management plan is to establish a more robust global management configuration. Guided by this strategy, the DIC Group is striving to identify diverse, capable human resources around the world to nurture as future management candidates. The Group's regional headquarters, which oversee operations in Japan (corporate headquarters), the Americas and Europe, Greater China and the Asia-Pacific region, are working together

to launch a variety of global talent management initiatives. Beginning in fiscal year 2022, regional headquarters' personnel departments are working to share and integrate their respective human resources information and training know-how, among others.

#### (2) Configuration for Fostering Human Resources

The DIC Group has formulated four basic policies for fostering human resources, based on which it has developed training programs that ensure employees maintain a high level of competence and the ability to respond flexibly to dramatic changes in business conditions while continuously creating new value.

#### Four Basic Policies for Fostering Human Resources

| Policy | Details  |
|--------|--|
| 1      | Build a systematic leadership pipeline.<br>This will enable DIC to identify future management candidates and young prospective leaders and to make focused investments in the training of such individuals.  |
| 2      | Promote the global standardization of job skills.<br>The Company will devise an online learning platform designed to equip individual employees around the world with the specialized skills and know-how required to expertly perform a diverse range of jobs. This platform will facilitate the formulation of an individually optimized learning environment that enables employees to take as many courses as they need. |
| 3      | Support the efforts of employees to realize their own career paths.<br>DIC will assist the efforts of employees to design their own careers and provide crucial related support, including by ensuring the right people are in the right places.   |
| 4      | Cultivate self-sufficient employees.<br>The Company will seek to do this by nurturing individuals in various jobs and positions who understand what is expected of them and are able to routinize responsibilities, and by empowering them to make changes.  |

#### Training Programs for Human Resources

| Program                            | Details   |
|------------------------------------|---|
| 1. DIC Leadership Program          | <b>Objective: Build a systematic leadership pipeline</b><br>Enables expanded investment in training talented human resources and systematically fostering leadership candidates; seeks to support the acquisition of advanced management skills and global business skills by leadership candidates who will be critical to driving growth for DIC over the medium to long term |
| 2. DIC Skills Improvement Program  | <b>Objective: Promote the global standardization of job skills</b><br>Devised to lift work and job skill levels globally by promoting job-oriented, individually optimized training rather than one-size-fits-all human resources development   |
| 3. DIC Career Development Program  | <b>Objective: Support the efforts of employees to realize their own career paths</b><br>Allows individual employees to chart their own careers paths, as well as provides access to support from mentors both within and outside the Company; one of two programs—the other being the DIC Skills Improvement Program—that supports the realization of career goals              |
| 4. DIC Action Learning Set Program | <b>Objective: Cultivate self-sufficient employees</b><br>Seeks to cultivate employees who are capable of acting on their own and driving change, and who understand what is expected of them and are able to routinize responsibilities   |

### ○ Leadership Training

DIC chooses talented employees with the aim of systematically cultivating the leaders of the future and dispatches them to a variety of external institutions providing training in diverse areas, including liberal arts. In fiscal year 2022, the Company began offering the Prospective Leader Development Program, the target of which was expanded to include employees in their late 30s, one component of which is "global leader skills" training, which, as its name implies, is designed to impart the knowledge and skills critical to management.

### ○ Career Building

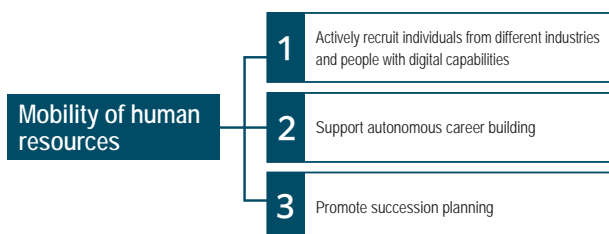
DIC extends support for career building that allows individual employees to design their own careers and provides an arena for them to continuously expand and polish their skills. In fiscal year 2021, the Company introduced a senior-level career training course for employees reaching the age of 50. In fiscal year 2022, DIC added a new junior-level career training course for employees when they reach 28 and a mid-level career training course for employees between the ages of 38 and 42. The Company also provides "self-career dock" training on a periodic basis.

### ○ Reskilling to Maximize Human Resources

DIC views reskilling as a crucial component of its basic strategy of reinforcing its management of human capital. Rather than a conventional, narrowly focused program, the Company promotes reskilling in a broad range of areas. As a part of this effort, in fiscal year 2021 DIC began offering subscription-based online programs such as GLOBIS Unlimited and Udemy Business, which allow employees to freely choose the courses they need from a wide selection. With the goal of enhancing digital literacy, in fiscal year 2022 DIC introduced School for Business, an online course that enables employees to easily acquire wide-ranging IT-related and digital expertise, such as data-driven and value creation.

## ② Ensure Mobility

Realizing business portfolio transformation, a basic strategy of DIC Vision 2030, necessitates diversifying the DIC Group's human resources portfolio and managing it effectively and in accordance with business needs. DIC recognizes that this requires creating a human resources system that ensures mobility within the Group, enabling employees to fully exercise their abilities beyond national, regional and departmental boundaries. To this end, the Company has identified three key courses of action: Actively recruit individuals from different industries and people with digital capabilities, support autonomous career building and promote succession planning.



### (1) Actively Recruit Individuals from Different Industries and People with Digital Capabilities

To accelerate the diversification of its human resources portfolio, DIC is stepping up efforts to recruit experienced individuals, primarily from different industries. In fiscal year 2022, the percentage of new recruits that were experienced mid-career hires exceeded 60%. (Calculation: Experienced mid-career hires / (New graduates + Experienced mid-career hires)). The Company is also intensifying efforts to hire people with digital capabilities to secure the human resources

necessary to spearhead the DIC Group's digital transformation. Of note, in addition to seeking experienced mid-career individuals who it expects will be able to hit the ground running, in fiscal year 2024 DIC will adopt recruitment by job category for new graduates, underscoring its medium- to long-term perspective toward growing and raising the overall level of its human resources portfolio.

### (2) Support for Autonomous Career Building

In fiscal year 2019, DIC launched an in-house recruitment system dubbed "Job Challenge." With the increased mobility of human resources in the labor market as a whole, the Company saw the need for a system that gives employees the opportunity to seek jobs that suit them in-house, supporting their desire to forge the career they desire while at the same time optimizing the allocation of human resources across the DIC Group. In the four years since, approximately 50 individuals have taken advantage of this system. In fiscal year 2023, DIC plans to introduce a new system called "Job Challenge+ (Plus)," which will enable employees to attempt a job in another department on a temporary basis while continuing to serve in their current capacity.

### (3) Promote Succession Planning

DIC promotes succession planning from the perspective of ensuring business continuity and fostering human resources. In fiscal year 2022, the Company held the first global human resources management meeting, a new forum for human resources and other departments to share information on human resources and related issues, with an important agenda item being succession planning for key positions. Looking ahead, such information will be reflected in efforts to foster human resources.

## ③ Improve Engagement and Organizational Cohesiveness

### (1) Conduct Surveys to Assess Engagement

As a WSR 2020 initiative aimed at improving job satisfaction, DIC began conducting periodic employee awareness surveys of DIC Group employees in Japan in fiscal year 2021. The findings of this survey are used not only to assess engagement with employees but also to identify issues to be addressed by the WSR 2020 Committee and Group human resources departments and to evaluate the results of initiatives already implemented. The findings of the fiscal year 2022 survey were slightly more positive than in fiscal year 2021, the first time the survey was conducted. DIC will continue working to improve employee engagement through various WSR 2020 Committee initiatives.

### (2) Promote Communication and Use Empathy and Trust to Cultivate Solidarity

Robust communication is essential to increasing employee engagement. One issue highlighted by the fiscal year 2021 employee awareness survey was a lack of communication between superiors and subordinates. In response, in fiscal year 2022 DIC introduced a system of one-on-one meetings beginning with the goal of promoting communications between these two key groups. In addition to the concrete efforts necessary to establish this system, the Company developed a management communications training program for employees at that level, as well as training for all employees in how to conduct one-on-one meetings for subordinates as a prerequisite to higher office. A questionnaire used by the Company in December 2022 to gauge the actual status of one-on-one meetings revealed that 67% of companies implemented meetings at least once every two months and that 76% of subordinates were satisfied with the meetings.

### 3. Framework Creation: Personnel System, Global Human Resources System and Work Style Reform

#### ① Promote Personnel System Reforms to Facilitate Autonomous, Multitrack Career Building

In January 2022, DIC revised its personnel system for both management-level and regular employees with the aim of enhancing organizational capabilities to support qualitative reforms in existing core businesses and the successful commercialization of new businesses. In revising these systems, the Company identified key policies by improving added value and productivity, encouraging a performance- and challenge-oriented focus, and supporting career building, in line with which it dramatically revamped its qualification-based remuneration and evaluation systems. Going forward, DIC will continue working to ensure these systems function effectively as a framework for all employees to work toward achieving the goals of DIC Vision 2030.

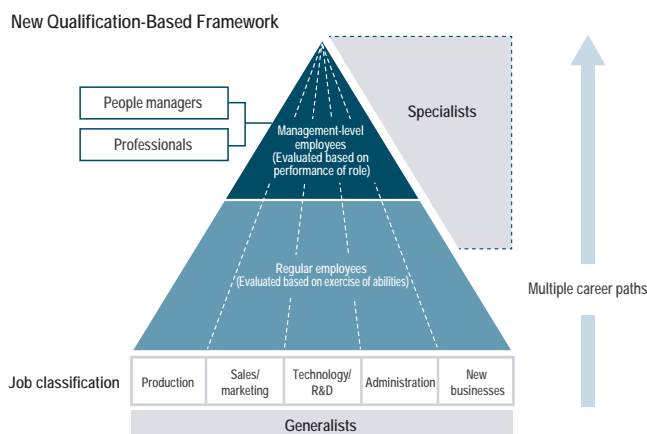
##### (1) Qualification-Based Remuneration System: Encouraging Autonomous Career Building and Maximizing Performance

###### ● Job- and Performance-Oriented Qualification-Based Remuneration System

To ensure employees clearly understand DIC's mission and are able to fully realize their potential, the Company defined rank- and job-specific roles, necessary abilities, and performance expectations for management-level and regular employees. At the same time, DIC revised its qualification-based remuneration system, making it more job-oriented, disclosing the roles and abilities expected of higher-ranking employees to make it possible for individual employees to map out their own career prospects. The new system also places greater emphasis on performance, making it possible to reward employees who have achieved significant results at an earlier stage of their career than ever before regardless of their job or academic history.

###### ● Multitrack Career Building

In fiscal year 2022, DIC introduced a system for fostering specialists, that is, employees with highly specialized or unique capabilities, to accompany its existing system which seeks to cultivate generalists, as part of the revision of its qualification-based remuneration system, to facilitate multitrack career building. As well, the Company created a scheme that divides management-level employees, depending on their particular role/job, into either people managers or professionals, facilitating promotion in accordance with individual strengths and aptitudes.



##### (2) Evaluation Systems: Inspiring Employees to Achieve Results and Take on Challenges

###### ● Revision of Systems to Enhance the Performance-Oriented Nature of Evaluations

To further advance its emphasis on performance and evaluate the challenges taken on by employees, DIC partially revised its approach to setting targets and completing evaluation sheets, creating a mechanism to facilitate a more quantitative assessment of performance, and reviewed conduct and process assessment procedures to encourage autonomous action. This will make it possible to evaluate the cumulative achievements of employees who have acted autonomously to address complex challenges in a manner that contributes to the achievement of long-term management objectives.

###### ● Personnel Evaluation System as a Tool for Encouraging Employees to Take On Challenges

To further encourage employees to take on challenges, DIC recently introduced a mechanism whereby points are added to the evaluation of employees who have taken bold steps that have yielded results over the medium to long term, thereby further encouraging them to seek challenges and drive innovation.

###### ● Evaluation System as a Tool for Career Building

DIC recently adopted a career goal sheet for regular employees to plan and track their own career development. Using these sheets allows individuals to take stock of their own careers at present and envision where they want to be in the future by setting goals for one year and three years ahead. This enables employees to design their own careers and set appropriate goals with the assumption that their superiors will comment on career goal sheets and incorporate them into one-on-one meetings to assist them in building fulfilling careers. Career goal sheets are also used in personnel exchanges and other cross-departmental initiatives.

###### ● Fair and Impartial Evaluations

Individuals responsible for evaluating performance hold meetings with regular employees to ensure the integrity of evaluations and increase the visibility of standards used to identify talented human resources. In addition to promoting the fair and impartial administration of the evaluation process in each department and division, these evaluator meetings will be used to support key aspects of career building, including job rotations and training.

#### ② Create a Global Human Resources System and a Standardized Group Framework

With the rapid expansion of its global operations, DIC recognizes that securing and fostering human resources around the world and ensuring the right people are in the right places across the DIC Group are essential to bolstering the value of the Group's human capital and effectively carrying out its management strategies, and has thus sought to integrate global human resources management. To this end, the Company has promoted the adoption of harmonized personnel systems and management approaches. In January 2018, DIC and DIC Graphics unified qualification standards for their approximately 1,300 management-level—i.e., manager and above—employees, replacing traditional ability-based standards with role-based standards. As a consequence, consistent duty- and role-based standards are now used for the majority of such employees in Japan, the Americas and Europe, the PRC and the Asia-Pacific region.

In contrast, with a few exceptions that manage Group human resources, human resources systems have not been integrated. Addressing this issue—which DIC sees as critical to the achievement of global human resources management—will require considerable effort going forward. With the growth of ESG investment, DIC is also increasingly expected to provide accurate disclosure regarding human capital, as a key component of the nonfinancial information

investors demand. This further underscores the importance of centralizing the management of human resources information within the Group. Looking ahead, DIC will continue working to build a global human resources system and achieve a standardized Group framework.

### ③ Step Up Work Style Reforms to Enhance Job Satisfaction and Productivity

#### (1) Implement Reforms to Improve Job Satisfaction

The WSR 2020 Committee is an all executive-led committee in which all employees will participate. The committee is charged with creating workplaces that embody The DIC Way by encouraging enthusiasm about taking on various challenges, evaluating performance fairly and recognizing personal value. To this end, the committee's Job Satisfaction Improvement Reform Working Group is spearheading the implementation of a variety of measures from five perspectives, namely, "diversity," "inner branding," "communication," "career support" and "sense of belonging."



#### Deploying CliftonStrengths®

As a measure to improve job satisfaction and productivity, DIC has deployed CliftonStrengths®, a tool for assessing the strengths of employees, across all offices and departments over a period of approximately eight months. In fiscal year 2022, briefings were held monthly that focused on helping people understand their own unique attributes by completing the StrengthsFinder online questionnaire. In fiscal year 2023, the Company will use CliftonStrengths® for team building within departments with the objective of creating workplaces where people value each other's qualities and methods and understand how different strengths can complement each other—in other words, workplaces that prioritize well-being and an environment in which each and every employee is comfortable.

#### (2) Increase Productivity through Workplace Reforms

In January 2018, DIC launched the DIC Telework System, which is available to all employees regardless of workplace. With the emergence of COVID-19, use of the system became more widespread. A significant number of employees continue to use telework as they navigate the reality of the virus as a permanent part of life.

Seeing the expanded use of telework as an ideal opportunity for work style reform, the Company also began promoting a plan to improve productivity and job satisfaction for employees opting to use the system as a WSR 2020 Committee initiative. After two years of planning and deliberation, new work spaces for departments that are part of the Company's business groups—the first phase of the plan—opened at corporate headquarters in February 2023. These work spaces are designed to optimize a hybrid of remote and on-site work and leverage the advantages of both. The concept behind these new work spaces is Activity-Based Work (ABW), a work style emphasizing autonomy that has garnered considerable attention in recent years. ABW allows employees to choose the location, setting and support function that best suits the nature of the particular task in which they are engaged from a variety of options. Accordingly, the work spaces

are divided into zones equipped for different types of activities. Other notable features are enhanced communication capabilities, which help address one of the main challenges of telework, and an open plan design.

DIC has since embarked on the second phase of the plan, which focuses on revamping work spaces used by administrative departments. The Company aims to complete this phase in fiscal year 2023.

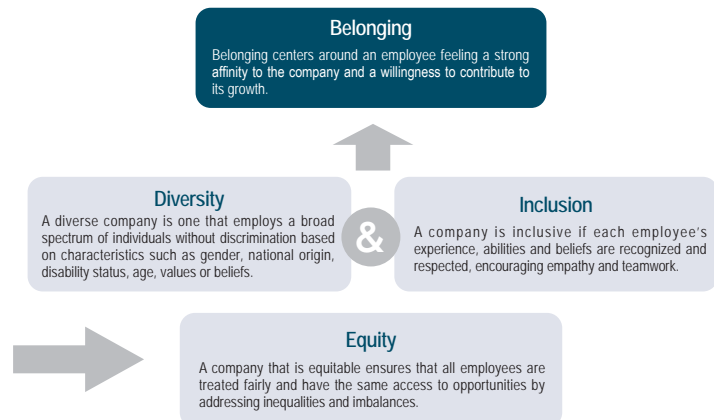
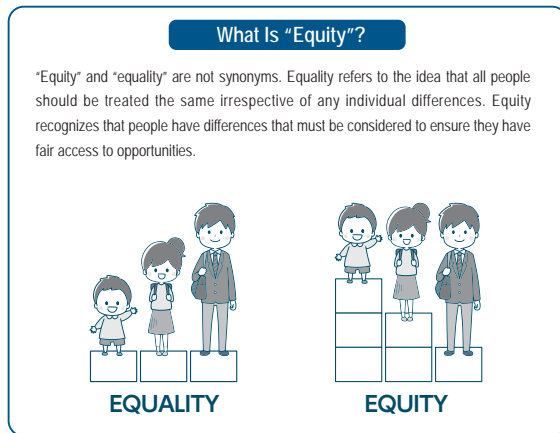


## 4. DIC's Approach to Diversity

### ① Advance Efforts to Realize DEI&B

Viewing diversity, equity, inclusion and belonging (DEI&B) as intertwined concepts, DIC is committed to creating workplaces that respect the individuality of each and every employee (diversity),

providing equal opportunities and prospects to all employees demonstrating enthusiasm (equity) and enabling all employees to exercise their capabilities and play an active role (inclusion). The Company believes that achieving these three goals will help employees feel a sense of being accepted and valued (belonging).



DIC believes firmly that the added value created by diverse human resources amplifies social value and that this, in turn, leads to long-term improvements in its corporate value. The diverse individuals comprising the Company's labor force come from various backgrounds and bring with them a wide range of individual capabilities and skills. It is these "differences" that will drive innovation going forward, enabling the DIC Group to live up to its vision: "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*."

DIC has established—and discloses other information regarding—quantitative targets not only for the diversity of its executives and employees but also for key aspects of work-life balance such as childcare leave for

male employees and efforts to advance career opportunities for women, including pay differences for male and female employees. The Company has set the key performance indicators (KPIs) shown in the table below. As can be seen, in fiscal year 2023 the percentage of management positions occupied by women increased by nearly a full percentage point, underscoring a gradual but steady march toward the target level.

To ensure these quantitative targets are met, DIC is stepping up efforts to reinforce awareness of the importance of valuing diversity and fostering inclusion, moving forward with efforts to ensure psychological safety, which is essential to embracing diversity, and to create a corporate culture that supports well-being by inspiring job satisfaction and a sense of purpose.

### Diversity KPIs

|    | DIC   | Achievements     |       |   | Targets          |  |
|----|---|------------------|-------|---|------------------|--|
| 1  | Percentage of directors and Audit & Supervisory Board members accounted for by women and/or foreign nationals | January 2023     | 15.4% | ➡ | January 2026     | 20.0%  |
| 2  | Percentage of executive officers accounted for by women and/or foreign nationals                              |                  | 16.7% | ➡ |                  | 20.0%  |
| 3  | Percentage of management positions occupied by women  |                  | 7.1%  | ➡ |                  | 8.0%   |
| 4  | Percentage of new employees accounted for by foreign nationals  | Fiscal year 2022 | 2.9%  | ➡ | Fiscal year 2025 | 5.0%   |
| 5  | Percentage of new recruits accounted for by women   |                  | 33.3% | ➡ |                  | Maintain at 30%  |
| 6  | Percentage of mid-career hires accounted for by women   |                  | 21.6% | ➡ |                  | 30.0%  |
| 7  | Percentage of male employees using the Childcare Leave Program  |                  | 25.9% | ➡ |                  | 30.0%  |
| 8  | Percentage of employees using the Leave to Assist with Parenting Program                                      |                  | 80.6% | ➡ |                  | 90.0%  |
| 9  | Percentage of total labor force accounted for by individuals with disabilities                                |                  | 2.5%  | ➡ |                  | In excess of the legally mandated level                                      |
| 10 | Gender pay gap (pay for female employees as a percentage of that for male employees)                          |                  |       |   |                  | Figures are only available for fiscal year 2023. KPIs will be set hereafter. |
|    | Regular employees (indefinite-term, full-time)  |                  | 75.3% | ➡ |                  |  |
|    | Non-regular employees (part-time, fixed-term)   |                  | 52.2% |   |                  |  |
|    | All employees   |                  | 65.6% |   |                  |  |

### Diversity Across the DIC Group

The DIC Group is a multinational organization that as of December 31, 2022, comprised 190 companies in 63 countries and territories. Given the rapid pace of change in geopolitical, market and business conditions, it is more important than ever before for the Group's business and human resources to work together across borders and cultures. In fiscal year 2022, human resources managers, as well as diversity, equity and inclusion managers, from Japan, the Americas and Europe, the PRC and the Asia-Pacific region gathered for a global Diversity Team meeting, where they promised to reinforce global collaboration between now and fiscal year 2030 to promote Groupwide activities and initiatives optimized for each region.

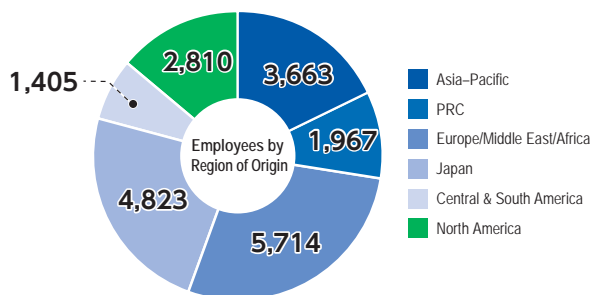
Groupwide activities include working together on a global basis, guided by The DIC Way, to bolster know-how and awareness of cross-cultural communication and respond effectively to differing diversity and inclusion-related issues in an

evolving environment. To this end, a cross-cultural communication workshop was held on the theme of "cultural mapping"\* with the goal of creating a foundation for global cooperation aimed at deepening diversity and inclusion Groupwide going forward.

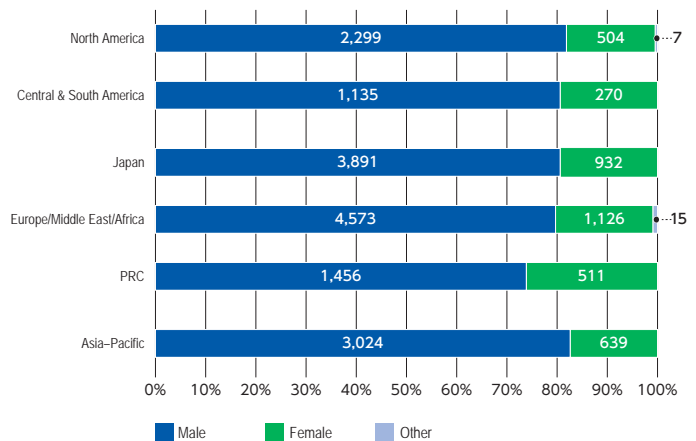
Since each region has its own challenges and measures, initiatives optimized for each region include sharing diversity and inclusion practices among regions to create educational materials for regional use in the future to promote understanding of the Group as a whole. Through this and other efforts, DIC will promote the creation of an environment that enables talented, diverse human resources to excel, thereby capitalizing on diversity to drive innovation.

\* Cultural mapping is a cross-cultural management framework advocated by Erin Meyer, Professor of Management Practice at Institut Européen d'Administration des Affaires (INSEAD).

### Employees by Region of Origin

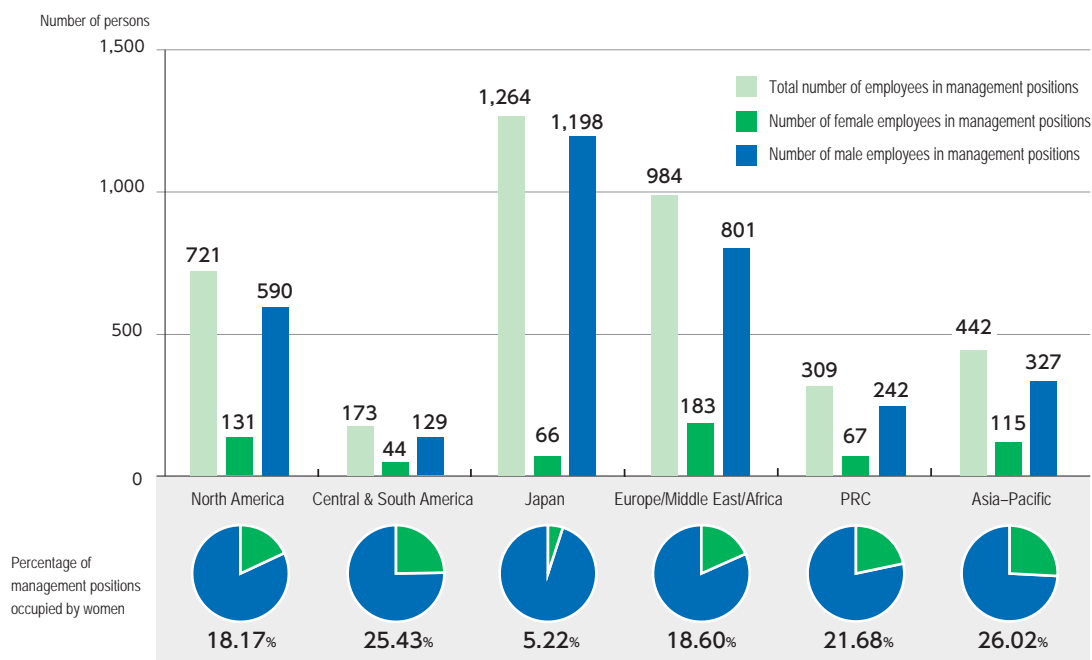


### Breakdown of Labor Force by Gender



### Employees in Management Positions and Percentage of Management Positions Occupied by Women by Region

|   |                                  |
|---|----------------------------------|
| Total number of employees in management positions (global)    | 3,893 (male: 3,287, female: 606) |
| Percentage of management positions occupied by women (global) | 15.57%                           |



Notes:  
 1. As of December 31, 2022, the number of employees in management positions identifying as "other" was zero.  
 2. Figures are as of December 31, 2022. Because data for certain DIC Group companies included in the annual securities report is not included here, these figures differ from those published in the securities report.

## VOICE | Diversity and the DIC Group

As of December 31, 2022, the DIC Group had a global labor force of 22,743 in 63 countries and territories. As a multinational organization, we are diverse in terms not only of gender but also of culture, race, religion and beliefs. Looking ahead, we will work to expand interaction among employees to further capitalize on the Group's diversity to drive innovation and maximize synergies.

In Japan, the number of women in management positions is lower than elsewhere. We will do everything in our power to change this, implementing various measures to increase this number as well as boost the percentage of management positions occupied by women, by creating working environments that enable female employees to build successful careers.

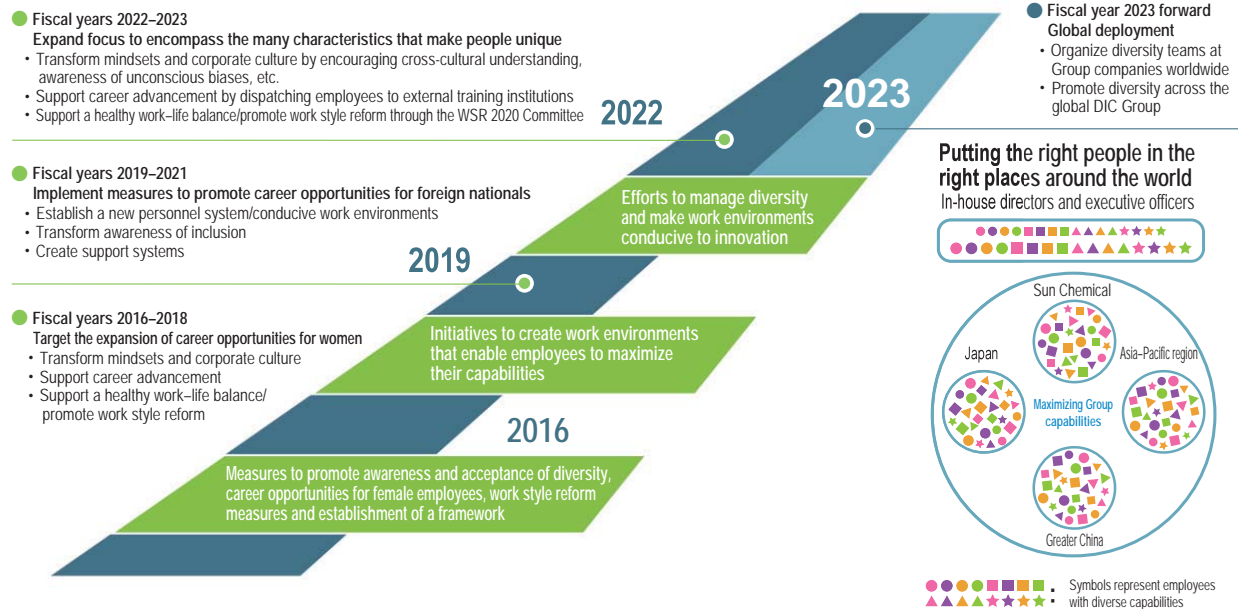


Executive Officer; Head of ESG Unit, In Charge of Diversity, DIC Corporation **Kuniko Torayama**

### 1 Diversity Road Map

#### Road Map for Promoting Diversity

##### Diversity Initiatives

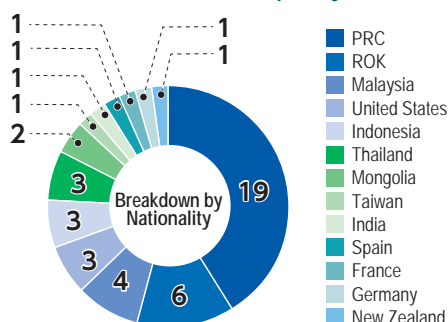


### 2 Hiring of Foreign Nationals and Support for Retirement Planning

With the objective of securing talented individuals with advanced specialized competencies, global perspectives and language proficiency, DIC actively promotes the hiring of international students completing undergraduate or graduate studies at Japanese universities, as well as Japanese and foreign nationals who are completing undergraduate studies at overseas universities or have extensive specialized experience and expertise. At present, 46 foreign nationals are employed in various capacities at the Company. Since fiscal

year 2019, DIC has worked actively to support the careers of non-Japanese employees by creating working environments that enable individuals to exercise their capabilities and play an active role. To support these employees' careers, the Company promotes infrastructural and system improvements, including establishing a consulting desk, translating key in-house materials into English and, in December 2020, introducing biannual networking conferences. In fiscal year 2022, DIC also introduced cross-cultural training sessions for non-Japanese employees and the departments to which they are assigned.

#### Nationalities of Non-Japanese Employees (Full-Time, Part-Time and Temporary)



#### Number of Foreign Nationals Currently Employed at DIC

| Sales positions | Technical positions | Department/division administration | Posted overseas | Production | Total |
|-----------------|---------------------|------------------------------------|-----------------|------------|-------|
| 2               | 29                  | 3                                  | 7               | 5          | 46    |



I am focused on discovering new themes and taking on new challenges with the aim of making a positive impact on society.

In my previous job, I encountered the DIC Group's technologies in areas such as pigments and LCs, which is how I came to know about the Company. I used to work in the R&D department of a global chemicals manufacturer in Japan, so I had an interest in product development. Since joining DIC's Chiba Plant, I have focused on exploring new research themes and different markets such as new resins for industrial-use coatings. Sustainability, including the reduction of CO<sub>2</sub> emissions, recycling and the use of biomass materials, is always a central consideration in my job in product development. For this reason, I'm always proud that what I'm doing will benefit society in the future.



The DIC Group's extensive global presence means there are also opportunities to work with R&D teams and new Group companies in other countries and territories. I look forward to further expanding and enlivening exchanges and discussions with our overseas counterparts.

Functional Materials Technical Group 4, Functional Materials Technical Division, Chiba Plant, DIC Corporation **Fabien Nekelson**

## TOPIC | Networking Conference Held for Non-Japanese Employees

The fifth networking conference for DIC Group employees who are foreign nationals was held in January 2023 at the Company's corporate headquarters in Tokyo. These conferences, which were launched in fiscal year 2020, are held twice annually to foster ties among non-Japanese employees. All previous conferences had been conducted online because of COVID-19, so this was the first time for participants to actually meet in person. Participants were divided into groups to exchange opinions on the format of future networking conferences with the goal of making it an even more meaningful event. Gathering in the same space improved communication and facilitated deeper discussions about what they expected of the conferences, and what they felt would be ideal in terms of frequency and timing.

DIC looks forward to continuing to hold this networking conference in the future, incorporating the views of participants, as one way to ameliorate any anxiety that

non-Japanese employees may feel regarding their work environment or career, as well as to help bolster their motivation.



### ③ Expansion of Career Opportunities for Women

In line with its commitment to promoting diversity, DIC implements a variety of initiatives to expand career opportunities for female employees. Having established a full-scale program to support employees in balancing the demands of a career and childcare in 2007, since fiscal year 2016 the Company has pushed ahead with measures to transform employee mindsets and its corporate culture, as well as to provide training designed to encourage the drive and determination of female employees and broaden the range of jobs open to women. In fiscal year 2022, the Company dispatched female employees to take part in training offered by a third-party provider with the aim of encouraging greater drive and determination, as well as established an in-house mentoring program. Looking ahead, DIC will continue to take various steps to assist female employees to

envisage their own ideal work styles and professional growth to help ensure they enjoy active and fulfilling careers.

**(1) Broadening the Scope of Positions Available to Female Employees**  
Since first assigning four female employees to line shift jobs at the Chiba Plant in 2008, DIC has gradually increased the number of female employees in production and utility control groups across Japan, including in assistant manager and team leader positions. At present, there are 30 female employees—including 11 performing shift jobs—in such positions at seven sites in Japan. The Company has already made changes to improve site working environments, including establishing break rooms and locker rooms for women, and will continue taking similar steps with the goal of further broadening the scope of positions available to female employees.

2008  
4 at 1 site

▶

2015  
12 at 2 sites

▶

2018  
8 at 2 sites

▶

2020  
24 at 6 sites

▶

2023  
30 at 7 sites

| Site            | Production Group | Utility Control Group |
|-----------------|------------------|-----------------------|
| Chiba Plant     | 11               | 2                     |
| Hokuriku Plant  | 0                | 2                     |
| Sakai Plant     | 3                | 0                     |
| Saitama Plant   | 7                | 0                     |
| Kashima Plant   | 2                | 0                     |
| Komaki Plant    | 1                | 0                     |
| Yokkaichi Plant | 2                | 0                     |
| Total           | 26               | 4                     |

## (2) Initiatives Aimed at Expanding Career Opportunities for Women

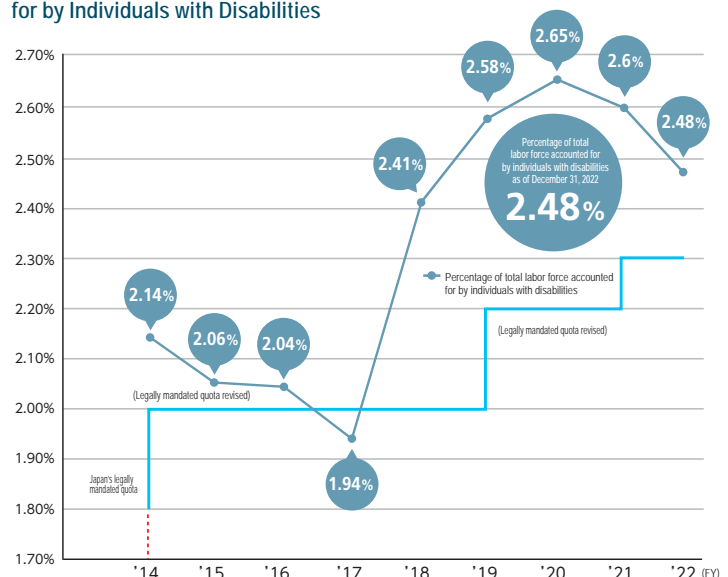
|                 |  |  |
|-----------------|--|--|
| 2016 and beyond | Transform corporate culture and the mindset of management-level employees              | • Messages from the president  |
|                 |  | • Seminars to promote awareness  |
|                 |  | • Identical uniforms for male and female employees   |
|                 |  | • Training for female employees in administrative positions  |
|                 | Encourage the drive and determination of female employees                              | • Awareness training for female employees  |
|                 |  | • Introduction of role models  |
|                 |  | • Seminars to promote awareness among female employees   |
|                 |  | • Women in DIC Forum   |
|                 |  | • Leadership development program for female employees  |
|                 |  | • Joint leadership development program with companies in other sectors   |
|                 | Broaden the scope of positions available to female employees                           | • Assignment of female employees to production, as well as to sales and other positions involving work outside the Company             |
|                 |  | • Inclusion of female employees in the regular system of transfers, reassignments and job rotations                                    |
|                 |  | • Increased hiring of women  |
|                 | Establish systems to support a healthy work-life balance and encourage the use thereof | • Establishment of systems to support a healthy work-life balance  |
|                 |  | • Publication of the Libra work-life balance support guide and introduction of e-learning program for employees taking childcare leave |
|                 |  | • Introduction of system allowing management-level employees to limit the locations to which they will accept transfers                |
|                 |  | • Launch of telework   |
|                 |  | • Expansion of eligibility for flextime system   |
|                 | Create an executive-led support system   | • Diversity seminars for executives and line supervisors   |
|                 |  | • Executive-led lunch seminars for female employees  |
|                 |  | • Executive roundtable discussions   |

## (3) Advancing the Employment of Individuals with Disabilities

In line with its basic management philosophy of valuing diversity and inclusion, the DIC Group strives to create workplaces that maximize the individual attributes and talents of its diverse human resources. In addition to actively promoting the hiring of individuals with disabilities, the Group does its utmost to foster a working environment that empowers employees to fully realize their potential. On January 1, 2023, DIC Estate Co., Ltd., was certified as a special-purpose subsidiary.\* In addition, a manager in the General Affairs and HR Department was put in charge of advancing efforts to hire individuals with disabilities.

\* A special-purpose subsidiary is a company that prioritizes hiring of individuals with disabilities and is authorized by the Minister of Health, Labour and Welfare via Japan's Hello Work public employment office. Employees of a special-purpose subsidiary can be regarded as employed by the parent company in calculating the percentage of the latter's labor force accounted for by individuals with disabilities.

Percentage of DIC's Total Labor Force Accounted for by Individuals with Disabilities





## VOICE | We are trying to create a workplace that is both diverse and inclusive.

In fiscal year 2018, I was transferred from the Chiba Plant to the Business Support Department of DIC Estate. I had no experience in recruiting and hiring people with disabilities, but participating in training conducted by third-party organizations and tours at other companies helped me acquire the necessary know-how and skills. My work has included many valuable experiences, including conducting interviews, giving tours to representatives of other companies and taking in interns from special needs schools.

DIC Estate embarked on a new phase in its development in January 2023 when it earned certification as a special-purpose subsidiary. The Business Support Department is currently working to foster human resources in line with its policy of embracing diversity and inclusion. I appreciate the work environment we have created, which ensures that all individuals, regardless of disability status, are recognized and valued for their efforts. I see our mission as being to pass on accumulated experience to the next generation of employees.



Business Support Department, DIC Estate Co., Ltd. **Takeshi Kuroda**

## TOPIC | Expanding Interaction with Students at Special Needs Schools

DIC Estate offers internship to a large number of high school students with disabilities from special needs schools, as well as hires such students as employees after they graduate. On the one-year anniversary of its employee cafeteria, DIC Estate, in cooperation with the alma mater of some of these employees, purchased baked sweets made by current students of the school for sale to DIC Estate employees. This initiative strengthened the company's relationship with the school. The school reported that seeing those who graduated before them in the workplace had also motivated many current students to rededicate themselves to their studies. Going forward, DIC Estate will continue promoting efforts to work with special needs schools not only in Tokyo but also in the suburbs of the capital.



### (4) Reemployment after Retirement and Support for Retirement Planning

DIC has deployed a system that facilitates the reemployment until age 65 of individuals reaching retirement age (60) and wishing to remain with the organization. With available options including full-time work, part-time work and work sharing, this system enables reemployed individuals to maximize their experience, and to make full use of their accumulated technical abilities and specialized expertise, thereby contributing to

sustainable growth for the DIC Group and the training of subsequent generations.

DIC also offers classes for employees in the final year before retirement that helps them prepare for life after they have finished their careers. These classes provide assistance with retirement planning and education regarding the national pension system, as well as offer retirement lifestyle simulations.

### Number of Reemployed Individuals

|                                      | Fiscal year 2017 | Fiscal year 2018 | Fiscal year 2019 | Fiscal year 2020 | Fiscal year 2021 | Fiscal year 2022 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Number of retirees (A)               | 69               | 89               | 96               | 92               | 103              | 150              |
| Individuals seeking reemployment     | 55               | 74               | 81               | 80               | 87               | 132              |
| Number of individuals reemployed (B) | 55               | 70               | 77               | 79               | 84               | 128              |
| Reemployment rate (B) / (A)          | 79.7%            | 78.7%            | 80.2%            | 85.9%            | 81.6%            | 85.3%            |

## 5. Human Resources Governance and Respect for Human Rights

### ① Reinforcement of Human Rights Governance

To reinforce its human resources governance, DIC's corporate headquarters is involved in making decisions defining principal management positions for the DIC Group, as well as for clarifying authority for nominations and dismissals, evaluating performance

and determining remuneration. The Group divides its operations into four regions—Japan, the Americas and Europe, Greater China and the Asia-Pacific region. The parent company, which is directly responsible for Group operations in Japan, works with regional headquarters in each of the other three regions to reinforce human resources governance across the entire Group.

## Human Resources Governance for Principal DIC Group Management Positions

| Authority for nominations and dismissals   | Authority for performance evaluations   | Authority for determining remuneration  |
|--|---|---|
| From the perspective of ensuring the sustainability of its operations, corporate headquarters is involved in decisions regarding nomination and dismissal.   | From the perspective of ensuring the DIC Group meets the target of its management plan, corporate headquarters is involved in decisions regarding target setting and performance evaluations.   | Corporate headquarters is involved in decisions regarding remuneration to ensure the adequacy and fairness of compensation, as well as the transparency of the decision-making process. |
| Rules governing authority/succession committee   | Evaluation review committee   | Regional remuneration committees  |
| <ul style="list-style-type: none"> <li>DIC's rules governing authority stipulate that authority regarding appointments and dismissals lies with corporate headquarters.</li> <li>The promotion process is monitored through the succession committee to determine succession.</li> </ul> | The establishment and administration of the evaluation review committee facilitates monitoring of efforts to standardize personnel evaluation systems, and to ensure the appropriateness and fairness of target setting and performance evaluation. | The establishment and administration of regional remuneration committees facilitates monitoring of the appropriateness and fairness of remuneration.                                    |

## ② Respect for Human Rights

The DIC Group actively supports global codes governing human rights,\* 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 Group employees are expected to observe—lays down provisions prohibiting human rights violations and requiring respect for diversity, two philosophies that form the foundation of the Group's corporate activities. Group employees are obliged to display understanding of the code and provide written pledges to abide by it.

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. DIC also promotes awareness among DIC Group company executives and employees, as well as works to enhance its inspection and monitoring structure, to reinforce respect for human rights in human resources management practices and to prevent the occurrence of violations.

\* 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 Labor Organization (ILO)'s Declaration on Fundamental Principles of Rights at Work; the UN's Guiding Principles on Business and Human Rights; and the Ten Principles of the UNGC.

### ① The DIC Group Human Rights Policy

(The DIC Group Human Rights Policy was updated on November 15, 2023. This is the previous version.)

As a member of society that recognizes the importance of respect for human rights and respects the basic human rights of all stakeholders, including its customers, suppliers and employees, the DIC Group has formulated a human rights policy. Based on this policy, DIC works to increase the human rights awareness of its executives and employees and to conduct its business activities in a manner that shows respect for human rights.

#### 1. Positioning

This policy, which is in accordance with global human rights codes, articulates DIC's fundamental stance on respect for human rights.

#### 2. Scope of application

This policy applies to all executives and employees of the DIC Group. The Company shall also encourage its business partners and suppliers to adhere to this policy and cooperate with them to advance respect for human rights.

#### 3. Responsibility to respect human rights

The Company shall strive to fulfill its responsibility to respect human rights by ensuring that its business activities do not result in violations of the human rights of stakeholders, as well as by preventing human rights abuses in the course of its business. In the event that its business partners or suppliers cause adverse human rights impacts through their businesses, products and services, the Company—while not directly complicit—shall use its influence to encourage the responsible parties to cease the practices responsible for such impacts.

#### 4. Human rights due diligence\*

To fulfill its responsibility in regard to respect for human rights, the Company has created a human rights due diligence system, which it shall employ on an ongoing basis to identify and address human rights risks.

#### 5. Corrective/remedial actions

Should the Company cause adverse human rights impacts or should it become evident that it has been complicit in causing such impacts, the Company shall take appropriate corrective/remedial actions in response.

#### 6. Compliance with applicable laws

The Company shall comply with applicable laws in the countries and territories in which it operates. The Company shall also respect international human rights principles and work actively to promote these principles.

#### 7. Disclosure and education/training

The Company shall periodically report publicly on the progress of initiatives implemented in line with this policy. To ensure the effectiveness of this policy, the Company shall also provide appropriate training to its executives and employees.

#### 8. Dialogue and discussion

The Company shall engage with stakeholders regarding initiatives implemented in line with this policy by creating opportunities for dialogue and promoting discussion in good faith.

#### 9. Identifying principal human rights challenges

The Company has separately identified principal human rights challenges. In line with this policy, the Company shall use due diligence as appropriate. Recognizing this as an ongoing process, the Company shall also continue to revise and amend these challenges to reflect social change, business trends and other factors.

**DIC Corporation**

\* 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.

### ③ Principal Human Rights Challenges Facing the DIC Group

Based on key global standards regarding human rights, the DIC Group has identified the following as the principal human rights challenges it faces and promotes appropriate human rights diligence in accordance with its human rights policy. The Group will review these challenges

on a regular basis, taking into consideration factors such as social change and business trends, and will work methodically to strengthen its human rights initiatives to ensure compliance with pertinent laws and regulations amid rapidly evolving global affairs.

#### (1) Eliminate discrimination

The DIC Group prohibits all types of discrimination, harassment and other practices that undermine the dignity of any individual. Potential targets of such discrimination include Group employees, women, children, indigenous peoples, migrant workers, business partners and communities.

#### (2) Prevent child labor and forced labor

The DIC Group prohibits the use of child labor, forced labor, slave labor and labor resulting from any form of human trafficking.

#### (3) Respect basic labor rights

The DIC Group respects basic labor rights, including freedom of association and employees' rights to organize and to engage in collective bargaining.

#### (4) Address the issue of conflict minerals

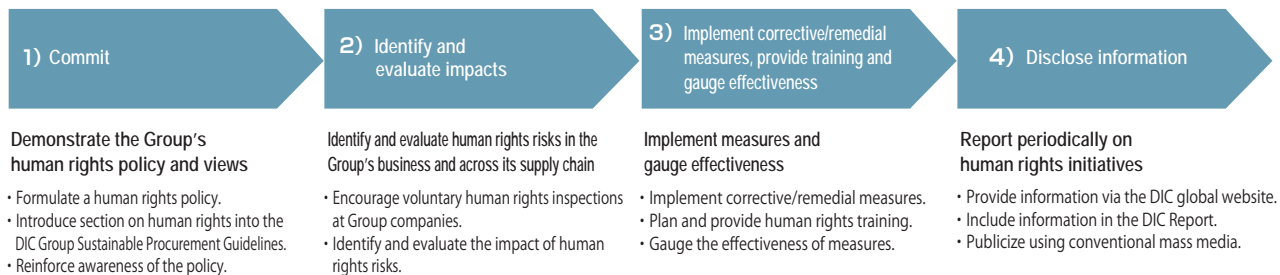
The DIC Group prohibits the use of conflict minerals. Should any raw materials purchased from third-party suppliers be found to contain conflict minerals, the Group will respond by, among others, immediately terminating the procurement thereof.

#### (5) Respect the concept of equal pay for equal work

In principle, the DIC Group provides equal pay for equal work to both male and female employees.

### ④ The DIC Group's Human Rights Due Diligence System

To fulfill its responsibility to respect human rights, the DIC Group continues to employ, as well as to make systematic improvements in, its human rights due diligence system.



### ⑤ DIC Group Human Rights Due Diligence Initiatives

#### (1) Addressing Human Rights Challenges in the Area of Procurement

The DIC Group has formulated and disseminates the DIC Group Sustainable Procurement Guidelines and compels its suppliers to respect human rights and to take appropriate steps to ensure acceptable work environments. The Group also surveys the status of suppliers' efforts through various follow-up procedures. For details, please see "Ascertaining and Improving Suppliers' Sustainability" on page 120 of the "Sustainability Procurement" section of this report.

#### (2) Promoting the Responsible Procurement of Minerals

The DIC Group has formulated a Basic Approach to the Responsible Procurement of Minerals, recognizing the high risk of human rights violations in the procurement of these resources. In addition to the surveys described above, the Group also surveyed smelters and refineries used for minerals contained in the raw materials it procures. For details, please see "Basic Approach to the Responsible Procurement of Minerals" on page 121 in the "Sustainable Procurement" section of this report.

#### (3) Implementation of Human Rights Due Diligence at DIC Group Companies

In fiscal year 2022, human rights due diligence was implemented at four

Group companies in India and 19 Group companies in the PRC. This process revealed no serious violations. Going forward, the DIC Group will seek to raise the level of its human rights due diligence initiatives by advancing awareness of human rights, as well as by re-examining and designating business areas with inherent human rights risks.

#### (4) Establishment of Whistle-Blowing Hotlines and Corrective Measures by the Compliance Team

The DIC Group has created whistle-blowing hotlines for Group employees. In fiscal year 2022, 20 reports were received regarding human rights-related issues such as power harassment and discrimination. However, internal investigations revealed no serious violations. Operational improvements and other appropriate corrective measures were subsequently implemented.

#### (5) Contact Procedures

Procedures have been established for suppliers, customers, local communities and other stakeholders to report human rights-related issues by telephone or via the DIC Group's global website. The Group strives to respond swiftly to queries and complaints received. No such complaints were received in fiscal year 2022.

#### (6) Building Trust with the DIC Employees' Union

DIC's management and representatives of its employees' union meet regularly with the goal of ensuring healthy industrial relations based on mutual trust. In addition, through labor-management councils and casual management conferences, DIC shares management information and its vision for the future with union representatives and encourages the frank exchange of opinions. A total of 72.3% of parent company employees belong to the DIC Employees' Union (99.3% of eligible employees).

## 6. Work-Life Balance/Occupational Safety and Health

### ① Work-Life Balance

DIC views a healthy work-life balance as essential to both self-realization and sustainable corporate growth. Accordingly, from the perspective of corporate health management,\* the Company continues to expand systems intended to facilitate such a balance. Against a backdrop of growing global awareness of the concept of "human capital management," DIC respects the diversity of its labor force and seeks to enable each individual to exercise their capabilities, recognizing its employees as important corporate assets. DIC has promoted initiatives meant to enable all employees to achieve both active and satisfying careers and a fulfilling life outside of work, in line with its belief that positive workplaces lead to higher productivity.

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

#### (1) Enhancing Programs that Help Employees Balance the Demands of Career and Childcare

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 accordance with the October 2022 amendment of the Child Care and Family Care Law in Japan, the Company introduced a new paternity leave system and is actively encouraging male employees to take childcare leave. In 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.

#### (2) Retaining Employees with Nursing Care Responsibilities

In 2016, the Japanese government revised the Child Care and Family Care Law to make it easier for individuals to take leave or time off, as well as increasing benefits for temporary absences from work, for individuals who find themselves with nursing care responsibilities. To encourage use and

promote knowledge of its related leave programs, DIC has prepared the *Childcare and Nursing Care Handbook*, which is distributed to employees of Group companies across the country. DIC has also modified the rules of these programs to make them easier to use, including making it possible to break up nursing care leave and to take such leave in one-hour units, and extending the period over which they may shorten their workday to fulfill nursing care responsibilities, originally one year, to three years.

### (3) Significantly Expanding 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 aim of encouraging the independent execution of duties and an enhanced capacity for self-management.

### (4) Introducing a Leave to Accompany Spouse Overseas Program

To ensure its ability to secure and retain talented human resources and enhance employees' work-life balance, in January 2019 DIC introduced a program allowing employees to take leave to accompany spouses on overseas work assignments. This system helps employees achieve an appropriate work-life balance without having to leave their jobs.

### (5) Establishing a System to Help Employees Balance Medical Treatment and Work

In January 2020, DIC introduced a system to support employees undergoing medical treatment who wish to continue working. To guarantee this system functions effectively, the Company formulated guidelines to ensure employees making use of this system receive the ongoing support necessary to balance medical treatment and work through job-related accommodations and considerations.

## (6) Programs that Help Employees Balance the Demands of Work and Home

|   |  |
|---|--|
| Childcare Leave Program                                     | The maximum length of leave is until the child reaches the age of 2 years and 6 months, which is one year longer than the legally mandated leave period.   |
| Paid leave programs for pregnancy and childcare             | Outpatient care leave: Employees can take leave for outpatient care, including regular medical examinations and health guidance.   |
|   | Special maternity protection leave: Female employees take up to 10 days of special leave during pregnancy or the year after giving birth to protect the health of both mother and child.   |
|   | Leave to Assist with Parenting Program: Male employees can take five consecutive days of paid leave during the eight weeks following their child's birth to assist with parenting.   |
|   | Pediatric nursing care leave: Employees can take leave to provide nursing care for a child until the end of the child's third year of elementary school, which is beyond what is mandated by law. This includes up to five days of paid leave per fiscal year.   |
| Childcare While Working Program                             | Employees can shorten their workday by up to three hours until the end of a child's third year of elementary school. Employees can also stagger their working hours to accommodate childcare schedules.  |
| Economic support system                                     | This system enables employees on unpaid childcare leave to borrow a portion of their bonuses in advance to pay for, among others, fertility treatment or infant care facility fees.  |
| Return to previous (or equivalent) position                 | Employees returning from childcare leave must be allowed to return to their previous position or to a position equivalent thereto.   |
| Information sharing to promote program participation        | DIC's views on support for work and childcare balance, as well as a guide to its various available systems and how to make use of them, are posted on the Company's websites and intranet.   |
| Nursing care leave system                                   | Employees can take such leave for up to one year, exceeding the statutory maximum of 93 days. As of January 2018, employees may also break up leave into a maximum of six units.   |
| Nursing Care While Working system                           | Employees not wishing to take leave while providing nursing care can shorten their workday by up to two hours for a maximum period of three years. As of January 2018, employees may also request to be excused from doing overtime without restriction.   |
| Leave to accompany spouse overseas                          | Employees can take leave in the form of a temporary overseas assignment to accompany a spouse who is scheduled to be abroad for more than one year. The period of the leave must be more than one year, with a maximum length of three years. Employees may make use of this system once during their careers. |
| Relocation limitation system                                | Management-level employees may limit the locations to which they will accept transfers that involve relocating because of childbirth, childcare, nursing care or other responsibilities.   |
| System to help employees balance medical treatment and work | Employees undergoing medical treatment who wish to keep working can access necessary support in the form of job-related accommodations and considerations.   |
| Half-day and hourly annual paid leave system                | Employees may take annual paid leave in half-day units. They may also take up to five days of annual paid leave in one-hour units.   |
| Saved paid leave system                                     | Expiring annual paid leave can be saved for up to 30 days and used for a variety of purposes, including injury or illness, nursing care for a family member, care for a sick child and fertility treatment.  |



### (7) Use of the Childcare Leave and Leave to Assist with Parenting Programs

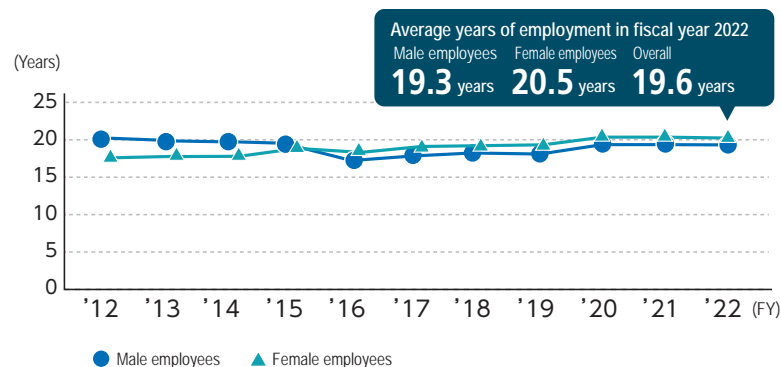
Owing to the introduction of various programs to help employees in balancing the demands of work and home and the creation of an environment that encourages employees to take advantage of such thereof, the percentage of DIC employees who return to work after making use of the Childcare Leave Program is currently 100%. In addition, the number of individuals using the

Leave to Assist with Parenting Program, which enables male employees to take time off in the weeks after the birth of a child to assist their partner, has risen. Thanks to efforts to enhance these systems, the average years of employment for female employees has increased and continues to exceed the average for male employees. In fiscal year 2022, DIC began actively promoting a new paternity leave system.

|  | Fiscal year 2017        | Fiscal year 2018        | Fiscal year 2019        | Fiscal year 2020        | Fiscal year 2021        | Fiscal year 2022         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| Number of employees using the Childcare Leave Program                | <b>35</b><br><b>(0)</b> | <b>21</b><br><b>(4)</b> | <b>28</b><br><b>(4)</b> | <b>22</b><br><b>(3)</b> | <b>25</b><br><b>(4)</b> | <b>55</b><br><b>(28)</b> |
| Number of employees using the Leave to Assist with Parenting Program | <b>77</b>               | <b>81</b>               | <b>86</b>               | <b>84</b>               | <b>77</b>               | <b>87</b>                |

Note: Figures in parentheses are the number of male employees included in the total number of employees using the Childcare Leave Program.

### (8) Average Years of Employment (Including Individuals Seconded to Group Companies)



### (9) Reducing Extreme Overwork and Encouraging Employees to Take Annual Paid Leave

DIC has deployed an electronic management system that tracks employee working hours based on sign in/sign out data extracted from IC cards. To prevent extreme overwork, if an employee appears likely to exceed the overtime limit (including weekends) agreed upon by labor and management, or if their monthly overtime has exceeded 70 hours, their supervisor and the senior executive in charge are automatically notified.

The supervisor is required to submit a report outlining the employee's work responsibilities and factors behind the excessive hours, and presenting specific measures to ameliorate the situation, which is shared with the DIC Employees' Union. This process is designed to curb/reduce excessively long working hours. In addition, employees are encouraged to take annual paid leave, with sites recommending appropriate timing for leave and having employees plan dates for such leave.

### (10) Average Monthly Overtime Hours Worked and Annual Paid Leave Taken

|  | Fiscal year 2017  | Fiscal year 2018  | Fiscal year 2019  | Fiscal year 2020  | Fiscal year 2021  | Fiscal year 2022  |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Average monthly overtime hours worked per employee | <b>12.2 hours</b> | <b>12.0 hours</b> | <b>10.8 hours</b> | <b>10.1 hours</b> | <b>12.3 hours</b> | <b>12.4 hours</b> |
| Average annual paid leave granted                  | <b>18.8 days</b>  | <b>18.6 days</b>  | <b>18.7 days</b>  | <b>18.7 days</b>  | <b>18.9 days</b>  | <b>18.8 days</b>  |
| Average annual paid leave used                     | <b>12.0 days</b>  | <b>12.5 days</b>  | <b>13.3 days</b>  | <b>11.8 days</b>  | <b>12.1 days</b>  | <b>13.4 days</b>  |
| Usage rate for annual paid leave                   | <b>63.8%</b>      | <b>67.2%</b>      | <b>70.9%</b>      | <b>63.1%</b>      | <b>64.0%</b>      | <b>71.3%</b>      |

## ② Employee Safety

### Measures to Prevent the Spread of COVID-19

Between February 2020, when COVID-19 first emerged, and December 31, 2022, a total of 40 internal notifications were

sent under the heading "Measures to Prevent the Spread of COVID-19." Efforts ranged from promoting internal initiatives to prevent infection to detailed instructions regarding individual employee behavior.

### ③ Corporate Health Management

#### (1) Corporate Health Management Initiatives

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.

#### (2) Framework for Promoting Health Management

The DIC Group in Japan promotes health management through a framework that is based on collaboration with the DIC Health Insurance Society and under the supervision of the president and CEO. Going forward, the Group will step up efforts to work with related organizations and promote effective initiatives across the DIC Group.

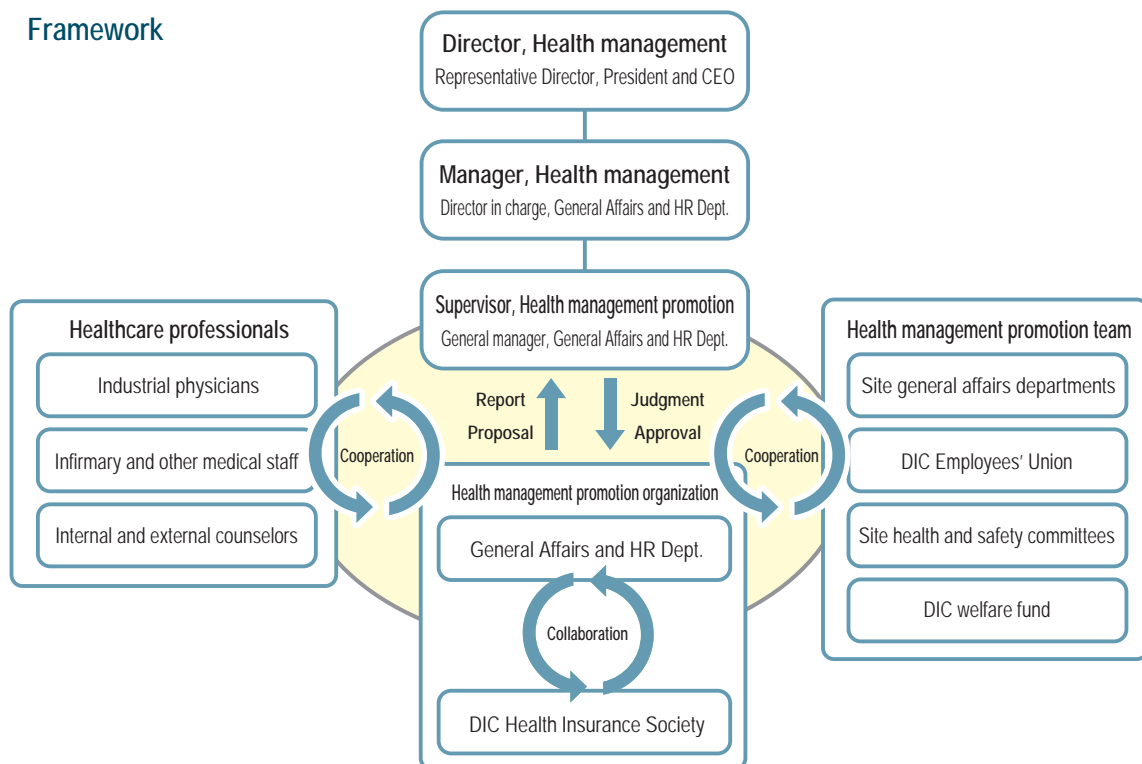
#### Health Management Declaration

The DIC Group recognizes that the achievement of its mission to create enhanced value and utilize innovation to introduce socially responsible and sustainable products depends on the creation of working environments conducive to the physical and mental health of the employees responsible for the implementation of related initiatives.

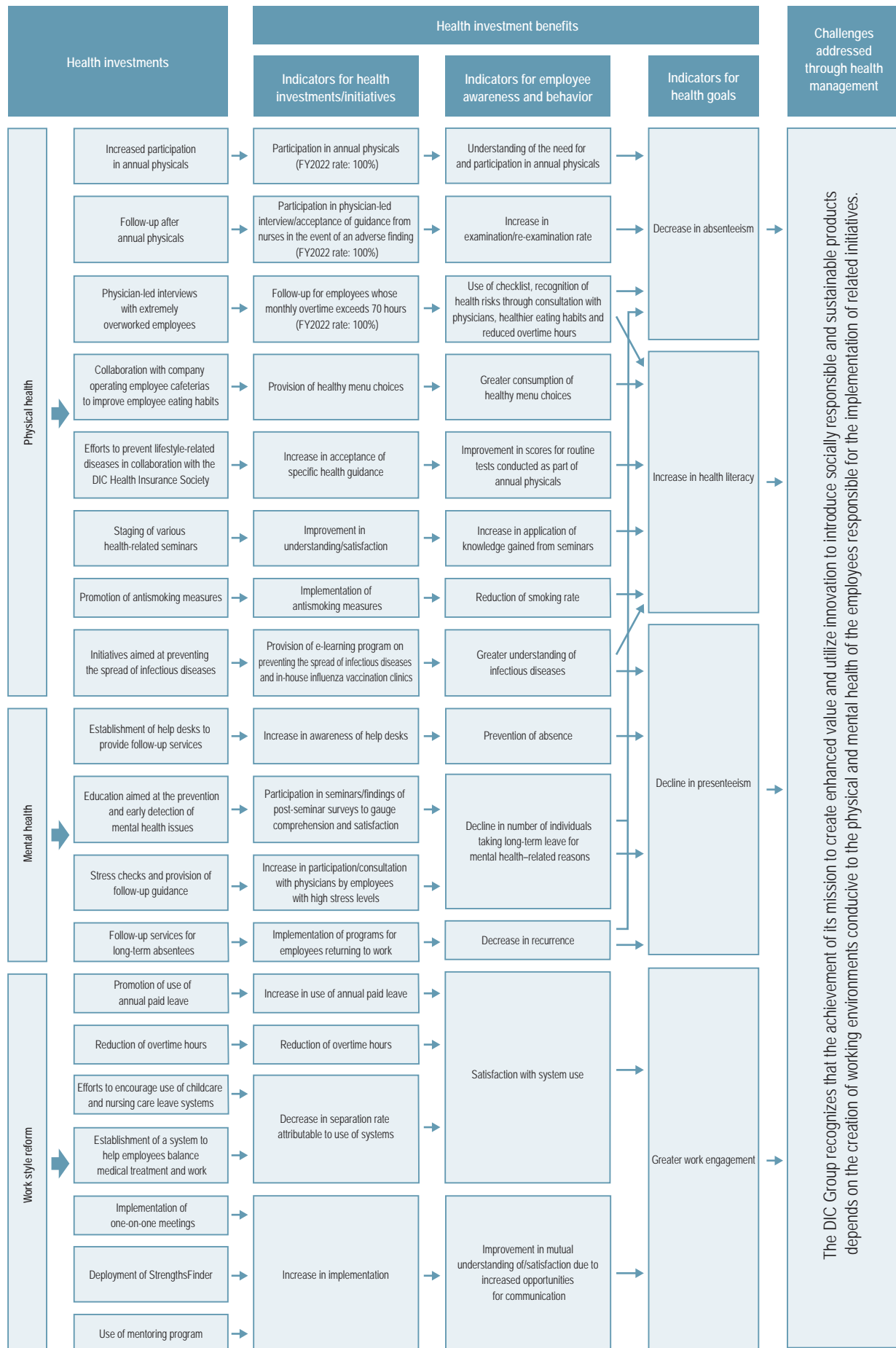
The DIC Group declares that it will work as one to maintain or improve the health of its employees, as well as to create a work environment conducive to job satisfaction.

Representative Director, President and CEO  
DIC Corporation  
Kaoru Ino

#### Framework



## (3) Health Management Strategy Map



#### (4) Key Health Management Initiatives

| Category                 | No. | Initiative   | Goal  | Details   |
|--------------------------|-----|--|---|---|
| Employee health          | 1   | Improve participating in annual physicals  | Prevention of serious illness through early detection   | Annual physicals help medical staff grasp changes in physical condition and provide appropriate guidance.<br>Target for percentage of employees participating in annual physicals: 100% (Fiscal year 2021: 100%, fiscal year 2020: 99.8%)   |
|                          | 2   | Follow-up after annual physicals   | Prevention of serious illness and job separation through early detection/consultation with physicians                                       | Based on the results of annual physicals, industrial physicians and nurses extend guidance on health maintenance, encourage further examination in the event of adverse findings and provide directions on the prevention of lifestyle-related diseases.<br>Percentage of employees undergoing thorough examinations (Fiscal year 2021: 82.7%, fiscal year 2020: 89.2%)   |
|                          | 3   | Support for employees returning after taking leave due to illness                                    | Prevention of prolongation, recurrence and job separation   | Attending physician, industrial physicians, nurses, workplace colleagues and HR staff work together to support a smooth return to work for employees from leave.<br>Target for percentage of employees taking leave again: 0% (Fiscal year 2021: 5.1%, fiscal year 2020: 7.3%)  |
|                          | 4   | Physician-led interviews with extremely overworked employees   | Reduction of overwork and management of health risks  | Efforts are ongoing to prevent the onset of brain and heart disorders by implementing more stringent management of employee working hours than is called for in standards governing long working hours set forth in Japan's Industrial Safety and Health Act.   |
|                          | 5   | Collaboration with company operating employee cafeterias to improve employee eating habits           | Prevention of lifestyle-related diseases (including for family members)   | Active efforts are made to support employee health by offering healthy menu choices and providing dietary education, including information on improving eating habits.<br>Target: 20% or lower (Fiscal year 2021: 26.1%, fiscal year 2020: 28.4%)   |
|                          | 6   | Efforts to prevent lifestyle-related diseases in collaboration with the DIC Health Insurance Society | Awareness of health risks and prevention of serious illness   | Based on the results of annual employee physicals, the DIC Health Insurance Society and DIC collaborate to make recommendations to those requiring guidance.  |
|                          | 7   | Holding of various health-related seminars   | Improvement of productivity through the maintenance and improvement of health   | Efforts focus in promoting employees' health awareness, including for their families, through the organization of seminars on common health issues, webcasts of past seminars, as well as on women's health management.   |
|                          | 8   | Staging of various events  | Stimulation of communication; improvement of productivity through the maintenance and improvement of health                                 | Various events are staged to promote health maintenance and improvement, including sports tournaments, vascular age measurement events, walks and family site tours.  |
|                          | 9   | Efforts to encourage regular exercise  | Improvement of productivity through the maintenance and improvement of health; prevention of injuries                                       | Various activities are encouraged, including radio calisthenics, exercises to reduce lower back pain and stretching exercises, before starting work and during the day.<br>Percentage of employees participating (Fiscal year 2021: 70.2%, fiscal year 2020: 72.4%)   |
|                          | 10  | Promotion of antismoking initiatives   | Prevention of damage to health and loss of productivity attributable to smoking   | Antismoking initiatives seek to prevent exposure to passive smoke, promote awareness of the risks of smoking and support employee efforts to quit smoking with the goal of reducing the percentage of employees who are smokers.<br>Target for percentage of employees who are smokers: 15% (Fiscal year 2021: 21.9%, fiscal year 2019: 23.4%)  |
| Mental health            | 11  | Education aimed at the prevention and early detection of mental health issues                        | Helping ensure the happiness of employees and their families; improvement of productivity through the maintenance and improvement of health | Industrial physicians actively conduct rank-specific and self-care training designed to prevent and swiftly detect mental health issues.  |
|                          | 12  | Stress checks and provision of follow-up guidance  | Improvement of productivity through realization of comfortable work environments; prevention of mental health issues                        | Stress checks are conducted even at Group companies not legally required to do so. Following checks, individuals discovered to have a high level of stress meet with doctors and where appropriate participate in training provided by industrial physicians specializing in mental health, among others.<br>Target for percentage of employees undergoing stress checks: 95% or higher (Fiscal year 2021: 95.8%, fiscal year 2020: 96.2%)<br>Target for percentage of employees with a high level of stress: 10% or lower (Fiscal year 2021: 12.3%, fiscal year 2020: 11.4%) |
| Establishment of systems | 13  | Promotion of use of annual paid leave  | Improvement of productivity through realization of comfortable work environments; prevention of mental health issues                        | Efforts are ongoing to create an environment that makes it easy for employees to take paid leave, and include recommending appropriate timing for leave and having employees plan leave dates.  |
|                          | 14  | Reduction of overtime hours through the institution of a "no overtime day"                           | Improvement of productivity through realization of comfortable work environments; prevention of mental health issues                        | A mandatory "no overtime day" has been instituted every Wednesday and on payday (once monthly at month-end in Japan) with the objective of curbing overtime and encouraging physical and mental reset.  |
|                          | 15  | Efforts to encourage use of childcare and nursing care leave systems                                 | Prevention of job separation because of childcare or nursing care responsibilities  | Efforts are ongoing to acquire the next-generation Kurumin Mark and to publish and distribute a handbook on balancing work and nursing care responsibilities, among others.   |
|                          | 16  | Establishment of a system to help employees balance medical treatment and work                       | Prevention of job separation because of medical treatment   | A system has been established to support employees undergoing medical treatment who wish to continue working, along with guidelines for use of the system. Efforts to promote the system's use are ongoing.   |
| Other                    | 17  | Initiatives to prevent the transmission of infectious diseases                                       | Improvement of productivity through realization of comfortable work environments; prevention of mental health issues                        | Efforts are ongoing to prevent the transmission of infectious diseases, including the implementation of mass influenza vaccination clinics and the provision of a related e-learning program.   |
|                          | 18  | Dissemination of health-related information through health-focused newsletter                        | Improvement of productivity through realization of comfortable work environments; prevention of mental health issues                        | Nursing staff from DIC's Healthcare Office and Infirmiry issue health-related newsletters and work to disseminate health management information that reflects the unique characteristics of each site.  |
|                          | 19  | Establishment of help desks to provide follow-up services  | Improvement of productivity through realization of comfortable work environments  | Permanent internal and external help desks have been set up that enable employees to report or seek advice on mental health, harassment or other issues and actively follow up on reported matters.   |

#### (5) Mental Health Management Initiatives

DIC takes steps to create work environments in which employees feel physically and mentally supported. The Company places a particular priority on caring for psychological and emotional well-being and has established a comprehensive mental health program, highlights of which include engaging an in-house occupational psychologist, promoting initiatives aimed at warding off mental health problems and extending support to ensure a smooth return to work for employees taking leave. In particular, access to counseling provided by an occupational psychologist has had a considerably positive impact in terms of ensuring employees get treatment and are able to return to work as quickly as possible.

DIC has also offered voluntary stress checks since fiscal year 2013, well before the passage of related legislation in Japan in fiscal year 2016, as part of an active effort to help prevent mental health disorders. Participation in stress checks is high most years. The Company also promotes follow-up initiatives. Of note, the Company offers self-care training and line care training for supervisors led by an in-house physician specializing in mental health, as well encourages individual department heads to speak with industrial physicians with the objective of making concrete improvements to workplace environments. DIC will pursue the continued systematic promotion of these initiatives going forward.

### Mental Health Initiatives

- Guidance from an in-house occupational psychologist
- Internal and external help desks
- Line care training\* for supervisors
- Mental health self-checks as part of training for new employees
- Creation of new online version of the *Kokoro no Kenko* ("Psychological Health") self-check handbook
- Flexible process to support employees returning to work after taking leave

\* Line care training: Training for supervisors to help them recognize promptly when an employee is unwell and respond appropriately by, for example, recommending guidance or counseling or making workplace improvements.



*Kokoro no Kenko*  
self-check handbook

## TOPIC | DIC Earns White 500 Certification for the Sixth Consecutive Year

DIC earned certification in the large enterprise category of the 2023 Health & Productivity Outstanding Entities Recognition Program (dubbed the "White 500"), which is organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.\* This is the sixth consecutive year the Company has been certified under this program, which seeks to shine a spotlight on outstanding enterprises working to advance health and productivity management, creating an environment that ensures such enterprises gain enhanced public recognition—i.e., from employees, jobseekers, related companies and financial institutions—as organizations that approach employee health and productivity from a management perspective and promote strategic initiatives. The Company greatly exceeded the industry average for all four criteria used: "Management philosophy," "organized framework," "systems and implementation of measures" and "evaluation and improvement." DIC earned particularly high marks for setting specific priority issues and verifying the effectiveness of measures implemented, and for making necessary improvements.

In its DIC Vision 2030 long-term management plan, the DIC Group set forth a basic strategy of reinforcing its management of human capital and works actively to support the physical and mental health of its employees, as well as to create work environments conducive to job satisfaction in line with its Health Management Declaration. 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.

\* Nippon Kenko Kaigi ("Japan Health Council") is an organization that liaises with private companies, with the full backing of the government, to put effective measures in place to prolong the healthy life expectancy of citizens and to ensure sound medical services in Japan.

### (6) Initiatives to Support Employee Health

DIC analyzes the results of employees' annual physicals and provides assistance to employees for whom lifestyle improvements have been recommended by providing introductions to hospitals and clinics, and individual guidance on lifestyle improvements. With the aim of promoting healthy eating, the employee cafeteria at DIC corporate headquarters in Tokyo offers a healthy cafeteria menu dubbed "DIC Irodori Care+" ("DIC Colorful Care Plus"). DIC's General Affairs and HR Department, the Healthcare Office and the company responsible for the operation of the cafeteria collaborated to develop this menu based on the health needs of employees. The Company also devised innovative ways of presentation, including producing distinctive signage that encourages recognition and names that clearly communicate the health benefits of menu selections, such as reduced calories or low cholesterol. DIC Irodori Care+ also makes use of familiar meal components like *kobachi* (small bowl) side dishes transformed into a nutrient-packed "Supplement Bowl" to promote greater awareness of food's role in improving overall health.

DIC will continue implementing measures designed to help ensure the physical and mental health of its employees as part of its commitment to creating work environments that empower them to fully realize their potential.



**DIC Irodori Care+**



Healthy cafeteria menu selection



# Promoting Socially Responsible Procurement across Supply Chains

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives         | Goals for fiscal year 2022   | Achievements in fiscal year 2022   | Evaluation | Goals for fiscal year 2023  |
|----------------------------------|--|--|------------|---|
| Promote sustainable procurement. | Promote initiatives aimed at expanding the use of sustainable raw materials over the medium to long term (calculate the carbon footprint of raw materials and continue to search for bioderived and recycled raw materials). | <ul style="list-style-type: none"> <li>A system was established for grasping CO<sub>2</sub> emissions data (the carbon footprint) for major raw materials.</li> <li>Research conducted for bioderived materials led to a review of product designs.</li> </ul> | ★★         | Advance initiatives aimed at expanding sustainable procurement over the medium to long term, including assessing and reducing CO <sub>2</sub> emissions associated with raw materials and searching for bioderived and recycled raw materials.                                      |
|                                  | Continue conducting assessments to better ascertain the sustainability of DIC and Sun Chemical suppliers and ensure a grasp of their overall ESG initiatives.  | DIC completed assessments of suppliers accounting for more than 80% of its procurement spending in Japan. Sun Chemical completed assessments of suppliers accounting for approximately 71% of its procurement spending.  | ★★         | Continue conducting sustainability assessments of suppliers in Japan and Sun Chemical suppliers, and expand the scope of this initiative to include the PRC and the Asia-Pacific region, to ensure a grasp of, and encourage improvement of, suppliers' sustainability initiatives. |

## Basic Approach to Sustainable Procurement

Having recognized the increasing importance of addressing issues essential to sustainable procurement, including compliance with laws and social norms, consideration for the environment and respect for human rights, the DIC Group formulated the DIC Group Universal Purchasing Policy and continues to advance related initiatives on a global scale. Based on this policy, the Group also established the DIC Group Sustainable Procurement Guidelines, which clarifies its expectations of suppliers, and advances sustainable procurement across its supply chains by ensuring assessments are conducted to ascertain the status of suppliers' sustainability and by encouraging awareness-raising efforts.

For more information, please visit <https://www.dic-global.com/en/csr/stakeholder/partner.html>

### 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

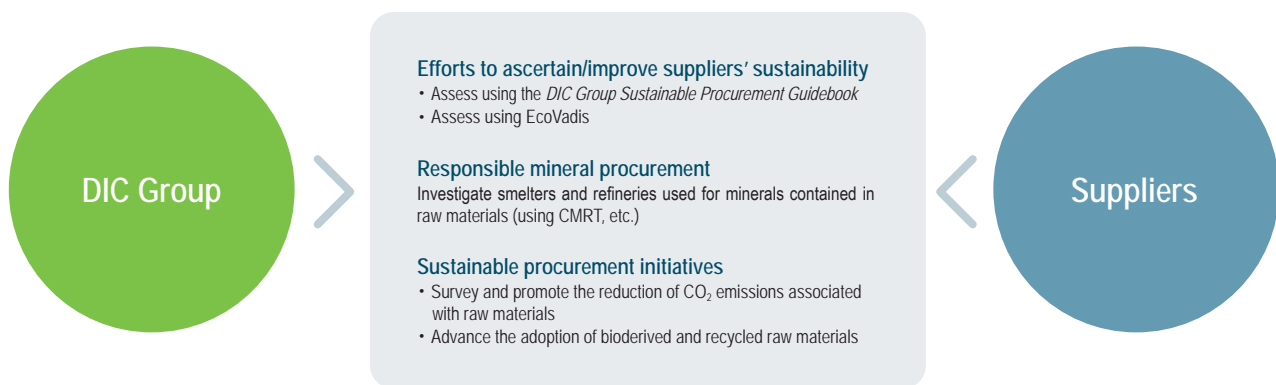
The DIC Group will take responsibility as an exemplary corporate citizen for environmental affairs, occupational safety, human health and product quality, always take into account changes in society and implement environment-friendly purchasing activities.

#### 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



## ■ Ascertaining and Improving Suppliers' Sustainability

The DIC Group uses the *DIC Group Sustainable Procurement Guidebook* and the EcoVadis\* platform to assess the status of its suppliers' sustainability initiatives.

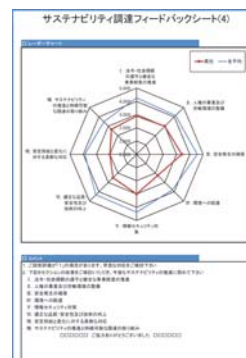
\* The web-based sustainability rating platform provided by EcoVadis SAS assesses the performance of companies, providing sustainability scorecards and benchmarks, and has been used to evaluate more than 100,000 companies worldwide.

Outline of the *DIC Group Sustainable Procurement Guidebook* (Version 3, published in February 2020)

**WEB** [https://www.dic-global.com/pdf/about/purchase/dic\\_sc\\_csr\\_en.pdf](https://www.dic-global.com/pdf/about/purchase/dic_sc_csr_en.pdf)

- DIC Group Universal Purchasing Policy
- DIC Group Sustainable Procurement Guidelines
- DIC Group Green Procurement Guidelines
- DIC Group Sustainable Procurement Self-Evaluation Sheet

year 2020 through fiscal year 2022 because of COVID-19, but the Group intends to resume on-site inquiries gradually from fiscal year 2023, as well as to begin also conducting inquiries online. The Group will also expand the scope of assessments conducted using the *DIC Group Sustainable Procurement Guidebook* beyond Japan to suppliers in the PRC and the Asia-Pacific region.



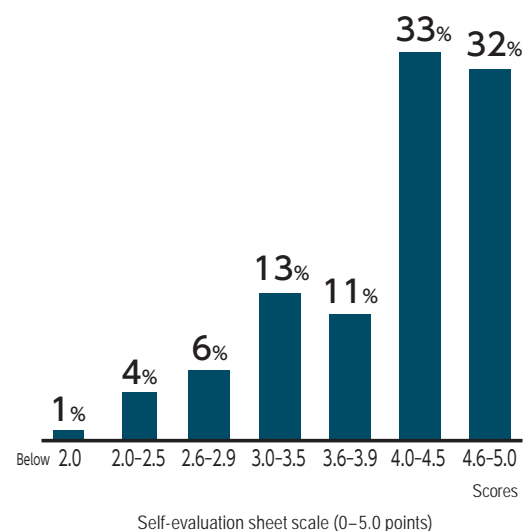
Feedback sheet

## ○ Global Sustainable Procurement Efforts

In Japan, the *DIC Group Sustainable Procurement Guidebook* is used to assess suppliers' sustainability and promote improvements. In addition to encouraging awareness of its expectations of suppliers, outlined in the *DIC Group Sustainable Procurement Guidelines*, which are included in the guidebook, the DIC Group conducts surveys using the guidebook's self-evaluation sheet to ascertain the status of suppliers' sustainability initiatives. The self-evaluation sheet consists of 45 questions segmented into the same eight categories as the *DIC Group Sustainable Procurement Guidelines*.

In fiscal year 2022, the DIC Group completed assessments of suppliers accounting for more than 80% of its procurement spending in Japan using version 3 of the *DIC Group Sustainable Procurement Guidebook*. In addition to analyzing and assessing responses to self-evaluation sheet questions and providing feedback to each supplier, the Group follows up with on-site inquiries or written comments for suppliers whose initiatives were found to be insufficient. On-site inquiries were suspended from fiscal

## Assessment Distribution Chart



Additionally, the DIC Group in Japan uses the DIC Group Green Procurement Guidelines, also contained in the *DIC Group Sustainable Procurement Guidebook*, to oblige suppliers to ensure the stringent management of chemical substances and compliance with pertinent laws and regulations, as well as to promote the reduction of environmental impact. Using the appropriate survey form, the Group also confirms suppliers' own green procurement efforts, ascertains the status of manufacturers' responses to requests for improvements and follows up as necessary.

In the Americas and Europe, Sun Chemical continues to assess the sustainability of suppliers using EcoVadis rather than the *DIC Group Sustainable Procurement Guidebook*. In fiscal year 2022, the company completed assessments of suppliers accounting for approximately 60%\* of its procurement spending.

Going forward, the DIC Group will capitalize on the distinctive features of the *DIC Group Sustainable Procurement Guidebook* and EcoVadis, as well as advance information sharing and hold global procurement meetings to encourage greater understanding and coordinate efforts by regional headquarters to encourage improvements in the sustainability of suppliers.



Global procurement meeting

## Responsible Procurement of Minerals

The DIC Group has formulated the 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 across its supply chains.

### Basic Approach to the Responsible Procurement of Minerals

To avoid any complicity in the funding of armed groups, or in child labor or other human rights abuses, in areas of conflict—including the Democratic Republic of Congo and its neighboring countries—or high-risk areas,\* the DIC Group surveys suppliers of minerals such as tin, tantalum, tungsten and gold to ensure the responsible procurement thereof across its entire supply chain. Should it discover the use of minerals mined in conditions of conflict or as a result of human rights abuses, the Group will take immediate corrective actions.

In line with this approach, the DIC Group uses the conflict minerals reporting template (CMRT) and the extended minerals reporting template (EMRT)\* for minerals contained in procured raw materials. To date, surveys using the CMRT have been secured regarding more than 90% of the raw materials the Group currently procures in Japan. Surveys using the EMRT have also been conducted for major raw materials containing target minerals. The Group will continue to expand and update its surveys in the future.

\* The CMRT and EMRT are standardized reporting templates developed by the Responsible Minerals Initiative (RMI) to survey smelters and refineries used for minerals contained in raw materials, with the CMRT targeting tin, tantalum, tungsten and gold and the EMRT targeting mica and cobalt. This facilitates the transfer of information on minerals across entire supply chains.

## Advance Assessments of New Raw Materials

The DIC Group conducts advance assessments of new raw materials to confirm that there are no issues regarding legal or regulatory compliance, safety or other issues related to the sustainable procurement of raw materials. In Japan, for example, the Group mandates the submission of a DIC Raw Materials Survey,\*<sup>1</sup> a safety data sheet (SDS), a chemSHERPA\*<sup>2</sup> and a CMRT.

\*<sup>1</sup> A DIC Raw Materials Survey is a questionnaire the aim of which is to confirm basic information on the constituents of raw materials and their compliance with pertinent laws and regulations.

\*<sup>2</sup> An acronym for "chemical information sharing and exchange under reporting partnership in supply chain," chemSHERPA is a scheme developed in Japan for the transfer of information on raw materials throughout supply chains.

## Ensuring the Sustainable Procurement and Use of Raw Materials

### Surveys of CO<sub>2</sub> Emissions Associated with Raw Materials

In response to social imperatives and the expectations of its customers, in fiscal year 2022 the DIC Group began surveying CO<sub>2</sub> emissions associated with raw materials, to calculate the carbon footprint of its products, that is, total CO<sub>2</sub> emitted over its products' life cycles. The Group will continue to conduct these surveys to collect relevant data, enabling it to accurately calculate and take steps to reduce its products' carbon footprint.

### Supplier Engagement

The DIC Group seeks to work with its suppliers to encourage the reduction of CO<sub>2</sub> emissions associated with purchased raw materials with the goal of lowering climate change risk and achieving Science Based Targets initiative (SBTi)\* certification of its target for reducing Scope 3 emissions. As a first step, in fiscal year 2023 the Group will commence supplier engagement to confirm the setting of medium- to long-term CO<sub>2</sub> emissions reduction targets, as well as to publicize and raise awareness these efforts.

\* For more information on the SBTi, please see page 86.

### Promoting the Use of Bioderived and Recycled Raw Materials

The DIC Group actively promotes the use of bioderived and recycled raw materials. This includes using the Group's global supply chain to conduct raw material surveys and sharing the results with technical groups, prompting product design reviews.

# Toward Fair and Transparent Corporate Activities

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objectives of initiatives        | Goals for fiscal year 2022   | Achievements in fiscal year 2022   | Evaluation | Goals for fiscal year 2023  |
|----------------------------------|--|--|------------|---|
| Enhance awareness of compliance. | <ul style="list-style-type: none"> <li>• Achieve target of percentage of employees participating in the e-learning program (100%).</li> <li>• Implement legal training focused on compliance and corporate governance. (Determine most appropriate format.)</li> </ul> | <ul style="list-style-type: none"> <li>• Excluding certain regions where new DIC Group member companies had yet to establish an e-learning environment, the percentage of employees participating in e-learning exceeded 99%.</li> <li>• Training provided included risk management training for DIC executives and compliance training for the CEOs of Group companies in other countries and territories.</li> </ul> | ★★         | <ul style="list-style-type: none"> <li>• Achieve target of percentage of employees participating in the e-learning program (100%).</li> <li>• Establish a global system of self-inspection and reporting to ensure compliance.</li> </ul> |
| Conduct business fairly.         | Achieve target of zero violations of antitrust and anti-corruption laws.   | Zero violations of antitrust and anti-corruption laws were reported.   | ★★         | Achieve target of zero violations of antitrust and anti-corruption laws.  |

## Basic Approach to Compliance

Compliance in the DIC Group encompasses not only obeying laws but also acting in a manner that is in keeping with social norms and the expectations of customers, communities and other stakeholders. With the aim of ensuring sustainable growth for businesses that are both fair and transparent, DIC formulated the DIC Group Code of Business Conduct, a unified set of guidelines the adherence to which it considers to be the foundation of compliance. DIC compels all DIC Group employees to comport themselves in accordance with the code.

## The DIC Group Code of Business Conduct

The DIC Group's Board of Directors approved 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 when the code was established, 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.

### 10 Principles Essential to Professional Conduct

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

## Initiatives to Promote Compliance

The DIC Group promotes compliance through the following initiatives:

- ① Legal training that emphasizes improving 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, e-learning related to the code, as well as to compliance, is provided in Japan and at DIC Asia Pacific, DIC (China), and in the Americas and Europe.
- ② Compliance officers are appointed at all regional headquarters—DIC in Japan, Sun Chemical (the Americas and Europe), DIC (China) (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 2022, there were no serious violations of compliance laws.

## Compliance E-Learning

Fiscal year 2018 International antitrust legislation  
 Fiscal year 2019 Avoiding conflicts of interest  
 Fiscal year 2020

- Preventing harassment
- Insider trading
- Trademarks and intellectual property
- Information security and Japan's Act on the Protection of Personal Information, etc.
- Ensuring compliance (DIC Group Code of Business Conduct)
- The DIC Group's whistle-blowing system

Fiscal year 2021

- Ensuring compliance (product quality)
- Information security and the revision of Japan's Act on the Protection of Personal Information, etc.

Fiscal year 2022

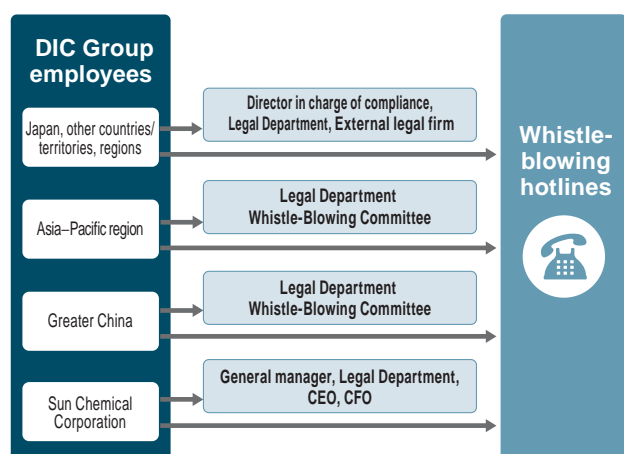
- Preventing discrimination and harassment
- Ensuring compliance (product quality)
- Information security and Japan's Act on the Protection of Personal Information, etc.

### ○ Establishing and Operating a Whistle-Blowing System

The DIC Group has established a compliance whistle-blowing system independent from channels for communication used in the conduct of business. (This system also encompasses external hotlines that can handle reports of compliance-related issues and questions in the languages of more than 160 countries.) The Group has also devised strict rules under this system to protect whistle-blowers from retaliation and works to ensure the system functions in a proper manner.

When a report is received, the DIC Group responds swiftly and appropriately, giving due consideration to pertinent laws while also incorporating internal and external opinions, to identify and correct violations and where necessary to take disciplinary action. Details of reports and steps taken in response are reported to the Board of Directors. The Group will continue to use its whistle-blowing system to ensure the prompt discovery and correction of misconduct.

In fiscal year 2022, approximately 41 reports were received on compliance issues and labor-related matters such as power harassment and discrimination, but none were judged to be serious. In accordance with revisions to Japan's Whistleblower Protection Act, DIC amended its rules for handling reports from and ensuring protection for whistle-blowers.



### ○ Antitrust and Anti-Corruption Legislation

The DIC Group has formulated a basic policy to comply with antitrust legislation and made Groupwide efforts to ensure fair business practices. The DIC Group Code of Business Conduct includes rules for complying with antitrust legislation and prohibits involvement in corruption. Since fiscal year 2014, the Group has held more than 160

presentations regarding antitrust and anti-corruption legislation to ensure strict compliance with the laws of the countries and territories in which it operates.

### ○ Promoting Compliance with Legislation Regarding the Timely Payment of Subcontractors

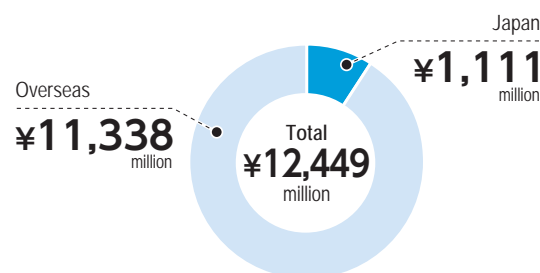
With the aim of enhancing understanding of the importance of appropriate and fair transactions with subcontractors, the Legal Department held presentations on legislation regarding the timely payment of subcontractors, incorporating case studies, for the purchasing departments of domestic DIC Group companies, and offered e-learning, principally for employees in charge of subcontractors. In addition, DIC has prepared the *Manual for Internal Auditing of the DIC Group's Compliance with Japan's Act Against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors* and created a framework for conducting audits in a more efficient manner. The Group also encourages employees in related positions to participate in programs sponsored by external organizations, including a workshop promoting adherence to the Act sponsored by the Japan Fair Trade Commission and the Small and Medium Enterprise Agency.

### ○ Taxation Compliance

In November 2017, the DIC Group formulated an official approach to tax. As an organization with global operations, the Group engages in fair and appropriate tax planning that reflects the nature of its businesses. The Group is also aware of risks associated with transfer price taxation and the use of tax havens, and of its obligation to pay appropriate taxes in the proper jurisdictions as appropriate for its operations. The chart below shows a breakdown of taxes in Japan and overseas in fiscal year 2022.

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

### Income Taxes in Fiscal Year 2022





# Reducing Business Risks and Preventing the Recurrence of Incidents

## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives                       | Goals for fiscal year 2022   | Achievements in fiscal year 2022  | Evaluation | Goals for fiscal year 2023   |
|--|--|---|------------|--|
| Ensure the continuity of DIC Group businesses. | Periodically revise BCPs and reinforce cooperation among product divisions and sites.              | <ul style="list-style-type: none"> <li>All product division BCPs were updated based on a new BCP template created in fiscal year 2021 based on the assumption of the outbreak of a novel infectious disease.</li> <li>A periodic revision of BCPs was conducted, as scheduled.</li> <li>The headquarters task force conducted a drill jointly with a product division and a production facility based on the premise of an accident (a fire) at a production facility.</li> <li>Steps were taken to ensure the stable operation of the DIC BC Portal system, including reviewing criteria for activating the system, as well as initial reporting rules, preparing a manual for night-shift personnel, and developing training environments for sites.</li> <li>Training employing the DIC BC Portal system was offered at multiple sites.</li> </ul> | ★★★        | Periodically revise BCPs and reinforce cooperation among product divisions and sites.              |
|  | Strengthen efforts to create a global crisis management configuration and promote BCP initiatives. | <ul style="list-style-type: none"> <li>The DIC Group's safety handbook for employees from Japan taking overseas business trips was revised and updated.</li> <li>A manual was prepared for the evacuation of expatriate employees in the event a major geopolitical risk becomes manifest.</li> </ul>   | ★          | Strengthen efforts to create a global crisis management configuration and promote BCP initiatives. |

## Basic Approach to BCM and Crisis Management

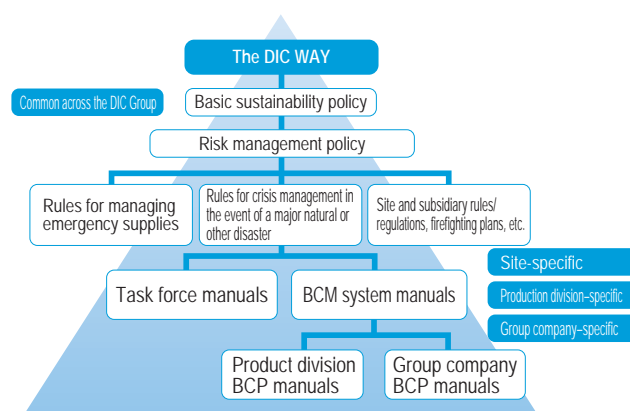
The DIC Group accounts for all risks with the potential to interrupt business continuity through BCM, including those related to natural disasters such as major earthquakes, typhoons and floods; infectious diseases and pandemics; and facility accidents such as explosions, fires and leaks. The Group comprehensively estimates the probability of each risk and its impact on management, prioritizing response measures for more significant risks. The Group has also established a task force framework encompassing a headquarters task force, business task forces and on-site task forces, as well as prepared risk-specific manuals for use Groupwide, and continues to promote efforts that include producing and revising business continuity plans (BCPs) for key products, formulating BCM and crisis management countermeasures, and updating information.

## 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 DIC 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 disaster and thus incorporates this perspective into its BCPs. Specifically, the Group formulates BCPs for key products with a view to fulfilling its responsibilities to society and responding to customer expectations. In addition, DIC conducts BCP-focused joint product division–production facility exercises assuming the implementation of these BCPs to confirm the effectiveness of manuals, identify issues and implement ongoing improvements.

## DIC's Framework for Promotion



## ■ BCM in Fiscal Year 2022

As in the previous period, curbing the spread of COVID-19 once again required decisive steps in fiscal year 2022 and the DIC Group continued working to implement effective measures that reflected evolving circumstances.

Responding effectively to accidents and disasters depends on employees having a correct understanding of BCM and of how to properly execute the DIC Group's BCPs. This in turn requires education and training. In an average year, training includes conducting workshops and map-based simulation exercises—originally developed for senior management—for headquarters task force members under the supervision and guidance of experts, as well as BCP-focused joint production division–production facility exercises.

In fiscal year 2022, the DIC Group conducted a drill based on the premise of which was a fire breaking out at a production facility, rather than the usual premise of a natural disaster, resulting in damage affecting a number of production lines. The drill included using online meetings involving corporate headquarters, product divisions and production facilities in combination with the DIC BC Portal system to report and discuss responses and included an exercise in dealing with local governments and residents.

The DIC Group also sought to address issues associated with the aforementioned DIC BC Portal system in its first year since rollout in fiscal year 2021. This focused on making improvements to ensure stable operation. Specifically, the Group reviewed criteria for activating the system, as well as initial reporting rules, preparing a manual for night-shift personnel, and developing training environments for sites. To increase the system's effectiveness, presentations were held at individual sites to encourage understanding and utilization.

## ■ Improving the Effectiveness of BCPs and Preventing Them from Becoming Empty Formalities

The DIC Group works to refine its BCP templates to prevent these plans from becoming mere formalities. In fiscal year 2022, as in the previous period, the Group adjusted its BCP templates in anticipation of the future evolution of Group companies, to comply with the requirements of ISO 22301, the ISO's standard for business continuity management systems. To bring its BCPs closer in line with the ISO standard, the Group incorporated measures to prevent production bottlenecks that obstruct business continuity.

The DIC Group also conducts annual status update meetings, attended by relevant executives, to verify the content of revised product division BCPs, thereby ensuring they remain relevant. The fiscal year 2022 status update meeting included interviews regarding bottlenecks arising from revision of the format of BCPs designed to ensure business continuity in the event of a major disaster and the creation of the new

BCP template based on the assumption of widespread outbreak of a novel infectious disease.

## ■ Conducting Emergency Response Exercises and Drills

In addition to annual headquarters task force–led training, 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 swift restoration of operations. This system includes a wide range of exercises and drills, including employee safety confirmation drills, site-to-site emergency radio warning drills and site-specific comprehensive disaster drills. With the rollout of the DIC BC Portal system, steps were taken to develop training environments for sites and to advance its use in the sharing of information among sites on emergency response exercises and drills conducted.

## ■ Crisis Management

### ○ Efforts to Reinforce Safety Measures in Other Countries and Territories

Opportunities for employees to travel to other countries and territories on business, which had come to a temporary halt, are recovering to pre-pandemic levels. Given the increasing risks not only of the outbreak of an infectious disease but also of terrorist attacks and insurgencies, the DIC Group has prepared a safety manual for use by employees embarking on overseas business trips. In fiscal year 2022, the Group revised this manual, focusing on sections related to infectious diseases, terrorism, demonstrations and riots, and the operation of vehicles, and began deploying the new version. The Group also prepared a manual for the evacuation of expatriate employees in the event a major geopolitical risk becomes manifest.



Safety manual for employees embarking on business trips to other countries and territories



Safety manual for company representatives posted to other countries and territories

## ■ Community Efforts to Cope with Major Disasters

Japan is one of the most earthquake-prone countries in the world. As a consequence, ensuring earthquake readiness, that is, the ability to prevent and mitigate the impact of earthquakes, is recognized as a critical challenge for society as a whole.

Tokyo's Nihonbashi district, home to DIC's corporate headquarters, is noted for its tightly clustered large commercial complexes and

office buildings. A comprehensive neighborhood disaster drill is conducted annually on an empty lot near the DIC Building, but given the rapid spread of COVID-19 in fiscal year 2022 the drill was replaced by disaster response awareness training, provided by the fire department that has jurisdiction over the area, with the goal of maintaining existing know-how and skills.

The DIC Building, designed with state-of-the-art earthquake-resistant technologies, has been designated as a temporary shelter for people stranded in Chuo-ku, the ward in which Nihonbashi is located, while DIC, as a member of Chuo-ku's management council for emergency shelters for stranded individuals, promotes a variety of initiatives aimed at assisting people stranded in the wake of a serious earthquake or other disaster. The Company also participates in drills in collaboration with local authorities designed to guarantee the effective sharing of information regarding evacuations, among others, even in the midst of post-disaster chaos. DIC will continue to play an active role in community-based efforts to reinforce local disaster preparations. In doing so, the Company seeks to help ensure Tokyo's disaster resilience.

## ■ Responding to Novel Infectious Diseases

The DIC Group revised its existing BCP template, premised on the outbreak of a new strain of influenza, in fiscal year 2021 with the objective of ensuring its preparedness to respond in the event of a widespread outbreak of a novel infectious disease. This new template was created and deployed at corporate headquarters in fiscal year 2022, forming the basis of new BCPs, which were completed by all of the product divisions during the period.

In fiscal year 2022, DIC also continued to promote actions designed to help thwart the further spread of COVID-19 and protect employees from infection. These included encouraging employees to make use of telework arrangements, including by normally ineligible temporary staff, and staggered working hours, as well as mandating individuals remain at home when they or any of the people they live with feel unwell, and avoiding holding meetings and events.

# Initiatives to Ensure Information Security

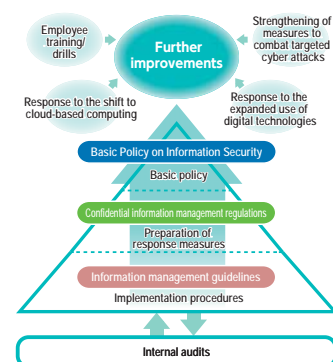
## Goals and Achievements of Major Initiatives

Evaluations are based on self-evaluations of current progress. Key: ★★★ = Excellent; ★★ = Satisfactory; ★ = Still needs work

| Objective of initiatives                           | Goals for fiscal year 2022   | Achievements in fiscal year 2022  | Evaluation | Goal for fiscal year 2023   |
|--|--|---|------------|---|
| Establish a global information security framework. | In light of the results of the information security risk assessment, formulate and implement security measures, BCPs and emergency response drills appropriate for a cloud-based information system. | <ul style="list-style-type: none"> <li>A road map for information security measures was formulated based on the findings of an information security risk assessment.</li> <li>Steps were taken to formulate a plan for the deployment of a global security framework, advance the transition to cloud-based computing under a next-generation IT project and deploy a system created to address incidents when they occur.</li> </ul> | ★★         | Based on the information security road map devised in fiscal year 2022, decisively implement action plans for themes determined to be of particular importance. |

## Basic Approach to Information Security

The DIC Group has positioned information security as a key management priority and established the Basic Policy on Information Security, which is founded on its recognition that protecting information assets that belong to or are managed by the Group is essential to its ability to conduct business. In line with this policy, DIC has formulated and implements confidential information management guidelines. The DIC Group works to ensure that directors and employees use the Group's information assets properly in the course of business and handle confidential information appropriately. The Group also pursues continuous improvements by conducting internal audits to confirm current issues and identify risks.



## Promoting and Enhancing Information Security on a Global Basis

The DIC Group's approach to information security management rests on four pillars: Regulations and guidelines, management framework, information security infrastructure, and employee education and training. In response to increasingly diverse cyber threats, the Group currently plans to deploy measures implemented in Japan to reinforce information security by enhancing its internet security infrastructure and updating endpoint security systems in key overseas markets.

### ○ 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 and related standards, rules and responsibilities, and information management guidelines, which outline procedures for implementation, as well as its information and communications technology management guidelines, which govern the management of information and communications technology environments, regularly and as required to address new security risks in a timely manner. The Group also creates and revises rules in response to the increasing prevalence of digital technologies and the shift to cloud-based computing.

### ○ 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. The Group is currently exploring the idea of establishing a system for ensuring information security for the entire global DIC Group, including Sun Chemical.

### ○ Information Security Infrastructure

Against a backdrop of increasingly active and sophisticated cyber attacks, including ransomware and targeted threats, the DIC Group is working to respond to rapid changes in working environments attributable to work style reforms, including the expansion of remote work and the increased use of cloud-based services. The Group previously contracted a third-party organization to conduct a risk assessment to evaluate the effectiveness and comprehensiveness of its information security measures from a multifaceted perspective. Based on the results of this assessment, the Group formulated a road map for information security with the aim of responding flexibly and appropriately to emerging cyber risks, thereby permanently reducing risks to its businesses and management.

### ○ Employee Education and Training

The DIC Group offers an e-learning information security program for employees in Japan, the Asia-Pacific region, and the Americas and Europe with access to information, whether online or offline. Given the increasingly advanced nature of cyber attacks and crimes, the Group also promotes ongoing efforts to improve employees' awareness of information security and ability to respond effectively should an issue arise.

### ○ Customer Privacy and Customer Data

To date, there have been no substantiated complaints regarding breaches of customer privacy and no incidents of leaks or the loss of customer data.

# Corporate Governance

## Basic Approach to Corporate Governance

The DIC Group defines corporate governance as a mechanism 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 with its shareholders, customers and other stakeholders and enhancing corporate value, the 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.

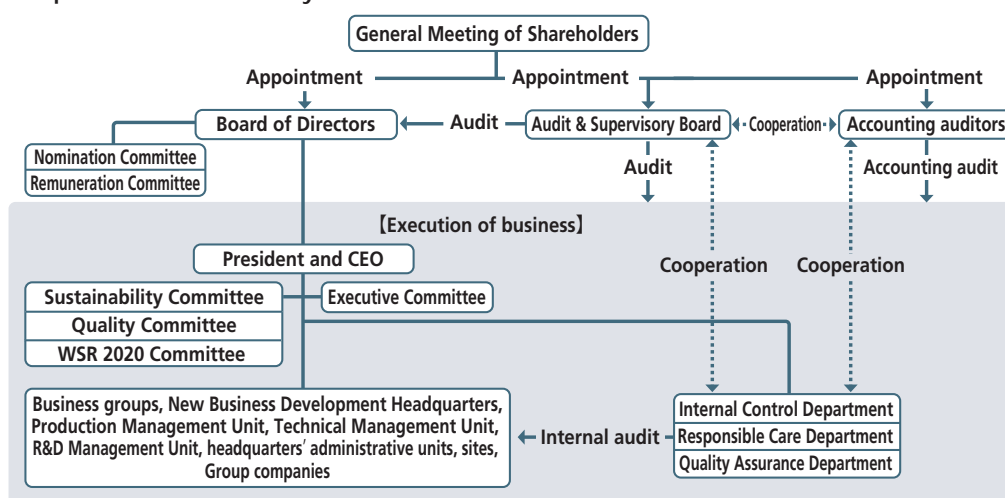
Policy on Corporate Governance

[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 System

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, Remuneration Committee, Executive Committee, Sustainability Committee, Quality Committee and Work Style Revolution (WSR) 2020 Committee.

### Corporate Governance System



### 1 Board of Directors

From the perspective of making business decisions in a timely manner and reinforcing corporate governance, the Board of Directors consists of nine directors, three of whom are outside directors (one of whom is female). The Board of Directors typically meets once monthly to make decisions on matters delegated to it under the Companies Act of Japan and on important business matters stated in the regulations for meetings of the Board of Directors, as well as to receive status reports on the execution of business operations and supervise the execution of the business.

### 2 Nomination Committee

To ensure objectivity in the nomination of directors, Audit & Supervisory Board members and executive officers, among others, the Nomination Committee was established to provide recommendations to the Board of Directors regarding the appointment and dismissal of directors, Audit & Supervisory Board members and executive officers. The committee meets as necessary and consists of five directors, three of whom are independent outside directors, with an independent outside director serving as chair.

### 3 Remuneration Committee

To ensure objectivity in the determination of remuneration for directors and executive officers, the Remuneration Committee was established and has been entrusted with responsibility for determining remuneration, among others, for directors and executive officers. The committee meets as necessary and consists of five directors, three of whom are independent outside directors, with an independent outside director serving as chair.

### 4 Executive Committee

The Executive Committee was established as a body to advise on important matters related to the execution of the DIC Group's business. The committee meets twice monthly in principle and consists of executive officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the heads of the units, and the general managers of the management units 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, met four times in fiscal year 2022 to formulate sustainability policies and activity plans, and evaluate and promote sustainability initiatives, as well as to approve the content of Group sustainability policies and bolster expertise and skills crucial to sustainability. The committee consists of executive officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the heads of the units, the general managers of the management units and product divisions, and the CEOs 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

In addition to reporting on the status and progress of quality management, the Quality Committee functions as a deliberative body for the DIC Group's quality policy, principal initiatives and important issues in Japan. In principle, the committee meets once quarterly and consists of executive officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the heads of the units, and the general managers of the management units 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 WSR 2020 Committee

The WSR 2020 Committee was established to deliberate work style reform-related measures and investment plans, among others, with the aim of enhancing Group employee job satisfaction and productivity. In principle, the committee meets once quarterly and consists of executive officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the heads of the units, and the general managers of the management units and product divisions. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

## ⑧ Audit & Supervisory Board

The Audit & Supervisory Board comprises four members, including two who are outside (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. Members also report on the results of audits conducted.

Board members attend important meetings, including those of the Board of Directors, Executive Committee and 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, the Company has established an Audit & Supervisory Board Members' Office, to which it assigns dedicated personnel to assist the Audit & Supervisory Board members in their duties.

The Company's three outside Audit & Supervisory Board members have extensive experience in and knowledge of finance and accounting, which they are able to leverage in the performance of their duties. Full-time Audit & Supervisory Board member Hiroyuki Ninomiya oversaw corporate accounts at the Company for many years and was general manager of the Accounting Department and Head of the Finance and Accounting Unit. In addition to providing expertise in corporate law, outside Audit & Supervisory Board member Keita Nagura provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act. Outside Audit & Supervisory Board member Keiko Kishigami is qualified as a certified public accountant and has engaged in the audit of companies for many years.

## ⑨ Internal Auditing Department

The internal auditing department—comprising local teams of employees covering Japan, the Asia-Pacific region, the PRC, and Europe, the Americas, the Middle East and Africa—is charged with internal auditing, which includes monitoring the effectiveness of internal controls, based on annual auditing plans, and selects audit targets based on risk assessments.

## ⑩ Accounting Auditors

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

### Meeting Data

Number of and attendance at meetings of the Board of Directors, Nomination Committee and Remuneration Committee in fiscal year 2022  
 Board of Directors: Number of meetings: 15; attendance: 100%  
 Nomination Committee: Number of meetings: 3; attendance: 100%  
 Remuneration Committee: Number of meetings: 3; attendance: 100%

## Rationale Behind Current Corporate Governance System

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

## System of Internal Controls

### ① Status of the System of Internal Controls and the Establishment of a Framework for Risk Management

In striving to conduct its operations in accordance with The DIC Way, the DIC Group has prepared and operates a system of internal controls based on the Companies Act of Japan to ensure the appropriateness of its operations.

① *The Company shall work to set forth the DIC Group Code of Business Conduct as the standard regarding compliance, which directors and employees should comply with, and to disseminate the same.*

② *The Company shall, as part of its compliance activities, establish an internal notification system as a channel available for the employees of the DIC Group and set up multiple notification channels independent from channels used in the execution of business, thereby creating a structure that can quickly respond to domestic and international notifications.*

③ *To ensure that the duties of directors are performed properly and efficiently within the DIC Group, the Company shall establish regulations for company organization and authority.*

④ *The Company shall formulate long-term management plans and the annual budget based on DIC Group management policies and management strategies, and, through dissemination of the same, ensure common goals are shared within the DIC Group. The Company shall make progress reports to the Board of Directors.*

⑤ Information pertaining to the performance of duties by directors shall be recorded, retained and managed appropriately in accordance with the regulations for document management. The Company shall establish regulations for systems of information management and shall prepare a system for preventing leakage of confidential information of the DIC Group.

⑥ The Company shall formulate a risk management policy and shall identify, assess, prioritize and address any risks that may have a significant impact on management of the DIC Group.

⑦ The Company shall determine an administrative department for each subsidiary from the standpoints of business execution and management, and shall supervise the execution of business by dispatching a director to each subsidiary.

⑧ The Company shall clarify important matters, including those pertaining to subsidiaries, that must be approved by or reported to the Company.

## ② Basic Policy toward Eliminating Demands by Antisocial Elements

This basic policy, which is 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 demands 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 legal counsel and the police to ensure the Company's responses are resolute. The Company 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

The Company currently has three outside directors and two outside Audit & Supervisory Board members. In addition to attending meetings of the Board of Directors, the three 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 the Company's corporate management. The two 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 Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company recognizes the need to appoint individuals to the position of outside director and outside Audit & Supervisory Board member, which are shown below. The Company's outside directors and outside Audit & Supervisory Board members are individuals who, based on these standards, are unlikely to have conflicts of interest with ordinary shareholders and who comply with criteria for the independence of directors and Audit & Supervisory Board members set by the Tokyo Stock Exchange.

## Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company does not recognize individuals with the connections listed below as being independent in the appointment of outside officers.

1. Individuals who are executives of the Company or of one of its consolidated subsidiaries (collectively, the "DIC Group") at present or have been in the preceding 10 years
2. Individuals to whom any of the following items have applied in the preceding three years:
  - ① A principal business partner of the DIC Group (a business partner with which transactions in a single fiscal year exceed 3% of the DIC Group's consolidated net sales in that year) or an executive of a business partner to which this description applies
  - ② An individual for which the DIC Group is a principal business partner (a business partner with which transactions in a single fiscal year exceed 3% of the partner's consolidated net sales in that year) or an executive of an entity to which this description applies
  - ③ A shareholder who holds 5% or more of the voting rights of the Company or an executive of a said shareholder to which this description applies
  - ④ A principal lender to the DIC Group (a lender from which loans in a single fiscal year exceed 3% of the DIC Group's total assets in that year) or an executive of a said lender to which this description applies
  - ⑤ An individual who has received contributions from the DIC Group in a single fiscal year that exceed ¥10 million or an individual who belongs to an entity to which this description applies
  - ⑥ An accountant who serves as an accounting auditor or accounting advisor for the DIC Group or an individual who is an employee, partner or associate of an audit firm to which this description applies
  - ⑦ Any individual to whom ⑥ does not apply but who has received remuneration from the DIC Group that exceeds ¥10 million in a year, excluding remuneration received as a director or executive officer of the DIC Group, as a provider of professional services, such as consulting, accounting or legal services, or an individual of an organization that received remuneration in excess of 3% of its consolidated net sales in a fiscal year as compensation for professional services
  - ⑧ An executive of another company, in the event that an executive of the Company is appointed to an outside officer position at that company
3. Spouses and relatives within the second degree of kinship of individuals listed in 1 or 2 above
4. An individual whose term as an outside officer of the Company exceeds eight years

### ③ Support System for Outside Directors and Outside Audit & Supervisory Board Members

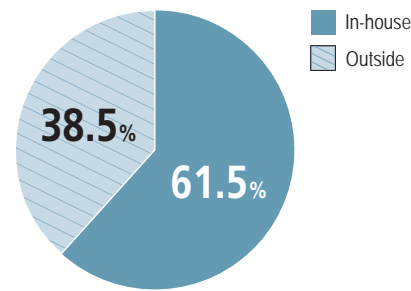
Prior to meetings of the Board of Directors, relevant materials are distributed to all outside directors and outside Audit & Supervisory Board members. In addition, the executive officers in charge provide explanations of the agenda to outside directors, while full-time Audit & Supervisory Board members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

## ■ Other Initiatives to Enhance the Corporate Governance System

### 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. The Board is of an appropriate scale based on the presumption that authority will be delegated to management. Additionally, in light of the DIC Group's global operations, the Company also strives to ensure diversity in the Board's composition. The Board currently has two female members (one director and one outside director.)

### Composition of the Board of Directors



### Composition of the Board of Directors

|                                   | 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%                         |

### Skills Matrix for Directors and Audit & Supervisory Board Members

The table to the right is a skills matrix summarizing the knowledge, experience and capabilities of current directors and Audit & Supervisory Board members.

| Name               | Position   | Expertise/Experience |                        |                               |                          |                |       |                 |                            |                |                    |
|--------------------|--|----------------------|------------------------|-------------------------------|--------------------------|----------------|-------|-----------------|----------------------------|----------------|--------------------|
|                    |  | Corporate Management | Finance/Asset Building | Legal Affairs/Risk Management | International Experience | Sustainability | IT/DX | Personnel/Labor | Marketing/Sales/Purchasing | Technology/R&D | Production/Quality |
| Masayuki Saito     | Chairman of the Board of Directors               | ●                    | ●                      |                               | ●                        |                | ●     | ●               |                            |                |                    |
| Kaoru Ino          | Representative Director President and CEO        | ●                    | ●                      | ●                             | ●                        |                |       |                 | ●                          |                |                    |
| Toshifumi Tamaki   | Representative Director Executive Vice President | ●                    |                        |                               |                          |                | ●     | ●               |                            | ●              | ●                  |
| Yoshihisa Kawamura | Director   | ●                    |                        |                               | ●                        | ●              |       |                 | ●                          |                |                    |
| Takeshi Asai       | Director Managing Executive Officer              | ●                    | ●                      |                               | ●                        | ●              |       |                 |                            |                |                    |
| Shuji Furuta       | Director Managing Executive Officer              | ●                    | ●                      | ●                             | ●                        |                |       |                 |                            |                |                    |
| Yoshiaki Tamura    | Outside Director                                 | ●                    |                        |                               | ●                        | ●              |       |                 | ●                          | ●              |                    |
| Kuniko Shoji       | Outside Director                                 | ●                    |                        |                               | ●                        | ●              |       |                 | ●                          | ●              |                    |
| Masami Fujita      | Outside Director                                 | ●                    |                        | ●                             |                          | ●              |       | ●               | ●                          |                |                    |
| Hiroyuki Ninomiya  | Audit & Supervisory Board Member (Full-time)     |                      | ●                      | ●                             | ●                        |                | ●     |                 |                            |                |                    |
| Akihiro Ikushima   | Audit & Supervisory Board Member (Full-time)     |                      |                        | ●                             |                          | ●              |       | ●               | ●                          |                |                    |
| Keita Nagura       | Audit & Supervisory Board Member (Independent)   |                      | ●                      | ●                             |                          | ●              |       | ●               |                            |                |                    |
| Keiko Kishigami    | Audit & Supervisory Board Member (Independent)   |                      | ●                      | ●                             | ●                        | ●              |       |                 |                            |                |                    |

### ② Remuneration for Directors and Audit & Supervisory Board Members

Remuneration for directors is determined by the Remuneration Committee, taking into account prevailing market rates, and consists of basic remuneration; bonuses, which are linked to consolidated operating results and achievement of individual targets; and stock compensation, which is linked to the achievement of medium- to long-term performance targets. Directors who serve concurrently as executive officers are

eligible for bonuses and stock compensation, in addition to basic remuneration, while other directors and outside directors are eligible for basic remuneration only. Remuneration for Audit & Supervisory Board members consists of basic remuneration only, which is determined 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.

## Remuneration for Directors and Audit &amp; Supervisory Board Members in Fiscal Year 2022

|   | Total remuneration (Millions of yen) | Composition of remuneration (Millions of yen) |         |                    | Number of directors and Audit & Supervisory Board members |
|---|--------------------------------------|---|---------|--------------------|---|
|   |                                      | Basic remuneration                            | Bonuses | Stock compensation |   |
| Directors (excluding outside directors)   | 342                                  | 230   | 54      | 58                 | 6   |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 60                                   | 60  | —       | —                  | 2   |
| Outside officers  | 72                                   | 72  | —       | —                  | 5   |

Note: The total amount of stock compensation is the total monetary value of shares corresponding to the points granted for fiscal year 2021 based on the Company's performance-based stock compensation plan.

### ③ Evaluating the Effectiveness of the Board of Directors

DIC analyzes and evaluates the effectiveness of the Board of Directors annually via a self-evaluation conducted by directors and Audit & Supervisory Board members. In fiscal year 2022, all directors and Audit & Supervisory Board members were surveyed regarding self-evaluations, Board administration and other issues, and interviewed on an individual basis, with responses 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 outside Audit & Supervisory Board members, and that appropriate deliberations had been conducted by the Board of Directors. In addition, regarding issues identified in the evaluation conducted in fiscal year 2021, it was judged that discussions pertaining to the progress of the Company's DIC Vision 2030 long-term management plan and of major investment projects had been enhanced through improvements such as the creation of multiple opportunities for explanation and deliberation and the development of global internal control and risk management systems. Accordingly, the effectiveness of the Board of Directors was confirmed.

In fiscal year 2023, the Company will seek to further bolster the Board of Directors' effectiveness by reviewing the progress of priority measures set forth in DIC Vision 2030, as well as by taking steps to strengthen the Board's supervision of the risk management system, as part of its ongoing effort to promote improvement.

## ■ Other Initiatives

### ① Ensuring Diversity in the Promotion of Core Human Resources

With regard to ensuring diversity, DIC 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. Respect for diversity is also stipulated in the Company's Basic Sustainability Policy.

The Company's policy for fostering human resources and creating work environments in a manner that ensures diversity is to "promote efforts to ensure diverse human resources are in the right places and the creation of work environments that enable employees to maximize their capabilities." An executive officer has been put in charge of diversity to create an effective configuration.

In its long-term management plan, the Company identifies "ensure mobility (hiring, retention and succession)" as a strategic priority for reinforcing management of human capital. From the perspective of business strategy, as well as to advance diversity, the Company actively promotes the hiring of experienced mid-career individuals from different industries and with digital capabilities.

As measurable targets for ensuring diversity, the Company has set targets for percentage of directors and Audit & Supervisory Board members accounted for by women and/or foreign nationals, percentage of executive officers accounted for by women and/or foreign nationals, percentage of management positions in Japan occupied by women and percentage of mid-career hires accounted for by women, publishing actual figures in its integrated report along with other yardsticks such as mid-career hires as a percentage of total new hires.

### ② Sustainability Initiatives

DIC promotes sustainability initiatives in line with key themes that reflect its belief that, as a manufacturer of fine chemicals, it has a responsibility to address ESG-related issues, and discloses the progress thereof in its integrated report. In January 2006, the Company reaffirmed its support for Responsible Care management by signing the CEO's Declaration of Support for the Responsible Care Global Charter, while in December 2010 it became a signatory to the UNGC. In May 2019, DIC declared its support for the TCFD and in April 2022 it joined the Japan Business Initiative for Biodiversity (JBIB). In February 2023, the Company's target for achieving carbon neutrality by fiscal year 2050, set in June 2021, received official endorsement from the SBTi as being consistent with levels that climate science says are necessary to limit average global warming to well below 2°C above pre-industrial levels. In recognition of these and other initiatives, DIC has been selected for inclusion in the Dow Jones Sustainability Indices (DJSI) Asia Pacific Index for eight consecutive years.

| Change   | Year |
|--|------|
| Changes term of office of directors from two years to one year   | 2002 |
| Adopts executive officer system  | 2004 |
| Abolishes system of retirement allowances for executives   | 2005 |
| Establishes committee to determine compensation for directors and Audit & Supervisory Board members  | 2006 |
| Appoints two outside directors   | 2008 |
| Establishes Remuneration Committee and Compensation Committee  | 2009 |
| Establishes Sustainability Committee   | 2014 |
| Formulates Policy on Corporate Governance (including independence standards for outside directors and outside Audit & Supervisory Board members) | 2016 |
| Increased number of outside directors from two to three  | 2017 |
| Adopts system of performance-based stock compensation  | 2017 |
| Establishes Quality Committee  | 2020 |
| Establishes WSR 2020 Committee   | 2021 |

# Risk Management

## Basic Approach to Risk Management

The DIC Group works to expand its operations in line with the growth scenario set forth in the DIC Vision 2030 long-term management plan. At the same time, in this age of unprecedented uncertainties caused by technological innovation, diversifying values, wars and pandemics, effectively managing risks is crucial to increasing corporate value. The Group strives to address changes in its operating environment and the diversification of risks in an appropriate and flexible manner. The Group also promotes initiatives aimed at promptly minimizing the impact of latent risks on its businesses should such risks manifest.

## Risk Management Policy

Based on the aforementioned basic approach, the DIC Group has established a risk management policy. This policy has two components.

- ① The DIC Group shall identify, assess, prioritize and address any risks that may have a significant impact on its management based on potential impact on management and likelihood of occurrence, and respond in a deliberate, systematic and efficient manner.
- ② The DIC Group shall establish a Group risk management system and ensure its effectiveness by repeating the PDCA cycle.

## Framework for Risk Management

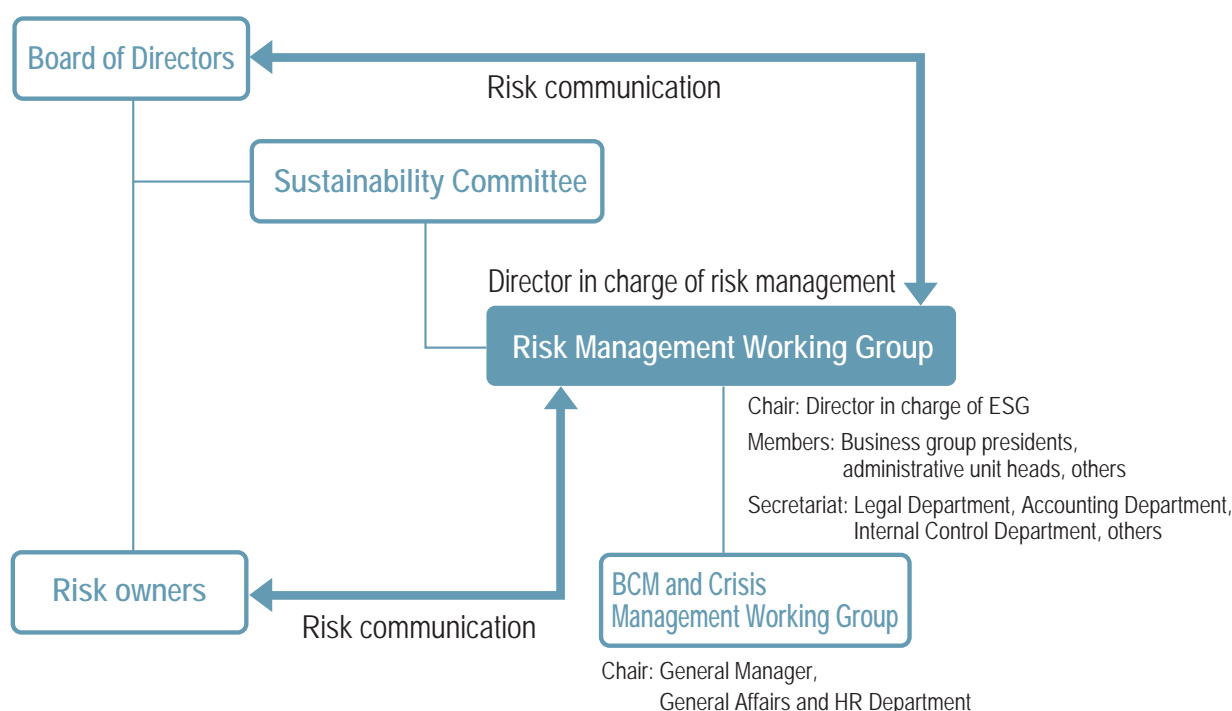
In addition to appointing a new director in charge of risk management, the DIC Group recently established a new Risk Management Working Group, a subordinate entity of the Sustainability Committee, as part of its effort to strengthen its comprehensive risk management framework.

## Risk Management Initiatives

Among the broad range of risks recognized as a result of voluntary risk management efforts in divisions and/or

departments, the DIC Group recognizes risks in three principal categories. The first two are externally caused risks and corporate risks, which are managed by the Sustainability Committee and its subordinate entity, the Risk Management Working Group, while the third is business risks, which are monitored appropriately by, among others, the Executive Committee, an entity established to deliberate important matters related to the execution of business activities.

Each fiscal year, the DIC Group identifies risks based on their potential to hinder achievement of the goals of the DIC Vision 2030 long-term management plan as priority risks. Each risk is assigned an owner, that is, the division or department responsible for implementing countermeasures and validate their effectiveness using the PDCA cycle, with the aim of minimizing impact should the risk materialize. These efforts are overseen by the Board of Directors.





# Directors, Audit & Supervisory Board Members and Executive Officers

(As of May 2023)

## Directors



**1 Masayuki Saito**  
Chairman of the Board of Directors

**3 Toshifumi Tamaki**  
Representative Director

**5 Takeshi Asai**  
Director

**7 Yoshiaki Tamura**  
Director\*

**9 Masami Fujita**  
Director\*

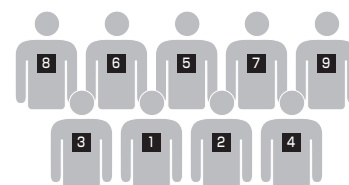
**2 Kaoru Ino**  
Representative Director

**4 Yoshihisa Kawamura**  
Director

**6 Shuji Furuta**  
Director

**8 Kuniko Shoji**  
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 Keiko Kishigami**  
Audit & Supervisory Board Member\*

**4 Keita Nagura**  
Audit & Supervisory Board Member\*

\* Outside



## Outside Director Profiles

### Masami Fujita

April 2019 Executive Vice President, SHINKO ELECTRIC INDUSTRIES CO., LTD.  
June 2019 Representative Director and President, SHINKO ELECTRIC INDUSTRIES CO., LTD.  
June 2021 Representative Director and Chairman, SHINKO ELECTRIC INDUSTRIES CO., LTD.

### Yoshiaki Tamura

January 2007 Executive Officer, Asahi Glass Co., Ltd. (currently AGC Inc.)  
March 2013 Representative Director and Executive Vice President, AGC Inc.  
March 2017 Executive Fellow, AGC Inc.

### Keiko Kishigami

December 1997 Partner, Century Audit Corporation  
(currently Ernst & Young ShinNihon LLC)  
May 2004 Representative Partner (currently Senior Partner), Ernst & Young ShinNihon (currently Ernst & Young ShinNihon LLC)  
September 2018 Board Member, WWF Japan

## Outside Audit & Supervisory Board Member Profiles

### Michiko Chiba

October 1989 Joined Showa Oita & 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



**Masaya Nakafuji**  
Senior Managing Executive Officer  
Head of General Affairs and Legal Unit  
In Charge of Risk Management, 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.



**Myron Petruch**  
Managing Executive Officer  
President and CEO,  
Sun Chemical Corporation



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



**Shuji Furuta**  
Managing Executive Officer  
Head of Finance and Accounting Unit  
CFO



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



**Koji Asada**  
Managing Executive Officer  
Head of IT Strategy Unit



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



**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.



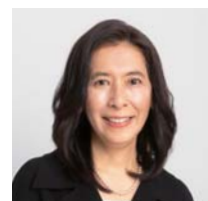
**Toshiro Ariga**  
Executive Officer  
General Manager, R&D Management Unit  
General Manager, Central Research Laboratories



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



**Tomoyuki Tanaka**  
Executive Officer  
General Manager, Corporate Planning Dept.



**Kuniko Torayama**  
Executive Officer  
Head of ESG Unit  
In Charge of Diversity



**Masaaki Kusaka**  
Executive Officer  
General Manager, Legal Dept.



**Takao Iribe**  
Executive Officer  
Head of SCM Unit  
General Manager, Supply Chain Planning Dept.



**Yoshiharu Ootoshi**  
Executive Officer  
General Manager, Production Management Unit



**Kevin Michaelson**  
Executive Officer  
Vice President and CFO,  
Sun Chemical Corporation

# A Message from an Outside Director



We are leveraging nimble innovation to help resolve social imperatives.

Kuniko Shoji

Outside Director

June 2004 Executive Officer, Terumo Corporation

June 2010 Director and Senior Executive Officer, Terumo Corporation

June 2017 Advisor, Terumo Corporation

## ■ Highly Effective Corporate Governance

Four years have passed since I took up the position of outside director in 2019. I remember initially being surprised that DIC had a more vibrant and open atmosphere than I had expected from an organization that has been around for more than 100 years. I am reminded on a daily basis of the integrity and commitment to supporting DIC of each and every employee. Customers see this. It helps earn their trust and is surely one of the reasons behind the Company's century-plus history. At Board of Directors' meetings, we are able to exchange opinions on agenda items freely, which ensures the quality of discussions is excellent. In my view, the effectiveness of DIC's corporate governance is extremely high.

## ■ Working to Resolve Social Imperatives with a Sense of Urgency

While there is undeniably a culture of sincerity, which is something I definitely applaud, I do feel that determination to execute plans and achieve targets is lacking to a certain degree. If one is passionate about seeing things through to completion, that energy will inspire others. Eventually, this develops into a major competitive advantage. Seeing things through also requires innovation. I think there is a tendency to see innovation as something difficult to generate from the ground up, but often it is just a matter of changing one's approach, of, for example, combining two materials that already exist rather than starting from zero.

I believe that the key to fostering an employee's passion for taking on challenges is to instill both the confidence that working for DIC will lead to personal growth and the desire to contribute to growth for the Company. One of the basic

strategies of DIC Vision 2030 is to reinforce management of human capital. Helping employees become more engaged and fostering human resources are strategically important objectives, and I am fully in favor of the various measures being promoted to these ends. I recognize that neither of them will be achieved overnight. Providing unstinting training on an ongoing basis is also essential to nurturing the Company's next generation of leaders.

## ■ Boldly Taking On Challenges to Ensure Another 100 Years

In fiscal year 2020, we found ourselves at the mercy of COVID-19. History is a series of challenges. No matter the era, there will always be exigent issues to confront and difficult choices to make. The ability to relish challenges without fear of failure is one that will always be required of business leaders. DIC's long history is a saga of change, of growing some businesses and shrinking others to drive growth. It is my hope that in looking ahead to DIC's second century in business, employees will continue to actively debate and deepen their grasp of the Company's *raison d'être* from the perspective of how DIC can contribute to society in the future and that this will further underscore job satisfaction. It is my hope that employees feel empowered to address challenges boldly, without being afraid of change.

In the current era, sustainability is seen as an increasingly critical corporate value. It is vital that our employees find what they do rewarding and that they work together as one to address social imperatives. There are opportunities in challenges. I look forward to everyone's efforts in the years ahead and I pledge to continue doing whatever I can to support everyone.

# Financial Report for Fiscal Year 2022

## ■ Analysis of Results of Operations

### Overview of Operating Results

(Billions of yen)

|   | FY2021 | FY2022  | Change (%) | Change (%)<br>Local currency basis |
|---|--------|---------|------------|------------------------------------|
| Net sales                                       | 855.4  | 1,054.2 | 23.2%      | 16.2%                              |
| Operating income                                | 42.9   | 39.7    | -7.5%      | -5.1%                              |
| Ordinary income                                 | 43.8   | 39.9    | -8.7%      | —                                  |
| Net income attributable to owners of the parent | 4.4    | 17.6    | 303.4%     | —                                  |
| EBITDA*   | 69.0   | 85.5    | 23.8%      | —                                  |
| ¥/US\$1.00 (Average exchange rate)              | 109.75 | 130.59  | 19.0%      | —                                  |
| ¥/EUR1.00 (Average exchange rate)               | 129.73 | 137.71  | 6.2%       | —                                  |

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

In the fiscal year ended December 31, 2022, consolidated net sales climbed 23.2%, to ¥1,054.2 billion. This sharp increase, coming amid global economic turmoil caused by a multiplicity of escalating geopolitical risks, including rising inflationary pressure worldwide, the protracted crisis in Ukraine and restrictions on movement in the People's Republic of China (PRC) under a stringent "zero-COVID" policy, was attributable to ongoing efforts to adjust sales prices in response to elevated energy, logistics and raw materials costs, as well as to the influence of yen depreciation on results denominated in other currencies after translation. In the Color & Display segment, the margin of improvement in net sales was boosted by the addition of a full year of sales from the Colors & Effects pigments business, which was not included in the scope of consolidation until the second half of the previous fiscal year. Nonetheless, shipments of high-value-added products were down in all regions from the third quarter forward, that is, from July through December, as demand for digital materials, used principally in electrical and electronics equipment and displays, continued to deteriorate in a negative rebound from gains ascribed to COVID-19-induced stay-at-home lifestyles, as well as to the fact that automobile production-related markets, plagued by semiconductor shortages, remained in recovery mode. Shipments of pigments also fell from the third quarter forward, owing to waning economic conditions in Europe, a leading market for these products.

Operating income decreased 7.5%, to ¥39.7 billion. This was despite the progress of efforts to pass on higher costs, particularly for raw materials, by modifying sales prices for many products, and was due largely to falling shipments of high-value-added products, notably digital materials and materials used in mobility solutions, which pushed down results in the Color & Display and Functional Products segments. The absence of ¥4.0 billion in one-time expenses recorded in the previous fiscal year in association with the integration of the Colors & Effects pigments business narrowed the margin of decline.

Ordinary income, at ¥39.9 billion, was down 8.7%.

Net income attributable to owners of the parent soared 303.4%, to ¥17.6 billion. The foremost factors behind this jump were one-time costs associated with the acquisition of the Colors & Effects pigments business, together with the reversal of deferred tax assets in the United States and the recording of an equivalent amount as income taxes–deferred, in the preceding period.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 23.8%, to ¥85.5 billion.

### Segment Results

(Billions of yen)

|                                    | Net sales |         |            |                                      | Operating income (loss) |        |            |                                      |
|------------------------------------|-----------|---------|------------|--------------------------------------|-------------------------|--------|------------|--------------------------------------|
|                                    | FY2021    | FY2022  | Change (%) | Change (%)<br>[Local currency basis] | FY2021                  | FY2022 | Change (%) | Change (%)<br>[Local currency basis] |
| Packaging & Graphic                | 439.8     | 533.0   | 21.2%      | 14.9%                                | 21.6                    | 20.3   | -6.0%      | 0.3%                                 |
| Color & Display                    | 167.2     | 248.2   | 48.5%      | 34.4%                                | 4.0                     | 5.1    | 29.1%      | 37.7%                                |
| Functional Products                | 283.3     | 315.4   | 11.3%      | 6.5%                                 | 26.2                    | 23.6   | -9.9%      | -13.6%                               |
| Others, Corporate and eliminations | -34.9     | -42.4   | —          | —                                    | -8.9                    | -9.4   | —          | —                                    |
| Total                              | 855.4     | 1,054.2 | 23.2%      | 16.2%                                | 42.9                    | 39.7   | -7.5%      | -5.1%                                |



## Packaging & Graphic

|                  | FY2021         | FY2022         | Change (%) | Change (%)<br>[Local currency basis] |
|------------------|----------------|----------------|------------|--------------------------------------|
| Net sales        | ¥439.8 billion | ¥533.0 billion | 21.2%      | 14.9%                                |
| Operating income | ¥21.6 billion  | ¥20.3 billion  | -6.0%      | 0.3%                                 |

Segment sales advanced 21.2%, to ¥533.0 billion. Sales of packaging inks, used primarily on packaging for food products, increased, supported by efforts in all regions to modify sales prices. Nonetheless, shipments in Asia were down, as those in the PRC remained listless, hampered by that country's relentless zero-COVID measures. In publication inks, which center on inks for commercial printing and news inks, demand in Japan failed to recover for use in pamphlets and event-related printed materials, while demand in Europe fell amid weakening economic conditions, causing shipments in both areas to slump, although sales rose thanks to assertive sales price adjustments worldwide. In jet inks, used in digital printing, demand was down for industrial applications, including outdoor signage (billboards and posters) and banners, as well as for commercial printing, but sales were up as yen depreciation boosted

results denominated in other currencies after translation. The inclusion of the sales of Italian adhesives manufacturer Sapici S.p.A., the acquisition of which was completed in January 2022, also bolstered segment sales.

Segment operating income fell 6.0%, to ¥20.3 billion, despite edging up 0.3% on a local currency basis. Continued efforts to counter higher energy, logistics and raw materials costs globally by modifying sales prices met with success overseas, mainly in the Americas and Europe, but a decline in shipments combined with the depreciation of emerging market currencies to push down results in those markets after translation. Against this backdrop, moves by Sapici to expand its sales of adhesives in Europe led to steady growth in the Italian company's profits.

## Color & Display

|                  | FY2021         | FY2022         | Change (%) | Change (%)<br>[Local currency basis] |
|------------------|----------------|----------------|------------|--------------------------------------|
| Net sales        | ¥167.2 billion | ¥248.2 billion | 48.5%      | 34.4%                                |
| Operating income | ¥4.0 billion   | ¥5.1 billion   | 29.1%      | 37.7%                                |

Segment sales climbed 48.5%, to ¥248.2 billion. Owing to the addition of sales from the Color & Effects pigments business, sales of pigments for coatings, plastics and cosmetics increased significantly. Demand for pigments for cosmetics rallied in the Americas and Europe, both of which were swift to eliminate COVID-19 mask rules, while signs of recovery were also seen in Asia. In display materials, sales of pigments for color filters fell markedly, as production cuts by display manufacturers, together with attendant inventory adjustments, depressed shipments. In pigments for specialty applications, sales of pigments for agricultural uses were firm, although shipments of those for building materials, used in autoclaved aerated concrete, remained on a downtrend in Europe, the principal market for these products.

Segment operating income, at ¥5.1 billion, was up 29.1%. This gain was due largely to the absence of ¥4.0 billion in one-time expenses recorded in the previous fiscal year in association with the integration of the Colors & Effects pigments business. If this factor was discounted, operating income would have been pushed down by, among others, dwindling shipments of high-value-added products, notably pigments for color filters and specialty applications, a decline in income in the C&E pigments business attributable to waning economic conditions and mounting energy costs in Europe, and a decrease in shipments of thin-film transistor liquid crystals (TFT LCs) from the third quarter forward.

## Functional Products

|                  | FY2021         | FY2022         | Change (%) | Change (%)<br>[Local currency basis] |
|------------------|----------------|----------------|------------|--------------------------------------|
| Net sales        | ¥283.3 billion | ¥315.4 billion | 11.3%      | 6.5%                                 |
| Operating income | ¥26.2 billion  | ¥23.6 billion  | -9.9%      | -13.6%                               |

Segment sales rose 11.3%, to ¥315.4 billion. In digital materials, used principally in electrical and electronics equipment and displays, shipments of epoxy resins—the principal application for which is semiconductor devices—declined dramatically worldwide, hampered by the PRC's strict zero-COVID measures and slowing growth in the market for electronic devices, but sales advanced thanks to efforts to modify sales prices. Sales of industrial-use tapes, used mainly in smartphones and other mobile devices, were also up, bolstered by persistent moves to lock in demand. While demand for industrial materials,\* used primarily in mobility solutions, particularly automobiles, tumbled both in Japan and overseas, sales price adjustments pushed up sales of core products. Sales of polyphenylene sulfide (PPS) compounds also expanded, notwithstanding

flagging shipments for use in mobility solutions, as a result of sales price modifications and rising shipments for applications other than automobiles, including housing equipment.

Segment operating income decreased 9.9%, to ¥23.6 billion. This was despite headway made in adjusting sales prices for numerous products to pass on increases in energy, logistics and raw materials costs amid falling shipments, particularly of epoxy resins and other high-value-added products in the area of digital materials, which came up short.

\* DIC uses the term "industrial materials" to describe products for use in mobility solutions, namely automobiles, railroads and shipping, and for general industrial applications such as construction equipment and industrial machinery.



## Consolidated Financial Statements

### Consolidated Balance Sheet As of December 31, 2021 and 2022

(Millions of yen)

|  | 2021      | 2022      |
|--|-----------|-----------|
| <b>Assets</b>                          |           |           |
| Current assets                         |           |           |
| Cash and deposits                      | 38,253    | 63,380    |
| Notes and accounts receivable—trade    | 237,916   | 247,520   |
| <b>Merchandise and finished goods</b>  | 132,773   | 182,572   |
| Work in process                        | 9,651     | 11,656    |
| Raw materials and supplies             | 91,199    | 116,522   |
| Other                                  | 36,282    | 42,432    |
| Allowance for doubtful accounts        | (3,959)   | (4,116)   |
| Total current assets                   | 542,114   | 659,967   |
| Non-current assets                     |           |           |
| Property, plant and equipment          |           |           |
| Buildings and structures               | 288,987   | 330,046   |
| Accumulated depreciation               | (185,949) | (201,304) |
| Buildings and structures, net          | 103,039   | 128,742   |
| Machinery, equipment and vehicles      | 461,394   | 497,171   |
| Accumulated depreciation               | (351,875) | (378,061) |
| Machinery, equipment and vehicles, net | 109,519   | 119,110   |
| Tools, furniture and fixtures          | 74,041    | 80,714    |
| Accumulated depreciation               | (59,111)  | (63,626)  |
| Tools, furniture and fixtures, net     | 14,930    | 17,089    |
| Land                                   | 64,219    | 66,353    |
| Construction in progress               | 15,978    | 22,242    |
| Total property, plant and equipment    | 307,684   | 353,536   |
| Intangible assets                      |           |           |
| Goodwill                               | 20,182    | 33,641    |
| Software                               | 4,002     | 10,277    |
| Customer-related assets                | 3,107     | 9,609     |
| Other                                  | 25,022    | 25,238    |
| Total intangible assets                | 52,313    | 78,764    |
| Investments and other assets           |           |           |
| Investment securities                  | 59,289    | 63,819    |
| Deferred tax assets                    | 17,320    | 16,419    |
| <b>Net defined benefit assets</b>      | 69,715    | 64,383    |
| Other                                  | 23,201    | 24,849    |
| Allowance for doubtful accounts        | (156)     | (98)      |
| Total investments and other assets     | 169,370   | 169,371   |
| Total non-current assets               | 529,367   | 601,671   |
| Total assets                           | 1,071,481 | 1,261,637 |

## Consolidated Balance Sheet As of December 31, 2020 and 2021

(Millions of yen)

|   | 2021      | 2022      |
|---|-----------|-----------|
| <b>Liabilities</b>                                    |           |           |
| Current liabilities                                   |           |           |
| Notes and accounts payable—trade                      | 145,816   | 154,964   |
| Short-term loans payable                              | 10,437    | 26,056    |
| Commercial papers                                     | —         | 30,000    |
| Current portion of bonds payable                      | 20,000    | 30,000    |
| Current portion of long-term loans payable            | 37,131    | 35,928    |
| Lease obligations                                     | 1,092     | 4,607     |
| Income taxes payable                                  | 5,640     | 5,650     |
| Provision for bonuses                                 | 6,125     | 5,555     |
| Other   | 79,334    | 97,133    |
| Total current liabilities                             | 305,575   | 389,892   |
| Non-current liabilities                               |           |           |
| Bonds payable   | 140,000   | 110,000   |
| Long-term loans payable                               | 171,443   | 260,259   |
| Lease obligations                                     | 4,112     | 12,479    |
| Deferred tax liabilities                              | 10,725    | 14,443    |
| Net defined benefit liability                         | 35,989    | 28,742    |
| Asset retirement obligations                          | 7,689     | 8,449     |
| Other   | 14,940    | 16,286    |
| Total non-current liabilities                         | 384,897   | 450,657   |
| Total liabilities                                     | 690,473   | 840,549   |
| <b>Net Assets</b>                                     |           |           |
| Shareholders' equity                                  |           |           |
| Capital stock   | 96,557    | 96,557    |
| Capital surplus                                       | 94,468    | 94,234    |
| Retained earnings                                     | 214,665   | 222,796   |
| Treasury shares                                       | (1,780)   | (1,785)   |
| Total shareholders' equity                            | 403,910   | 411,802   |
| Accumulated other comprehensive income                |           |           |
| Valuation difference on available-for-sale securities | 5,449     | 5,360     |
| Deferred gains or losses on hedges                    | 92        | 694       |
| Foreign currency translation adjustment               | (55,456)  | (17,286)  |
| Remeasurements of defined benefit plans               | (8,067)   | (13,573)  |
| Total accumulated other comprehensive income          | (57,983)  | (24,805)  |
| Non-controlling interests                             | 35,081    | 34,091    |
| Total net assets                                      | 381,008   | 421,088   |
| Total liabilities and net assets                      | 1,071,481 | 1,261,637 |

## Consolidated Statement of Income Years ended December 31, 2021 and 2022

(Millions of yen)

|   | 2021    | 2022      |
|---|---------|-----------|
| Net sales   | 855,379 | 1,054,201 |
| Cost of sales   | 678,061 | 854,979   |
| Gross profit  | 177,318 | 199,221   |
| Selling, general and administrative expenses                                      |         |           |
| Freightage and packing expenses   | 15,870  | 16,701    |
| Employees' salaries and allowances  | 48,950  | 61,005    |
| Provision of allowance for doubtful accounts                                      | 287     | 769       |
| Provision for bonuses   | 2,431   | 2,356     |
| Retirement benefit expenses   | (552)   | (2,908)   |
| Research and development costs  | 13,503  | 15,144    |
| Other   | 53,935  | 66,472    |
| Total selling, general and administrative expenses                                | 134,425 | 159,539   |
| Operating income  | 42,893  | 39,682    |
| Non-operating income  |         |           |
| Interest income   | 1,223   | 1,968     |
| Dividends income  | 401     | 465       |
| Foreign exchange gains  | 250     | 750       |
| Equity in earnings of affiliates  | 2,943   | 2,368     |
| Other   | 2,017   | 2,223     |
| Total non-operating income  | 6,835   | 7,774     |
| Non-operating expenses  |         |           |
| Interest expenses   | 2,176   | 4,512     |
| Other   | 3,794   | 2,998     |
| Total non-operating expenses  | 5,970   | 7,510     |
| Ordinary income   | 43,758  | 39,946    |
| Extraordinary income  |         |           |
| Settlement income   | —       | 1,077     |
| Gain on sales of non-current assets   | 482     | 957       |
| Gain on sales of investment securities  | —       | 445       |
| Insurance income  | —       | 340       |
| Gain on sales of shares and investments in capital of subsidiaries and affiliates | 769     | —         |
| Total extraordinary income  | 1,251   | 2,819     |
| Extraordinary losses  |         |           |
| Severance costs   | 522     | 3,514     |
| Loss on disposal of non-current assets  | 3,139   | 2,407     |
| Impairment losses   | 1,563   | 1,107     |
| Loss on withdrawal from business  | —       | 559       |
| Acquisition-related expenses  | 6,911   | —         |
| Loss on disaster  | 463     | —         |
| Provision for environmental measures  | 300     | —         |
| Total extraordinary losses  | 12,897  | 7,586     |
| Income before income taxes and non-controlling interests                          | 32,112  | 35,179    |
| Income taxes—current  | 13,609  | 12,449    |
| Income taxes—deferred   | 12,041  | 4,081     |
| Total income taxes  | 25,650  | 16,531    |
| Net income  | 6,462   | 18,649    |
| Net income attributable to non-controlling interests                              | 2,097   | 1,039     |
| Net income attributable to owners of the parent                                   | 4,365   | 17,610    |

## Consolidated Statement of Comprehensive Income Years ended December 31, 2021 and 2022

(Millions of yen)

|   | 2021    | 2022    |
|---|---------|---------|
| Net income  | 6,462   | 18,649  |
| Other comprehensive income  |         |         |
| Valuation difference on available-for-sale securities                               | 2,549   | (94)    |
| Deferred gains or losses on hedges  | (2,376) | 598     |
| Foreign currency translation adjustment   | 27,010  | 38,266  |
| Remeasurements of defined benefit plans, net of tax                                 | 5,616   | (5,545) |
| Share of other comprehensive income of associates accounted for using equity method | 1,334   | 358     |
| Total other comprehensive income  | 34,134  | 33,584  |
| Comprehensive income  | 40,596  | 52,233  |
| Comprehensive income attributable to  |         |         |
| Comprehensive income attributable to owners of the parent                           | 36,894  | 50,788  |
| Comprehensive income attributable to non-controlling interests                      | 3,702   | 1,445   |

## Consolidated Statement of Changes in Net Assets Years ended December 31, 2021 and 2022

Fiscal year ended December 31, 2021

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at January 1, 2021                           | 96,557               | 94,468          | 219,778           | (1,800)         | 409,003                    |
| Change in FY2021                                     |                      |                 |                   |                 |                            |
| Dividends from surplus                               |                      |                 | (9,479)           |                 | (9,479)                    |
| Net income attributable to owners of the parent      |                      |                 | 4,365             |                 | 4,365                      |
| Purchase of treasury shares                          |                      |                 |                   | (9)             | (9)                        |
| Disposal of treasury shares                          |                      |                 |                   | 29              | 29                         |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total change in FY2021                               | —                    | —               | (5,114)           | 20              | (5,094)                    |
| Balance at December 31, 2021                         | 96,557               | 94,468          | 214,665           | (1,780)         | 403,910                    |

(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, 2021                           | 2,903   | 2,468                              | (82,321)                                | (13,562)                                | (90,511)                                     | 32,873                    | 351,364          |
| Change in FY2021                                     |   |                                    |   |   |  |                           |                  |
| Dividends from surplus                               |   |                                    |   |   |  |                           | (9,479)          |
| Net income attributable to owners of the parent      |   |                                    |   |   |  |                           | 4,365            |
| Purchase of treasury shares                          |   |                                    |   |   |  |                           | (9)              |
| Disposal of treasury shares                          |   |                                    |   |   |  |                           | 29               |
| Net changes of items other than shareholders' equity | 2,546   | (2,377)                            | 26,865                                  | 5,494                                   | 32,528                                       | 2,208                     | 34,736           |
| Total change in FY2021                               | 2,546   | (2,377)                            | 26,865                                  | 5,494                                   | 32,528                                       | 2,208                     | 29,643           |
| Balance at December 31, 2021                         | 5,449   | 92                                 | (55,456)                                | (8,067)                                 | (57,983)                                     | 35,081                    | 381,008          |

Fiscal year ended December 31, 2022

(Millions of yen)

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at January 1, 2022  | 96,557               | 94,468          | 214,665           | (1,780)         | 403,910                    |
| Change in FY2022  |                      |                 |                   |                 |                            |
| Dividends from surplus  |                      |                 | (9,479)           |                 | (9,479)                    |
| Net income attributable to owners of the parent   |                      |                 | 17,610            |                 | 17,610                     |
| Purchase of treasury shares   |                      |                 |                   | (6)             | (6)                        |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | (234)           |                   |                 | (234)                      |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                            |
| Total change in FY2022  | —                    | (234)           | 8,131             | (6)             | 7,892                      |
| Balance at December 31, 2022  | 96,557               | 94,234          | 222,796           | (1,785)         | 411,802                    |

(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, 2022  | 5,449   | 92                                 | (55,456)                                | (8,067)                                 | (57,983)                                     | 35,081                    | 381,008          |
| Change in FY2022  |   |                                    |   |   |  |                           |                  |
| Dividends from surplus  |   |                                    |   |   |  |                           | (9,479)          |
| Net income attributable to owners of the parent   |   |                                    |   |   |  |                           | 17,610           |
| Purchase of treasury shares   |   |                                    |   |   |  |                           | (6)              |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |   |   |  |                           | (234)            |
| Net changes of items other than shareholders' equity                                      | (88)  | 602                                | 38,170                                  | (5,506)                                 | 33,178                                       | (989)                     | 32,188           |
| Total change in FY2022  | (88)  | 602                                | 38,170                                  | (5,506)                                 | 33,178                                       | (989)                     | 40,080           |
| Balance at December 31, 2022  | 5,360   | 694                                | (17,286)                                | (13,573)                                | (24,805)                                     | 34,091                    | 421,088          |

## Consolidated Statement of Cash Flows Years ended December 31, 2021 and 2022

(Millions of yen)

|   | 2021      | 2022     |
|---|-----------|----------|
| <b>Net cash provided by (used in) operating activities</b>  |           |          |
| Income before income taxes and non-controlling interests  | 32,112    | 35,179   |
| Depreciation and amortization   | 37,394    | 47,126   |
| Amortization of goodwill  | 656       | 1,666    |
| Increase (decrease) in allowance for doubtful accounts  | (1,386)   | (60)     |
| Increase (decrease) in provision for bonuses  | 632       | (660)    |
| Interest and dividends income   | (1,624)   | (2,433)  |
| Equity in (earnings) losses of affiliates   | (2,943)   | (2,368)  |
| Interest expenses   | 2,176     | 4,512    |
| Loss (gain) on sales and retirement of non-current assets   | 2,657     | 1,450    |
| Impairment losses   | 1,563     | 1,107    |
| Loss (gain) on sales of shares and investments in capital of subsidiaries and affiliates                        | (769)     | —        |
| Loss (gain) on sales of investment securities   | —         | (445)    |
| Decrease (increase) in notes and accounts receivable—trade  | (15,963)  | 4,318    |
| Decrease (increase) in inventories  | (34,348)  | (55,521) |
| Increase (decrease) in notes and accounts payable—trade   | 34,261    | (764)    |
| Other, net  | 2,676     | (9,641)  |
| Subtotal  | 57,093    | 23,465   |
| Interest and dividends income received  | 3,358     | 3,772    |
| Interest expenses paid  | (1,963)   | (4,444)  |
| Income taxes paid   | (13,676)  | (14,857) |
| Net cash provided by (used in) operating activities   | 44,812    | 7,935    |
| <b>Net cash provided by (used in) investing activities</b>  |           |          |
| Payments into time deposits   | (402)     | (2,173)  |
| Proceeds from withdrawal of time deposits   | 3,433     | 2,065    |
| Purchase of property, plant and equipment   | (35,935)  | (40,817) |
| Proceeds from sales of property, plant and equipment  | 909       | 1,383    |
| Purchase of intangible assets   | (2,706)   | (4,580)  |
| Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation     | (124,095) | (30,732) |
| Proceeds from sales of shares and investments in capital of subsidiaries and affiliates                         | 11,618    | 2        |
| Purchase of investment securities   | (142)     | (325)    |
| Proceeds from sales and redemption of investment securities   | 1,589     | 749      |
| Proceeds from sales of businesses   | 95        | —        |
| Payments for transfer of business   | —         | (16)     |
| Other, net  | (1,975)   | 1,285    |
| Net cash provided by (used in) investing activities   | (147,612) | (73,160) |
| <b>Net cash provided by (used in) financing activities</b>  |           |          |
| Net increase (decrease) in short-term loans payable   | (650)     | 13,715   |
| Increase (decrease) in commercial papers  | —         | 30,000   |
| Proceeds from long-term loans payable   | 89,070    | 127,913  |
| Repayment of long-term loans payable  | (36,277)  | (49,623) |
| Proceeds from issuance of bonds   | 60,000    | —        |
| Redemption of bonds   | —         | (20,000) |
| Cash dividends paid   | (9,479)   | (9,479)  |
| Cash dividends paid to non-controlling interests  | (1,475)   | (681)    |
| Net decrease (increase) in treasury shares  | 20        | (6)      |
| Purchase of shares and investments in capital of subsidiaries not resulting in change in scope of consolidation | —         | (1,999)  |
| Repayment of lease liabilities  | (1,223)   | (5,807)  |
| Other, net  | (438)     | (85)     |
| Net cash provided by (used in) financing activities   | 99,549    | 83,948   |
| Effect of exchange rate change on cash and cash equivalents   | (531)     | 6,265    |
| Net increase (decrease) in cash and cash equivalents  | (3,782)   | 24,989   |
| Cash and cash equivalents at beginning of the period  | 41,354    | 37,572   |
| Cash and cash equivalents at end of the period  | 37,572    | 62,560   |



# Third-Party Verification

## Verification Opinion

25 September 2023  
Opinion No : SGS23/007

Mr. Kaoru Ino  
Representative Director, President and CEO  
DIC Corporation  
DIC Building, 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan

**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: 2019 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the Statement"). The objective of this verification is to confirm that the Statement in the Organization's applicable scope has been correctly calculated and reported in the Statement in conformance with the criteria, and to express our views as a third party. The Organization is responsible for the preparation and fair presentation of the Statement.

**Scope**  
The scope of verification is Scope 1 and 2 emissions, energy consumption, Scope3 emissions, amount of water, waste amount, the data of occupational injuries, the data of process accidents and the data of female managers. The period subject to report is from 1 January 2022 to 31 December 2022. Refer to the attached sheet for the detailed scope of verification.

**Procedure of Verification**  
The Statement 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 Statement: On-site verification and voucher review conducted at the DIC EP Corporation Sodegaura Plant and the DIC Kitanihon Polymer Co., Ltd. Tohoku Plant, and analytical procedures and interviews for the 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. 4.8", "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.3" and "the protocol specified by the Organization".

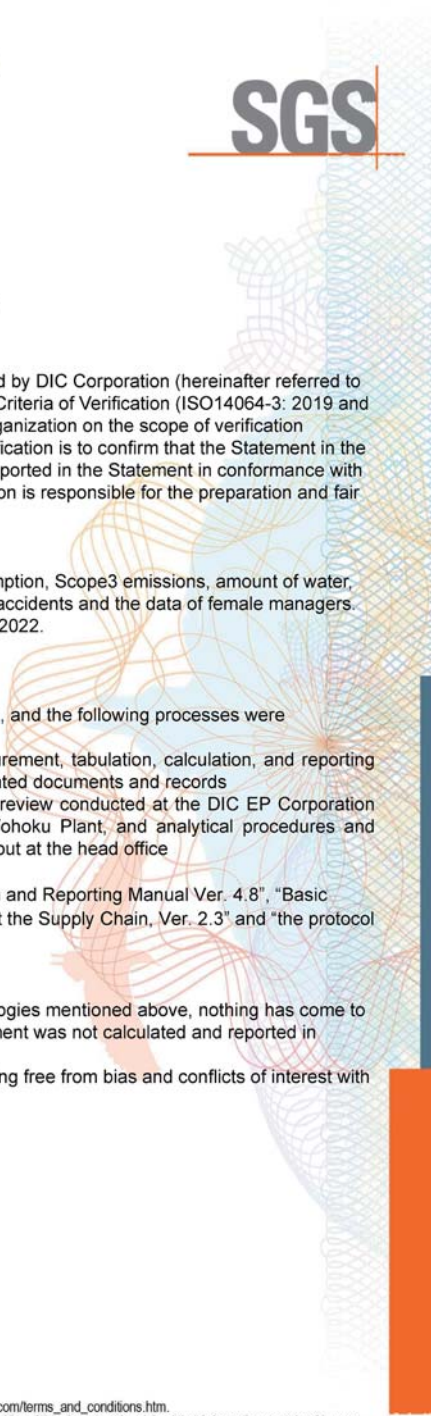

**Conclusion**  
Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's Statement was not calculated and reported in conformance with the criteria.  
SGS Japan Inc. affirms our independence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

**For and on behalf of SGS Japan Inc**  
Yokohama business Park North Square I  
134, Good-cho, Hodogaya-ku, Yokohama  
Knowledge  
Management Committee Member  
Head of Certification/Accreditation

Yuji Takeuchi

1 / 3

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The DIC Group has received the above third-party verification regarding greenhouse gas emissions, waste generation, number of accidents (number of lost work days, etc.) and ratio of female managers.

DIC Report 2023

144

# Third-Party Verification

**SGS**

Attached file

25 September 2023  
Opinion No : SGS23/007

## The details of the scope of verification

| The Scope  | The Boundary   | The Statement   |
|--|--|---|
| 1 The performance data<br>Scope1 and 2 limited CO2<br>* non-energy related CO2 is only following | The DIC Group<br>*The consolidated subsidiaries in the securities report   | Scope1 : 341,610 t-CO2<br>Scope2 : 378,834 t-CO2  |
| The performance data<br>Scope 1 (non-energy related CO2)<br>* included in above the Scope1       | DIC Corporation and Japanese consolidated companies<br>Production and laboratory sites (12 companies, 36 sites)        | Scope1 : 22,578t-CO2  |
| Scope 3 (Category5)<br>*including only industrial waste  | The DIC Group<br>*The consolidated subsidiaries in the securities report<br>Limited to production and laboratory sites | 64,393 t-CO2  |
| 2 Amount of hazardous waste<br>*including valuables  | DIC Corporation and Japanese consolidated companies<br>Production and laboratory sites (12 companies, 36 sites)        | Generation amount: 8,268 t<br>Emission amount from facilities: 7,069 t<br>Recycled amount: 2,945 t<br>Energy recovery incineration amount: 4,597 t<br>Simple incineration amount: 707 t<br>landfill amount: 19 t        |
| Amount of non-hazardous waste<br>*including generals and valuables                               | DIC Corporation and Japanese consolidated companies<br>Production and laboratory sites (12 companies, 36 sites)        | Generation amount: 33,153 t<br>Emission amount from facilities: 24,558 t<br>Recycled amount: 13,780 t<br>Energy recovery incineration amount: 16,252 t<br>Simple incineration amount: 2,967 t<br>landfill amount: 154 t |

2 / 3

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The DIC Group has received the above third-party verification regarding greenhouse gas emissions, waste generation, number of accidents (number of lost work days, etc.) and ratio of female managers.

# Third-Party Verification

**SGS**

| The Scope                                | The Boundary  | The Statement  |
|--|---|--|
| 3 Amount of water                        | DIC Corporation and Japanese consolidated companies<br>Production and laboratory sites (12 companies, 36 sites) | Surface water: 9,789 km <sup>3</sup><br>Ground water: 6,403 km <sup>3</sup><br>Municipal water: 271 km <sup>3</sup><br>Industrial water: 11,169 km <sup>3</sup><br>Other: 19 km <sup>3</sup><br>Total: 27,651 km <sup>3</sup>  |
| 4 The data of occupational injuries      | DIC Corporation and Japanese consolidated companies<br>Production and laboratory sites (46 companies, 78 sites) | Japan DIC Group (including DIC)<br>Total recordable injury rate (TRIR): 2.23<br>Lost time injury rate: 0.45<br>Number of deaths: 0<br>Number of injuries workdays lost: 4<br>Number of injuries non-workdays lost: 16<br><br>China DIC Group<br>Total recordable injury rate (TRIR): 0.79<br>Lost time injury rate: 0.53<br>Number of deaths: 0<br>Number of injuries workdays lost: 2<br>Number of injuries non-workdays lost: 1<br><br>AP DIC Group<br>Total recordable injury rate (TRIR): 1.21<br>Lost time injury rate: 0.99<br>Number of deaths: 0<br>Number of injuries workdays lost: 9<br>Number of injuries non-workdays lost: 2 |
| 5 The data of process accidents          | DIC Corporation and Japanese consolidated companies<br>Production and laboratory sites (12 companies, 36 sites) | Number of accidents: 3<br>Rate to process accidents: 0.055   |
| 6 The number and rate of female managers | DIC Corporation<br>1 January 2023   | Number: 70<br>Rate: 7.1%   |

3 / 3

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# DIC Report 2023 and the GRI Standards

|                                 |   |
|---------------------------------|---|
| Statement of Use                | In this report, DIC Corporation presents information in accordance with the GRI Standards for fiscal year 2022 (January 1, 2022–December 31, 2022). The report also contains some information from before and after fiscal year 2022. |
| GRI 1 used                      | GRI 1: Foundation 2021  |
| Applicable GRI Sector Standards | The Company complies with applicable sector standards as soon as they are made public.  |

| Standard                   | Disclosures   | Page(s), etc.   | Related information/Reasons for omission |
|----------------------------|---|---|--|
| <b>General Disclosures</b> |   |   |  |
| <b>GRI 1:</b>              | <b>Foundation 2021</b>  |   |  |
| <b>GRI 2:</b>              | <b>General Disclosures 2021</b>   |   |  |
| <b>1</b>                   | <b>The Organization and its reporting practices</b>                         |   |  |
| 2-1                        | Organizational details  | 17 (The DIC Group: A Global Powerhouse), 151 (Corporate Data)   |  |
| 2-2                        | Entities included in the organization's sustainability reporting            | 2 (About this Report), 6–8 of the Annual Securities Report  |  |
| 2-3                        | Reporting period, frequency and contact point                               | 2, back cover   |  |
| 2-4                        | Restatements of information   | NA  |  |
| 2-5                        | External assurance  | 144–146 (Third-Party Verification)  |  |
| <b>2</b>                   | <b>Activities and workers</b>   |   |  |
| 2-6                        | Activities, value chain and other business relationships                    | 17 (The DIC Group: A Global Powerhouse), 119–121 (Sustainable Procurement)  |  |
| 2-7                        | Employees   | 100 (● Basic Personnel Statistics (DIC)), 105 (Diversity Across the DIC Group), 151 (Corporate Data)  |  |
| 2-8                        | Workers who are not employees   | —   |  |
| <b>3</b>                   | <b>Governance</b>   |   |  |
| 2-9                        | Governance structure and composition  | 34 (System for Promoting Sustainability Initiatives), 128–132 (Corporate Governance), 52–57 of the Annual Securities Report                             |  |
| 2-10                       | Nomination and selection of the highest governance body                     | 128 (Corporate Governance System), 134–135 (Directors, Audit & Supervisory Board Members and Executive Officers), 52–57 of the Annual Securities Report |  |
| 2-11                       | Chair of the highest governance body  | 52 of the Annual Securities Report  |  |
| 2-12                       | Role of the highest governance body in overseeing the management of impacts | 15 (Overview of Materiality)  |  |
| 2-13                       | Delegation of responsibility for managing impacts                           | 34 (System for Promoting Sustainability Initiatives)  |  |
| 2-14                       | Role of the highest governance body in sustainability reporting             | —   |  |
| 2-15                       | Conflicts of interest   | 63 of the Annual Securities Report  |  |
| 2-16                       | Communication of critical concerns  | 123 (Establishing and Operating a Whistle-Blowing System)   |  |
| 2-17                       | Collective knowledge of the highest governance body                         | 73 (Biodiversity), 108 ((2) Initiatives Aimed at Expanding Career Opportunities for Women)  |  |
| 2-18                       | Evaluation of the performance of the highest governance body                | —   |  |
| 2-19                       | Remuneration policies   | 131–132 (● Remuneration for Directors and Audit & Supervisory Board Members), 69–70 of the Annual Securities Report                                     |  |
| 2-20                       | Process to determine remuneration   | 128 (● Remuneration Committee), 131–132 (● Remuneration for Directors and Audit & Supervisory Board Members)  |  |
| 2-21                       | Annual total compensation ratio   | —   |  |
| <b>4</b>                   | <b>Strategy, policies and practices</b>                                     |   |  |
| 2-22                       | Statement on sustainable development strategy                               | 5–10 (A Message from the President)   |  |
| 2-23                       | Policy commitments  | 34 (Ensuring DIC Remains a Globally Trusted Corporate Citizen with a Proud Reputation), 123 (Establishing and Operating a Whistle-Blowing System)       |  |
| 2-24                       | Embedding policy commitments  | 110 (● Respect for Human Rights), 122–123 (Toward Fair and Transparent Corporate Activities), 129–130 (System of Internal Controls)                     |  |
| 2-25                       | Processes to remediate negative impacts                                     | 123 (Establishing and Operating a Whistle-Blowing System)   |  |
| 2-26                       | Mechanisms for seeking advice and raising concerns                          | 123 (Establishing and Operating a Whistle-Blowing System)   |  |
| 2-27                       | Compliance with laws and regulations  | No violations of laws or regulations were reported.   |  |
| 2-28                       | Membership associations   | 49 (Participation in Industry Organizations)  |  |
| <b>5</b>                   | <b>Stakeholder engagement</b>   |   |  |
| 2-29                       | Approach to stakeholder engagement  | 47–51 (Communication with Stakeholders)   |  |
| 2-30                       | Collective bargaining agreements  | 112 ((6) Building Trust with the DIC Employees' Union)  |  |
| <b>GRI 3:</b>              | <b>Material Topics 2021</b>   |   |  |
| 3-1                        | Process to determine material topics  | 15–16 (Overview of Materiality)   |  |
| 3-2                        | List of material topics   | 15–16 (Overview of Materiality) (unchanged from fiscal year 2021)   |  |
| 3-3                        | Management of material topics   | 15–16 (Overview of Materiality), 34 (System for Promoting Sustainability Initiatives) and other related pages   |  |

| Society  |   |  |   |
|--|---|--|---|
| <b>GRI 201: Economic Performance 2016</b>      |   |  |   |
| 201-1  | Direct economic value generated and distributed   | 17 of the Annual Securities Report, 30 (A Message from the CFO), 137–143 (Financial Report for Fiscal Year 2022)   |   |
| 201-2  | Financial implications and other risks and opportunities due to climate change  | 87–92 (Disclosures in Line with the TCFD Recommendations)  |   |
| 201-3  | Defined benefit plan obligations and other retirement plans   | 125 of the Annual Securities Report  |   |
| 201-4  | Financial assistance received from government   | 132 of the Annual Securities Report  |   |
| <b>GRI 202: Market Presence 2016</b>           |   |  |   |
| 202-1  | Ratios of standard entry level wage by gender compared to local minimum wage  | —  |   |
| 202-2  | Proportion of senior management hired from the local community  | —  |   |
| <b>GRI 203: Indirect Economic Impacts 2016</b> |   |  |   |
| 203-1  | Infrastructure investments and services supported   | —  | 44–46 (Harmony with the Community and Social Contributions) |
| 203-2  | Significant indirect economic impacts   | —  | 44–46 (Harmony with the Community and Social Contributions) |
| <b>GRI 204: Procurement Practices 2016</b>     |   |  |   |
| 204-1  | Proportion of spending on local suppliers   | —  |   |
| <b>GRI 205: Anti-corruption 2016</b>           |   |  |   |
| 205-1  | Operations assessed for risks related to corruption   | —  | 122–123 (Compliance)  |
| 205-2  | Communication and training about anti-corruption policies and procedures  | 122–123 (Compliance)   | 119–121 (Sustainable Procurement)                           |
| 205-3  | Confirmed incidents of corruption and actions taken   | There were no confirmed incidents of corruption during the period.   | 122–123 (Compliance)  |
| <b>GRI 206: Anti-competitive Behavior 2016</b> |   |  |   |
| 206-1  | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices   | There were no reportable legal actions in the period under review.   | 122–123 (Compliance)  |
| <b>GRI 207: Tax 2019</b>                       |   |  |   |
| 207-1  | Approach to tax   | The DIC Group's Approach to Tax<br><a href="https://www.dic-global.com/en/csr/philosophy/tax.html">https://www.dic-global.com/en/csr/philosophy/tax.html</a> |   |
| 207-2  | Tax governance, control, and risk management  | The DIC Group's Approach to Tax<br><a href="https://www.dic-global.com/en/csr/philosophy/tax.html">https://www.dic-global.com/en/csr/philosophy/tax.html</a> |   |
| 207-3  | Stakeholder engagement and management of concerns related to tax  | The DIC Group's Approach to Tax<br><a href="https://www.dic-global.com/en/csr/philosophy/tax.html">https://www.dic-global.com/en/csr/philosophy/tax.html</a> |   |
| 207-4  | Country-by-country reporting  | —  |   |
| Environment                                    |   |  |   |
| <b>GRI 301: Materials 2016</b>                 |   |  |   |
| 301-1  | Materials used by weight or volume  | —  |   |
| 301-2  | Recycled input materials used   | —  |   |
| 301-3  | Reclaimed products and their packaging materials  | —  |   |
| <b>GRI 302: Energy 2016</b>                    |   |  |   |
| 302-1  | Energy consumption within the organization  | 63–64 (Groupwide Environmental Performance)  | 41 (Responding to a Circular Economy)                       |
| 302-2  | Energy consumption outside of the organization  | —  |   |
| 302-3  | Energy intensity  | 29 (Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)), 95 (Key Data)  |   |
| 302-4  | Reduction of energy consumption   | 29 (Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)), 95 (Key Data)  |   |
| 302-5  | Reductions in energy requirements of products and services  | NA   |   |
| <b>GRI 303: Water and Effluents 2018</b>       |   |  |   |
| 303-1  | Interactions with water as a shared resource  | 71–72 (Managing Water Resources)   |   |
| 303-2  | Management of water discharge-related impacts   | 72 (Managing Water Resources)  |   |
| 303-3  | Water withdrawal  | 84–85 (Key Data)   |   |
| 303-4  | Water discharge   | 85 (Key Data)  |   |
| 303-5  | Water consumption   | 85 (Key Data)  |   |
| <b>GRI 304: Biodiversity 2016</b>              |   |  |   |
| 304-1  | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | —  |   |
| 304-2  | Significant impacts of activities, products, and services on biodiversity   | —  | 73 (Biodiversity)   |
| 304-3  | Habitats protected or restored  | —  | 73 (Biodiversity)   |
| 304-4  | IUCN Red List species and national conservation list species with habitats in areas affected by operations                                | —  | 73 (Biodiversity)   |
| <b>GRI 305: Emissions 2016</b>                 |   |  |   |
| 305-1  | Direct (Scope 1) GHG emissions  | 95 (Key Data)  |   |
| 305-2  | Energy indirect (Scope 2) GHG emissions   | 95 (Key Data)  |   |
| 305-3  | Other indirect (Scope 3) GHG emissions  | 93 ((2) Grasping CO <sub>2</sub> Emissions Across the DIC Group's Supply Chains (Scope 3))   |   |
| 305-4  | GHG emissions intensity   | 95 (Key Data)  |   |



|   |  |   |  |
|---|--|---|--|
| 305-5   | Reduction of GHG emissions   | 86 (Climate Change), 92–93  |  |
| 305-6   | Emissions of ozone-depleting substances (ODS)  | 94 (Protecting the Ozone Layer)   |  |
| 305-7   | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions                                | 66 (Reducing SOx, NOx and COD), 83 (Key Data)   |  |
| <b>GRI 306: Waste 2020</b>  |  |   |  |
| 306-1   | Waste generation and significant waste-related impacts   | —   |  |
| 306-2   | Management of significant waste-related impacts  | —   |  |
| 306-3   | Waste generated  | 69–70 (Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2022), 84 (Key Data)         |  |
| 306-4   | Waste diverted from disposal   | 70 (Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2022), 84 (Key Data)            |  |
| 306-5   | Waste directed to disposal   | 70 (Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2022), 84 (Key Data)            |  |
| <b>GRI 308: Supplier Environmental Assessment 2016</b>                |  |   |  |
| 308-1   | New suppliers that were screened using environmental criteria  | 121 (Advance Assessments of New Raw Materials)  |  |
| 308-2   | Negative environmental impacts in the supply chain and actions taken   | 120–121 (Global Sustainable Procurement Efforts)  |  |
| <b>Society</b>  |  |   |  |
| <b>GRI 401: Employment 2016</b>                                       |  |   |  |
| 401-1   | New employee hires and employee turnover   | 100 (Basic Personnel Statistics (DIC))  |  |
| 401-2   | Benefits provided to full-time employees that are not provided to temporary or part-time employees             | 113 ((6) Programs that Help Employees Balance the Demands of Work and Home)   | 98–118 (Human Resources Management)  |
| 401-3   | Parental leave   | 114 ((7) Use of the Childcare Leave and Leave to Assist with Parenting Programs), 98–118 (Human Resources Management) |  |
| <b>GRI 402: Labor/Management Relations 2016</b>                       |  |   |  |
| 402-1   | Minimum notice periods regarding operational changes   | —   |  |
| <b>GRI 403: Occupational Health and Safety 2018</b>                   |  |   |  |
| 403-1   | Occupational health and safety management system   | 52–54 (ESH), 56 (Occupational Safety and Health)  |  |
| 403-2   | Hazard identification, risk assessment, and incident investigation   | 57–58 (Principal Initiatives in Fiscal Year 2022), 62 (Disaster Prevention)   |  |
| 403-3   | Occupational health services   | 115–118 (④ Corporate Health Management)   |  |
| 403-4   | Worker participation, consultation, and communication on occupational health and safety                        | 56–61 (Occupational Safety and Health)  |  |
| 403-5   | Worker training on occupational health and safety  | 56–61 (Occupational Safety and Health), 62 (Disaster Prevention)  |  |
| 403-6   | Promotion of worker health   | 115–118 (④ Corporate Health Management)   |  |
| 403-7   | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships  | —   |  |
| 403-8   | Workers covered by an occupational health and safety management system   | —   |  |
| 403-9   | Worker-related injuries  | 56 (Occupational Safety and Health), 83 (Key Data)  |  |
| 403-10  | Work-related ill health  | —   |  |
| <b>GRI 404: Training and Education 2016</b>                           |  |   |  |
| 404-1   | Average hours of training per year per employee  | —   | 98–103 (Human Resources Management)  |
| 404-2   | Programs for upgrading employee skills and transition assistance programs                                      | 100–101 (Human Resources Management), 109 ((4) Reemployment after Retirement and Support for Retirement Planning)     |  |
| 404-3   | Percentage of employees receiving regular performance and career development reviews                           | 102–103 (3. Framework Creation: Personnel System, Global Human Resources System and Work Style Reform)                |  |
| <b>GRI 405: Diversity and Equal Opportunity 2016</b>                  |  |   |  |
| 405-1   | Diversity of governance bodies and employees   | 100 (④ Basic Personnel Statistics), 104–105 of Executives, 58–62 of the Annual Securities Report                      |  |
| 405-2   | Ratio of basic salary and remuneration of women to men   | NA  |  |
| <b>GRI 406: Non-discrimination 2016</b>                               |  |   |  |
| 406-1   | Incidents of discrimination and corrective actions taken   | —   | 122–123 (Compliance (Establishing and Operating a Whistle-Blowing System)) |
| <b>GRI 407: Freedom of Association and Collective Bargaining 2016</b> |  |   |  |
| 407-1   | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | —   | 112 ((6) Building Trust with the DIC Employees' Union)                     |
| <b>GRI 408: Child Labor 2016</b>                                      |  |   |  |
| 408-1   | Operations and suppliers at significant risk for incidents of child labor                                      | No suppliers were found to be at risk.  | 120–121 (Sustainable Procurement)  |
| <b>GRI 409: Forced or Compulsory Labor 2016</b>                       |  |   |  |
| 409-1   | Operations and suppliers at significant risk for incidents of forced or compulsory labor                       | No suppliers were found to be at risk.  | 120–121 (Sustainable Procurement)  |
| <b>GRI 410: Security Practices 2016</b>                               |  |   |  |
| 410-1   | Security personnel trained in human rights policies or procedures  | —   |  |
| <b>GRI 411: Rights of Indigenous Peoples 2016</b>                     |  |   |  |
| 411-1   | Incidents of violations involving rights of indigenous peoples   | NA  |  |
| <b>GRI 413: Local Communities 2016</b>                                |  |   |  |
| 413-1   | Operations with local community engagement, impact assessments, and development programs                       | —   | 47–51 (Communication with Stakeholders)                                    |
| 413-2   | Operations with significant actual and potential negative impacts on local communities                         | —   |  |

|   |   |   |  |
|---|---|---|--|
| <b>GRI 414: Supplier Social Assessment 2016</b> |   |   |  |
| 414-1   | New suppliers that were screened using social criteria  | —   | 119–121 (Sustainable Procurement)        |
| 414-2   | Negative social impacts in the supply chain and actions taken                                 | 119–121 (Sustainable Procurement)   |  |
| <b>GRI 415: Public Policy 2016</b>              |   |   |  |
| 415-1   | Political contributions   | 49 (Monetary Contributions)   |  |
| <b>GRI 416: Customer Health and Safety 2016</b> |   |   |  |
| 416-1   | Assessment of the health and safety impacts of product and service categories                 | 96–97 (Quality)   |  |
| 416-2   | Incidents of non-compliance concerning the health and safety impacts of products and services | NA  |  |
| <b>GRI 417: Marketing and Labeling 2016</b>     |   |   |  |
| 417-1   | Requirements for product and service information and labeling                                 | 75 (Safety in Logistics), 77–78 (Ensuring the Safety of Chemical Substances), 80 (Safe Product Transport) |  |
| 417-2   | Incidents of non-compliance concerning product and service information and labeling           | NA  | 79 (Complying with Laws and Regulations) |
| 417-3   | Incidents of non-compliance concerning marketing communications                               | NA  | 48 (Digital Marketing)                   |
| <b>GRI 418: Customer Privacy 2016</b>           |   |   |  |
| 418-1   | Substantial complaints concerning breaches of customer privacy and losses of customer data    | NA  | 127 (Information Security)               |

# Corporate Data

## About the Company

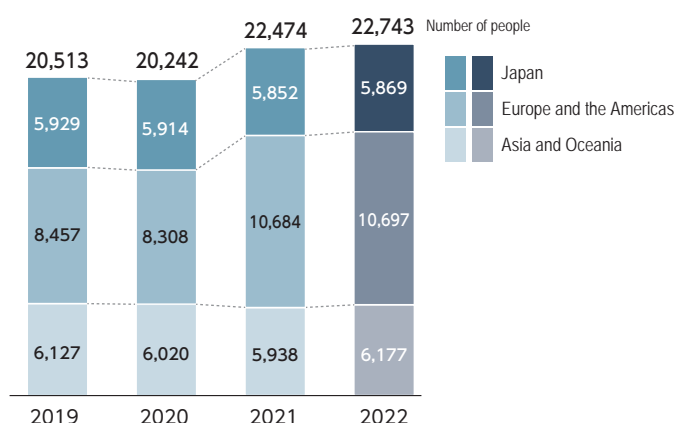
|  |  |
|--|--|
| Registered name:                       | DIC Corporation  |
| Corporate headquarters:                | DIC Building, 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8233, Japan |
| Date of foundation:                    | February 15, 1908  |
| Date of incorporation:                 | March 15, 1937   |
| Paid-in capital:                       | ¥96.6 billion  |
| Number of employees:                   | 22,743 (Nonconsolidated: 3,744) (As of December 31, 2022)              |
| Number of subsidiaries and affiliates: | 190 (Domestic: 30, overseas: 160) (As of December 31, 2022)            |



## Composition of Labor Force

| Segment             | Number of employees |
|---------------------|---------------------|
| Packaging & Graphic | 10,688              |
| Color & Display     | 4,630               |
| Functional Products | 5,485               |
| Others              | 546                 |
| Corporate           | 1,394               |
| Total               | 22,743              |

## Number of Employees



## 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/>

(Contact)

## DIC Corporation

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