

DIC REPORT 2024

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.*

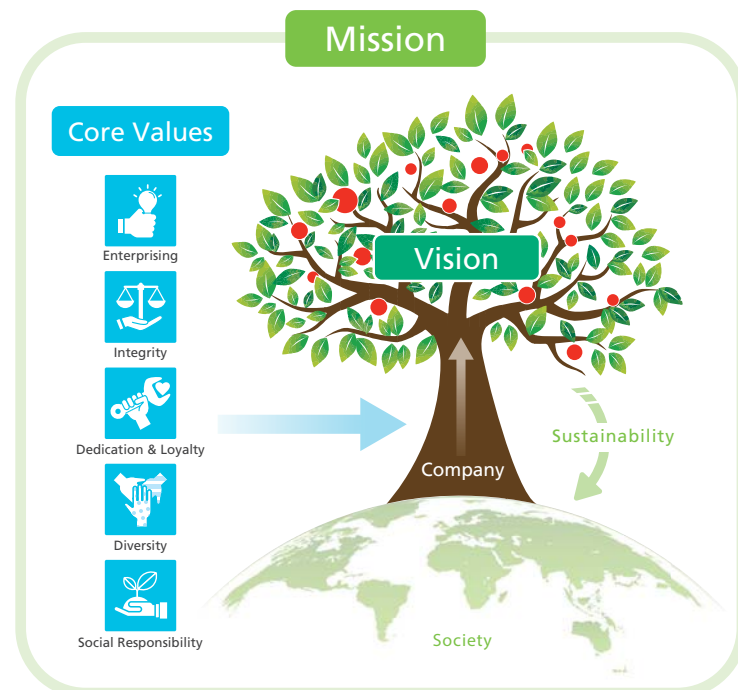
Integrity: Be honest, forthright, and ethical in all dealings with customers, suppliers, and coworkers.*

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
(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 “the Americas and Europe” 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_2024.pdf

Reporting Period

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June 2024 (The next report is scheduled for publication in June 2025.)

Guidelines Referenced

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

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Cover Design

The cover of this year’s DIC Report 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



1915
Commences production of offset printing inks

1925
Begins production of organic pigments

1940
Develops water-based gravure inks

1952
Makes full-scale entry into the synthetic
resins business



1957
Enters the market for helmets and
other molded plastic products

1962
Changes name to
Dainippon Ink and
Chemicals, Incorporated
(DIC)



1968
Commences sales of the *DIC Color Guide*®



1970
Enters the multilayered films business

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

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

2023
Acquires Canadian photoresist polymers
manufacturer PCAS Canada Inc.

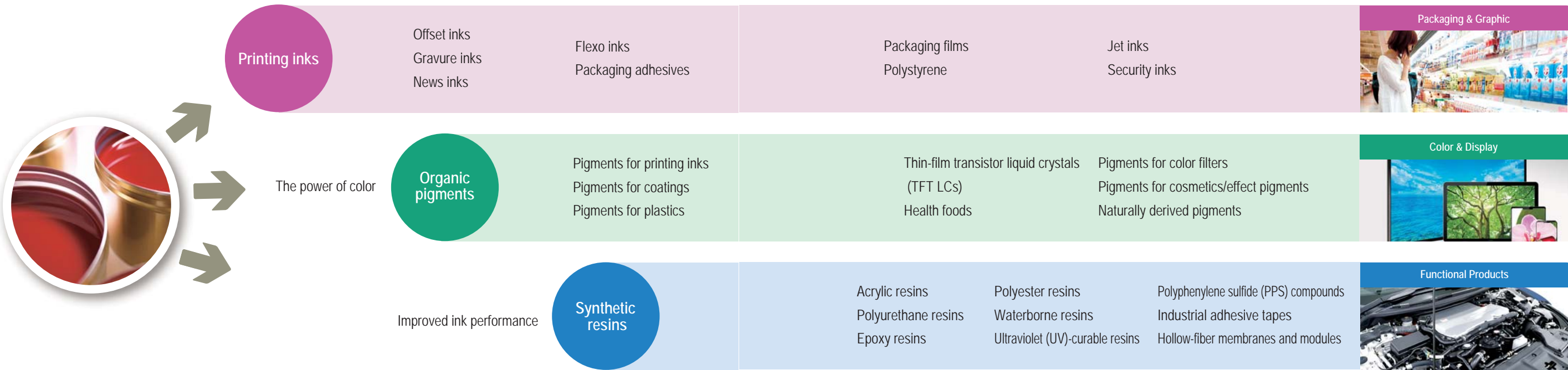
Promotes expansion of printing inks business

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

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

Prepares for a new phase of growth

Business Expansion





A Message from the President

President and CEO
DIC Corporation

Takashi Ikeda

Brief Personal History

Takashi Ikeda was born in Osaka. In 1990, he completed a master's degree at Keio University's Graduate School of Science and Technology. Later that year, he joined Dainippon Ink and Chemicals, Incorporated (now DIC Corporation), and was assigned to the Chiba Plant, where he was involved in R&D in the area of polymers. He later successfully applied for the Company's inaugural in-house system for sponsoring employees' participation in MBA programs. In 2001, he earned an MBA from the Kellogg School of Management at Northwest University in the United States. He subsequently served as General Manager of the Functional Products Business Planning Department, General Manager of the Composite Material Products Division and President of the Functional Products Business Group, and in January 2022 was named a Managing Executive Officer of DIC. In January 2024, he took on the position of president and CEO.

We are redefining our “Color & Comfort” value proposition by optimizing our allocation of management resources and promoting bold structural reforms.

Decisively Reviewing Resources and Practices to Evolve as an Organization Driven to Achieve Growth

In January 2024, I assumed the reins as president and CEO of DIC. I started with the Company in polymer research and during my career have worked in many fields, including product development, business planning, new business launches and color consulting, rather than being tied exclusively to a specific department or team. This has enabled me to accumulate ample experience and, at the same time, has earned me a reputation for being unconventional, individualistic and highly adaptable.

Having spent more than 30 years with DIC working in multiple areas, I believe I am somewhat uniquely positioned to understand the Company's distinctive strengths and its potential to evolve and grow. As I see it, the DIC Group is currently going through a period of unprecedented change. To continue growing as a global manufacturer of fine chemicals, it is crucial that we are open to new ways of thinking and to ideas that diverge from what is commonly accepted in Japan's corporate culture.

Our current long-term management plan, DIC Vision 2030, which runs from fiscal year 2022 through fiscal year 2030, outlines some ambitious targets and has guided us over the past two years as we have implemented initiatives aimed at transforming our business portfolio. My mission is to ensure that these initiatives translate into profitability and the realization of a corporate group that is resilient to challenges in the operating environment. To this end, our objective going forward is to revamp the DIC Group into an organization driven to achieve growth by setting clear goals, creating more efficient work environments and configurations, and decisively reviewing our resources and practices.

Fiscal Year 2023: A Year of Significant Challenges

The DIC Group, like the entire global fine chemicals industry, faced considerable difficulties in fiscal year 2023. The profitability of core Group products, in particular, dipped sharply as a result of deteriorating conditions in key markets in Europe and falling demand for use in electronics equipment, primarily semiconductors. As a consequence, while consolidated net sales edged down 1.5%, to ¥1,038.7 billion, operating income fell 54.8%, to ¥17.9 billion, and we reported a net loss attributable to owners of the parent of ¥39.9 billion. In the first two years of DIC Vision 2030, our focus was on propelling the Group into a new stage of growth by expanding existing businesses through M&As, as well as by creating new businesses, but our results in fiscal year 2023 clarified the need to dramatically revise this plan. The sizable net loss attributable to owners of the parent also reflected an impairment loss on goodwill in relation to an acquired pigments business. Management is acutely aware that it must take responsibility for this less-than-stellar performance.

Despite a poor performance on the net sales front, the Packaging & Graphic segment, which centers on printing inks, polystyrene,

packaging adhesives and multilayer films, among others, saw an increase in operating income thanks to resolute efforts to adjust sales prices and rationalize operations. This accomplishment is especially encouraging as this segment includes businesses that have been mainstays since DIC's inception.

The Color & Display segment, which encompasses pigments, notably functional pigments for use in color filters and in cosmetics, and healthcare products, struggled badly amid persistent economic stagnation in Europe. The principal concern here was a rapidly worsening profit structure, coupled with skyrocketing manufacturing costs, at our main production base, located in Germany, attributable to flagging market conditions and the protracted crisis in Ukraine. Here, the issues are clear and we are taking steps to resolve them.

In the Functional Products segment, which includes synthetic resins used in electronics equipment and polyphenylene sulfide (PPS) compounds, mainly for automotive applications, the performance of products for use in electronics equipment—the principal source of segment operating income—remained sluggish. DIC Group products in this segment are used extensively and range from high-performance to general-purpose offerings. As a consequence, segment results tend to be influenced greatly by market conditions. At the moment, in the area of materials for use in automobiles, we began to see signs of a recovery in the second half of fiscal year 2023 as customer inventory adjustments progressed across the supply chain, and we anticipate a full-fledged recovery in fiscal year 2024.

Seeking a Prompt Return to Profitability by Optimizing the Allocation of Management Resources and Promoting Bold Structural Reforms

In recent years, we have emphasized a long-term perspective, exploring various possible new businesses by investing in multiple R&D themes and making acquisitions. While these efforts have thus far met with some success—including the expansion of businesses, a shift of focus to high-growth areas, the development and launch of groundbreaking new products, and joint R&D and the commercialization of products in new businesses—the resulting dispersal of management resources and delays in selecting from among diverse themes has meant that new businesses have not become profitable as quickly as was originally envisaged.

Taking into account the situation we currently find ourselves in, we have begun analyzing contributing factors and are implementing countermeasures. We took the decision to revise our targets for Phase 1 of DIC Vision 2030 (fiscal years 2022 to 2025) to more realistic levels and are highlighting measures that will yield a prompt return to profitability, along with efforts to prioritize the balanced, optimal allocation of management resources, rapidly creating next-generation and growth businesses, and initiating structural reforms in our pigments business in the Americas and Europe.

- Achievements to date**
- Investing in multiple development themes and making acquisitions has facilitated the exploration of various possible new businesses.
 - This has created the seeds for business portfolio transformation.
- Issues that have emerged**
- Dispersal of management resources in new growth businesses
 - Delays in selecting from among diverse themes
 - Need to respond to risks arising from changes in the operating environment

Themes	Achievements
Expand businesses through M&As and shift focus to growth businesses	<ul style="list-style-type: none"> Acquired technologies for the manufacture of semiconductor photoresist polymers Expanded coating resins and secured a local production base for waterborne resins in the People's Republic of China (PRC) Obtained technologies for the manufacture of polymers containing minimal harmful substances, gaining a foothold in the European market
Promote Value Transformation	<ul style="list-style-type: none"> Commenced production of environment-friendly waterborne polyurethane resin Developed and launched perfluoroalkyl or polyfluoroalkyl substance (PFAS)-free surfactants Made preparations to implement the closed-loop recycling of polystyrene Launched near-infrared (NIR)-reflective black pigment for automotive coatings
Conduct joint R&D and commercialize products in new businesses	<ul style="list-style-type: none"> Launched lithium-ion battery (LiB) electrode binder and made progress in developing other battery materials Collaborated with various start-ups to add depth to and commercialize biotechnologies (e.g., expanded algae business and launched skincare brand)
Withdraw from unprofitable, low-growth, noncore businesses and rationalize businesses in need of structural reform	<ul style="list-style-type: none"> Consolidated and rationalized production facilities in the publication inks business Divested papermaking chemicals and polymer sales subsidiaries Withdrew from the housing materials, building materials coatings, alkylphenols and glass photomasks businesses

- New growth businesses have not become profitable as quickly as envisaged.
- Development and investment costs are rising.
- Realization of the expected benefits of acquisitions has been held up.
- Existing businesses have stagnated.

The time has come to shift from exploring possibilities to delivering results.

Building Highly Profitable Businesses by Focusing Management Resources in Areas that Allow Us to Readily Leverage Competitive Strengths

The basic strategy of DIC Vision 2030, which is to transform our business portfolio, remains essentially unchanged. We have identified five priority business areas that will enable us to contribute to a society that is increasingly green, digital and quality of life (QOL)-oriented, each of which is an aspiration that has gained currency worldwide, and have unflinchingly sought

to enter promising new businesses that were unfamiliar terrain for us. However, because these business areas are disparate and in some cases outliers, results have been highly variable. For this reason, for the remainder of Phase 1 we have resolved to prioritize smart living, which we are confident will achieve swift and dependable profitability because it is an area that allows us to readily leverage our competitive strengths, notably our basic technologies, product development capabilities and production technologies.

Five Priority Business Areas

Smart living



- High-performance materials and solutions that contribute to the realization of a sustainable society that coexists with a healthy global environment
- Chemical solutions for modern lives that have evolved and improved thanks to digitalization

Examples

- Materials for 5G/6G-enabled devices
- Resins for next-generation semiconductors
- Bonding solutions for heterogeneous materials



Select appropriate investment targets in other priority business areas

- Identify investment targets to be given precedence in Phase 1 and strive to realize profitability
- New strategic investments will be implemented in Phase 2 or later, when profits are expected to improve



Be bold in selecting targets
Withdraw from businesses in which leveraging competitive strengths is determined to be difficult



Select from among diverse themes
Select and focus investments on businesses that are expected to swiftly achieve viability and profitability

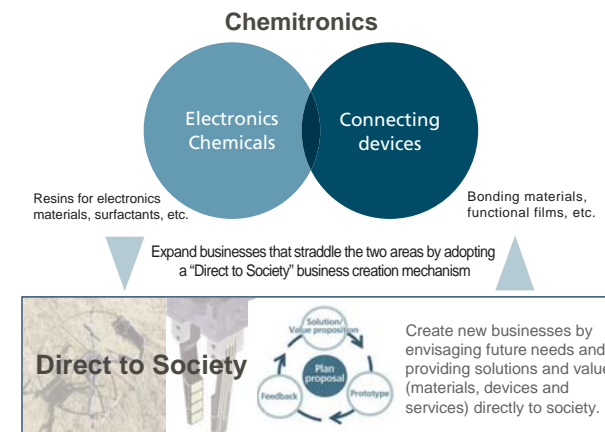


Promote rationalization efforts to improve profitability in the Colors & Effects pigments business

For example, we have designated businesses centered on chemicals and materials for electronics applications as “chemitronics” and will work to provide uniquely DIC solutions, concentrating on materials for semiconductor packaging and cutting-edge electronic components, both of which are expected to generate profits quickly and reliably. In January 2024, we established the Chemitronics Business Division within the Functional Products Business Group, transferring marketing, technical and production functions for certain products to create integrated production, sales and R&D configurations.

Looking ahead, we will continue to combine the technologies we have cultivated in such areas as resins for electronics materials, surfactants, bonding materials and functional films, among others, with the aim of commercializing products and establishing new businesses in a comparatively short period of time. We also seek to build a new business model whereby we create new businesses by envisaging future needs at the development, production and sales stages and providing solutions and value (materials, devices and services) directly to society.

Establishment of the Chemitronics Business



Promoting Timely and Effective Structural Reforms in the Pigments Business in the Americas and Europe, and in the Publication Inks Business

Our pigments business, which is accounted for in the Color & Display segment, and which in the Americas and Europe centers on the Colors & Effects business, has been buffeted by drastic changes in the operating environment, and while we had formulated a backup plan to minimize potential risks—something I call a “double-track strategy”—it is clear now that this was insufficient. Amid such conditions, we have identified that any advancement will hinge first and foremost on the optimization of regional production configurations. Accordingly, we have begun pushing ahead with structural reforms designed to curtail costs, focusing on the merger and shuttering of large-scale production facilities, labor force rationalization and product portfolio transformation, to create configurations that maximize synergies.

We anticipate that while costs related to these structural reforms will be approximately ¥16 billion over the four years from fiscal year 2023 through fiscal year 2026, the resulting annual upturn in operating income is expected to exceed ¥10 billion. We will continue to promote additional structural reforms thereafter to further boost profitability through the ongoing streamlining of assets and personnel.

- Issues to be addressed and future plans**
- Emphasize measures that will yield swift and consistent results, and prioritize the balanced allocation of management resources
 - Pursue synergies with and accelerate rationalization efforts in newly acquired businesses

Issues to be addressed	Future plans
Optimize the allocation of management resources.	<ul style="list-style-type: none"> Concentrate the allocation of management resources on growth businesses with the potential to quickly achieve viability and profitability.
Swiftly create next-generation and growth businesses.	<ul style="list-style-type: none"> Concentrate the allocation of management resources in the priority business area to be emphasized over the short term (smart living).
Pursue synergies with recently acquired businesses to achieve intended results.	<ul style="list-style-type: none"> Merge/shutter pigments production facilities in the Americas and Europe, promote large-scale labor force rationalization, and review and implement measures to leverage synergies that take into account changes in the operating environment.
Accelerate rationalization efforts in businesses in need of structural reform.	<ul style="list-style-type: none"> In publication inks, reinforce the efficiency of production and sales configurations and promote alliances with other companies in the same industry. Withdraw from the liquid crystals (LCs) business (by the end of fiscal year 2024).
Promote sustainability strategies in an efficient manner.	<ul style="list-style-type: none"> Promote sustainability initiatives while prioritizing strategic initiatives.

We now expect these and other initiatives to yield operating income of ¥40.0 billion in fiscal year 2025, the final year of Phase 1 of DIC Vision 2030. This is a downward revision from our initial forecast of ¥80.0 billion. However, with the implementation of decisive reforms we are

determined to realize record-level operating income in fiscal year 2026. (The current record, set in fiscal year 2017, is ¥56.5 billion.) We have also introduced a new dividend policy, which sets a minimum limit for annual dividends of ¥100 per share from fiscal year 2024 forward.

Making Steady Progress in Lowering CO₂ Emissions and Achieving Our Target of a 50% Reduction by Fiscal Year 2030

The overriding goal of our sustainability initiatives is the reduction of CO₂ emissions. In fiscal year 2023, we continued to make steady progress on this front across the DIC Group, including by switching from coal to liquefied natural gas (LNG) boilers and shifting fully to green power—purchased electric power generated using renewable energy—at all Group sites in Japan, reporting a 26% decline in CO₂ emissions from the fiscal year 2022 level. Taking a long-term approach toward carbon neutrality, which we aim to attain by fiscal year 2050, we are currently devising an extended road map to guide our efforts that divides the time remaining before 2050 into three stages of up to 10 years each. At each stage, we will work to provide customers with products that help further lower their CO₂ emissions, while providing identical functionality and value. Over the long term, we intend to also make use of carbon offsetting, thereby putting us in a position to deliver both economic and social value.

Another significant goal we have set is to contribute to the creation of systems suitable for a circular economy that minimizes the generation of waste, a particularly pertinent challenge for packaging materials manufacturers. To this end, we are advancing a variety of initiatives in line with our proprietary “5Rs” (reuse, reduce, renew, recycle and redesign). In fiscal year 2023, we conducted a demonstration test of a closed-loop recycling system for polystyrene developed in collaboration with a customer, a major step toward the system’s practical deployment.

We are also formulating a road map for curtailing Scope 1 and Scope 2 CO₂ emissions by 50% from the fiscal year 2013 level by fiscal year 2030, remaining mindful of the need to balance the two priorities of resolutely achieving this target and ensuring robust cost competitiveness. Also, as part of our commitment to contribute to the creation of a circular economy, we will leverage DIC Group competitive strengths and distinctive capabilities to encourage recycling and bolster the competitiveness of our products and solutions.

(For more information, please see “Managing Industrial Waste” on pages 68–71.)

Enhancing Human Capital Management and Enabling Diverse Human Resources with Acceptance as the Starting Point

With the goal of maximizing the value of human capital, DIC Vision 2030 sets three strategic priorities, which are to foster human resources, ensure mobility, and improve engagement and organizational cohesiveness, in line with which we are advancing system reforms and the creation of work environments that enable employees in all countries, territories and regions to fully exercise their abilities.

In my view, our ability to achieve this goal depends on our embrace of diversity. DIC was early to establish an expansive global presence and, as a result, we are extremely diverse in terms of ethnicity and national origin. However, if we look at other indicators, such as the number of women at the executive or management levels, there is still considerable room for improvement. This is something we must work consciously to address going forward.

I perhaps have a bit of a unique perspective. I am a Japanese national, but I spent a good part of my formative years overseas. My childhood and boyhood were spent moving every couple of years. I am used to being considered as something of an outsider. This taught me that the most important prerequisites for diversity are acceptance and respect. At its root, diversity is embracing each other’s differences and making sure that those differences are valued.

There are three immediate points to consider in evaluating whether an organization is truly diverse. The first is “visible” diversity, that is, does the organization’s labor force comprise individuals with differences that can be readily seen, such as gender or race. The second is what is often termed “invisible” diversity, or “deep-level” diversity, including whether the organization brings together people with a wide range of experiences and career histories. As a corporate employee—and this is also something I understand from my own background and involvement in various businesses and positions—I realize that it is vital to have both specialized knowledge and generalized capabilities, and it is for this reason that DIC places an emphasis on autonomous, multitrack career building. The third is innovation driven by diversity in both its visible and invisible forms, in other words, novel thinking that encourages the diversification of business practices. This includes the diversification of business processes. It is easy to fall into the trap of thinking there is only one way to do something, say, to promote sales or conduct R&D, but more diverse business processes often result in unexpected breakthroughs. DIC believes firmly that diverse human resources, experiences and career histories, as well as novel business processes, are indispensable to the empowerment of work environments and to better labor productivity.

Establishing the Corporate Value Improvement Committee to Integrate a High-Level, Broad Viewpoint and Third-Party Perspective into Management Deliberations

In this era of increasingly complex operating conditions and social values, the pace of change is accelerating and its scope expanding. In this environment, it is crucial that we continue to reform our business configurations and pursue enhancements in corporate value. However, conducting all decision making and strategic planning in-house, as was common in the past, has become increasingly challenging. In particular, we recognize that accurately ascertaining the DIC Group’s role in society and its future direction from a long-term, objective perspective demands input from a body that reasons and speaks from an independent position. It was with this conviction that in April 2024 we established the Corporate Value Improvement Committee, which consists entirely of outside directors, with external experts invited to serve as advisors as required. This committee explores a variety of management issues from a high-level, broad viewpoint and advises the Board of Directors—the Company’s top decision-making authority—from a third-party perspective. Themes for deliberation include general matters related to ensuring management is conscious of capital costs and the Company’s share price, in addition to measures to elevate return on invested capital (ROIC) and to make more effective use of owned assets, as well as the operation of the Kawamura Memorial DIC

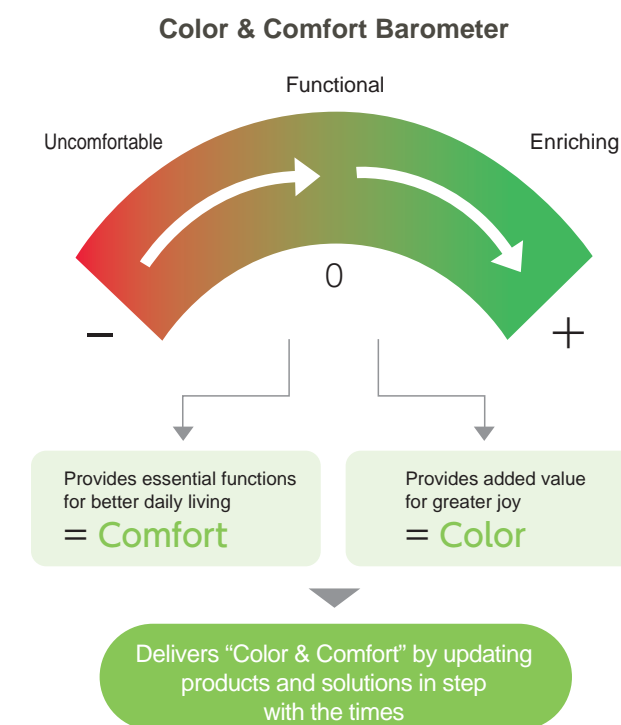
Museum of Art, in Sakura in Chiba Prefecture. While this committee has only recently come into being, we are confident that the free and spirited exchange of opinions among participants, who bring unique insights cultivated in a multitude of areas, will provide new ideas and innovative interpretations that will help enrich decision making and management’s ability to make judgments, ultimately reinforcing both our corporate governance and corporate value.

(For more information, please see “Corporate Governance” on pages 130–135.)

Improving Corporate Value over the Long Term by Redefining Our “Color & Comfort” Value Proposition

“Color & Comfort” is a concept developed in 2005 for a project of which I was in charge. Prior to that, DIC had primarily been known as a manufacturer of printing inks, pigments and resins. At the time, we were looking for ways to update these core businesses in response to social change. There was also an increasing awareness that we needed to upgrade our business and product portfolios. This inspired us to chart a shift in our identity from that of an organization which simply sells products to one that delivers value, encapsulated in our “Color & Comfort” brand slogan.

In fiscal year 2023, we introduced the idea of “Beyond Color & Comfort,” the next logical step in this value proposition, to encapsulate our pledge to provide value that exceeds color and comfort. This is rooted in something we call the “Color & Comfort Barometer,” which measures products and solutions in terms of value provided as uncomfortable, functional (provides essential functions for better daily living, or “Comfort”) or enriching (provides added value for greater joy, or “Color.”).



To explain this another way, a room that is too cold or too hot will be uncomfortable. Installing air conditioning and insulating the walls and floors will improve livability. This is Comfort. Introducing paint, artwork and flowers will brighten and enliven the room. This is the value of Color. So much more than simply adding a tint or a shade, delivering Color enriches by providing the joy and beauty sought by people now and in the future. Similarly, delivering Comfort imparts the functionality that meets the needs of the times. These two concepts are the foundation of our redefined “Color & Comfort” value proposition.

In line with this philosophy, we are also promoting initiatives in multiple areas that embody a new business creation mechanism we have dubbed “Direct to Society.” This involves working directly with customers, end users and society at large to discover latent needs, and to update our offerings regularly in accordance with those needs, thereby enabling us to provide new value.

To Our Stakeholders

Looking ahead, we will redouble our efforts to conduct each of our businesses with an awareness of capital costs and DIC’s share price, and will strive to be an organization that meets the expectations of all our stakeholders. To ensure the effective use of management resources, we will swiftly build a robust earnings base by strengthening governance to return DIC to a growth trajectory. In all our endeavors, I look forward to the ongoing support and guidance of stakeholders. Thank you.

A Message from the CFO



In line with the revised version of DIC Vision 2030, we will strive to improve shareholder value through cash generation and optimal allocation.

Takeshi Asai
Director, Senior Managing Executive Officer,
Head of Finance and Accounting Unit
CFO

Operating Results and Financial Condition

Fiscal year 2023 was a particularly harsh period for DIC as both net sales and operating income were down from the previous fiscal year and, as a consequence of extraordinary losses, we posted a net loss attributable to owners of the parent. The principal factors behind the significant decline we saw in operating income were falling shipments of high-value-added digital materials and materials used in mobility solutions, as well as the temporary suspension of operations at certain production sites in the United States and Europe, to pare inventories of pigments.

Looking at our financial position, while efforts to curtail inventories led to a decrease in net interest-bearing debt, shareholders' equity declined as a result of the net loss attributable to owners of the parent, causing the net debt-to-equity (D/E) ratio¹ to deteriorate to 1.21 times.

Adoption of Policies for Cash Allocation

With the revision of DIC Vision 2030, we adopted policies for cash allocation with the aim of optimizing our use of cash generated. Over the three years beginning in fiscal year 2024, we will generate cash by promoting business transformation and structural reforms, improving working capital and shrinking assets, and will work to ensure its optimal allocation to realize a sound financial structure and enhance returns to shareholders. We will also strive to improve corporate value and push the price-book value (P/B) ratio back above 1.0 times.

1 Expand and Stabilize Cash Provided by Operating Activities

While we have established a framework for strategic investments under DIC Vision 2030, it is taking longer than expected for newly acquired businesses to become profitable, pushing down capital efficiency, as measured using ROIC and return on equity (ROE). In fiscal year 2024, our focus will be on improving our operating performance by concentrating management resources on areas that are expected to generate profits promptly and reliably; emphasizing measures that will yield swift and consistent results; and pursuing synergies with, as well as on accelerating rationalization efforts in, newly acquired businesses.

2 Improve Working Capital and Asset Efficiency

A key focus in fiscal year 2023 was the reduction of inventories, particularly those of pigments in the United States and Europe, efforts that underpinned an improvement in working capital and shortened the cash conversion cycle (CCC)² compared with the previous fiscal year. Going forward, we will continue working to manage regional CCC targets with the objective of optimizing working capital. Regarding inventory management, in particular, the entire DIC Group will work as one to set business-specific targets and regularly monitor the progress of efforts. In addition, we will work to reduce cross-shareholdings and shrink assets in noncore businesses.

3 Promote Management that Is Conscious of Capital Costs

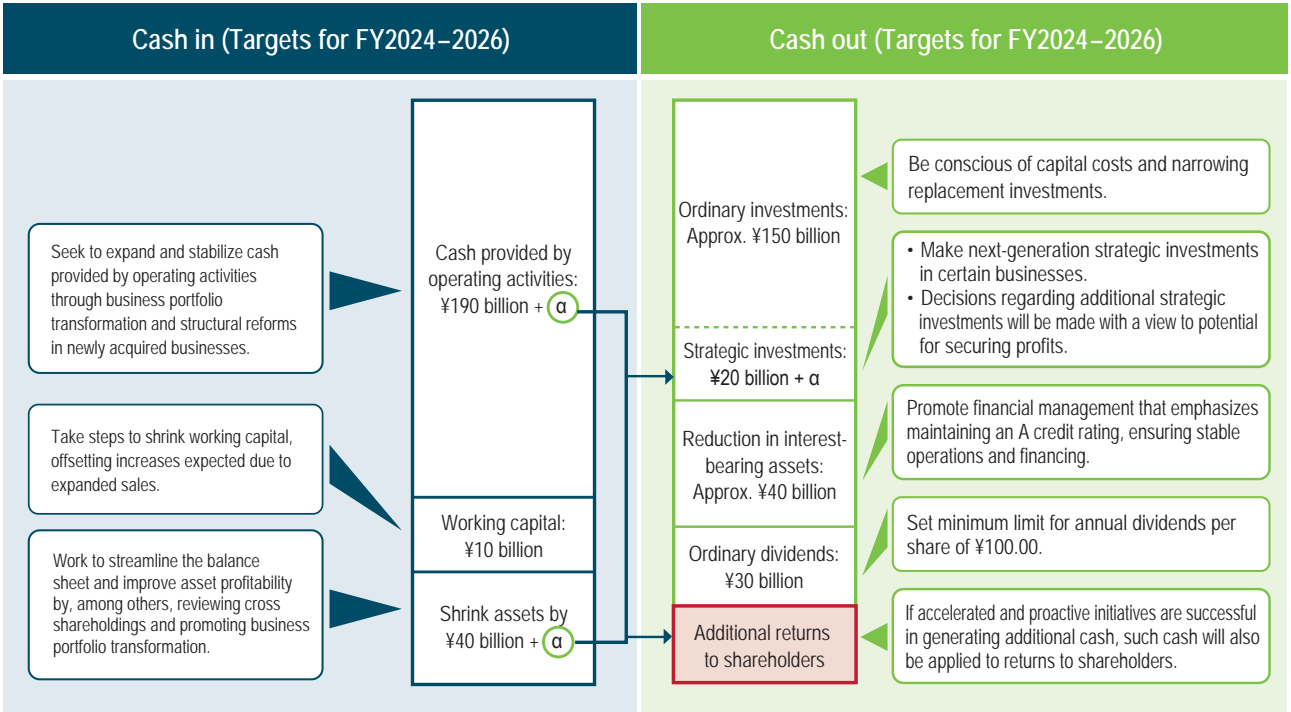
Despite the deterioration of our net D/E ratio in fiscal year 2023 to 1.21 times, we will take bold steps to achieve a net D/E ratio of 1.00–1.10 times. Capital investments and strategic investments will stress profitability and decisions regarding additional investments will be made with a view to potential for securing profits. Thanks to the progress of structural reforms in various businesses, a degree of leverage exists, but financial management will continue to emphasize maintaining an A credit rating.

4 Strengthen Returns to Shareholders

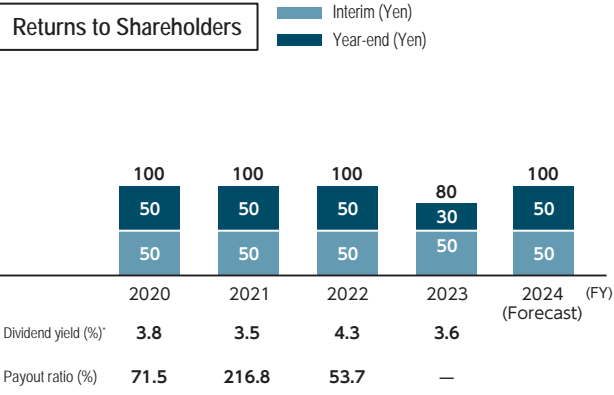
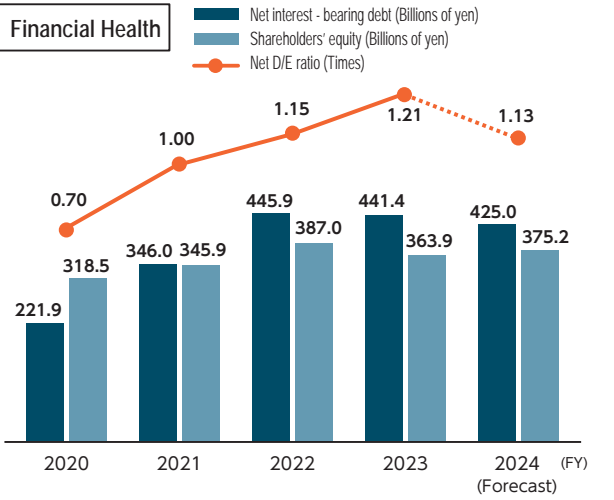
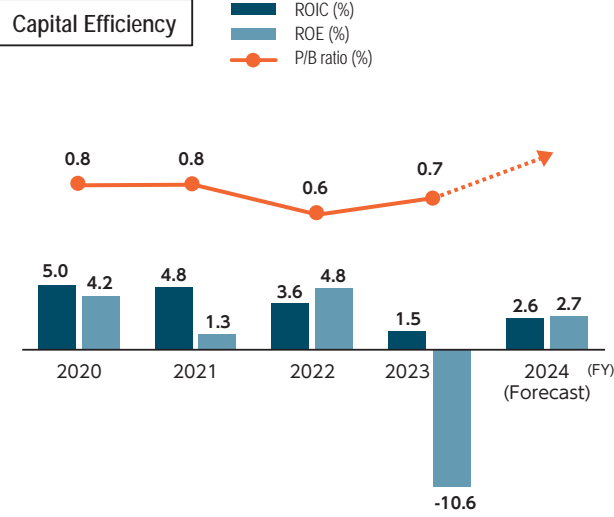
Owing to the deterioration of earnings in fiscal year 2023, annual dividends per share for the period were ¥80.00, down ¥20.00 from fiscal year 2022, comprising an interim dividend of ¥50.00 and a year-end dividend of ¥30.00. From fiscal year 2024 forward, we will set a minimum limit for annual dividends per share of ¥100.00 to ensure stable returns to shareholders. Any additional cash generated through the swift, proactive implementation of key measures will also be applied to shareholder returns.

¹ Net D/E ratio: Net interest-bearing debt / Shareholders' equity
² CCC is a metric that expresses the time (in days) it takes for a company to convert capital investments in raw materials and inventory into cash.

Policies for Cash Allocation



	FY2023 (Actual)	FY2026 (Targets)
ROIC	1.5%	4.0%–5.0% ≥ Weighted average cost of capital
ROE	-10.6%	7.0%–8.0% ≥ Cost of equity
Net D/E ratio	1.21 times	1.00–1.10 times



* Dividend yield: Annual dividends / Closing price per share at fiscal year-end

DIC Vision 2030 Long-Term Management Plan

In fiscal year 2022, DIC introduced a redefined vision statement, “We improve the human condition by safely delivering 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

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 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 CO₂ emissions by **50% by FY2030**

DIC NET ZERO 2050

The DIC Group aims to achieve carbon neutrality—net zero CO₂ emissions—by FY2050 and will seek to reduce CO₂ emissions by 50% from the FY2013 level by FY2030.

Basic Strategies

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

Healthcare

Color science

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

Enhance the technology platform
Shift to R&D that leverages computational science
Establish new basic technologies

Make strategic investments
Invest strategically, including in M&As, to transform the business portfolio
Build a new business portfolio that takes ROIC into account

Reinforce management of human capital
Build a strategic human resources portfolio that maximizes the value of human capital

Establish a more global management configuration
Adopt a sophisticated global management model and accelerate global expansion in five priority business areas

Promote IT and DX
Use digital technologies to provide new added value and revamp the Group's business structure

Sustainability Strategies

Expand sustainable products
Work to expand sustainable products, that is, products that demonstrate unique competitive strengths and respond to ESH-related issues

Reduce CO₂ emissions
Promote efforts to reduce CO₂ emissions and help realize a carbon-neutral society

Respond to a circular economy
Advance efforts to respond to a circular economy, thereby contributing to a sustainable society

Business Portfolio Transformation: Five Priority Business Areas

Sustainable energy

- Specialty materials that contribute to the realization of the high-performance secondary batteries and fuel cells crucial to an electrified/hydrogen-powered society

e.g. Materials for secondary batteries and fuel cells
Functional inorganic fillers

Healthcare

- High-performance nutritional supplements that support the health of people of all ages
- Healthcare-related products and services that deliver safety, peace of mind and comfort, contributing to a future in which people enjoy an improved QOL

e.g. High-performance nutritional products
Natural skincare materials

Smart living

- High-performance materials and solutions that contribute to the realization of a sustainable society that coexists with a healthy global environment
- Chemical solutions for modern lives that have evolved and improved thanks to digitalization

e.g. Materials for 5G/6G-enabled devices, resins for next-generation semiconductors, bonding solutions for heterogeneous materials

Color science

- Color that is sustainable and ecologically sound
- Products with outstanding decorative properties that facilitate the creation of comfortable spaces
- Functional materials that leverage dyeing technologies to deliver convenience, satisfaction, safety and peace of mind

e.g. Functional pigments (for LiDAR signal coatings, and heat-blocking coatings), biomass pigments, natural colorants for cosmetics

Sustainable packaging

- Materials that ensure tastier, more enjoyable and safer merchandise reaches consumers
- Materials that deliver safety, peace of mind and convenience, as well as help reduce food loss
- Product design that contributes to a circular economy, i.e., is conducive to recycling and uses plant-derived and renewable raw materials

e.g. Materials with outstanding barrier properties, biomass packaging, recycling systems (chemical recycling, material recycling)

Strategies for the Remainder of Phase 1 (FY 2024–2025)

Concentrate management resources on areas that are expected to generate profits swiftly and reliably

Priority business area to be emphasized in Phase 1
Smart living

From the perspective of potential to swiftly achieve viability and profitability, concentrate the allocation of management resources in Phase 1 on the area of smart living.

- Emphasize reinforcing capabilities in electronics materials
 - Establish the Chemitronics Business Division.
 - Add depth to core business and strengthen peripheral businesses.
- Fully leverage synergies with newly acquired businesses
 - Uncover synergies with PCAS Canada.

Focus on appropriate investment targets in other priority business areas

Sustainable energy

Be bold in selecting targets.
Withdraw from businesses in which demonstrating competitive strengths is determined to be difficult.

Healthcare

Select and discard diffused targets.
Choose and focus investments on businesses that are expected to swiftly achieve viability and profitability.

Sustainable packaging

Color science

Promote rationalization efforts to **improve profitability** in the Colors & Effects pigments business.

*Phase 2: FY 2026–2030.

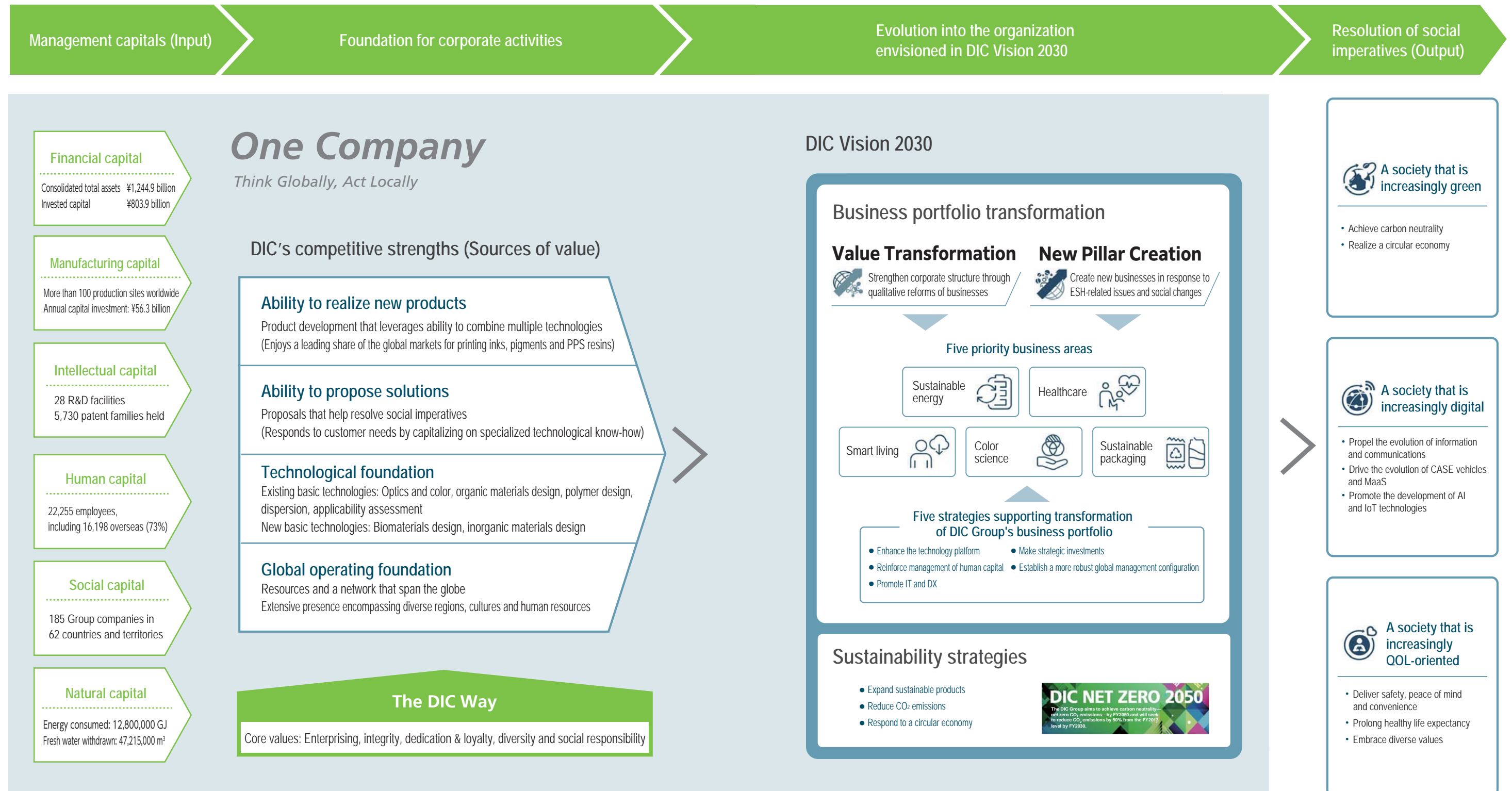
Five Strategies to Transform the DIC Group's Business Portfolio

Reinforce management of human capital	● Build a strategic human resources portfolio that maximizes the value of human capital
Make strategic investments	● Invest strategically, including in M&As, to transform the business portfolio ● Build a new business portfolio that takes ROIC into account
Enhance the technology platform	● Shift to R&D that leverages computational science ● Establish new basic technologies
Establish a more robust global management configuration	● Adopt a sophisticated global management model and accelerate global expansion in five priority business areas
Promote IT and DX	● Use digital technologies to provide new added value and revamp the Group's business structure

The DIC Group's Approach to Value Creation

Delivering Color & Comfort

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 six management capitals, to expand its operations in priority business areas by promoting sustainability and portfolio transformation strategies in line with DIC Vision 2030. Through these efforts, the Group aims to contribute to a society that is increasingly green, digital and QOL-oriented.



Overview of Materiality

The DIC Group has abstracted and identified a number of issues as being material and requiring its attention. The Group continues promoting a variety of measures to address these issues.

Material Issues and Related Initiatives

<p>1 Transformation to a business portfolio that contributes to sustainable prosperity for society</p> <p>Shift to a business portfolio focused on five priority business areas that deliver social value.</p> <p>(Focus on the five priority business areas set forth in DIC Vision 2030.) (For more information, please see pages 3–4, 7–8, 13–14 and 36–39.)</p>	<p>2 Contribution to the realization of carbon neutrality</p> <p>Advance CO₂ emission reductions in the market and provide products and services that contribute to decarbonization.</p> <p>(Announce goal of achieving carbon neutrality by fiscal year 2050, work to reduce Scope 1 and 2 CO₂ emissions and to lower product carbon footprint.) (For more information, please see pages 88–98 and 121–123.)</p>
<p>3 Creation of new businesses with the potential to become mainstays</p> <p>Ensure a better future for people's lives and the environment and realize greater social benefits that enhance shareholder value.</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.) (For more information, please see pages 25 and 37–39.)</p>	<p>4 Promotion of efforts to maximize the value of human capital</p> <p>Build a strategic human resources portfolio that maximizes the value of human capital through medium- to long-term efforts to foster human resources.</p> <p>(Ensure mobility, improve engagement and organizational cohesiveness, and encourage ongoing efforts to increase diversity and reform work styles.) (For more information, please see pages 7–8, 9 and 101–120.)</p>
<p>5 Establishment of a more robust global management configuration</p> <p>Accelerate global expansion in priority business areas.</p> <p>(Advance global management governance, foster and strengthen management personnel, and create a global enterprise resource planning(ERP) system.) (For more information, please see pages 19–25 and 29–32.)</p>	<p>6 Promotion of DX</p> <p>Leverage digital technologies and data to provide new added value and strengthen the DIC Group's business structure.</p> <p>(Innovate business processes, work styles and business models, and revamp the DIC Group's corporate culture and business structure.) (For more information, please see pages 43–45 and 61.)</p>
<p>7 Response to a circular economy</p> <p>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.</p> <p>(Foster products that help reduce CO₂ emissions in categories 1 and 12 of Scope 3, and advance chemical and material recycling.) (For more information, please see pages 28, 41–43 and 68–71.)</p>	<p>8 Creation of a sustainable supply chain</p> <p>Encourage responsible procurement that takes into account global human rights issues, as well as environmental issues such as climate change and water risk.</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.) (For more information, please see pages 45, 96–97, 113–114 and 121–123.)</p>

Identifying Material Issues

Step 1	Abstract issues	The DIC Group abstracts issues, referencing the GRI Standards 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.
Step 2	Assess materiality	Abstracted issues are examined by relevant internal departments.
Step 3	Reflect perspectives of outside experts	Abstracted issues are discussed with objective outside experts, whose views are reflected.
Step 4	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.
Step 5	Present to management team/debate	Issues identified as material are submitted to the Sustainability Committee for deliberation and approval.
Step 6	Finalize	Material issues are reported at the Board of Directors' meeting and finalized.

Business Expansion through M&As and a Shift to Promising Business Areas

The DIC Group has positioned expanding its lineup of photoresist materials, which are indispensable to semiconductor fabrication, and is promoting the development of state-of-the-art photoresist polymers. In fiscal year 2023, PCAS Canada Inc., which boasts outstanding production technologies and excels in delivering photoresist materials with a low metal content and high purity, joined the DIC Group. DIC is confident that the combination of these production technologies and its own synthesis technologies—a key strength—will enhance its ability to respond to the needs of the semiconductor industry, which continues to be driven by technological progress, thus further contributing to digital innovation. Looking ahead, the Group will continue to transform its business portfolio into one that delivers social value not only through organic growth but also by seeking beneficial M&A opportunities.

Start-Up of New Biomass Boiler at the Kashima Plant

The Kashima Plant, one of DIC's core production facilities, produces organic pigments, base inks and metal carboxylates, as well as PPS resins, which play a vital role in reducing vehicle body weight, crucial to improving fuel efficiency. The production of these materials uses a significant amount of energy, making the plant the most energy-intensive of DIC's sites in Japan (i.e., production facilities and the Central Research Laboratories), as a consequence of which it has long focused on environmental protection efforts, notably the promotion of energy-saving initiatives and the installation of renewable energy systems. In fiscal year 2023, a new biomass boiler began operating at the plant. Owing to this new boiler, as well as to the use of solar and wind power, the Kashima Plant expects to see a decline in its annual CO₂ emissions of approximately 36,000 tonnes. The DIC Group aims to achieve carbon neutrality by fiscal year 2050. To this end, the Group will continue working actively to reduce its CO₂ emissions by installing energy-saving equipment, undertaking energy-saving initiatives and employing renewable energy at suitable sites.

Efforts to Promote the Practical Implementation of Closed-Loop Recycling System for Polystyrene Food Trays

Since fiscal year 2020, the DIC Group has collaborated with FP

Corporation (FPCO) to establish a closed-loop recycling system for polystyrene food trays. DIC has developed a proprietary dissolution and separation process—a deinking chemical process—that facilitates “tray-to-tray” recycling, even for colored polystyrene food trays, which yield a recycled material for which uses were previously limited. Recognizing that the practical implementation of closed-loop recycling requires the creation of a dedicated ecosystem, in fiscal year 2023 DIC entered into a comprehensive partnership with the city of Yokkaichi, Mie Prefecture, which is actively promoting environment-friendly urban development, and commenced verification testing of the new system. Going forward, the Group will continue to expand its efforts beyond the realm of fine chemicals to promote dialogue with society with the goal of bolstering awareness of recycling.



Signing ceremony for the comprehensive partnership agreement (July 2023) attended by Mayor of Yokkaichi Tomohiro Mori (left) and then-President and CEO Kaoru Ino

Ongoing Project to Rebuild the DIC Group's ERP System

The DIC Group is a global entity with operations centered on Japan, other parts of Asia, the Americas and Europe. The Group currently has a presence in 62 countries and territories worldwide and handles vast amounts of information related to its customers and suppliers, as well as to logistics. Given significant changes in the market environment, the effective use of data and technology is critical to the ability to manage a global organization and conduct business worldwide with efficiency and precision. DIC began rebuilding the Group's ERP system in fiscal year 2022, which it aims to begin using in fiscal year 2024, that will facilitate business management driven by multifaceted market analysis, as well as swift decision making and the optimization of business processes under any business conditions. The Group will continue to advance digital technologies to strengthen its global business structure.

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

Packaging & Graphic

Packaging Materials that Bring Safety and Peace of Mind



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

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 are seeing robust growth in Asia and emerging economies.

A Comment from the Business Group President

The Packaging & Graphic segment aims to deliver security and peace of mind and contribute to sustainability for society by providing a wide range of products, from printing inks—DIC’s original business—to materials used in printed packaging, including packaging adhesives, multilayer films and polystyrene.

The DIC Group is the only organization capable of providing comprehensive sustainable packaging solutions encompassing inks, coatings, adhesives and films. As such, we endeavor to propose sustainable packaging solutions and to lock in demand, primarily in promising Asian markets. We are also responding to shrinking demand for publication inks by swiftly taking steps to optimize and rationalize production configurations, while in the area of jet

inks—a newer area of focus—we are collaborating with jet ink printer manufacturers to offer solutions in this key market.

With demand for sustainable packaging expected to continue expanding, we have identified sustainable packaging materials as an important theme for the DIC Group going forward. Accordingly, we 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, and to provide materials that respond to the needs of an increasingly digital society.

Main Products

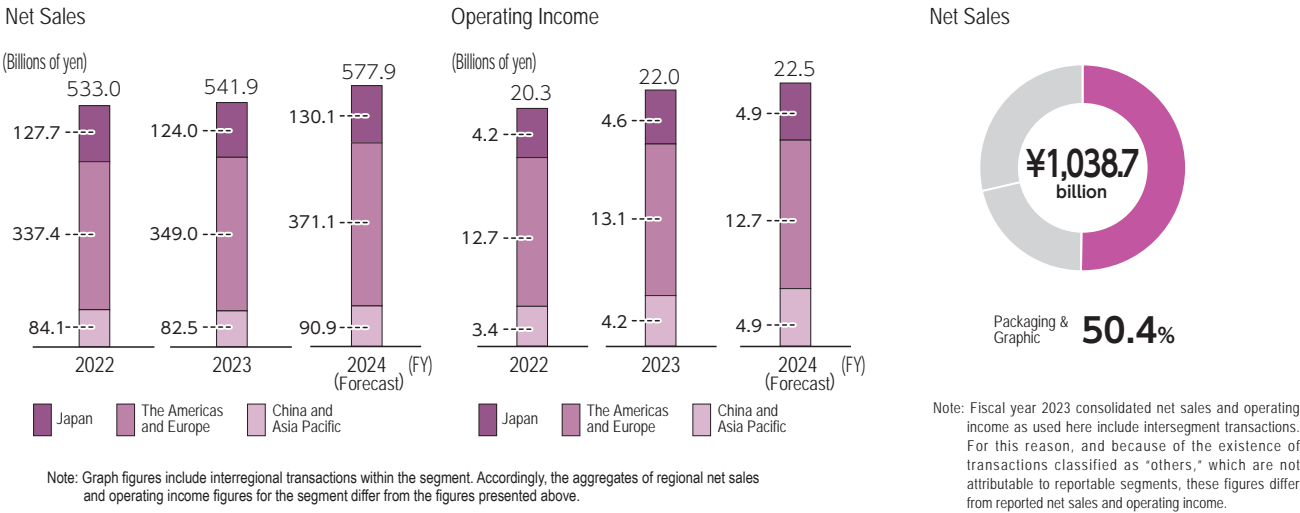
[Printing Materials]

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



Structural Reforms in the Publication Inks Business

The DIC Group is working to maintain profitability across the publication inks business by optimizing its production configuration and implementing rationalization measures in preparation for shrinking demand, customer migration and changes in the competitive environment.

Formed business alliances in Japan and streamlined production configurations in other countries and territories

- Japan: Formed alliances with other companies in the same industry, improving the efficiency of production facilities and promoting effective use of logistics capabilities
- Asia-Pacific region: Streamlined production configuration by merging facilities close to demand centers and transferring operations to mother plants
- Europe: Optimized production across the region by merging certain production facilities and shuttering others

Will implement further rationalization measures in accordance with demand trends

- Japan: Plans include scaling back production capacity, reorganizing sales configuration to improve efficiency and developing alliances in the areas of production and logistics
- The Americas and Europe : Implement rationalization measures optimized to reflect the speed of market maturation; explore effective utilization of sites as a way to improve profitability

Fiscal Year 2023 Highlights

Products	Releases dramatically updated <i>DIC Color Guide®</i> and added a standard paint color sample book WEB https://www.dic-global.com/ja/news/2023/products/20231109120851.html (in Japanese only)
Business	Begins production of biomass polystyrene with Idemitsu Kosan Co., Ltd., and obtains certification under ISCC PLUS for biomass polystyrene produced at the Yokkaichi Plant WEB https://www.dic-global.com/en/news/2023/products/20230308113337.html
Management	Enters business alliance with Sakata Inx Corporation (mutual use of production equipment and logistics facilities) WEB https://www.dic-global.com/ja/news/2023/ir/20230130145839.html (in Japanese only)
Management	Commences construction of new PRC printing inks facility in Nantong WEB https://www.dic-global.com/en/news/2023/ir/20231128095521.html
SDGs	Begins providing brand logo for <i>Lucida®</i> tactile paving blocks to other tactile paving manufacturers free of charge WEB https://www.dic-global.com/ja/news/2023/csr/20231222140210.html (in Japanese only)
SDGs	Enters into comprehensive partnership agreement with the city of Yokkaichi, Mie Prefecture, aimed at promoting decarbonization and the ongoing advance of industry, and accelerates efforts to launch the closed-loop recycling of polystyrene WEB https://www.dic-global.com/ja/news/2023/products/20230706093754.html (in Japanese only)

Segment Intellectual Property Strategy

Improve presence in the recycling ecosystem by building a patent portfolio that is not limited to upstream areas such as films, inks and adhesives, but also includes downstream areas such as recycling methods.

Color & Display

Color and Display Materials that Make Life Colorful



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

Products in the 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.

A Comment from the Business Group President

The Color & Display segment works to bring color to society and everyday life. The segment centers on color materials, that is pigments, used to add color, and health foods such as Spirulina, grown using the DIC Group's proprietary algae cultivation technology. In fiscal year 2021, the scale of the segment increased significantly with DIC's acquisition of the Colors & Effects pigments business from BASF SE, as a result of which today the DIC Group is one of the world's premier pigment manufacturers with a broad portfolio of technologies ranging from organic synthesis to inorganic materials design.

Pigments are one of the products represented by the "Color" in our "Color & Comfort" vision statement. We have set a clear vision for the DIC Group to shift its focus to materials that add not only color but also functionality. In addition to pigments for specialty applications such as displays and cosmetics, for which we already enjoy a high global market share, we are turning our attention to materials that deliver essential next-generation functionality, including those for industrial-use light detection and ranging (LiDAR) signal

coatings, key to autonomous driving vehicles, and materials with heat-shielding properties.

To date, our efforts to leverage synergies with the Colors & Effects pigments business in the areas of technology and production have not been as successful as we had envisaged. Owing to this, as well as economic stagnation in Europe, our principal geographic market, we struggled in fiscal year 2023 on the performance front. Recognizing the need for major structural reforms and measures to heighten efficiency, including the merging and shuttering of production facilities on a global scale, we have embarked on a bold series of structural reforms aimed at returning us to a growth trajectory. This is our top priority.

We will also continue to expand our endeavors in the area of healthcare products, which remains small at 1.3% of segment net sales in fiscal year 2023. Strategies in this area include broadening our focus in the area of naturally derived materials, currently focused on Spirulina, to include nutrition, naturally derived pigments and materials for cosmetics.

Main Products

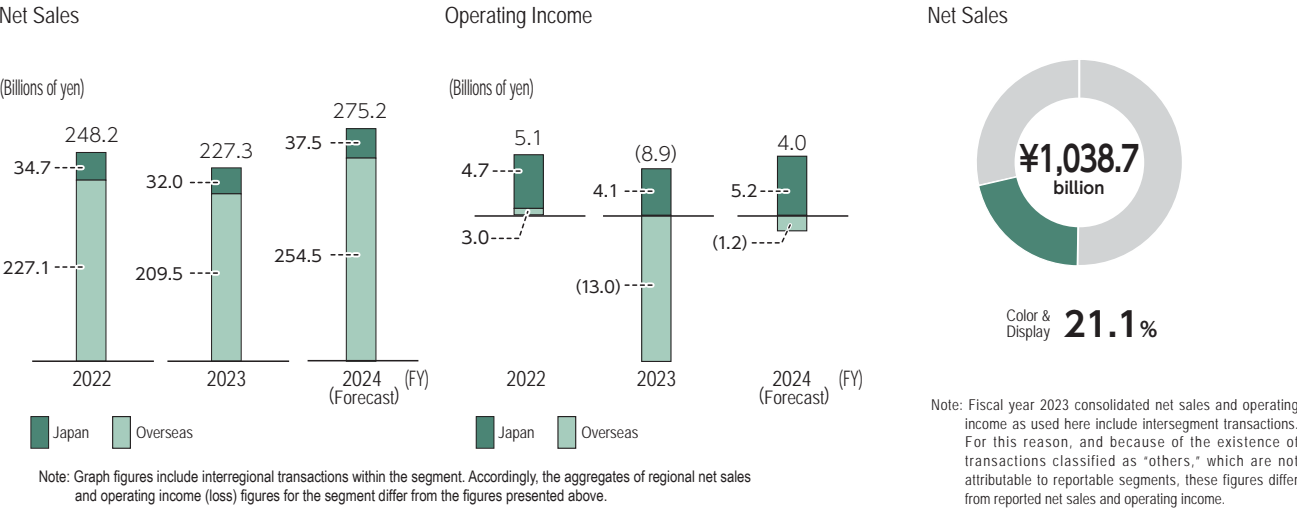
[Color Materials]

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

[Display Materials]

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

Segment Operating Results



Structural Reforms in the Pigments Business in the Americas and Europe

The DIC Group is creating production configurations in the Americas and Europe that maximize synergies by promoting structural reforms and measures to heighten efficiency, including the merger and shuttering of production facilities and labor force rationalization, thereby improving earnings structures, particularly for the recently acquired Colors & Effects pigments business.

Merged and shuttered production facilities

- Optimized pigments production configuration in Europe,* taking into account future demand
- * Downsized four and optimized 12 sites

Rationalized labor force

- In addition to rationalizing operations, a policy since acquisition, rationalized labor force* in response to the deterioration of the business environment
- * Phased implementation began in fiscal year 2022. The largest-scale labor force rationalization to date began in fiscal year 2023.

Transformed product portfolio

- Rationalized production of conventional pigments (azo, phthalocyanine, diketopyrrolopyrrole (DPP))
- Expanded high-value-added products (perylene pigments, effect pigments, pigments for displays)

Return to a growth trajectory by promoting structural reforms

Bolster production efficiency and cut costs

- Total structural reform-related costs for fiscal years 2023–2026 will be approximately ¥16 billion.
- As of fiscal year 2026, the annual improvement in operating income attributable to rationalization is expected to be ¥10 billion-plus from the fiscal year 2022 level.
- Reduce the total number of employees in the pigments business by 12%
- Continue to promote additional structural reforms from fiscal year 2027 on to further improve operating income
- Seek to restore profitability by implementing structural reforms aimed at streamlining assets and personnel reforms

Invest in strategic growth products

- Bolster profitability and grow businesses by expanding production of perylene pigments, effect pigments, and pigments for displays, demand for which is increasing for specialty applications

Strive to achieve sustainability

- Establish a more competitive production structure by reducing CO₂ emissions through the optimization of locations and processes

Fiscal Year 2023 Highlights

Products	Launches two new <i>eXpand</i> [®] stir-in pigment preparations for the coatings market (Sun Chemical) WEB https://www.dic-global.com/en/news/2023/products/20230919084814.html
Products	Launches portfolio of biocide-free <i>Xfas</i> [®] dry stir-in colorants for water-based coatings (Sun Chemical) WEB https://www.dic-global.com/en/news/2023/products/20231006103109.html
Products	Introduces two new <i>SunPURO</i> [®] Naturals colors for cosmetics and personal care (Sun Chemical) WEB https://www.dic-global.com/en/news/2023/products/20231225092111.html
Research	Publishes a paper with Kochi University on the anti-aging benefits of polysaccharides derived from blue-green algae Spirulina WEB https://www.dic-global.com/en/news/2023/products/20230921122124.html
SDGs	Cooperates with Tirol Choco Co., Ltd., to conduct food education class on edible blue-green algae Spirulina WEB https://www.dic-global.com/ja/news/2023/event/20230726155619.html (in Japanese only)

Segment Intellectual Property Strategy

Secure an unparalleled competitive advantage in pigments for specialty applications, including displays and cosmetics, by building a patent portfolio focused on effect pigments and naturally derived pigments that will serve as core materials going forward.

Functional Products

Functional Products that Add Comfort



Yuji Kikuchi
Managing Executive Officer
President, Functional Products
Business Group

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.

A Comment from the Business Group President

The Functional Products segment encompasses a diverse range of synthetic resins and other products in three businesses: Performance materials, composite materials and, beginning in fiscal year 2024, chemitronics. These products are primarily for industrial applications, notably mobility solutions and electronics.

To further accelerate our efforts in the business area we have dubbed “smart living,” we realigned the segment early in the period, designating chemicals and materials for electronics applications “chemitronics.” Our goal is to evolve as a provider of solutions that contributes to an increasingly digital society by extending products such as epoxy resins, crucial to semiconductor fabrication, photoresist polymers and industrial adhesive tapes used in smartphones. In this area, we are also fostering new businesses that deliver comfort, imparting

new functions in robots and drones by combining sensors and processing technologies with materials having unique performance features.

Looking ahead, we will expand our lineup of environment-friendly products, including PFAS-free surfactants, launched in fiscal year 2023, and PPS compounds, which help make vehicles lighter. In addition, we will continue working to help realize carbon neutrality by switching to bioderived raw materials.

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), sulphur chemicals, fiber and textile colorants, metal carboxylates

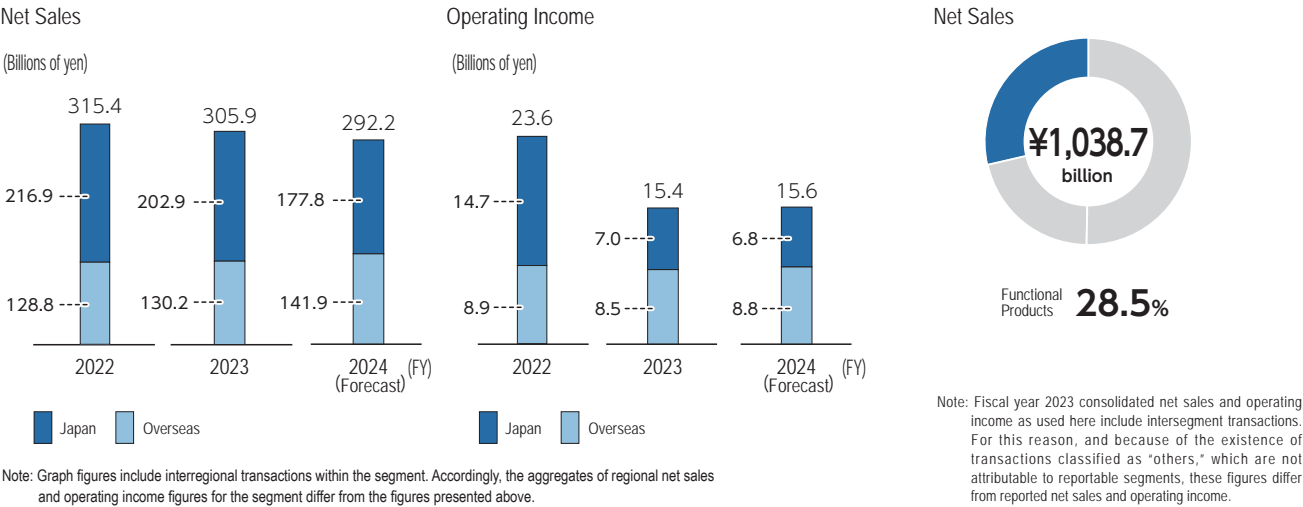
[Composite Materials]

Polyphenylene sulfide (PPS) compounds, plastic colorants, hollow-fiber membranes and modules, medical diagnostic products

[Chemitronics]

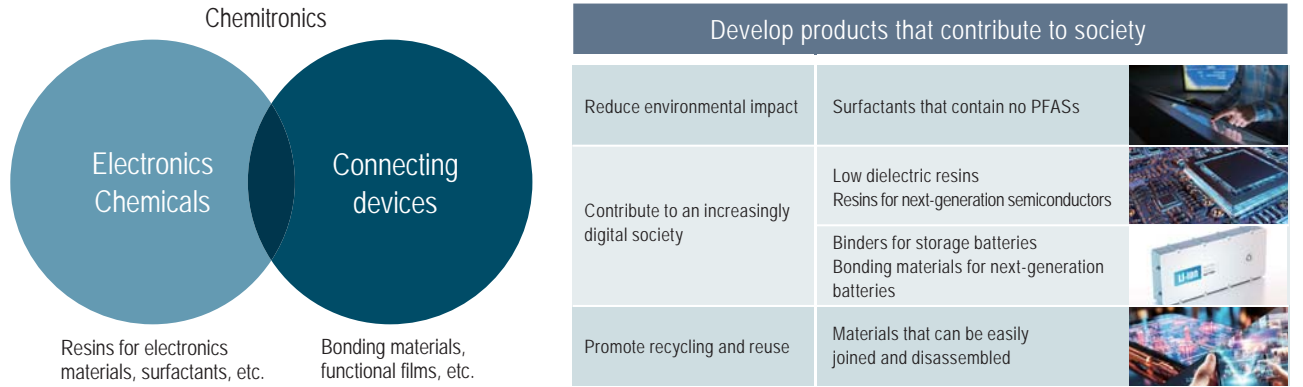
Materials for semiconductor and substrate packaging and for photoresists, surfactants, adhesives and bonding materials, resins for optical materials

Segment Operating Results



Initiatives Aimed at the Swift Creation of Next-Generation and Growth Businesses

- Designate business centered on chemicals and materials for electronics applications “chemitronics” and concentrate the allocation of management resources in this business
- Provide uniquely DIC solutions, focusing on materials for semiconductor packaging and cutting-edge electronics components, both of which are expected to grow in the future
- Target for the chemitronics and related business: ¥5 billion–¥7 billion increase in operating income from the fiscal year 2023 level by fiscal year 2026



Fiscal Year 2023 Highlights

Products	Develops <i>MEGAFACE</i> ™ EFS series of environment-friendly high-performance PFAS-free surfactants WEB https://www.dic-global.com/en/news/2023/products/20230731182329.html
Products	Releases <i>HYDRAN</i> ™ GP series of environment-friendly waterborne polyurethane resins WEB https://www.dic-global.com/en/news/2023/products/20230627143917.html
Research	Near-infrared (NIR) fluorescent dye is adopted for use in BrightMarker embedded invisible fluorescent tags for object tracking, developed by Massachusetts Institute of Technology (MIT) WEB https://www.dic-global.com/en/news/2023/r_and_d/20230911102035.html
Management	Acquires photoresist polymers manufacturer PCAS Canada Inc. WEB https://www.dic-global.com/en/news/2023/ir/20230531142948.html
Management	Transfers all shares held in consolidated subsidiary SEIKO PMC CORPORATION, eliminating the company from the scope of consolidation WEB https://pdf.irpocket.com/C4631/cEro/Z8dG/wpz9.pdf
SDGs	Collaborates with Meiji Holdings Co., Ltd., to develop CACAO STYLE LEATHER, a synthetic leather made from upcycled cacao bean skins WEB https://www.dic-global.com/ja/news/2023/csr/20231220090323.html (in Japanese only)

Segment Intellectual Property Strategy

Strengthen patent protection not only in Japan but also in other countries and territories to expand share of the markets for innovative products such as environment-friendly PFAS-free surfactants.

New Business Development

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



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

A Comment from the Business Group General Manager

In addition to global-scale issues such as climate change and social disparities, escalating political tensions, including trade friction between the United States and the PRC, the Russian invasion of Ukraine and the current Israeli–Palestinian conflict, continue to have major business implications worldwide. The ability to compete is also influenced by factors such as national and regional laws and regulations, subsidies, industry standards and rules, while cutting-edge start-ups tend to attract funding, underscoring an increasingly diversified and challenging competitive environment. Against this backdrop, we are promoting new business development guided by three key considerations: Technology, rules and how consumers

and companies define value. We are also exploring various business models while at the same time searching for partners with whom we can work in all areas, including technology, procurement, production and sales. Going forward, we will reconsider development themes initially formulated under DIC Vision 2030, the goals of which now appear difficult to meet, transferring short- and medium-term themes to the business groups, reinforcing collaboration, and emphasizing effective time management with clear targets and milestones for medium- to long-term themes.

Fiscal Year 2023 Highlights

Smart Living

- Transferred electronics-related themes such as silver seed film to the new Chemitronics Business Division, where synergies are anticipated
- Expanded 3D dental printing materials and focused marketing on Europe, the Americas and the PRC
- Produced mass production prototype material for LiDAR* antennas as an application for LC materials

* A sensing technology that detects the shape and distance of surrounding objects

Sustainable Energy

- In the area of battery materials, recognized as a promising market, shifted focus for market entry from electrode binders for next-generation secondary batteries, originally slated for commercialization, to binders for LIBs, which offer more scope for leveraging polymer design capabilities and other competitive strengths

WEB <https://www.dic-global.com/en/news/2023/products/20230410175244.html>

Healthcare

- Made a second investment in Debut Biotechnology, Inc., of the United States, and began exploring use of jointly developed polyphenols in the area of skincare
- Promoted conservation activities for Suizenji nori, an endangered freshwater blue-green algae that grows naturally only around Mount Aso in Kyushu; marketed *SACRAN*TM, a polysaccharide extracted from farmed Suizenji nori and launched *fillwith*, a *SACRAN*TM-based cosmetics brand

Note: *SACRAN*TM is a trademark of Green Science Materials, Inc.

WEB <https://www.dic-global.com/ja/news/2023/products/20230125095828.html> (in Japanese only)

WEB <https://www.dic-global.com/ja/news/2023/csr/20230828105631.html> (in Japanese only)

Sustainable Packaging

- Transferred barrier films R&D theme to the Packaging Material Products Division, where synergies are anticipated with other products in the division's films portfolio
- Used recycled plastic from deinked rolls of plastic film to make colored packaging bands and portable temporary plastic items
- Established a process for recycling waste plastic derived from flexible packaging through wet crushing and marketed it along with deinked, mono-material constituent and other sustainable materials

WEB <https://www.dic-global.com/ja/news/2023/products/20230605133213.html> (in Japanese only)

12-Year Summary

Key Financial Data

Period	115	116	117	118	119	120	121	122	123	124	125	126
Fiscal year	2012	2013 ^(*)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income												
Net sales (Billions of yen)	703.8	784.0	830.1	820.0	751.4	789.4	805.5	768.6	701.2	855.4	1,054.2	1,038.7
Operating income (Billions of yen)	38.5	44.1	41.1	51.1	54.2	56.5	48.4	41.3	39.7	42.9	39.7	17.9
Operating margin (%)	5.5	5.6	4.9	6.2	7.2	7.2	6.0	5.4	5.7	5.0	3.8	1.7
R&D and technology-related expenses ¹ (Billions of yen)	23.0	19.8	25.3	26.8	26.2	27.4	28.4	27.9	26.2	28.0	29.9	32.2
Of which, R&D costs (Billions of yen)	8.8	8.8	10.9	12.2	11.2	12.4	12.9	12.5	12.0	13.5	15.1	17.2
Ordinary income (Billions of yen)	35.1	40.9	39.9	49.0	55.8	57.0	48.7	41.3	36.5	43.8	39.9	9.2
Net income (loss) attributable to owners of the parent (Billions of yen)	19.1	28.8	25.2	37.4	34.8	38.6	32.0	23.5	13.2	4.4	17.6	(39.9)
EBITDA (Billions of yen)	65.2	69.1	77.0	94.0	82.6	86.1	81.4	67.4	55.6	69.0	85.5	30.8
EBITDA margin (%)	9.3	9.8	9.3	11.5	11.0	10.9	10.1	8.8	7.9	8.1	8.1	3.0
Financial Position												
Total assets (Billions of yen)	693.0	761.7	803.7	778.9	764.8	831.8	801.3	803.1	818.0	1,071.5	1,261.6	1,244.9
Net assets (Billions of yen)	160.7	218.9	276.7	289.9	307.0	344.0	327.3	343.5	351.4	381.0	421.1	399.3
Equity ratio (%)	19.8	25.6	31.1	33.7	36.4	37.9	37.3	38.9	38.9	32.3	30.7	29.2
Net interest-bearing debt (Billions of yen)	293.0	283.6	257.4	244.1	224.0	247.8	244.7	235.8	221.9	346.0	445.9	441.4
Net D/E ratio (Times)	2.14	1.45	1.03	0.93	0.80	0.79	0.82	0.75	0.70	1.00	1.15	1.21
Cash Flows												
Net cash provided by operating activities (Billions of yen)	41.4	33.9	46.4	29.1	62.5	54.2	51.0	50.6	54.5	44.8	7.9	89.1
Net cash used in investing activities (Billions of yen)	(23.7)	(9.8)	(27.4)	(10.0)	(32.2)	(58.9)	(38.4)	(24.9)	(33.0)	(147.6)	(73.2)	(66.5)
Free cash flow (Billions of yen)	17.7	24.0	19.0	19.1	30.3	(4.7)	12.6	25.8	21.4	(102.8)	(65.2)	22.6
Net cash provided by (used in) financing activities (Billions of yen)	(26.6)	(32.8)	(26.1)	(24.8)	(26.9)	11.4	(11.8)	(26.8)	6.3	99.5	83.9	(2.9)
Cash and cash equivalents (Billions of yen)	22.5	15.0	16.4	15.1	16.7	17.7	18.6	16.7	41.4	37.6	62.6	84.6
Per Share Information ²												
Earnings (loss) per share (Yen)	207.98	292.26	267.81	389.40	366.72	407.56	338.40	248.29	139.81	46.12	186.05	(421.06)
Price earnings ratio (Times)	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)	60	60	60	80	100	120	125	100	100	100	100	80
Payout ratio (%)	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 (%)	6.3	6.1	5.7	6.9	7.3	7.2	6.0	5.2	5.0	4.8	3.6	1.5
ROE (%)	16.0	16.1	11.3	14.6	12.9	13.0	10.4	7.7	4.2	1.3	4.8	(10.6)
Capital expenditure (Billions of yen)	26.6	27.1	33.6	32.1	31.3	33.6	32.1	35.0	34.0	38.6	49.5	56.3
Depreciation and amortization (Billions of yen)	27.4	25.9	33.8	32.9	32.4	31.5	32.8	33.1	32.6	37.4	47.1	50.8
Overseas sales ratio (%)	56.7	66.6	63.4	65.1	62.4	63.4	63.6	63.5	64.8	67.3	70.8	71.3
Average exchange rate (¥/US\$)	79.93	97.06	106.32	120.85	109.96	112.33	110.46	109.11	106.37	109.75	130.59	140.51
Average exchange rate (¥/EUR)	103.11	129.25	141.41	134.14	122.06	127.03	130.46	122.13	121.43	129.73	137.71	151.98
Number of employees	20,273	20,034	20,411	20,264	20,481	20,628	20,620	20,513	20,242	22,474	22,743	22,255

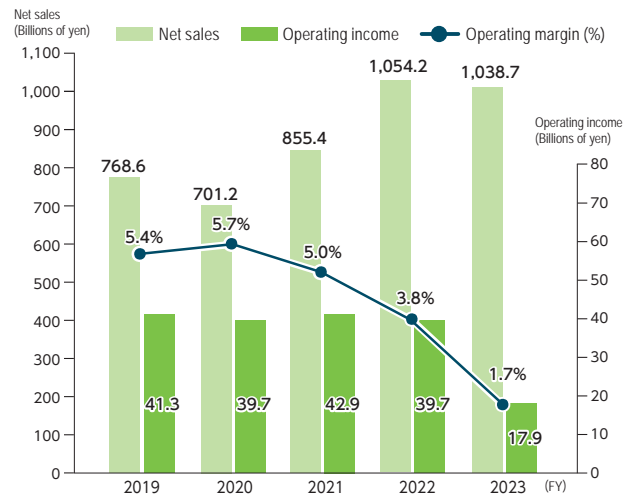
¹ Technology-related expenses are for DIC and DIC Graphics Corporation.

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

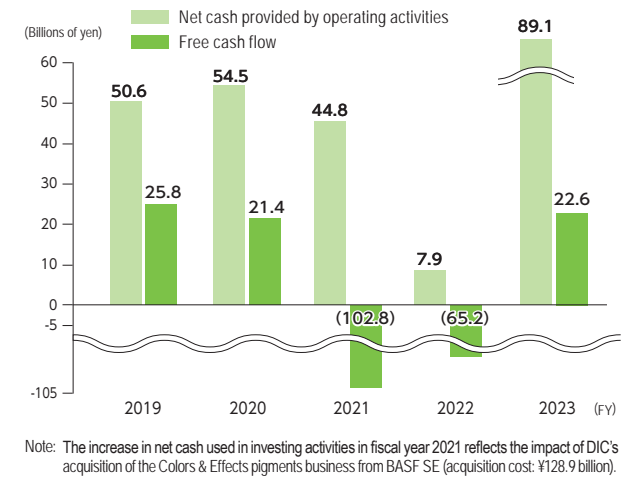
³ Effective from fiscal year 2013, DIC and its domestic consolidated subsidiaries changed their fiscal year-end from March 31 to December 31. As a consequence, reported results reflect the fact that for these companies fiscal year 2013 was a transitional, irregular nine-month period. For the purpose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

Financial Information

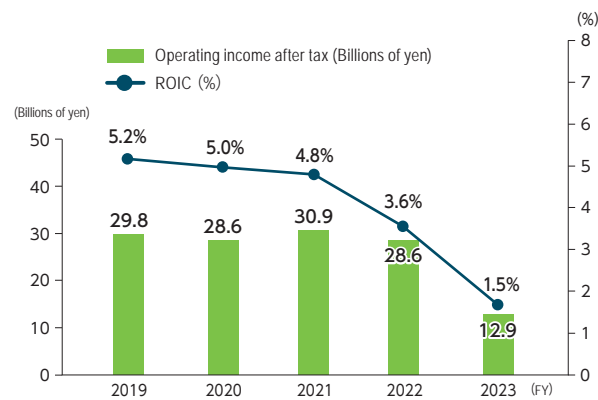
Net Sales, Operating Income and Operating Margin



Net Cash Provided by Operating Activities and Free Cash Flow

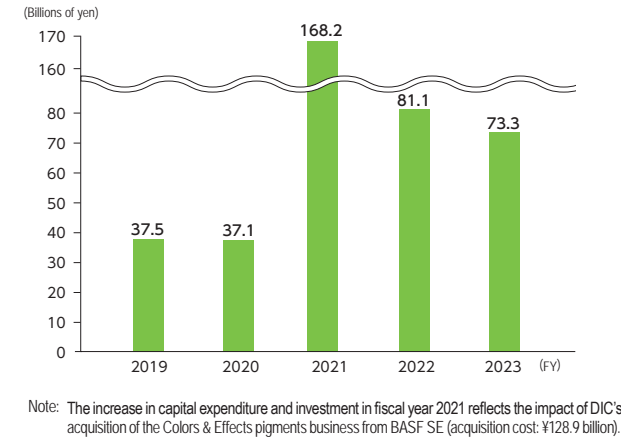


Operating Income after Tax and ROIC*

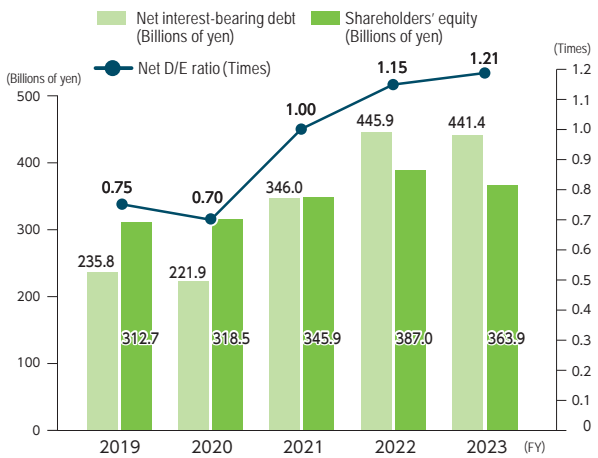


* ROIC: Operating income x (1 - Effective tax rate of 28%) / (Net interest-bearing debt + Net assets)

Capital Expenditure and Investment

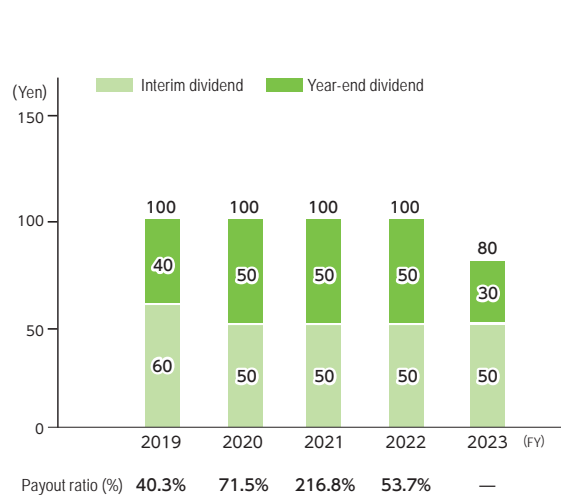


Shareholders' Equity, Net Interest-Bearing Debt and Net D/E Ratio*



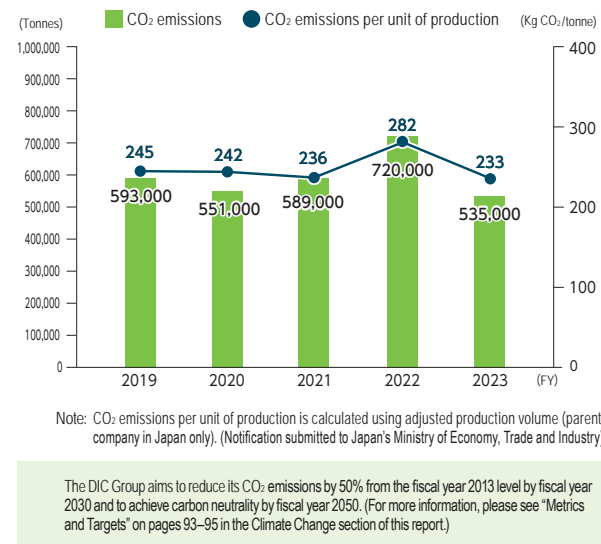
* Net D/E ratio: Net interest-bearing debt / Shareholders' equity

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

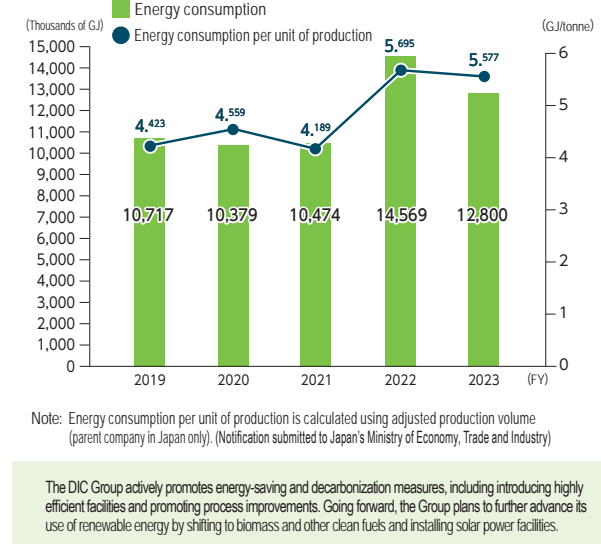


Nonfinancial Information

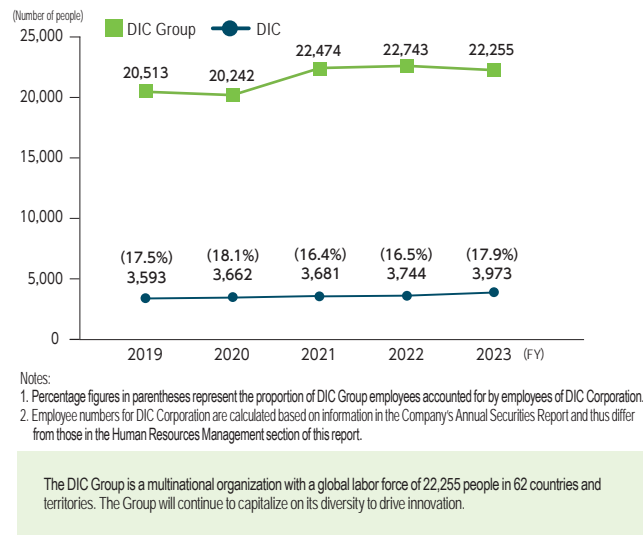
Global CO₂ Emissions and CO₂ Emissions per Unit of Production (DIC Group)



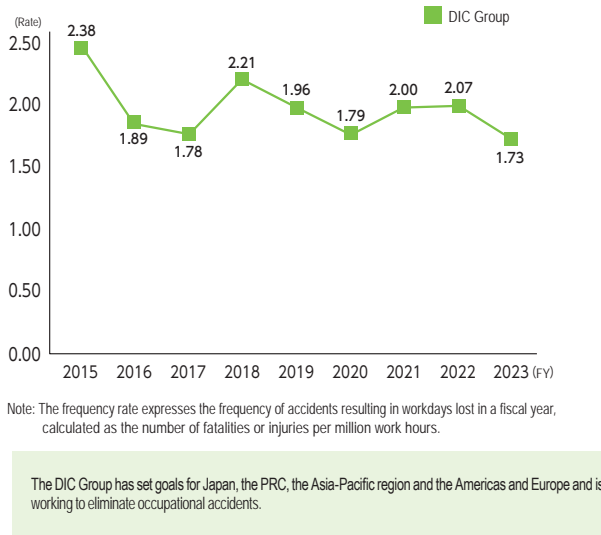
Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)



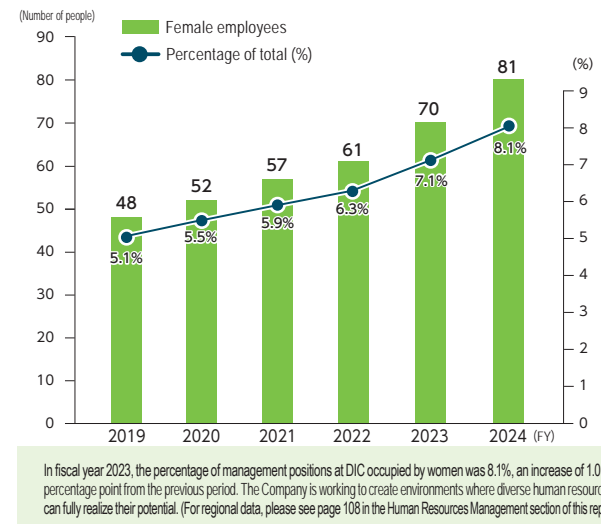
Number of Employees (DIC Corporation and the DIC Group)



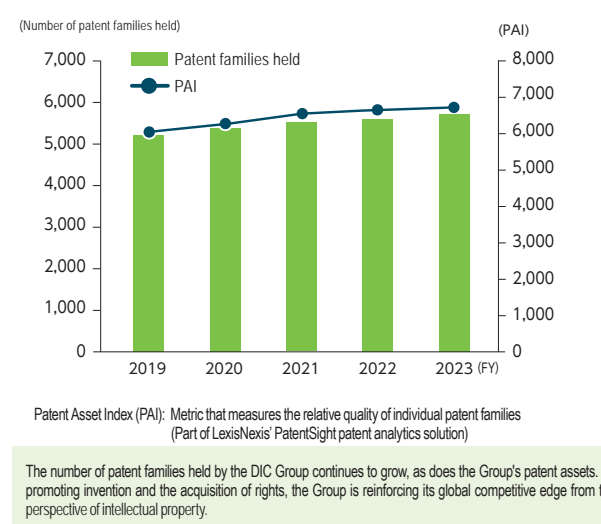
Occupational Accident Frequency Rate (DIC Group)



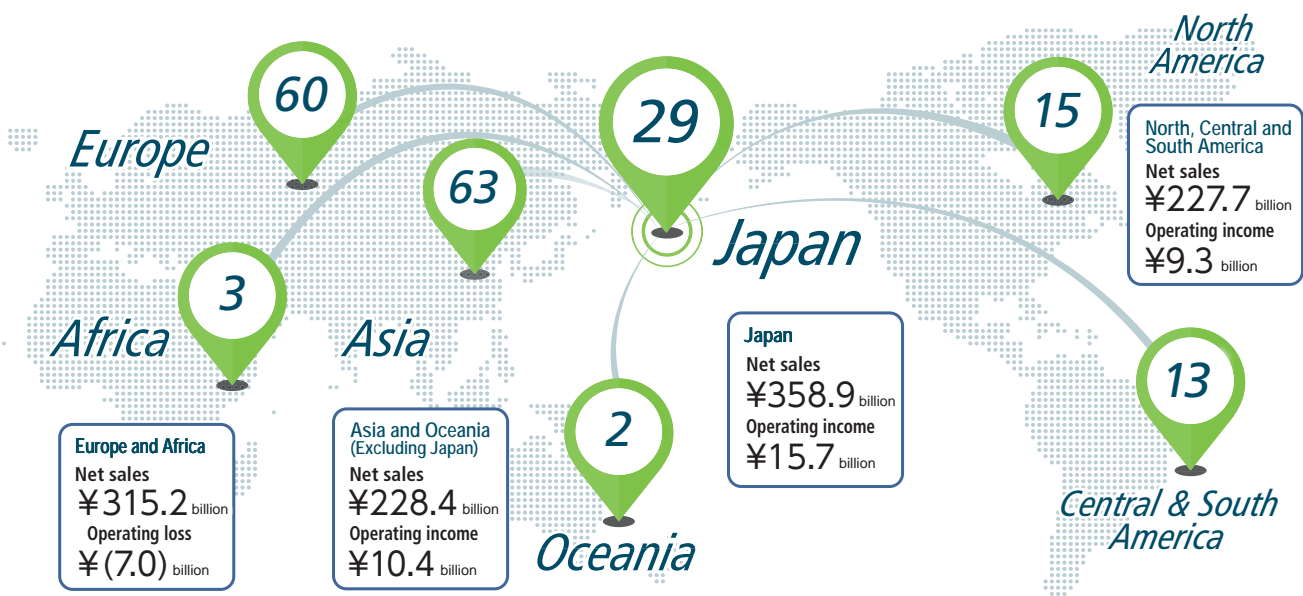
Female Employees in Management Positions (DIC Corporation)



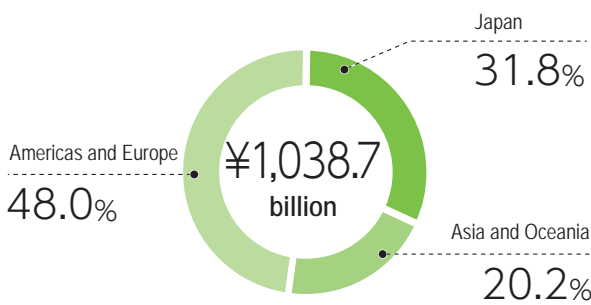
Patent Families Held (DIC Group)



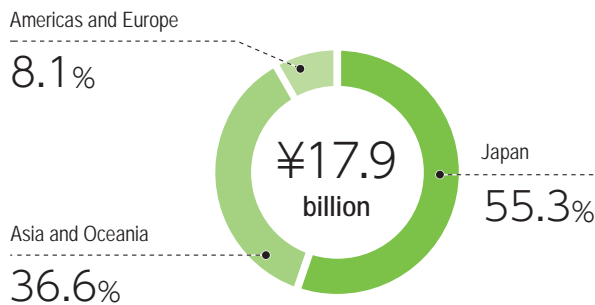
The DIC Group: A Global Powerhouse



Breakdown of Fiscal Year 2023 Net Sales by Region

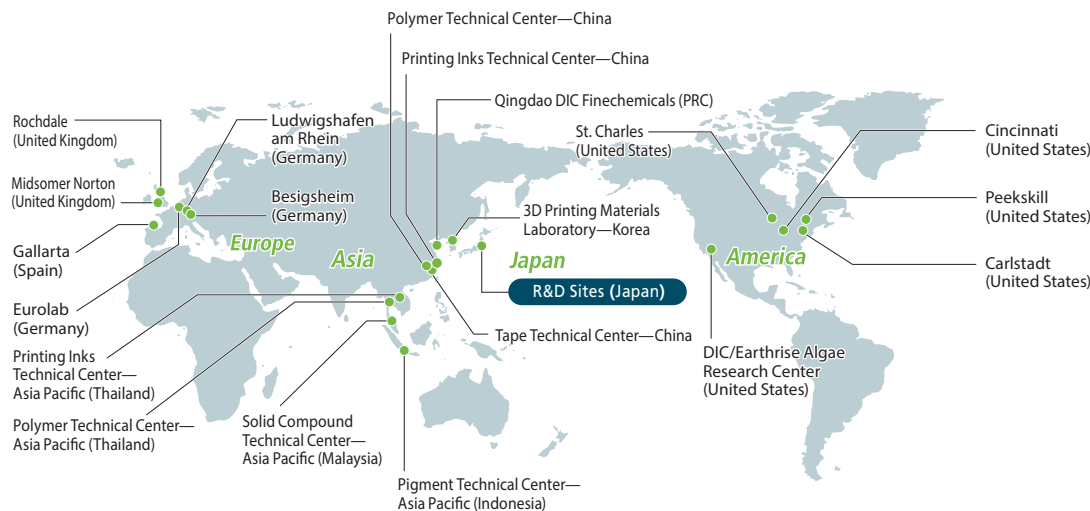


Breakdown of Fiscal Year 2023 Operating Income by Region



Note: Operating income as used here includes eliminations (approximately ¥10.6 billion). Accordingly, these percentages do not represent shares of reported operating income.

Principal Group R&D Sites Outside Japan



Initiatives Aimed at Enhancing Corporate Value by Providing Value to Customers

Sun Chemical (The Americas and Europe)



We want our customers and employees to “Experience.Transformation.” and continue striving to enhance both our reputation for excellence in the market and our business results.

Myron Petruch
President and CEO
Sun Chemical Corporation

Driving Transformation into a Provider of Solutions

Sun Chemical, which oversees DIC Group operations in the Americas and Europe, is transforming itself to provide global leadership in the development of packaging solutions. Specifically, we are working across four elements—brand evolution, efficiency, risk mitigation and sustainability—to provide customers with a balanced perspective across our packaging and graphics business portfolio. By defining and differentiating our brands to generate value, we will drive productivity to create a competitive advantage across our service offerings. Our packaging solutions will mitigate risk by defending and protecting our customers, and their customers, while also emphasizing sustainability by helping reduce waste, conserve resources and promote a circular economy.

Improving Productivity

In the Americas and Europe, our manufacturing group is leading the cross-functional project that includes product management, operations, supply chain, R&D, IT and procurement functions to drive the optimization of all pigments business production assets. Focused on our site in Germany and encompassing all color materials manufacturing sites and processes, this project concentrates on improvements to drive efficiency and cost reductions throughout the production chain. By setting targets for individual product families, this project takes an overall view of manufacturing and will improve the operating efficiency and profitability of the color materials business. The project will also enhance our competitive position in the color materials market by offering our customers innovative and sustainable solutions.

Promoting Strategic Efforts to Expand Regional Sales of Advanced Materials

An area of new business growth in advanced materials that we are giving particular attention in the Americas and Europe is electronic materials solutions. Underscoring this, at the recent

Large-area, Organic & Printed Electronics Convention (LOPEC), held in Munich in March 2024, we showcased our range of *SunSens* solutions, which include tailored functional materials designed specifically for printed electrochemical sensors. With applications including health diagnostics, environmental monitoring and agricultural sensing, these materials are contributing to progress in critical fields.

Advancing Sustainability Initiatives

We understand that environmental impacts, including greenhouse gas emissions, are potentially present at all points in the supply chain. This is why programs, including the installation of solar panels, are key to providing a sustainable approach by reducing energy generated by CO₂-emitting power generation facilities at production and laboratory sites. Such programs can reduce the overall environmental impact of, as well as greenhouse gas emissions from, its production operations to meet the DIC Group's target for fiscal year 2030. One example of this can be seen at our site in Germany, where solar panels provide a significant amount of energy used. Another such location is our site in Carlstadt, in the U.S. state of New Jersey. Similar projects are also in progress elsewhere where appropriate, based on site energy consumption and land availability.



Initiatives Aimed at Enhancing Corporate Value by Providing Value to Customers

DIC Asia Pacific



We are further increasing added value for customers by promoting solutions-based marketing and improving production efficiency through the creation of mother plants.

Paul Koek
Managing Director
DIC Asia Pacific Pte Ltd

■ Driving Transformation into a Provider of Solutions

DIC Asia Pacific, which is responsible for DIC Group operations in the Asia-Pacific region, is actively advancing the establishment of a more structured, process-oriented organizational model. This prioritizes shifting to the cost-to-serve model,* aimed at mitigating inefficiencies within existing processes. To accommodate this, we are also transitioning from a conventional sales and marketing approach to a solutions-based methodology in this region.

* The cost-to-serve model seeks to reveal costs across an entire supply chain, including for procurement, by allocating them to individual businesses, products and customers. This ensures an accurate understanding of costs for each customer and product, as well as insights into the factors that increase costs, thereby facilitating effective improvements.

■ Improving Productivity

As part of our efforts to bolster cost efficiency, we have initiated the transition to a regional mother plant framework, which will allow bulk manufacturing and category buying, and will advance the cost-to-serve model. Also known as a “hubbing strategy,” this will see the strategic placement of mother plants in, for example, India, Indonesia and Thailand, to manufacture standard products that are fit-for-purpose across the region. This will allow us to improve efficiency and productivity, as well as to drive synergies, across the region.

In back-office operations, we have begun implementing the concept of “shared services” for roles in finance and accounting management. This streamlines pertinent processes and fosters greater efficiency.

■ Promoting Strategic Efforts to Expand Regional Sales of Resins

The coating resins market in South Asia, which centers on India, primarily consists of small and medium-sized local players, rather than being dominated by major resin manufacturers. Against this backdrop, in February 2024 DIC subsidiary Ideal Chemi Plast Private Limited inaugurated a new production facility in the state of Maharashtra, in mid-western India. This move aligns with the DIC Group's strategy for establishing itself as a dominant player in the Asian polymers market by capitalizing on increased production capacity, an effort in which Ideal Chemi Plast is playing a key role.

The primary markets of focus for Ideal Chemi Plast in India are in the automotive and industrial sectors. With a threefold increase in production capacity, the company aims to capture the middle to high-end market segment, which typically relies on imported products. The company's newly operational production facility will enable the production of environment-friendly, regionally tailored products developed at the DIC Group's Polymer Technical Center-Asia Pacific in Thailand.

■ Advancing Sustainability Initiatives

In furtherance of the DIC Group's objective to achieve a 50% reduction in CO₂ emissions from the fiscal year 2013 level by fiscal year 2030, we have devised and executed numerous measures aimed at emissions reduction. These include:

- switching from coal-fired to gas-fired boilers at DIC Graphics' production facility in Karawang, Indonesia (pigments);
- installing solar panels at sites in Malaysia, Thailand and India, among others; and,
- purchasing CO₂-free electricity at DIC India's Noida Plant.

We will continue to promote a variety of measures tailored to the conditions and needs of individual countries and territories to help ensure the Group's ability to meet this target.



State-of-the-art gas-fired boilers in Indonesia



Solar panels installed in Malaysia

Initiatives Aimed at Enhancing Corporate Value by Providing Value to Customers

DIC (China)



By focusing on ensuring a balance between growth and efficiency, we are striving to increase our value to the DIC Group.

Mao Jianwei
General Manager
DIC (China) Co., Ltd.

■ Driving Transformation into a Provider of Solutions

With the objective of transforming DIC (China) into a provider of solutions in Greater China that emphasizes manufacturing products that sell—i.e., that deliver the value our customers seek—rather than simply on selling the products we manufacture, we recognize the importance of securing a position close to end users from which we can directly respond to social imperatives, allowing us to offer solutions that address challenges further downstream. We are promoting initiatives in all three business areas aimed at achieving this objective. In the packaging and graphic business, we are extending solutions across supply chains that meet customer needs for cost reductions and mono-material products. In functional products, we are developing PPS products that respond to market demand by leveraging application technologies cultivated in Japan and Europe, together with raw materials and production resources in the PRC, targeting EV manufacturers, which are seeing their operations expand globally. In color and display, we are studying changes in color trends in key industries, as well as on the status of international and domestic regulations pertaining to safety and health with the goal of proposing new color materials and solutions that satisfy the requirements of customers, enabling us to develop products that are compatible with the need to help ensure sustainability.

■ Improving Productivity

Given the sharp increase in regional labor costs in recent years, improving labor productivity is crucial to maintaining and/or growing market competitiveness. As regional headquarters, DIC (China) regularly compiles data for indicators that illustrate the relationship between work hours and production output for individual subsidiaries, as well as for each business group, in the region. This data is provided to relevant management teams, thereby helping to raise awareness of labor productivity.

We also plan and implement skills training and competitions to lift the skill levels of regional employees. At the same time, we conduct employee engagement surveys and have introduced various performance-based incentive systems, as well as strive to create harmonious working environments in an effort to enhance the potential of employees.

In recent years, the importance of improving labor productivity has penetrated not only at the management level but also across the region. This is thanks to bold measures such as the merger and closure of production facilities, as well as the review of workflows.

■ Promoting Strategic Efforts to Expand Regional Sales of Resins

Thanks to steps taken by Guangdong DIC TOD Resins Co., Ltd. (TOD), acquired in July 2022, we have made considerable progress in implementing the DIC Group's strategy for establishing itself as a dominant player in the Asian polymers market. Of note, in addition to existing production equipment for solvent-borne resins at its Shaoguan and Wengyuan plants, TOD began building new production equipment for waterborne resins that will be completed in fiscal year 2024, positioning the company to bolster its status as a supplier of resins for industrial coatings. Going forward, the DIC Group in the PRC will continue to steadily further a variety of measures to expand sales in the eastern and northern parts of the PRC, which we have designated as priority areas for expanding Group operations in this country.

■ Advancing Sustainability Initiatives

DIC Group companies across Greater China are taking a variety of steps to slash CO₂ emissions in line with the target set by the Group for such emissions in fiscal year 2030. DIC (China) gathers monthly data on energy consumption and continuously monitors CO₂ emissions, in addition to which it regularly publishes information on energy saving and emissions reductions with the aim of realizing facilities that qualify for Green Office designation.

In addition, DIC Group companies are pressing ahead with plans to switch from coal-fired to gas-fired boilers, facilitating a shift from in-house production using steam to external procurement, as well as to reduce CO₂ emissions by replacing biomass boilers with electric hot air heaters, and promoting energy-saving boiler renovation projects, including implementing energy-saving modifications to energy-consuming equipment such as water coolers and electric motors. We are also focusing on enhancing the operations of solar power generating facilities and encouraging the increased use of green power, including solar power.

Overview of Sustainability

The DIC Group defines sustainability initiatives as undertakings that capitalize on its businesses to contribute to sustainability for society and conservation and improvement of the global environment, as well as to its own sustainable growth. In line with its basic sustainability policy, the Group promotes a variety of sustainability initiatives worldwide and works to maintain an accurate grasp of social imperatives pertaining to ESG-related issues. In fiscal year 2018, DIC established the ESG Unit with the aim of further expanding Group ESG initiatives worldwide.

Effective from 2024, the Company also discloses sustainability information in its annual securities report, which it is legally required to file in Japan. The Company is also working with sites around the world to comply with overseas disclosure guidelines, including the European Union (EU)’s Corporate Sustainability Reporting Directive (CSRD). The DIC Vision 2030 long-term management plan also outlines sustainability strategies, which will guide efforts to further drive sustainability initiatives across the DIC Group.

Basic Sustainability Policy (Partially revised in March 2019)

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

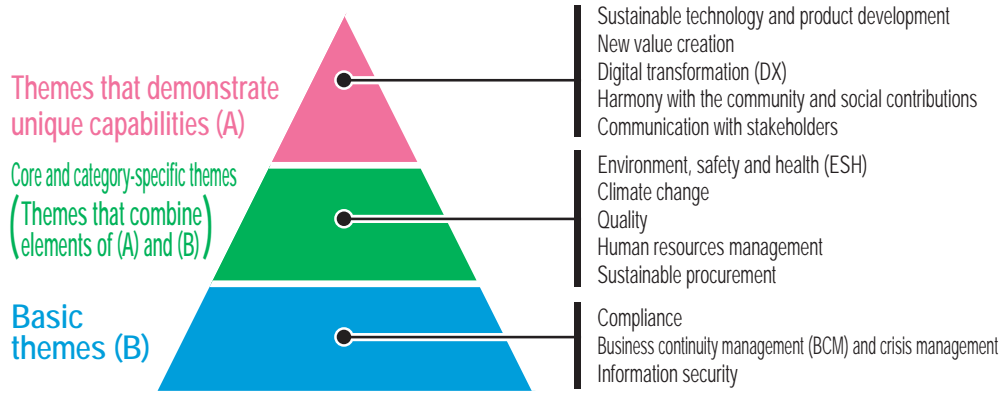
Notes: 1. With the aim of ensuring that it remains a globally trusted corporate citizen with a proud reputation, in December 2010 the DIC Group became a signatory to the UNGC. The Group also takes the guidelines provided by ISO 26000, the International Organization for Standardization’s standard for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

Sustainability Framework and Themes

Themes

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. These themes are reviewed as appropriate in light of changes in the operating environment and the progress of related initiatives.



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. Individual units, divisions and departments are in charge of implementing sustainability initiatives, with the business groups responsible for supervision, product division and site general managers, and the presidents of DIC Group companies.

The progress and results thereof are reported in the DIC Report. Business groups, product divisions, and Group companies in Japan and in other countries and territories are tasked with formulating their own sustainability activity plans. They also work to ensure Group policies permeate their organizations and labor forces, as well as to promote sustainability initiatives that align with business targets.

System for Promoting Sustainability Initiatives

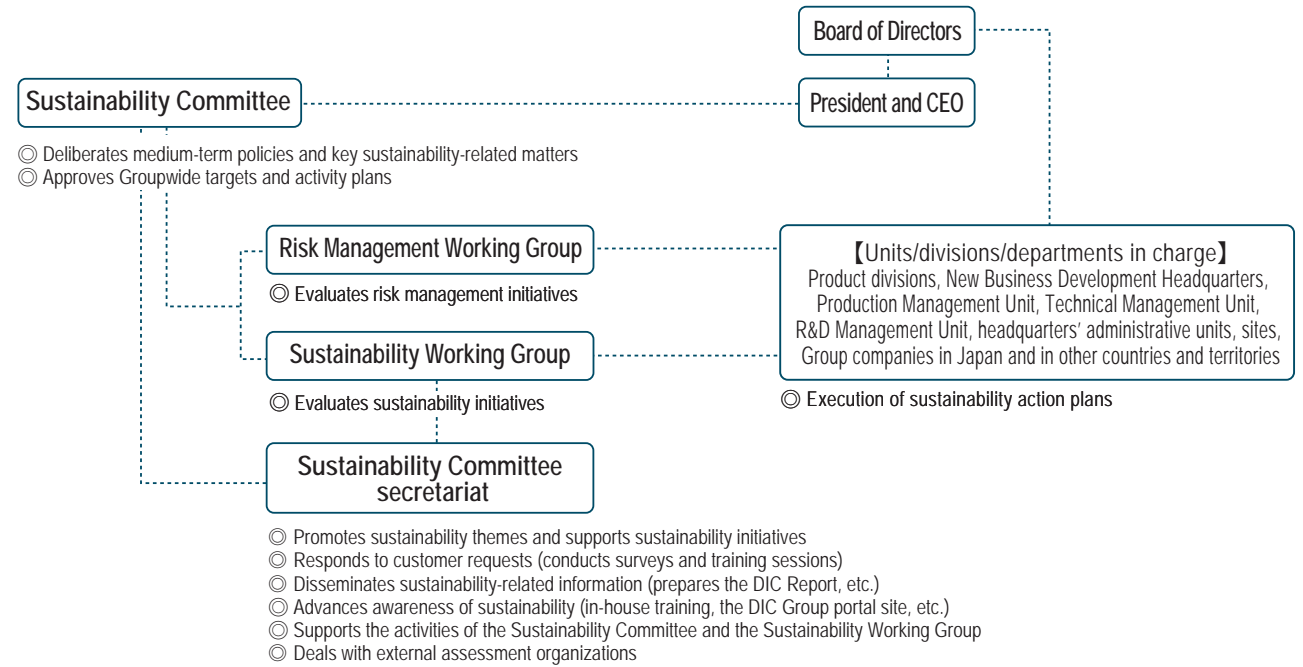
The DIC Group’s sustainability initiatives are overseen by the president and CEO, who since fiscal year 2020 has also chaired the Sustainability Committee. This committee, which answers directly to the president and CEO and is charged with advancing, improving and coordinating sustainability initiatives across units, divisions and departments from a Groupwide perspective, met four times in fiscal year 2023. The committee devises medium- to long-term policies,formulates and approves annual sustainability activity plans based on the basic sustainability policy, as well as on related medium- to long-term policies, and deliberates and makes decisions on other key matters deemed to require its adjudication. The medium- to long-term policies, like the basic sustainability policy, are subject to resolution by the Board of Directors.

The Sustainability Committee’s secretariat is tasked with developing and coordinating proposals for the DIC Group’s annual sustainable activity plans, key performance indicators (KPIs) and related schedules, as well as with supporting implementation in individual units and departments. The secretariat has also overseen the preparation of Japanese-, English- and Chinese-language versions of the basic sustainability policy and the distribution thereof across the Group to ensure awareness.

Since fiscal year 2022, the Sustainability Committee has also been tasked with promoting initiatives in line with the sustainability strategies of DIC Vision 2030.

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 in Japan, and Members of the Audit & Supervisory Board



The DIC Sustainability Index

The DIC Group has established its own sustainability index. Deployment of the DIC Sustainability Index is contributing to efforts to increase sustainable products as a key component of its effort to transform its business portfolio. Policies for deployment and in-house administration will be reviewed to reflect changes to the Group’s management strategies.

Responding to a Circular Economy

“Respond to a circular economy” is of the DIC Group’s core sustainability strategies. In line with its proprietary “5Rs” (reuse, reduce, renew, recycle and redesign) framework, the Group is promoting various initiatives aimed at helping realize a circular economy. As outlined in its circular economy message, the Group will continue to leverage its strengths and distinctive capabilities to encourage recycling and improve the competitiveness of its products and solutions.

The DIC Group's "5Rs" Framework

- Reuse = Reduce single-use products
- Reduce = Do more with less
- Renew = Create value with renewable bioderived materials
- Recycle = Accelerate realization of the circular economy
- Redesign = Reengineer to achieve a virtuous cycle



The DIC Group's Circular Economy Message

The DIC Group contributes to the realization of a circular economy by developing products and processes that emit fewer greenhouse gases, use a smaller volume of virgin materials and generate less waste than existing choices. The DIC Group uses its proprietary 5Rs framework to deploy sustainability initiatives across the Group and collaborates with its customers, suppliers and industry organizations to drive sustainability from its position at the forefront of innovation.

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

○ Leveraging 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). The Group simultaneously pledged its support for the Ten Principles of the UNGC.

○ 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, the International Organization for Standardization's standard for social responsibility, 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



Guided by our longstanding vision statement, we will continue advancing determined efforts to help realize a sustainable society.

Kuniko Torayama

Executive Officer
Head of ESG Unit

The DIC Group has embarked on the third year of the DIC Vision 2030 long-term management plan. The plan's sustainability strategies, one of its most important components, have been modified and upgraded with our recent leadership transition from former president and CEO Kaoru Ino to his successor Takashi Ikeda. While certain aspects are still under consideration, we have begun to act on several key initiatives in line with this strategy, which are outlined below.

■ Returning to the Origins of Our Sustainability Program to Ensure the Achievement of Long-Term Targets

It is important to understand that our sustainability program did not just come into being in recent years in tandem with trendy concepts such as "ESG" and "sustainable management," but actually dates back to the management vision set forth in The DIC Way, an articulation of our management philosophy: "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*." The DIC Way was adopted in 2008, and while minor changes have been made along the way this vision statement remains essentially unchanged at its core and continues to guide us in all we do. Particularly key is our belief that for a company to be sustainable, it must support the growth and evolution of society.

In the revised version of DIC Vision 2030 announced in fiscal year 2024, our new president and CEO reiterated that the long-term targets of our sustainability program, including the achievement of carbon neutrality by fiscal year 2050, that is, net zero CO₂ emissions, remain in place despite the current harsh operating environment. He has also promised to prioritize selected initiatives based on a new roadmap, to be drawn up in the near future. In response, the ESG Unit will explore various measures, including shifting to green power, with the goal of driving progress toward our preliminary target, which is to reduce CO₂ emissions (Scope 1 and 2) by 50% from the fiscal year 2013 level by fiscal year 2030. The electric power needs of all DIC Group companies in Japan are currently satisfied entirely by green power, so we will now turn our attention to other regions. The global DIC Group operates in more than 60 countries and territories, and we are currently exploring various approaches to the purchase of green power that take into account regional characteristics, as well as scale and scheduling considerations, with a view to optimization and improved efficiency. Guided by our new roadmap, we will seek to drive initiatives aimed at ensuring we meet these targets and at the same time remain mindful of the importance of cost-effectiveness.

■ Responding to a Circular Economy

One of our core sustainability strategies is to respond to a circular economy. To this end, we intend to actively expand our selection of products incorporating environmental design and the concept of circularity. Recognizing an effective sustainability program as essential to long-term growth, we will be unwavering in our determination to promote related initiatives.

■ Evolving as a Group that Leverages the Diversity of Employees in More than 60 Countries and Territories

The DIC Group is headquartered in Japan, a country that unfortunately continues to struggle with the challenge of empowering women. Accordingly, the advancement of diversity is an area upon which I personally have placed a particular emphasis. Of particular note, thanks to ambitious steps such as the introduction of a training program designed to transform the mindsets of female employees and interviews with female executive officers, we achieved the target we had set for the percentage of DIC management positions occupied by women of 8% by fiscal 2026 a full two years ahead of schedule. As a consequence, the Company was selected under the Ministry of Economy, Trade and Industry's Next Nadeshiko: Companies Supporting Dual-career and Co-parenting program in 2024. This program recognizes companies exhibiting excellence in assisting all employees, both male and female, to balance job and childcare responsibilities. While this is indeed a milestone and something of which I am extremely proud, it is important that we do not rest on our laurels and continue striving to create working environments that truly enhance the ability of employees to continue in their careers. I see my next challenge as being to more effectively leverage the diversity of DIC Group employees in more than 60 countries and territories overseas, which I am confident will play a key role in the continued evolution of the entire Group.

There remain many ESG-related challenges that the DIC Group must address as a cohesive entity going forward. We pledge to continue to advance and improve our sustainability initiatives to ensure our ability to achieve growth over the long term and provide value to our many stakeholders.

Cultivating Next-Generation Businesses



SDGs Goals 8, 9 and 11

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Create businesses with the potential to become new pillars.	Designate business areas where ESH-related issues/ social changes intersect with core competencies as priorities and establish next-generation businesses that both maximize corporate profits and amplify social value.	Efforts centered on priority business areas. In sustainable energy, sales channels were strengthened for a previously launched anode binder for next-generation LiBs. In healthcare, biotechnology-related capabilities were deepened through collaboration with diverse start-ups. In sustainable packaging, a newly launched deinked recycled plastic was successfully commercialized.	★★	Having designated business areas where ESH-related issues/ social changes intersect with core competencies as priorities, identify areas that are expected to be commercially viable and profitable and strive to swiftly launch next-generation 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.	The promotion of open innovation in areas that will contribute to a society that is increasingly green, including a project in the area of carbon recycling that was selected for sponsorship under the NEDO-administered Green Innovation Fund, helped advance the exploration of sustainable biochemicals.	★★★	Actively use external resources, including through CVC and advanced research in collaboration with academic institutions, as well as work with other companies with the aim of driving the creation of new businesses and products.

Creating New Value

The DIC Group's 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 achieving sustainable growth for both society and the DIC Group.

Seeking to fulfill its mission, the DIC Group is expanding businesses in growing markets and creating new businesses to promote the transformation of its business portfolio, guided by DIC Vision 2030. Through these efforts, the Group strives to contribute to the realization of a society that is increasingly green, digital and QOL-oriented.

In light of recent changes in the business environment, the DIC Group will review those themes for which it recognizes that there may be difficulties in achieving original targets. For short- to medium-term themes, the Group will strengthen collaboration among business groups, while for medium- to long-term themes it will emphasize effective time management with clearly defined targets and milestones. The Group will also continue working to create new value that will drive its growth going forward.

Portfolio Transformation

The COVID-19 pandemic 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 where ESH-related issues/social changes intersect with its core competencies: Sustainable energy, healthcare, smart living, color science and sustainable packaging.

Over the short term, the DIC Group will concentrate management resources on smart living, which focuses on chemitronics, with the aim of swiftly creating new businesses. The R&D Management Unit will step up its efforts in the smart living area by leveraging new design technologies for inorganic materials and biomaterials, among others, as well as its polymer design and organic materials design technologies. The New Business Development Headquarters is charged with transferring those new business seeds thus developed that are seen as likely to yield synergies to the business groups, reinforcing collaboration with the business groups to realize new businesses with the potential to quickly achieve viability and profitability.

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 DIC 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 start-ups, and collaborating with academic institutions and other companies.

① Commencement of Efforts to Develop Innovative Biomanufacturing Technologies for Engineering Hydrogen-Oxidizing Bacteria that Use CO₂ and H₂ as Feedstocks

As part of its effort to achieve carbon neutrality, DIC is participating as one of six partners in a project focused on the development of innovative biomanufacturing technologies for engineering hydrogen-oxidizing bacteria that utilize CO₂ and H₂ as feedstocks. This project was selected for sponsorship under the Green Innovation Fund, administered by Japan's New Energy and Industrial Technology Development Organization (NEDO), in the "Promotion of Carbon Recycling using CO₂ from Biomanufacturing Technology as a Raw Material" category.

Hydrogen-oxidizing bacteria have one of the fastest CO₂ fixation rates of any microorganism. DIC's role entails developing and conducting demonstration tests for optimal production processes using hydrogen-oxidizing bacteria that have been genetically engineered to leverage its outstanding CO₂ fixation capacity to facilitate the highly efficient production of biochemicals. These biochemicals are used as raw materials for a variety of everyday applications, including plastics, inks and coatings, textiles and cosmetics.

Additionally, bacterial residues from the production process can be used as an alternative protein source for feedstock, demand for which has been increasing in recent years. These new biomanufacturing technologies will thus simultaneously further raise the decarbonization value of businesses and contribute to the resolution of feedstock-related issues. DIC and its partners look forward to contributing to the achievement of carbon neutrality by commercializing sustainable biochemicals engineering using hydrogen-oxidizing bacteria.

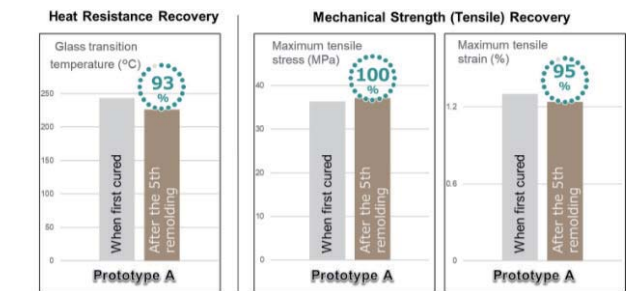
② Development of Essential Technology for a Groundbreaking Epoxy Resin Curing Agent

With the issue of waste plastics being an increasingly urgent social imperative in recent years, efforts to step up the recycling of thermoplastic products, including polyethylene terephthalate (PET) bottles, is accelerating around the world. This is possible because of the heat-deformable nature of thermoplastics. However, epoxy resins and other thermosetting plastics, which are favored for applications requiring durability and heat resistance—such as automobiles and electrical appliances—are difficult to recycle because they harden when heated.

DIC has succeeded in developing an essential technology for a groundbreaking epoxy resin curing agent that preserves the outstanding conventional qualities of epoxy resins, including excellent heat resistance, durability, adhesiveness, mechanical strength and electrical insulation, while also facilitating remolding. The Company's research has confirmed that this new technology will facilitate the production of a curing agent that maintains a consistent recovery rate of over 90% for heat resistance and mechanical strength even after a heat-cured molded product is recycled, i.e., crushed and then remolded five times.

DIC aims to advance to the verification stage for this new basic technology by 2027. Looking ahead, the Company will accelerate

the expansion of its lineup of sustainable products by developing innovative technologies that help address social imperatives.



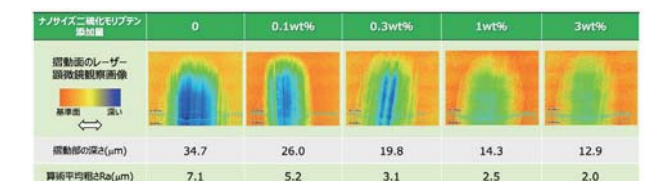
Physical properties of epoxy resin molded products after being remolded five times

③ Development of Nanosized MoS₂ in Sheet Form that Delivers an Excellent Lubricating Performance

Friction between the sliding surfaces of moving parts causes energy waste and wear that shortens the useful life of cars, trucks and other machines. Lubricants are used to reduce this friction and wear. Molybdenum disulfide (MoS₂) is a commonly used solid lubricant because its crystal structure allows excellent cleavage. However, most commercially available lubricants have large micrometer-sized MoS₂. Disadvantages include unstable dispersions in which large particles can settle in the lubricant and difficulty of use between tightly fitting parts.

Using a unique production process, DIC succeeded in developing a nanosized MoS₂ in sheet form with an average particle diameter of approximately 250 nanometers and a particle thickness of approximately 10 nanometers. Use of this new additive in commercially available engine oils or lubricating greases yields significant advantages, including a consistently stable dispersion, further reduction in the coefficient of dynamic friction and decrease in damage to sliding surfaces on test samples. DIC anticipates leveraging the unique format and performance features of this new nanosized MoS₂ to encourage its adoption for applications in such fields as energy and electronics.

Looking forward to 2030, DIC is working to establish inorganic materials design as a new basic technology for the DIC Group. Nanosized MoS₂ is one of the first achievements in this area. The Company's efforts to contribute to a sustainable society will continue to encompass helping to save energy and extend the lifespan of machines of many types.

Benefits of adding nanosized MoS₂ to lubricating grease (Observation of damage to sliding surfaces on test samples)

4 Expansion of the *TrinDy*DT Series of 3D Printing Materials for Dental Appliances

Technological innovations in printing processes, an increasingly diverse range of materials and advances in performance have driven significant growth in the 3D printing market, with applications expanding from the creation of prototypes and mock-ups, for which it was originally used, to include the production of practical and finished products for the automotive, aerospace, medical and apparel industries. 3D printing is also attracting increased attention from a sustainability perspective for its ability to significantly reduce waste and CO₂ emissions attributable to the transport of products by facilitating a shift to on-site production.

DIC has leveraged its distinctive polymer design technology, as well as its technologies for designing and formulating composites, to expand its *TrinDy* line of 3D printing materials. Recent achievements include the *TrinDy* DT series of stereoscopic 3D printer materials that facilitate the printing of dental appliances that are closer in terms of precision produced by dental technicians, in addition to being quicker to produce. In 2019, the *TrinDy* DT series earned certification under ISO 13485,

the International Organization for Standardization's standard for quality management systems for medical devices. Since then, DIC has expanded its array of products for use in orthodontic appliances and denture bases, earning high marks from dentists, dental clinics and laboratories.

DIC recently began providing a new 3D printing material that holds promise for use in various applications related to denture bases. This new material boasts low water absorption and excellent stability over time when in the oral cavity. This enables it to deliver an excellent balance of strength and toughness, as well as compatibility with materials commonly used in dental prosthesis, including cold-curing resins and orthodontic wax, and is biologically safe.

DIC will continue to provide 3D printing materials for dental applications with the goal of contributing to advances in digital dentistry. The Company will work to further cultivate next-generation and growth businesses, emphasizing the priority business area it has dubbed "smart living," as set forth in its DIC Vision 2030 long-term management plan.

TOPIC | DIC Invests in the UMI-Administered UMI III Fund

DIC recently invested in UMI III Investment Limited Partnership, known generally as the UMI III Fund, which is administered by Universal Materials Incubator Co., Ltd. (UMI). This is the Company's second investment in a UMI fund and follows its investment in UMI I Investment Limited Partnership (the UMI I Fund) in 2016.

UMI is a venture capital firm specializing in the materials and chemicals industries that seeks to strengthen Japan's technological capabilities by fostering outstanding materials and chemicals companies and cultivating an industry structure that can compete in the global arena.

The UMI III Fund, together with the simultaneously established UMI III Decarbonization Investment Limited Partnership (the UMI III Decarbonization Fund), will invest in the decarbonization area, where materials and chemicals technologies promise key solutions, creating

a framework that is expected to encourage open innovation that transcends industry boundaries.

In DIC Vision 2030, the DIC Group seeks to contribute to a society that is increasingly green, digital and QOL-oriented. The Group is fostering new basic technologies in such areas as inorganic materials design and biomaterials design, and combining these with its exiting basic technologies to create new businesses that go beyond the provision of fine chemicals, as well as to develop new products. The Group will continue to make use of open innovation to broaden its technology platform and advance initiatives aimed at swiftly creating next-generation and growth businesses.



WEB <https://www.umi.co.jp/en>

News from Sun Chemical

The *PigmentViewer* App: Sun Chemical Enables Customers to "Experience. Transformation." with Cutting-Edge Color Digitalization

Powered by Sun Chemical's digital image rendering technology, the *PigmentViewer* app allows users to study effect and color pigments in a photorealistic format from

Overview and Features

The *PigmentViewer* app transforms the smartphone screen into a virtual color test panel that allows users to view and compare color pigment selections and the appearance of effect pigments. Leveraging cutting-edge digitalization technology and the rotational sensing of modern mobile devices, the app makes it possible to simulate the coloristic behavior of effect pigments when seen from different angles.

various angles, just like viewing a physical color sample under a light source.



Development Process

Sun Chemical's goal in developing the *PigmentViewer* app is to facilitate the virtual digital rendering of effect and color pigments as an element of its vision of communicating color using digital tools. The development team set out to create a photorealistic format that allows evaluation from various angles under a light source, just like with a physical color sample.

One of the objectives of facilitating virtual color evaluation was to avoid having to produce coated or printed physical color samples. This also eliminates the need to dispose of color samples that are no longer needed or color materials that have been discontinued. The online color pigment catalog can be updated easily and continuously.

User Reactions

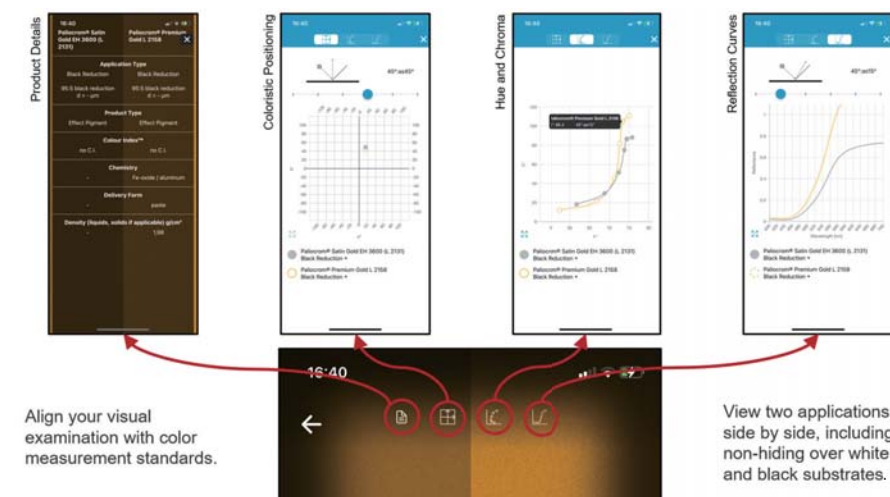
For users, a major advantage of the *PigmentViewer* app is that they can easily reference virtual pigment color samples on the go. In addition to color evaluation, the app has gained popularity for allowing easy online access to comprehensive product catalogs and various related materials from a smartphone.

Users also appreciate the ease of use. Filter options, including pigment color and chemical composition, make it simple for

Another goal of the development process was to create an app that could be integrated with Sun Chemical's Pigment Finder digital pigment catalog. This enables users to access not only product-related documents but also color and technical data.



users to find the product they are looking for, as well as to view selected pigments side by side to compare different color and technical properties. The ease of use also allows the users that Sun Chemical is targeting, including novices, to view detailed specialized data, including color positioning, hue and chroma and reflection curve.



Outlook

Going forward, Sun Chemical will take steps to further integrate the *PigmentViewer* app with Pigment Finder. The company will capitalize on existing technological advantages to adjust the app by enabling users to view its entire portfolio of pigments or selected product groups as a color fan. In addition, information from Sun Chemical's pigments formulation library on, among others, trending colors, will be incorporated and the app modified to facilitate access.

The development team is also currently working on a desktop version of the *PigmentViewer* app. This will expand the app into a service that can be accessed easily from a wide range of devices, rather than being limited to smartphones. Users will also be able to download app content to a computer for use offline.



Google Play



App Store



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

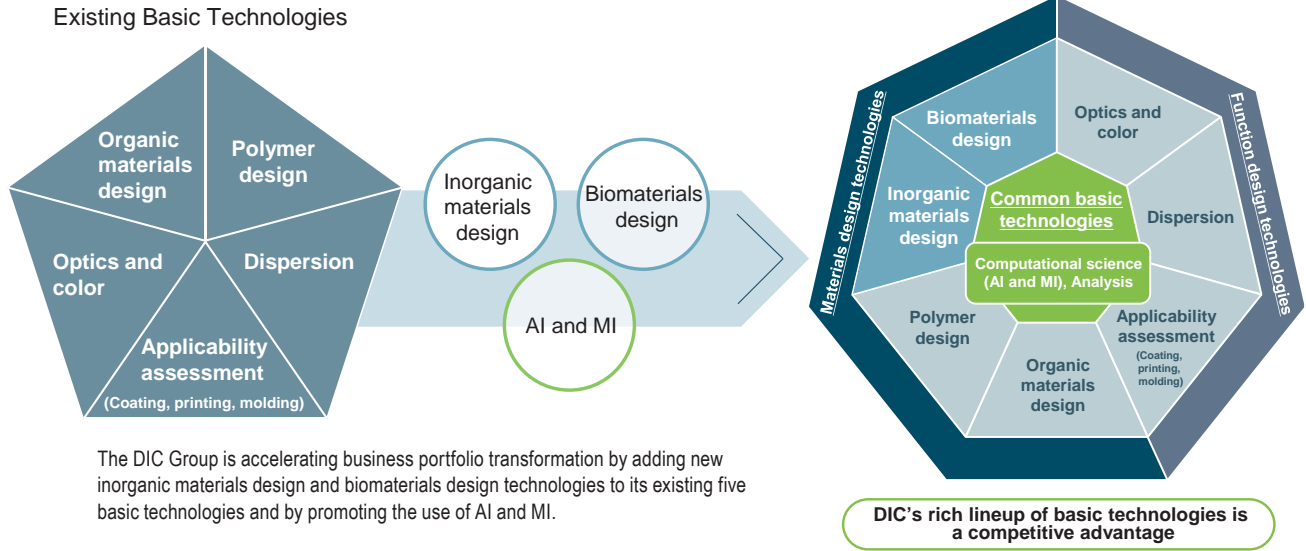
Objectives of initiatives	Goals for fiscal year 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Enhance ability to develop products and technologies that facilitate contribution to a sustainable society.	<ul style="list-style-type: none">Accelerate collaboration among global technology bases in the development of strategic products and new technologies.Make use of compounding technologies, open innovation and AI to hasten the development of technologies that create added value.	<ul style="list-style-type: none">Various facilities collaborated to promote R&D. The new Tape Technical Center—China was established.The active use of data science shortened development times, while collaboration with industrial concerns, government bodies and academic institutions accelerated development.	★★	<ul style="list-style-type: none">Accelerate collaboration among global technology bases in the development of strategic products and new technologies.Make use of compounding technologies, open innovation and AI to hasten the development of technologies that create added value.
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 products, including waterborne polyurethane resins for use in the production of synthetic leather with a performance comparable to that of solvent-based offerings, PFAS-free surfactants and barrier coatings made with naturally derived raw materials.	★★	Accelerate efforts to develop products that contribute to sustainability.

Achieving Sustainable Growth

With the aim of realizing its 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 industrial concerns, government bodies and academic institutions and making use of CVC.



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 52% of its technological resources to the development of such products.

Sustainable Packaging

In the area of printing inks, DIC launched a new highly sensitive UV-curable ink that is compatible with light-emitting diodes (LEDs) and delivers improved printability. New heat sealants included a water-based offering for pharmaceutical press-through packaging (PTP) film and a product that exhibits stable strength at low temperatures, commonly used for polyvinyl chloride (PVC) container film. The Company also began rolling out an overprint varnish that delivers

the same level of heat resistance as conventional products despite containing no nitrified cotton or formaldehyde.

In easy-peel films, DIC expanded its track record in products that contribute to the reduction of food loss, including sealant films for the lids of prepared food containers used by convenience stores and molded containers for home-delivery frozen lunch boxes, as well as developed a film for the lids of highly heat-resistant crystalline polyethylene terephthalate (CPET) containers for high-temperature cooking.

Guided by its own sustainability strategy, the Sun Chemical Group promotes the development of inks, coatings and adhesives that accommodate an increasing concern for the recycling of packaging materials. These include barrier coatings, release agents and heat sealants made with naturally derived raw materials that comply with the EU's Single-Use Plastics Directive. Sun Chemical also developed a new water-based ink for printing on film used for retortable pouches that delivers significantly improved printability and a water-based ink that enables high-speed flexo printing on shrink labels.

Color Science

Efforts in the area of organic pigments continued to focus on the development of pigments for color filters used in displays. DIC also succeeded in developing new pigments for jet inks. Highlights in other countries and territories include the Sun Chemical Group's launch of a series of small particle-size effect pigments with high image clarity and outstanding brightness, which were developed to expand the color space for automotive stylings and other coating applications. In addition, the Sun Chemical Group developed a line of easily dispersible pigments for water-based coatings that do not contain biocides, including preservatives and antifungal agents, as well as naturally derived colorants with antioxidant properties that are suitable for makeup and skincare products.

Smart Living

R&D in synthetic resins led to the development of low-dielectric materials for electronic circuit boards for next-generation 5G/6G-enabled communications devices. DIC also launched an environment-friendly waterborne polyurethane resin for use in the production of synthetic leather that will help reduce odors, greenhouse gas emissions and volatile organic compounds (VOCs) associated with finished products, as well as being comparable in efficacy to solvent-based resin. In the area of surfactants, the Company succeeded in developing a series of environment-friendly PFAS-free products that are suitable alternatives to fluorosurfactants for diverse applications, including displays, semiconductors, automobiles and coatings. Newly developed additives include a series of algae oil-based sulfurized products that are more environment friendly than conventional offerings and help lower friction and increase the oxidation stability of lubricant oils, which are expected to see particularly high demand for use in the production of automobiles (notably electric vehicles (EVs)) and metal processing. In industrial adhesive tapes, the Company expanded its lineup of toluene-free tapes that boast high removability and peel off without leaving adhesive residue and commenced mass production of tapes that can be peeled off using UV light.

A Global R&D Configuration that Underpins Product Development

The DIC 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' Technical Division; the R&D Management Unit, which is responsible for adding depth to existing 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 and polymer technical centers in the PRC and the Asia-Pacific region; the Solid Compound Technical Center—Asia Pacific; the Pigment Technical Center—Asia Pacific; the DIC/Earthrise Algae Research Center in the United States; the Tape Technical Center—China; and the 3D Printing Materials Laboratory—Korea. These facilities are working as one to promote the global development of products and technologies.

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.

Intellectual Property

Basic Approach

To achieve the goals of DIC Vision 2030, the DIC Group is promoting Value Transformation and shifting its focus to promising business areas by capitalizing on its intellectual property—a key management resource—in a manner that conforms with its business strategies.

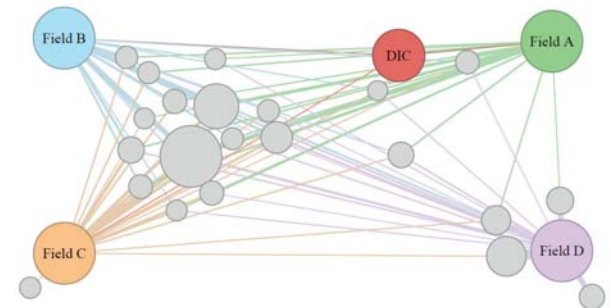
With the aim of fulfilling management strategies and improving corporate value, the DIC Group will work to create a framework for the effective use of its intangible assets that is worthy of stakeholder confidence. The building blocks of this framework include strategies for building a competitive intellectual property portfolio, an intellectual property risk management system and technology intelligence (TI) tools.

Strategies for Building a Competitive Intellectual Property Portfolio

In advancing Value Transformation, the DIC Group will focus its allocation of management resources in chemitronics and other smart living businesses that are expected to generate profits swiftly and reliably and will build an intellectual property portfolio that gives it a competitive advantage in this area.

To this end, the Group will use a method to analyze the external environment surrounding intellectual property and envisage a network of top patent applicants in a particular area and identify competitors. This makes it possible to promote a portfolio building strategy designed to secure a competitive advantage in unique technological spheres in which there are no competitors.

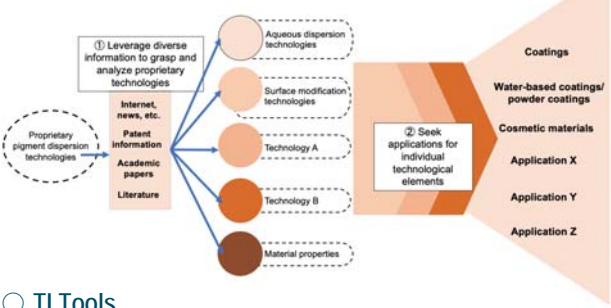
Figure 1: Envisaging a Network of Top Patent Applicants in a Particular Area



As an analysis of the potential for realizing new applications for its core technologies internally, the DIC Group can subdivide its technologies and explore applications based on a wide range of information, including intellectual property-related information, for each element thereof.

The DIC Group's patent strategy is highly evaluated by external observers, underscored by its position in the ranking of companies in the chemicals industry in Japan in terms of patent assets owned conducted by Patent Result Co., Ltd., and the global ranking of patent value growth conducted by LexisNexis.

Figure 2: Exploring the Potential for Realizing New Applications for Core Technologies

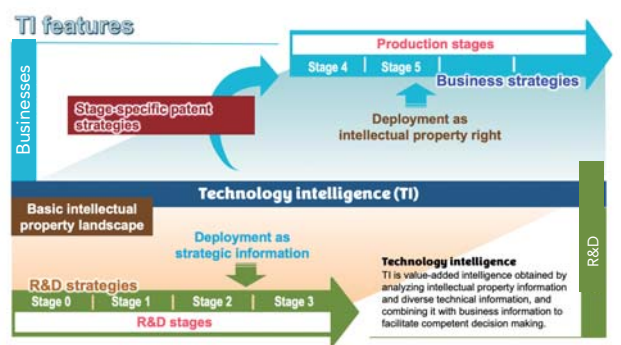


TI Tools

TI is value-added intelligence obtained by analyzing intellectual property information and diverse technical information, and combining it with business information as necessary, to facilitate the most competent decision making. By extending TI to individual business groups and creating a business promotion-related TI function within its Intellectual Property Center, the DIC Group makes it possible to narrow down

measures implemented to those with a high probability of success and help prioritize the balanced allocation of management resources. In particular, in the early stages of promoting a new business or technological development theme, this means providing core information, including a basic intellectual property landscape detailing competitors, customers and risks, facilitating the selection of themes that are most likely to be successful. The Company has also established a process for confirming whether efforts to realize new businesses based on these themes proceed appropriately using intelligence derived at the technology development, commercialization and mass production stages. This framework ensures the Company's ability to effectively leverage TI across its businesses.

Figure 3: The Intellectual Property Center's TI Function



Intellectual Property Risk Management System

In line with its basic policy on compliance, the DIC Group conducts exhaustive patent clearance searches in new markets and for new technologies, promoting contract management, meticulously managing confidential information and advancing initiatives to prevent counterfeiting, patent infringement and the use of similar trademarks. The Group also established the Risk Management Working Group, a subordinate entity of the Sustainability Committee, as part of its effort to strengthen its comprehensive framework for risk management, which also includes minimizing intellectual property risks.

The IP Portfolio Committee, which seeks to ensure the DIC Group's intellectual property portfolio aligns with its businesses, and the Patent Reward Council, which deliberates on the use of patents as an incentive for technological development, are the Group's principal bodies for the management of intellectual property. This, combined with effective management supervision that facilitates the promotion of intellectual property-related initiatives that respond to changes in the operating environment and appropriate disclosure regarding investments in intangible assets and other matters, has enabled the Group to realize a configuration for leveraging its intangible assets that has earned the trust of stakeholders.

Digital Transformation (DX)

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

Objectives of initiatives	Goals for fiscal year 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Promote DX.	Steadily advance DX initiatives across an increasing number of business units/functional departments.	The following key DX initiatives were advanced across multiple business units: <ul style="list-style-type: none">Construction of digital tools designed to facilitate the sharing of information across departments and leverage such information to address customers' needs began.Verification of the smart factory concept, which seeks to resolve issues faced by multiple production facilities, was completed.Efforts to optimize supply chain procedures through collaboration between sales and production teams commenced.	★★	Create processes and guidelines for confirming/verifying effectiveness and work with business units to prioritize and implement key DX initiatives.
	Introduce digital initiatives that support the exploration of business model transformation.	A variety of key initiatives were advanced in relation to, among others, digital marketing, smart production facilities, the use of MI* and AI in product development, and the realization of recycling processes for plastics.	★★★★	Continue to explore and implement digital initiatives crucial to business model transformation and thus to achieving the targets of DIC Vision 2030.
Foster human resources.	Further strengthen the framework for promoting DX in terms of human resources, skills and expertise.	In addition to training for individuals in all departments whose jobs require the use of data, practical training was provided for mid-career and young employees aimed at equipping them to lead DX initiatives for a second consecutive year. Significant synergies with measures to improve the digital literacy of all employees are anticipated.	★★★★	Advance awareness of the need for and importance of realizing data-driven management and data-driven operations (cultivate a corporate culture in which these concepts are firmly established) and continue strengthening efforts to foster human resources with advanced digital capabilities.

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

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 Groupwide, beginning with measures to expedite the growth strategies outlined in the DIC Vision 2030 long-term management plan in four key areas: Market,* production, 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 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, DIC expects to see an increase in the promotion of independent DX initiatives by individual business units and functional departments. Accordingly, the IT Strategy Unit traces, provides support for and conducts post-implementation monitoring of such initiatives to ensure optimization from a Groupwide perspective. Efforts to develop a Groupwide IT governance scheme, including the formulation of

guidelines for promotion and the establishment of a management system, are also underway.

Market

Through DX, DIC seeks to enhance brand strength by creating high-level customer experiences, as well as to achieve business model transformation. Thanks to digitalization, information on, for example, customer needs that was previously under the jurisdiction of individual departments can be shared across organizational boundaries, facilitating the provision of proposals for products and solutions that incorporate the customer's perspective, thereby improving customer experiences. The Company is also leveraging digital marketing to expand its sales channels, enabling it to extend a variety of proposals to customers who may not be familiar with DIC Group offerings and generating new business opportunities. In fiscal year 2024, DIC will continue working to increase the effectiveness of its digital marketing initiatives with the goal of providing new and better customer experiences.

Production

In the area of production, DIC is capitalizing on accumulated expertise to develop AI technologies that optimize the DIC Group's proprietary batch reaction*1 production system. As part of this effort, in fiscal year 2023 the Company obtained two patents in Japan for an AI engine capable of creating highly accurate models even for complex processes such as chemical reactions. Looking ahead, the Company will



We developed a new series of high-performance PFAS-free surfactants for precision coatings that have a reduced environmental impact.

In recent years, concerns regarding the accumulation of PFASs, a large class of synthetic organofluorine chemicals in the environment, has prompted increased interest in PFAS-free products. The DIC Group was early to embark on the development of PFAS-free alternatives to a variety of products, many of which it has succeeded in commercializing, earning consistently high marks from customers. A particularly notable accomplishment is our groundbreaking PFAS-free surfactants, which deliver both outstanding surface smoothness and excellent recoatability, a combination generally considered difficult to achieve. In addition to the fact that they are PFAS-free, we expect these new surfactants to attract attention as a sustainable option that does not require precoating. Looking ahead, we will continue working to develop products that deliver new value to society.

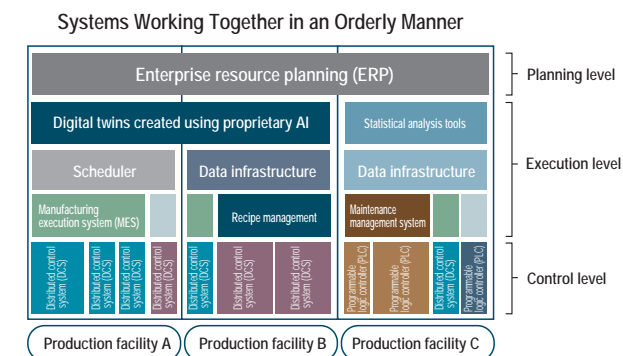
Chemitronics Technical Group 2, Chemitronics Technical Division, Chemitronics Business Division, DIC Corporation **Sawako Doi**



continue to deploy related primary technologies in the area of process informatics (PI)^{*2} with the aim of achieving higher levels of reliability—in terms of safety, quality and environmental performance—and productivity. DIC is also making use of its exclusive AI technologies, as well as diverse product-specific digital tools, to realize low-cost, distinctively DIC smart factories.

*1 Batch reaction is a production method whereby all reactants (raw materials) are added to a reactor at the start of the reaction and products are removed at the end once the reaction is complete.

*2 PI is defined as an approach to exploring processes for synthesizing target materials that leverages a combination of conventional experimental, theoretical and computational science, as well as data science, which has seen remarkable advances in recent years, to analyze data in an efficient and integrated manner.



Technology

On the technology side, DIC continues seeking to accelerate the creation of new value and products by shifting the focus of its efforts to computational and data science, which use AI and ML. In fiscal year 2021, the Company 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. In fiscal year 2023, approximately 60% of technological themes explored by DIC were done so in collaboration with the Data Science Center. In addition to leveraging predictive analysis of performance using AI and ML, these included using AI to determine experiment parameters, which succeeded in reducing work hours used in conducting experiments. In fiscal year 2024, the Company will work to further expand its use of AI and ML in the creation and collection of data, as well as to expand the range of areas in which it uses AI.

TOPIC | Digital Marketing Initiatives Continue to Advance

The promotion of multifaceted digital marketing initiatives is leading to business talks between DIC and a broad range of new customers with which it did not previously have any direct point of contact. These efforts have enabled the Company to quantitatively analyze what product features particularly appealed to customer needs, an achievement made possible by the use of digital technologies. The Company is also capitalizing on digital marketing to maintain and/or enhance relations with existing customers through the timely provision of useful information.

In fiscal year 2023, DIC held the Smart Living Online Exhibition, a virtual trade show that introduced cross-business DIC Group products and solutions in the smart living business area created to address customer needs in two categories, dubbed Innovation and Sustainability. More than 5,000 individuals visited the

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 optimize supply chains spanning multiple regions, businesses and organizational constituents. To this end, the Group has made use of digital technologies that can be automatically linked Groupwide to build a digital SCM platform that facilitates planning online and in real time based on up-to-date demand data, which it began full-scale operation of in the color materials and performance materials businesses in fiscal year 2023. Going forward, the Group will continue to expand deployment of this platform in additional regions and businesses as part of its effort to achieve supply chain reform.

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. To this end, the Group has built a global digital platform and operating configuration that will still be capable of evolving with speed and agility 10 years down the road. The Group also plans to establish a next-generation digital integrated platform that will make extensive use of digital technologies and data, as well as adapt to changes in its operating environment and advances in digital technologies.

Securing and Fostering Human Resources

DIC is also focusing on taking advantage of digital technologies and data to create a foundation for analyzing, evaluating and executing problem-solving measures and business reforms in its various businesses. In addition to training for individuals whose jobs require the use of data, practical training was provided for mid-career and young employees aimed to foster human resources who grasp both business strategy and frontline challenges and equipping them to lead DX initiatives. Initiatives were also implemented to improve the digital literacy of all employees. In addition, as part of its effort to reinforce its framework for swiftly implementing measures that fully leverage digital technologies, the Group is actively recruiting new graduates and mid-career hires in the areas of IT and DX.

デジタルで進化する
暮らしに彩りと快適を。

スマートリビングOnline 展示会
2023.11.01 START - 2024.01.31 CLOSE



Smart Living Online Exhibition

Harmony with the Community and Social Contributions

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

Guided by its vision statement, the DIC Group is actively involved in R&D in the area of color universal design (CUD), helping to bring color to life through efforts in a variety of fields.

• Initiatives in Fiscal Year 2023

DIC began providing the brand logo and user manual for *Lucida*[®] tactile paving blocks—which combine high visibility for visually impaired individuals and is in harmony with the environment—free of charge to tactile paving manufacturers. This allows the use of *Lucida*[®] blocks together with blocks sold by other manufacturers made from different materials, including ceramic tile, resin and concrete, by ensuring the same color. In addition to ensuring the visibility and recognizability of tactile paving, this helps secure aesthetic coherence for areas where this paving is installed.

The *Lucida*[®] logo was developed by DIC Group company DIC Color Design, Inc. The tail on the “u” evokes the enhanced walkability made possible by tactile paving. Going forward, DIC will continue working to advance the creation of social infrastructure that incorporates CUD.

Lucida
ルシダ



Ceramic tile tactile paving blocks (manufacturer: LIXIL Corporation)

• 2007–2010

Under the supervision of the University of Tokyo, the DIC Group worked with the Japan Paint Manufacturers Association, the Industrial Research Institute of Ishikawa and the Color Universal Design Organization, an NPO, to create the Color Universal Design–Recommended Color Set.

• 2011–2014

The DIC Group and architect Kengo Kuma collaborated to develop new tactile pavement that ensures high visibility for visually impaired individuals and is in harmony with the landscape. Subsequently, in spring 2018, two new colors—a warm orangey yellow and a cool yellowish green—were commercialized under the name *Lucida*[®].

• 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 gave presentations at academic conferences around the world on research regarding the color appearance of red spot colors used for printed warnings and other information on packaging and on the use of color in printed materials to enhance readability for seniors.

• 2018

Taking into account nearly a decade in use, the Color Universal Design–Recommended Color Set's color values were revised and a guidebook was published to further enhance the set's usability. In addition, the Japan Industrial Standards (JIS) announced new 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 collaborated in subsequent activities aimed at advancing awareness.

• 2019–2021

The DIC Group collaborated in the verification of color schemes for disaster applications including prevention-related information. This included taking part in verification testing 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 this 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.

• 2022

The DIC Group published a feature article on its efforts to contribute to society through the provision of color in the Japanese-language space of its global website. Since then, the Group has worked 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.

○ Kawamura Memorial DIC Museum of Art

DIC operates the Kawamura Memorial DIC Museum of Art as a social contribution initiative particularly suited to an organization involved in the provision of color. Established in 1990 to publicly exhibit works of art collected by DIC Corporation and its affiliates, the museum is located adjacent to the Central Research Laboratories in Sakura, Chiba Prefecture and boasts an extensive collection spanning numerous genres that includes 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, Frank Stella and Joseph Cornell. In addition to a standing exhibit, 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 lushly forested 10-hectare site, alive with seasonal flowers and foliage, which has been open to the public since the facility'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 2024, the museum celebrates its 35th anniversary. Two special exhibitions are being held. "Carl Andre: Between Sculpture and Poetry," which ran from March 9 through June 30, 2024, was the first solo exhibition at a Japanese museum to fully introduce the works of Carl Andre, one of the best-known sculptors of the Minimal Art movement, which emerged in the United States in the late 1960s. "Katsuhito Nishikawa: Serenity in Stillness," scheduled to be held from September 14, 2024 through January 26, 2025, will feature approximately 60 works, including sculptures, photographs, paintings, drawings and installations, by Japanese artist Katsuhito Nishikawa, who has been based in Germany since the 1980s.

Many museum programs, including regularly scheduled guided tours and educational tours, have returned to pre-pandemic levels. The "mitel" ("look!") interactive art-viewing experience, which moved online during the COVID-19 years, was once again also held on-site in the museum's galleries, allowing participants to take advantage of both formats.

Looking ahead, the museum will continue to promote site environmental initiatives, plan and stage exhibitions centered around works from its collection, and advance social contribution activities with a view to encouraging communication with the community.



Kawamura Memorial DIC Museum of Art



Regularly scheduled guided tour



Museum entrance hall

○ 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. Since the launch of this program in 2010, DIC has provided labs for approximately 3,350 students at 47 facilities (elementary schools and university facilities, the latter as part of an event).

In fiscal year 2023, the Company participated in Tohoku University's Science Campus project with a lab for 38 participants, primarily fifth- and sixth-year students. Based on the theme of "Color & Comfort," the lab highlighted how science can help secure a brighter future for humanity and the planet, and comprised experiments that involved observing the mechanism of color printing, extracting natural pigments from algae and dissolving recyclable adhesives. The program was well received by participating students, who commented on the interesting nature of the experiments and the joy of making new discoveries, and studiously took notes. Going forward, the DIC Group will continue to promote this and other "Color & Comfort"-themed 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.

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.

In addition, in an initiative aimed at assisting with regional revitalization efforts, the Central Research Laboratories has cooperated with the Sakura Film Commission since 2022 at the request of the Sakura City government. This includes allowing use of its site as a filming location and providing support in various forms for dramas, movies and other productions.

* "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 2023

- Five researchers from the Central Research Laboratories attended the Annual Meeting on Scientific Research by High Schools, listening to a total of 305 research presentations by high school students from across Japan, taking part in Q&A sessions and otherwise encouraging research by participating students who aspire to careers in technical fields.

- Educational support activities included holding color design lectures at Sakura Higashi High School and Seishin Gakuen High School. The Central Research Laboratories also continues to assist Super Science High School–designated institutions through participation by executive-level employees in the steering committees of Sakura Senior High School and Funabashi High School, where they provided advice from a corporate perspective.
- The Central Research Laboratories also promoted initiatives timed to coincide with schools' summer vacations that sought to nurture children's interest in science and technology, as well as in working in the manufacturing sector. These included hosting the Chiba Prefectural Dream Challenge Hands-On School, a popular program for elementary school children organized by the prefecture's Board of Education, and participating in the "Now I Get It! Technologies of the Future" exhibition.

○ Initiatives Led by the Kashima Plant

The Kashima Plant, in Ibaraki Prefecture, has accepted trainees in cooperation with Ibaraki Hasaki High School's internship program—dubbed the Hako Dual System—since 2008. In fiscal year 2023, two students from the school's industrial chemistry and information sciences programs participated in lectures on product knowledge and safety, and in practical training at the plant, from October through November. Additionally, in collaboration with the Kamisu City Community Medicine Promotion Section, the plant made itself available for on-site training for interns participating in the fiscal year 2023 Occupational Health Fundamentals Workshop with the aim of helping improve the skills of occupational physicians by enhancing interns' understanding of production facilities.

○ Initiatives at DIC Group Companies in Other Countries and Territories

- P.T. Pardic Jaya Chemicals Invites University Students to Visit the Company

DIC Group company P.T. Pardic Jaya Chemicals, in Indonesia, invited university students to visit the company. Approximately 30 students participated in the visit, which included a production facility tour, to learn about the company's business and its production activities.

- Donations Provided for Turkey–Syria Earthquake Relief

DIC donated ¥10 million via the Japanese Red Cross Society to provide support for all those affected by the major earthquake that struck Turkey and Syria in February 2023, as well as to help with reconstruction. Group company Sun Chemical also provided support to the disaster-stricken areas.

○ Matching Gift Program

DIC has a matching gift program whereby it matches the total amount collected through an annual year-end fundraising drive spearheaded by its employees' union. Funds raised through the 2023 drive and matching gift program were donated to 20 recipients, including facilities providing social welfare services and those 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">● DIC Report● News releases● Television advertisements● Corporate brand film● Websites <ul style="list-style-type: none">● Product pamphlets● Digital marketing● Corporate profile DVDs● Feature articles	<ul style="list-style-type: none">● DIC Report● News releases● Television advertisements● Corporate brand film● Websites● Press conferences <ul style="list-style-type: none">● Quarterly results announcements● Annual securities report● Timely disclosure● Notice of Convocation of the Annual General Meeting of Shareholders● Shareholder newsletters	<ul style="list-style-type: none">● DIC Report <ul style="list-style-type: none">● DIC Group Sustainable Procurement Guidelines● DIC Group Green Procurement Guidelines● Supplier sustainable procurement questionnaires● Feedback sheets● Conflict minerals reporting template	<ul style="list-style-type: none">● DIC Report● News releases● Television advertisements● Corporate brand film● Websites <ul style="list-style-type: none">● Site reports	<ul style="list-style-type: none">● DIC Report● News releases● Television advertisements● Corporate brand film <ul style="list-style-type: none">● Better Tomorrows (in-house digital newsletter)● Intranet● DIC Pocket Book (in-house Group data file)● Global linkage● The DIC Way Handbook● DIC Vision 2030 presentation materials/presentations● Branding questionnaire● The DIC Way Vision and Core Values Awards● Teams Plaza employee communication website● WSR 2020 activities	<ul style="list-style-type: none">● DIC Report● News releases● Television advertisements <ul style="list-style-type: none">● Websites● Press conferences <ul style="list-style-type: none">● Publication of news releases on global website● Interviews with journalists
Opportunities for communication	<ul style="list-style-type: none">● Sales activities● Participation in exhibitions● Lectures on the SDGs for customers	<ul style="list-style-type: none">● Annual General Meeting of Shareholders● Quarterly results presentations● IR conferences● IR meetings● Individual investor briefings	<ul style="list-style-type: none">● On-site inquiries	<ul style="list-style-type: none">● Production facility tours● Participation in projects involving collaboration among industrial concerns, government bodies and academic institutions● Participation in community events● Environmental monitoring● Kawamura Memorial DIC Museum of Art● Plant Bon Odori	<ul style="list-style-type: none">● Labor-management councils● Results presentations for employees● DIC Group Code of Business Conduct presentations● Sustainability presentations● DIC Family Day● Plant tours for employee families● The DIC Way digital presentations● DIC Vision 2030 presentations	<ul style="list-style-type: none">● Newspapers● Economic publications● Industry publications● Web media● Social networking services

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, lectures for business partners, websites and social media.

Exhibitions

With COVID-19 no longer considered a public health emergency, in fiscal year 2023 the DIC Group actively participated in both in-person and online exhibitions.

Japan

- In May, the DIC Group participated in the 11th Cosmetic Ingredients and Technology Exhibition Japan (CITE JAPAN 2023), an exhibition aimed at contributing to the growth of the industry, where it displayed and gave presentations on innovative Group materials, technologies and services currently being deployed in cosmetics.
- The Group took part in the Sustainable Material Expo (SUSMA) show held in October, 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 on the DIC global website.
- Also in October, the Group held the Smart Living Online Exhibition, with the aim of highlighting solutions to issues and concerns related to innovation and sustainability.

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 2023, held in March in Barcelona, Spain, where it displayed new effect pigments for cosmetics, shining a spotlight on sustainable solutions featuring natural materials.
- In Asia, DIC Asia Pacific and Sun Chemical participated in Chinaplas 2023, held in March in Shenzhen, in the PRC, collaborating to showcase an extensive portfolio of pigments for use in plastics that deliver outstanding sustainability and achieve outstanding color.

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 available it sells in global markets, and promoted cooperation in responding to inquiries, with the goal of bolstering customer satisfaction. The Group also made use of social media, including X (formerly Twitter), LinkedIn and Instagram, as a tool to attract more website traffic.

Ties with Shareholders and Investors

Policy Regarding Constructive Dialogue with Shareholders

The DIC Group promotes constructive dialogue with shareholders to underpin sustainable growth and increase corporate value over the medium to long term. Views and concerns expressed by shareholders are shared with management and incorporated into operations as appropriate.

Key Individuals Responsible for Dialogue with Shareholders and Investors

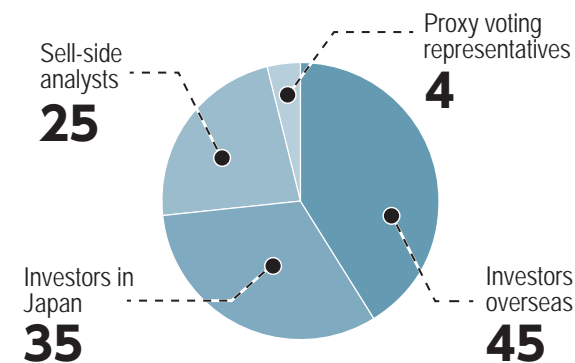
The president, vice president, CFO, head of the Corporate Strategy Unit and the individual in charge of investor relations (IR) are responsible for advancing ties with shareholders.



Activities and Status of Implementation

Results presentations	Four sessions	The president participated in the second- and fourth-quarter results presentations
Small-group meetings	Three sessions	Two of the three sessions were conducted by the president
One-on-one meetings	109	12 meetings were conducted by the management team
Individual investor briefings	Appearance of the president on a televised IR information program, posting of a corporate presentation video on the DIC global website	

Breakdown of Participants in One-on-One Meetings with Shareholders and Investors



Status of Feedback to Management and the Board of Directors in Fiscal Year 2023

- The content of constructive dialogue with shareholders and investors was reported to the Board of Directors twice during the period.
- The content of dialogue with shareholders and investors was reported to management monthly.

○ Principal Themes of Dialogue and Feedback to Management and the Board of Directors

Principal themes of dialogue/matters of concern expressed	Examples of actions taken in response
<ul style="list-style-type: none"> Factors leading to the deterioration of income in the overseas pigments business and measures taken in response Progress of efforts to rationalize businesses in need of structural reform Progress of efforts to transform business portfolio, including by withdrawing from noncore businesses Strategies for improving price-book value (P/B) ratio from the current level (below 1.0 times) Financial discipline necessary to maintain financial soundness Policies regarding returns to shareholders 	<ul style="list-style-type: none"> Disclosed costs and benefits of plan for rationalizing the overseas pigments business Disclosed progress of efforts to rationalize businesses in need of structural reform Reinforced efforts to bolster capital efficiency Formulated policies for cash allocation Established targets for shrinking cross-shareholdings Set a minimum dividend limit and clarified policy regarding returns to shareholders Established the Corporate Value Improvement Committee

■ 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

In advance of International Women's Day on March 8, 2023, the Kawamura Memorial DIC Museum of Art participated in an online campaign titled #5WomenArtists, introducing works in its collection by artists Bridget Riley, Louise Nevelson, Rika Noguchi, Naoyo Fukuda and Nobuko Watanabe. From March 11 through June 18, the museum held "Rendez-vous dans le Midi," a special exhibition focusing on the history of the south of France as a location where art unfolded in the 20th century, including the impact of two world wars. This was followed by "Joseph Albers: Pedagogical Experiments," which ran from July 29 through November 5, a retrospective that examined Albers as a creator and as a progressive teacher of art. During the exhibition, a workshop was also set up where visitors could experience recreations of some of the classes taught by Albers at the legendary Black Mountain College art school, as well as at Yale University, which attracted enthusiastic praise from participants ranging from families with children to individuals active in the fields of art, design and education. The museum will continue seeking to provide a place of relaxation where visitors can experience art and nature in harmony.

○ Calendar

For its original calendar for 2024, titled "Calendar 2024 Paris," DIC celebrated the host city of the 2024 Summer Olympic and Paralympic games by featuring works chosen from the Kawamura Memorial DIC Museum of Art's collection that evoke the atmosphere, sophistication and cosmopolitan diversity of the City of Light, which remains a magnet for artists from a wide variety of cultural and ethnic backgrounds. The text portions, which were prepared by the museum's curators, also included anecdotes relating to the Paris portrayed in the works included and to the artists themselves. Going forward, the Company will continue to plan, design and produce attractive original calendars that are highly rated by stakeholders.

○ Online Presence

To enhance communication with ordinary citizens, the DIC Group updated and enhanced the content of its PRC and Asia-Pacific region websites. 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.

○ Corporate Advertising

DIC produced a new installment of its brand advertisement for television featuring popular Japanese actress Riho Yoshioka, which 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. In addition to television, the Company is expanding its digital advertising, capitalizing on the reach of the internet and social networking services to deepen identification with and understanding of the future DIC sees for itself and to effectively convey the Company's growth and future outlook.



Brand advertisement for television aired in Japan

○ Communication with Local Communities

In line with the DIC Group's Color & Comfort brand slogan, which emphasizes enhancing shareholder and corporate value, DIC's sites spearheaded a variety of initiatives aimed at enhancing communication with local communities by enabling participants to make new discoveries related to color. Steps were taken at all sites to prevent the spread of COVID-19.

In fiscal year 2023, DIC participated in a regional cultural festival at the community center in Kisarazu, Chiba Prefecture, holding a DIC color workshop where visitors could create original cards using various shapes and colors simply by selecting the colors they want from the *DIC Color Guide*® and cutting the shapes using a craft paper punch.

DIC also hosted the Chiba Prefectural Dream Challenge Hands-On School at the Central Research Laboratories' convention hall. This program, which is sponsored by the Chiba Prefecture Board of Education, is held every summer and is popular among local elementary school students. In fiscal year 2023, participants were invited to observe experiments involving color changes and report their impressions by, among others, including the experience in their summer free study projects. (Japanese schoolchildren are commonly assigned such projects over summer vacation.)

■ 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 2023 amounted to approximately ¥78 million. Monetary contributions in Japan consisted of a designated donation of around ¥9 million to support education and research and approximately ¥18 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 2023, expenditures for participation in various external activities (membership dues) across the global DIC Group amounted to approximately ¥159 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

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 management philosophy, among employees worldwide. Awards were conferred once again in fiscal year 2023, 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. In fiscal year 2024, awards were presented in person at DIC's anniversary ceremony and a program of presentations by recipients was held, helping further foster a sense of solidarity across the DIC Group family.

○ In-House Newsletter

The DIC Group publishes a 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 2023, DIC put out news releases regarding business acquisitions, new products, 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 in fiscal year 2023	Interviews with journalists in fiscal year 2023
70	66

■ External Assessments

In fiscal year 2023, 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 ninth 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—developed by U.S.-based MSCI Inc., for the seventh consecutive year, and the FTSE4Good Index and the FTSE Blossom Japan Index for the sixth consecutive year. The Company was chosen for the second consecutive year 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. For the first time, the Company's gender diversity initiatives were recognized when it was included in the Morningstar Japan ex-REIT Gender Diversity Tilt Index, ranking in Group 1, the highest of the index's five ranks.

In fiscal year 2023, 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, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index, S&P/JPX Carbon Efficient Index and Morningstar Japan ex-REIT Gender Diversity Tilt Index). DIC's ESG performance also resulted in it once again being selected as one of 300 constituents of Sampo Japan Nipponkoa Asset Management Co., Ltd. (SNAM)'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 2023, DIC earned a score of

B (Management Level) in the CDP program's climate change and water security sectors.

For the seventh consecutive year, DIC and DIC Graphics earned certification in the large enterprise category of the 2024 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 2023 the DIC Group continued to participate in the ESG, Reporting and other UNGC working groups administered by the GCNJ.

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

[TERMS AND CONDITIONS](#)



FTSE4Good



FTSE Blossom
Japan



FTSE Blossom
Japan Sector
Relative Index



Sompo Sustainability Index



Environment, Safety and Health (ESH)

Toward the Achievement of a Sustainable Society

Policies, Targets and Framework

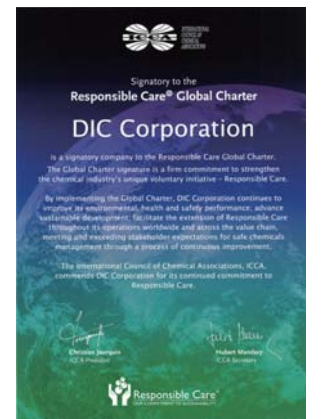
Basic Approach

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.

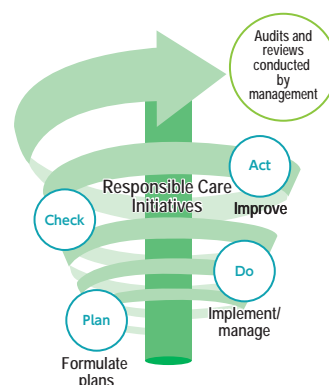
Responsible Care Codes

The DIC Group manages its Responsible Care program in accordance with seven codes:* "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), "ensuring the safety of chemical substances" (management of risks associated with chemicals), "engaging 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 plan-do-check-act (PDCA) cycle and conducts annual ESH audits and management reviews to evaluate initiatives.

* 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 58
- ② Disaster prevention (prevention of fires, explosions and the discharge of chemicals) Page 63
- ③ Environmental protection (continuous reduction of chemical emissions and the discharge of waste) Page 64
- ④ Safety in logistics (reduction of chemical risks associated with the distribution of chemicals) Page 76
- ⑤ Ensuring the safety of chemical substances (management of risks associated with chemicals) Page 79
- ⑥ Engaging with society (communication with local communities regarding ESH) Page 83
- ⑦ Management systems (ensure the uniform administration of the first six codes) Page 84



Message from the President

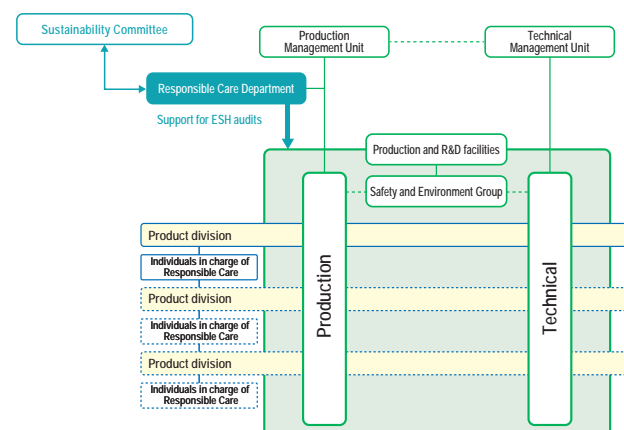
DIC's president prepares a message for employees for Environment Month and National Safety Week.

TOPIC | Management Spearheads the Promotion of Safety Initiatives

Believing that it is important for management to take the lead in promoting a "Safety First" philosophy, the managing executive officer who serves as general manager of the Production Management Unit prepares a monthly memo for distribution to all DIC Group sites in Japan.



Framework for Promoting Responsible Care



The Sustainability Committee, which answers directly to the president and CEO, is responsible for setting Responsible Care initiatives. 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 assists regional headquarters in Greater China and the Asia-Pacific region in fostering human resources.

① Initiatives in Japan

The DIC Group has 16 companies and 39 production and R&D 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 group managers from principal sites who have been appointed group managers, four times a year. Other domestic Group companies participate in biennial 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 | Responsible Care Department Holds 50th Anniversary Group Safety Conference

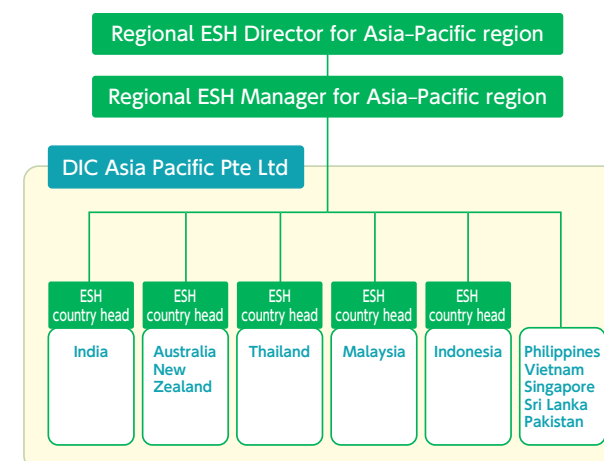
To commemorate the 50th anniversary of its Responsible Care Department, in fiscal year 2023 the Company held a celebratory Group safety conference to bolster safety consciousness across the Group. The conference's opening ceremony was attended by 17 representatives from corporate headquarters, including the president and CEO, the general manager of the Production Management Unit and eight site representatives, and included the handing out of awards to individuals who demonstrated a particularly outstanding performance in the areas of safety and health, and also disaster prevention. This was followed by a lecture on safety given by a guest speaker. A commemorative publication summarizing the history and achievements of the DIC Group in the area of sustainability produced by DIC was distributed to attendees, enabling them to learn more about the Responsible Care Department since its inception.



② Initiatives in the Asia-Pacific Region

The DIC Group has 21 companies and 22 production sites across the Asia-Pacific region. A regional ESH director has been installed at DIC Asia Pacific, the Group's regional headquarters, in Singapore, who supervises ESH country heads (individuals in charge of ESH initiatives) in key countries and territories in the region. In addition to an annual regional conference that is also attended by the Responsible Care Department, monthly meetings are held with the Chemical Substance Information Management Group, established in fiscal year 2023, to reinforce communication. Country heads hold regular country- and territory-specific meetings, convening representatives to local subsidiaries and sites to discuss initiatives, targets and challenges.

Framework for Promoting ESH in the Asia-Pacific Region



③ Initiatives in Greater China

In Greater China, the DIC Group has 16 companies and 20 sites. To fortify the Group's regional ESH framework, DIC has assigned a regional ESH director to DIC (China), the Group's regional headquarters, and ESH coordinators to the southern and eastern parts of the country. In addition to an annual regional conference that is also attended by the Responsible Care Department, monthly meetings are held with the newly established Chemical Substance Information Management Group to reinforce communication.

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. Periodic regional conferences and online meetings are held between local ESH staff and the Responsible Care Department to ensure the DIC Group's ESH policy and its values are shared by all.

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.

TOPIC | Asia-Pacific Region DIC Group Company Holds Annual Safety Day in 2023

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 Group companies overseen by DIC Asia Pacific hold their own annual Safety Day events.

DIC Lanka (Private) Ltd. held its annual Safety Day for 2023 in May. The day included a contest to design posters with important safety messages and best practices that was judged by employees, as well as a safety quiz. To raise awareness of the importance of safety, DIC Lanka employees also took an oath to foster a safety-conscious corporate culture, viewed immersive training videos using a dedicated platform and took part in role-playing exercises.



VOICE | Safety message from the winner of DIC (China)'s 2023 safety knowledge quiz

DIC (China) holds an annual safety knowledge quiz for DIC Group employees in the PRC with the goal of improving know-how and encouraging active participation in the effort to maintain a safe work environment. The following is a message from Chen Fei of DIC Zhangjiagang Chemicals Co., Ltd., winner of the 2023 quiz.



—Thoughts on Safety Activities—

When I first became involved in safety-related initiatives, I thought that “safe” was simply a state of being. In other words, as long as we were able to manage things in a way that kept employees and equipment in a safe condition—i.e., as long as people were safe—our workplace was safe. However, as I learned about the safety management policy of the DIC Group, and of DIC Zhangjiagang Chemicals, and as I gained experience in the everyday management of safety and my related skills improved, I came to better understand safety management as a comprehensive system. Today, I recognize that safety is something that can only be achieved by everyone making safe choices. The essence of safety is the creation of a risk-free environment. This entails choosing both safer behavior and safer equipment. Accordingly, the most important thing is to encourage employees to make safe choices. To this end, DIC Zhangjiagang Chemicals has identified five crucial prerequisites.

The first is that management, including general managers, must place an emphasis on safe operations and encourage all employees to improve their safety awareness. The second is that we must teach employees the risks of making unsafe choices through risk management training and educational programs dealing with occupational accidents conducted by external providers. Third, we must teach safe behavior by developing systems, standard operating procedures and processes. Fourth, through training and other initiatives we must educate employees so that making safe choices becomes second nature. Last, we must correct unsafe choices through safety inspections, behavioral observations and other measures.

In closing, I want to ask all employees to always check that what they are about to do is safe before they start! Consider whether there is not a safe and rational approach that could possibly be deployed across the workplace, thereby making it even safer for everyone.

DIC Zhangjiagang Chemicals Co., Ltd. **Chen Fei**

The DIC Group's Annual Responsible Care Activity Plan for Fiscal Year 2023

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) in fiscal year 2023 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 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* for industrial waste.
- Continue to assess water risks affecting production activities. Consider approaches to managing targets for the reduction of water consumption.
- Implement initiatives aimed at improving environmental compliance.

4 Safety in logistics

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

5 Ensuring the safety of chemical substances

- Promote the creation of a new global system for managing chemical substance information.
- Further expand deployment of the Wercs 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 Engaging 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.
- Promote environment- and safety-related education.

* Resource recycling rate is calculated as (Volume of industrial waste recycled (material recycling) + Waste heat recovered (thermal recycling) / 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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Ensure occupational safety and health.	Global	Reduce TRIR. Targets: DIC Group in Japan: 2.10 PRC: 1.00 Asia-Pacific region: 1.00 Sun Chemical Group: 8.00 (Global DIC Group: 4.65)	DIC Group in Japan: 2.09 PRC: 2.06 Asia-Pacific region: 1.11 Sun Chemical Group: 4.53 (Global DIC Group: 3.00)	★★	Reduce TRIR. Targets: DIC Group in Japan: 1.90 PRC: 1.00 Asia-Pacific region: 1.00 Sun Chemical Group: 8.00 (Global DIC Group: 4.47)
Prevent disasters.	Global	Maintain 0 major accidents. Achieve process safety accident frequency rate of 0.110 (maintain at fiscal year 2022 level).	• Process safety accident frequency rate: 0.124	★	Maintain 0 major accidents. Achieve process safety accident frequency rate of 0.110 (maintain at fiscal year 2023 level).

Note: 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

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 individual 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 posters in three languages

Framework for Promotion

Under the supervision of the Sustainability Committee chair (DIC's president and CEO), the Responsible Care Department promotes a variety of occupational safety and health initiatives in collaboration with sites via individual regional headquarters. 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 54.)

Principal Initiatives in Fiscal Year 2023

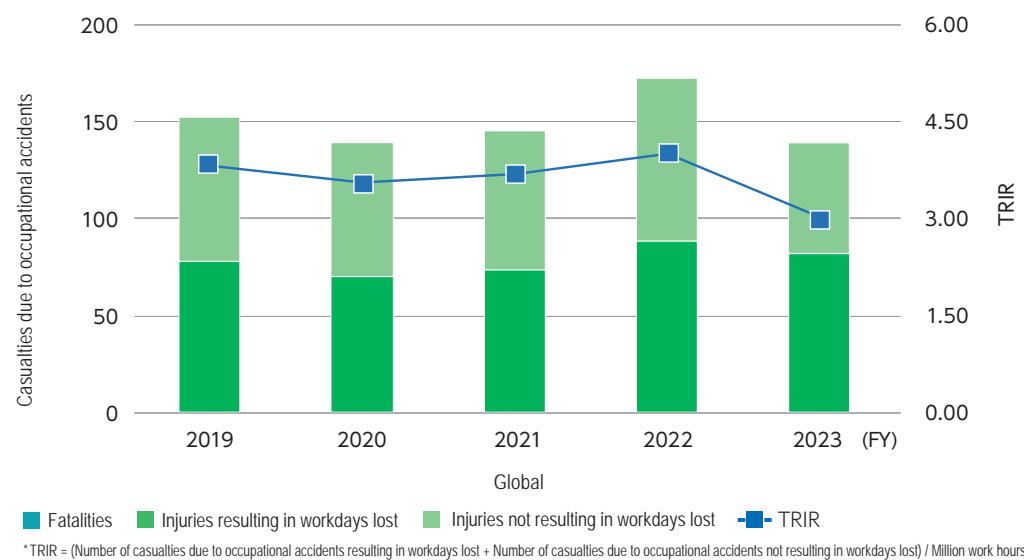
① Global DIC Group

The DIC Group sets regional targets and promotes a variety of initiatives around the world with the aim of eliminating occupational accidents. Occupational accident frequency rate—the frequency of occupational accidents resulting in workdays lost—is generally used as an indicator. This is calculated as the number of fatalities or injuries

due to occupational accidents per million work hours. DIC Group companies in Japan, Greater China and the Asia-Pacific region, as well as Sun Chemical, use total recordable incident rate (TRIR), an even more stringent indicator. TRIR is calculated as the number of casualties (fatalities and injuries) due to occupational accidents, both those resulting in workdays lost and those not resulting in workdays lost, per million work hours. 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 2023, the TRIR for the global DIC Group was 3.00, below its 4.65 goal. None of the occupational accidents at global Group sites resulted in fatalities. A total of 76 injuries resulting in workdays lost were reported, while injuries not resulting in workdays lost numbered 56. Looking ahead, the Group will continue working to reduce occupational accidents by promoting the sharing of information on accidents and disasters, conducting risk assessments, promoting adherence to *Principles of Safe Conduct*, analyzing the causes of accidents and formulating countermeasures, 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 (FY2019–2023)



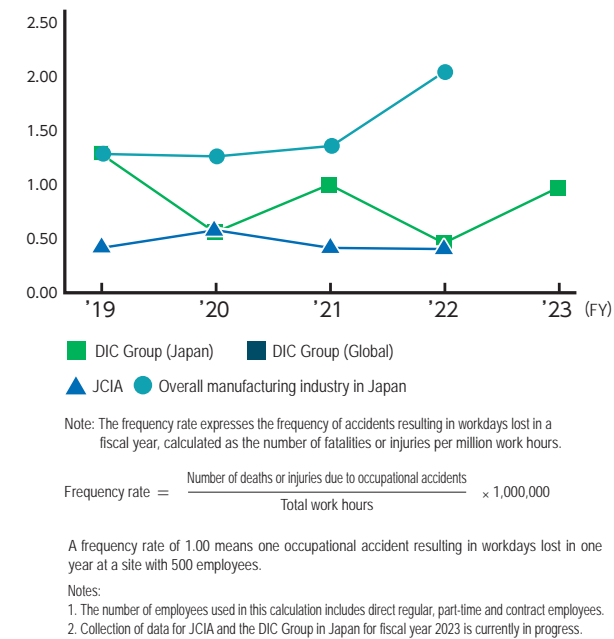
② DIC Group in Japan

In fiscal year 2023, the DIC Group in Japan achieved a TRIR of 2.09, better than its target of 2.10 and an improvement from 2.23 in the previous fiscal year. No occupational accidents resulting in fatalities were reported. There were nine injuries resulting in workdays lost and 10 injuries not resulting in workdays lost. These numbers are broken down in the table to the right.

DIC Group (Japan)

	Casualties	Illness/ill health	Total
Fatalities	0	0	0
Injuries resulting in workdays lost	9	0	9
Injuries not resulting in workdays lost	9	1	10
Total	18	1	19

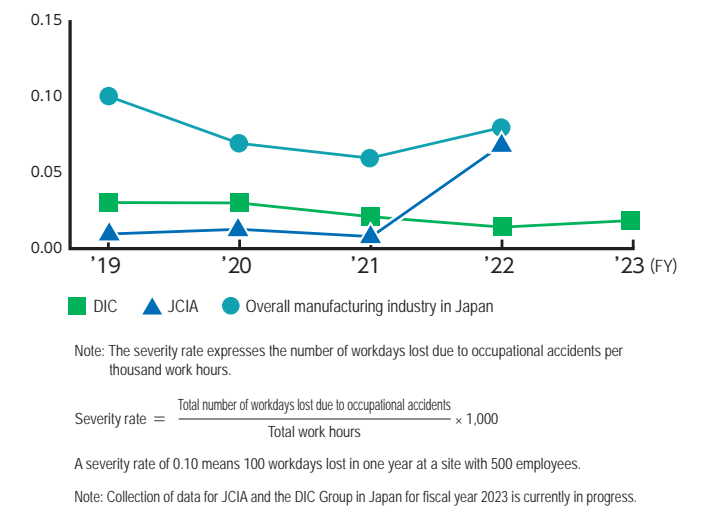
Occupational Accident Frequency Rate



③ DIC Group in Other Countries and Territories

The TRIR for the Sun Chemical Group was 4.53, significantly better than the target of 8.00. Both the PRC and the Asia-Pacific region fell short of their 1.00 targets, reporting a TRIR of 2.06 and 1.11, respectively. No occupational accidents resulting in fatalities were reported.

Occupational Accident Severity Rate



There were 66 injuries due to occupational accidents resulting in workdays lost and 46 injuries due to occupational accidents not resulting in workdays lost. (For more information, please see "Key Data" on page 85.)

TOPIC | DIC Plastics' Saitama Plant Wins Prize for Excellence in Safety in the JCIA Safety Awards

On May 31, 2023, DIC Plastic, Inc.'s Saitama Plant received a prize for excellence in safety in the JCIA Safety Awards, which were presented in a ceremony at the Palace Hotel in Tokyo. These awards are given to establishments judged to serve as role models for the voluntary promotion of occupational safety and health in the chemicals industry. Winners in fiscal year 2023, the 47th time these awards have been given out, were chosen based on their performance up to December 31, 2022, with four establishments earning recognition. In selecting DIC Plastics' Saitama Plant, the JCIA cited the facility's dedication to building a safety-conscious corporate culture, as a result of which as of the end of 2022 it had achieved 16 years and nine months of accident-free operations. The DIC Group will continue to place a high priority on occupational safety and health going forward.

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 Greater China, DIC Asia Pacific for the Asia-Pacific region, and Sun Chemical for the Americas and Europe. This data is then collated and analyzed by the Responsible Care Department. This makes it possible for each Group company to objectively compare and evaluate their own operational safety, which assists

in the establishment of precise targets for individual countries and regions, and the formulation of programs for making improvements. In fiscal year 2019, the Group introduced the cloud-based DIC ESH Data Collection System (DECS) in Japan, Greater China and the Asia-Pacific region to improve the efficiency of data collection. (For more information, please see "Key Data" on page 85.)

Statistical Occupational Safety and Health Data
<ul style="list-style-type: none"> 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 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.

3 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 for DIC Group companies in Japan, the PRC and the Asia-Pacific region, which it has published as a guidebook titled *Principles of Safe Conduct*. The fifth edition of this guidebook was published in fiscal year 2019 in Japanese, English and Chinese.

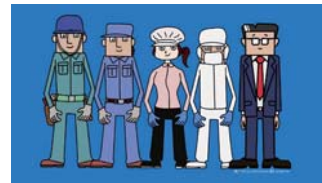
4 Conducting Risk Assessments

The DIC Group identifies potential risks to occupational safety and health and implements initiatives to prevent accidents and occupational injuries. In Japan, the Group is working to further reduce risks posed by chemical substances by revamping its risk assessment procedures and lowering the impact of such substances on the health of employees. Of particular note, in fiscal year 2023 DIC updated its risk assessment guidelines, including those for assessment procedures. After providing pertinent training on the revised guidelines' administration to management-level employees at domestic DIC Group plants, DIC evaluates hazards associated with and the toxicity of chemicals set forth in Japan's Poisonous and Deleterious Substances Control Act and considers measures to lower related risks, such as revising handling methods and upgrading facilities.

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 non-regulatory components such as static electricity, 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. Competence is confirmed through testing. Since fiscal year 2022, the Group has deployed 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

Since fiscal year 2022, the DIC Group has 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 (e.g., heatstroke, chemical injury or other) and impact (i.e., resulted in workdays lost or did not result in workdays lost). This allows 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



Example of an accident report

Hands-On Safety Training

The DIC Group provides hands-on safety training in Japan, Greater China and the Asia-Pacific region. The purpose of such training is to reduce employees' willingness to take risks and foster their ability to recognize danger by simulating actual accidents. This began as a domestic initiative in 2012, after which deployment was expanded to include Greater China and the Asia-Pacific region. In Japan, hands-on safety training has helped to almost halve the occupational accident frequency rate at Group sites.

The DIC Group's hands-on safety training program focuses on simulating common production floor accidents—including those involving entanglement in rotating devices, falls from high places and incised wounds caused by cutting equipment. The objective of this format is to transform the mindset of employees by encouraging them to think and act on their own to protect themselves and each other from latent dangers.

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 and curricula 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.

2 DIC Group Companies in Other Countries and Territories

DIC Group companies in other countries and territories are also deploying *Principles of Safe Conduct*. 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 Material 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 also provide hands-on safety training for employees of affiliated companies, as well as training for instructors, in their respective regions.

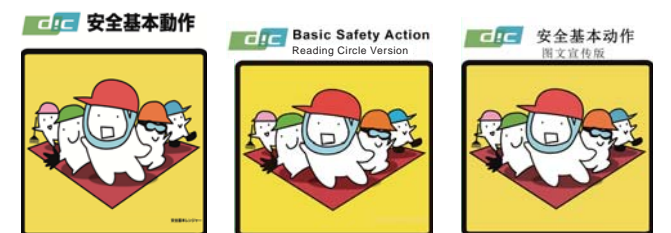
Efforts to Foster a Safety-Conscious Corporate Culture

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 meet regularly to discuss and exchange proposals regarding safety policies and measures, which are incorporated into Responsible Care initiatives.

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.



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



Training for new employees at the Saitama Plant



Hands-on safety training simulating an accident involving a fall at the Saitama Hands-On Safety Center



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

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.
2023	Accident records were revised to promote the effective horizontal dissemination of pertinent information and prevent the recurrence of past accidents.

TOPIC | Health and Safety Project Is Planned to Ensure the Health and Safety of Employees

Since fiscal year 2022, DIC's Gunma Plant has promoted a program designed to advance the health of plant employees. Previously focused on fall prevention, in fiscal year 2023 the program emphasized employee health under the designation "Health and Safety Project." Project groups worked together to implement three initiatives under the direction of the project leader.

The first initiative was to use the app Shisei Karte ("Posture Chart"), which involves using an iPhone to take photographs of a person performing six poses, which are then analyzed using AI and scored for factors such as posture distortion, to produce a 3D avatar that shows how the person's posture can be expected to look in the future. These were then developed into a program encompassing diagnostics and care to help individuals improve posture-related issues, which was presented in a series of YouTube videos. The second initiative was to work with the company that operates the plant's employee cafeteria, Wakana Co., Ltd., to plan a series of easy-to-prepare healthy microwavable meals. During the year, recipes and preparation videos for a total of six dishes were created

and displayed via digital signage and on the Gunma Plant's dedicated website. The third involved inviting Shinichiro Okada, a licensed nursing care worker and physical therapist who is an advocate of nursing care that deploys classical martial arts, to give a lecture on avoiding lower back strain when moving one's body and an on-site demonstration of how to safely lift an 18-liter square can. Going forward, the DIC Group will continue to plan programs that improve employee health.



Forward-facing standing position



Explanation of Shisei Karte's diagnostic process and results

TOPIC | DIC Gives Presentations at the 5th China International Chemical Process Safety Symposium

The 5th China International Chemical Process Safety Symposium was held in May in the PRC. During the symposium, Responsible Care Department General Manager Shinobu Yamaguchi gave two presentations, at which he discussed the DIC Group's chemical process safety initiatives and the Group's management of chemical substance information, respectively. The symposium serves as a platform for the exchange of information on the latest technologies in the area of chemical process safety management, as well as on the outcomes of initiatives promoted by participating companies. DIC was invited to attend as a special guest of the China Chemical Safety Association, one of the symposium's organizers.



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 leakage 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 Responsible Care Department works with the Safety and Environment groups of DIC Group companies, plants and R&D facilities to promote a variety of initiatives. In Japan, the Responsible Care Department holds meetings regularly with site Safety and Environment groups to confirm the status of priority issues and the achievement of targets, and to manage the progress of related efforts. In other countries and territories, the Responsible Care Department and individual regional headquarters work together to advance efforts, and site ESH officers, under the guidance of the pertinent regional headquarters, conduct risk assessments, analyze accidents and promote remedial measures to ensure the continuous improvement of occupational safety and health. (For more information, please see "Policies, Targets and Framework" on page 54.)

Principal Initiatives in Fiscal Year 2023

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. Beginning in fiscal year 2022, the Group sets targets based

on results for the immediately preceding three years and implements measures to ensure their achievement.

In fiscal year 2023, the Group reported seven process safety accidents. The process safety accident frequency rate—the number of such accidents per 200,000 work hours—was 0.124, falling short of the Group's target of 0.11. The principal reason for the Group's suboptimal performance was the leakage of chemicals, which happened several times. Looking ahead, the Group will assess risks associated with production processes and make necessary improvements.

Note: In Japan, a process accident requires reporting if the four criteria listed below are met. (These apply primarily to fires, explosions and the leakage of hazardous substances related to manufacturing processes).

- (1) The accident was related directly to a chemical substance or a chemical process.
- (2) The accident involved production, logistics, storage, utilities or pilot plants.
- (3) The accident caused the release of material or energy (e.g., a fire, explosion or implosion) from a process unit.
- (4) The accident resulted in any of the following events: Occupational accident, equipment damage, evacuation or the release of substances included in the Globally Harmonized System of Classification and Labelling of Chemicals (GHS).

	Fiscal year 2019	Fiscal year 2020	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Number of ICCA process safety accidents	6	4	7	3	7
Process safety accident frequency rate	0.110	0.073	0.128	0.055	0.124

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. Since fiscal year 2020, the Group has also used hazard and operability (HAZOP) studies developed to assess the risk of accidents such as the leakage of hazardous substances, 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, Sakai and Hokuriku 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. Between fiscal year 2014 and fiscal year 2020, assessments were conducted at all DIC plants in Japan. 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 The DIC BC Portal

Because of its location, topography and climate, Japan is vulnerable to a variety of natural disasters, including typhoons, heavy rains, floods, earthquakes and tsunamis. An accident at, for example, a

chemicals production facility involving a fire, explosion or the leakage of hazardous substances, can also have a significant impact on local communities. In such a situation, it is necessary to collect, comprehend and share accurate information to facilitate appropriate decision making and prompt action. DIC has introduced the DIC BC Portal disaster information system, a web-based system facilitating the collection and sharing of information when an accident or disaster occurs.

A recent natural disaster that underscored the benefits of the DIC BC Portal was the 2024 Noto earthquake, a magnitude 7.6 earthquake that struck the Noto Peninsula of Ishikawa Prefecture on January 1, 2024, at approximately 4:10 pm. An intensity of 7 on the Japan Meteorological Agency (JMA) Seismic Intensity Scale was recorded in the cities of Shika and Wajima, while an intensity of 5 Lower was recorded in the city of Hakusan, where DIC's Hokuriku Plant is located. The plant was fortunately not operating at the time and there was no major damage. The safety of employees was confirmed and damage to structures were reported via the new portal. Previously, information on accidents, disasters and resulting damage were made by telephone and email, among others, using an emergency contact network, but there were issues with the speed, precision and the scope of information sharing. The DIC BC Portal has thus allowed the Company to create a system for sharing information swiftly and exactly, positioning it better to make effective decisions.

⑤ 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.

Environmental Protection

Policies

Basic Approach

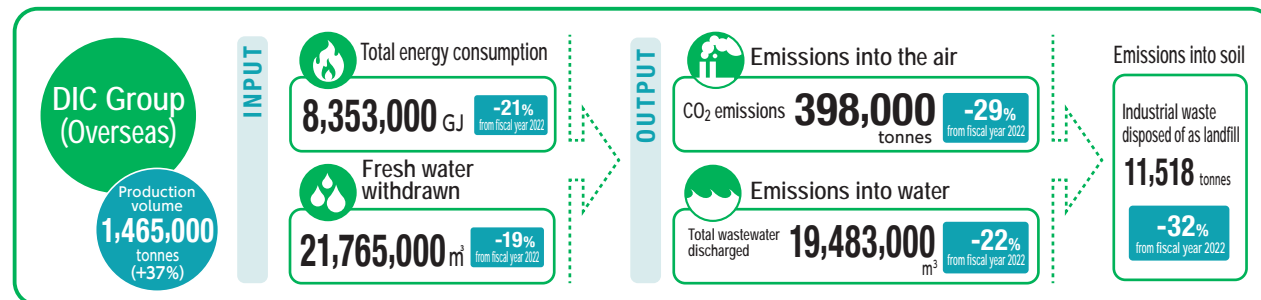
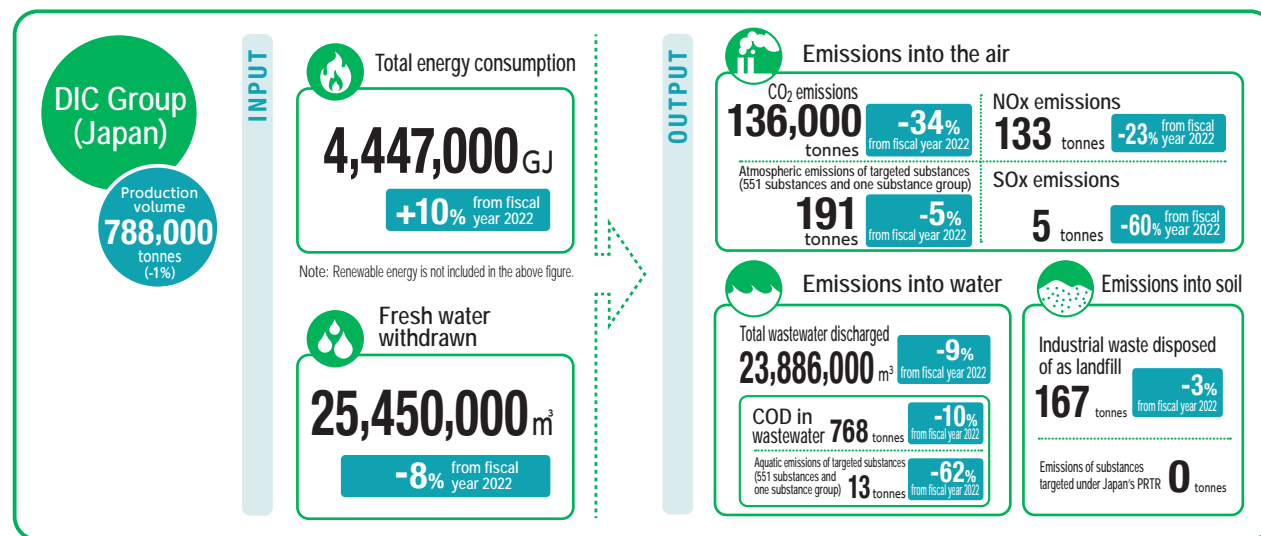
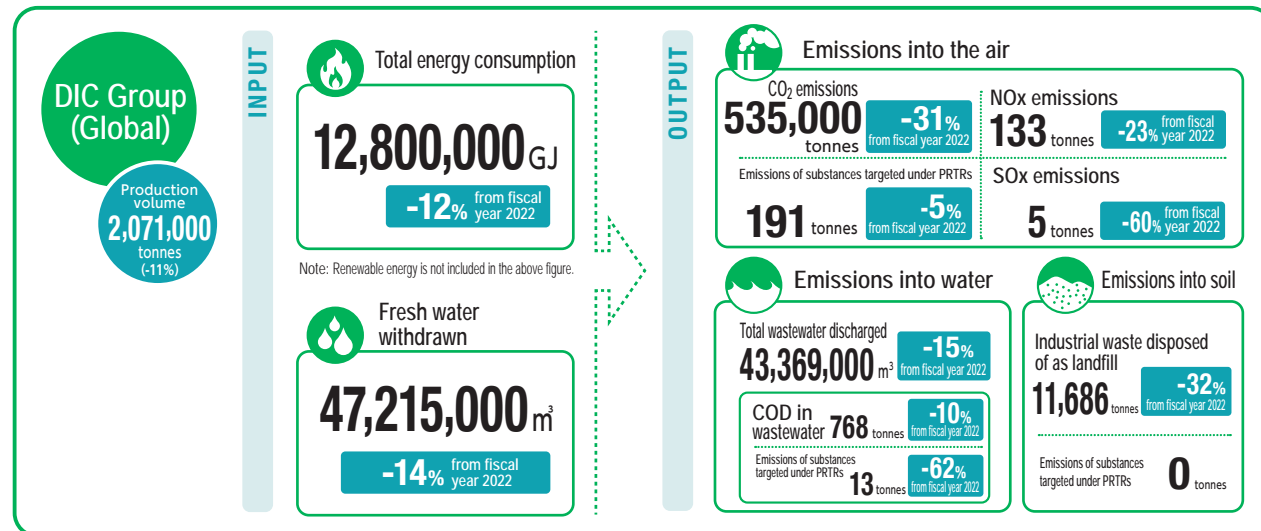
The DIC Group seeks to contribute to protection of the global environment by improving its own environmental performance, as well as by complying with pertinent laws and regulations.

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 on the next page is a comprehensive illustration of the environmental impact of the Group's operating activities in Japan and in other countries and territories. This chart shows environmental impact in fiscal year 2023 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: CO₂ emissions, total wastewater discharged and industrial waste disposed of as landfill. (Data for the DIC Group in Japan also includes emissions of substances targeted under pollutant release and transfer registers (PRTs) into the air, water and soil of NO_x and SO_x, as well as COD in wastewater.)



Note: DIC monitors 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.

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 2023	Achievement in fiscal year 2023	Evaluation	Goal for fiscal year 2024
Reduce emissions of VOCs into the air.	Japan	DIC Group (Japan): 280 tonnes (Maintain at a 50% decrease from fiscal year 2000).	DIC Group (Japan): 191 tonnes	★★★	DIC Group (Japan): 280 tonnes (Maintain at a 50% decrease 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.

The DIC Group operates globally and handles chemical substances across multiple regions. The Group must therefore comply with pertinent environmental laws and regulations in different countries and territories, as well as advance initiatives to prevent environmental pollution. Specifically, the Group works continuously to reduce harmful emissions into the air, water and soil. For example, in addition to lowering emissions of hazardous substances (NOx, SOx and dust) and chemical oxygen demand (COD), the Group works to curtail emissions of substances targeted under various PRTR schemes and of VOCs.

Principal Initiatives in Fiscal Year 2023

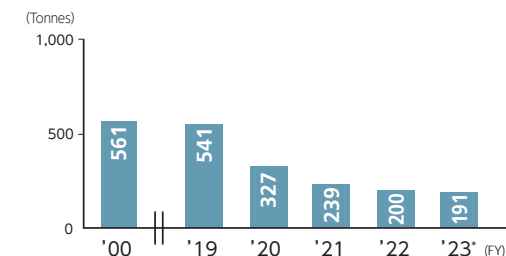
① Reducing Emissions of VOCs

In Japan, the DIC Group has worked since fiscal year 2005 to reduce emissions into the air, water and soil targeted under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements in the Management Thereof (substances targeted by Japan's PRTR) and of substances targeted for management under a voluntary scheme created by the JCIA.²

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% decrease from the fiscal year 2000 level. Previously, the Group collected data for the 12-month period from January through December, but effective from fiscal year 2023 this has been changed to April through March of the following year, consistent with the reporting period specified in the aforementioned law.

In fiscal year 2023, DIC Group companies in Japan reported total emissions of VOCs of 191 tonnes, a decline of 5% from fiscal year 2022. The principal reason for this was a decrease in products that are responsible for significant emissions of VOCs from the product mix. DIC Group companies in the PRC and the Asia-Pacific region also continue to conduct careful monitoring of VOC 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 Targeted Chemical Substances into the Air (551 Targeted Substances, Including Those Designated by Japan's PRTR^{*1}, and One Substance Group^{*3})



■ DIC Group (Japan) (FY2000 = DIC)

* As used here (as a period for data collection), fiscal year 2023 refers to the 12-month period from April 4, 2022 to March 31, 2023.

Number of Targeted Chemical Substances Used and/or Produced in Japan in Amounts Exceeding 1.0 Tonne in Fiscal Year 2023



*1 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 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.

*3 The "551 substances and one substance group" comprises 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) targeted for study by the JCIA.

Environmental Emissions of VOCs (551 Targeted Substances, Including Those Designated by Japan's PRTR, and One Substance Group) in Japan in Fiscal Year 2023

	DIC Group (Japan)
Emissions into the air	191 tonnes
Emissions into water	13 tonnes
Emissions into soil	0 tonnes
Total	204 tonnes

Targeted Chemical Substances for Which Emissions Exceeded 10.0 Tonnes in Fiscal Year 2023

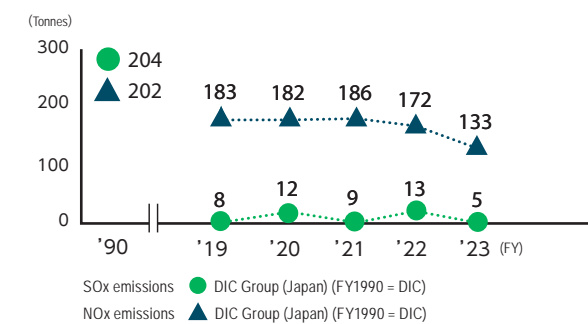
Substance	DIC Group (Japan) Emissions into the environment
Ethyl acetate	78 tonnes
Toluene	25 tonnes
Methyl ethyl ketone	19 tonnes

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) in fiscal year 2023. During the period, Group companies in Japan used and/or produced a combined total of 116 of these substances in amounts exceeding 1.0 tonne.

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 2023, emissions of SOx by the Group in Japan amounted to 5 tonnes, a decline of more than 97% from the fiscal year 1990 level, while emissions of NOx were 133 tonnes, down 34% from fiscal year 1990. In contrast, the domestic DIC Group's COD was 768.4 tonnes, lower than in the previous fiscal year but still high and up 3% from fiscal year 1990. Principal contributing

SOx and NOx Emissions 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.

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 Japan Environmental Storage & Safety Corporation (JESCO). The DIC Group in Japan completed disposal of waste with high concentrations of PCBs in fiscal year 2023. Efforts to manage and dispose of low-concentration PCB waste are proceeding apace.

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.

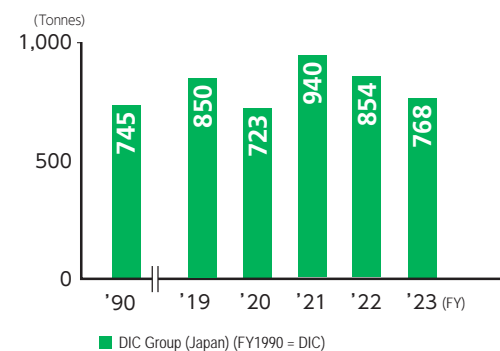
⑥ Soil and Groundwater Pollution

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.

factors 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.

COD in Japan



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

Site	Waste gas		Wastewater	
	Standard (ng-TEC/m³)	Emissions reported in fiscal year 2022 (ng-TEC/m³)	Standard (pg-TEC/l)	Emissions reported in fiscal year 2022 (pg-TEC/l)
Chiba Plant (DIC)*	5	0.1900	10	0.0360
			10	2.7000
Hokuriku Plant (DIC)	5	0.0000	10	0.0027
Hokkaido Plant (DIC Kitanihon Polymer Co., Ltd.)	10	Dormant	NA	—
Tohoku Plant (DIC Kitanihon Polymer Co., Ltd.)	10	0.0030	NA	—
Harima Plant (SEIKO PMC CORPORATION)	10	0.0100	NA	—

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
<ul style="list-style-type: none"> Reduce industrial waste disposed of as landfill (achieve "zero emissions"). Reduce industrial waste generated by production facilities. 	Japan	<ul style="list-style-type: none"> Industrial waste disposed of as landfill DIC Group (Japan): 200 tonnes (essentially level with fiscal year 2021; down 95% from fiscal year 2000) Industrial waste generated by production facilities DIC Group (Japan): 45,000 tonnes (essentially level with fiscal year 2022) 	<ul style="list-style-type: none"> Industrial waste disposed of as landfill: 167 tonnes Industrial waste generated by production facilities: 39,790 tonnes 	<p>★★★</p> <p>★★★</p>	<ul style="list-style-type: none"> Industrial waste disposed of as landfill DIC Group (Japan): 200 tonnes (down 95% from fiscal year 2000) Industrial waste generated by production facilities DIC Group (Japan): 45,000 tonnes (essentially level with fiscal year 2023)
Promote recycling.	Japan	Resource recycling rate* DIC Group (Japan): 80%	Resource recycling rate: 90%	★★★	Resource recycling rate DIC Group (Japan): 80%

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

Policies and Organization

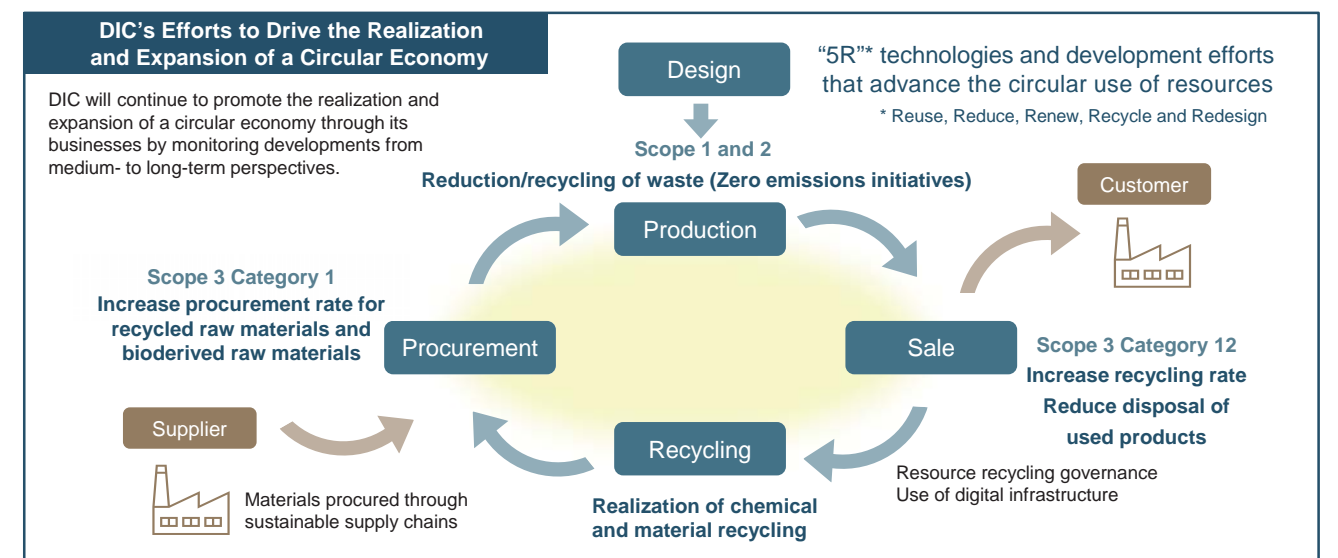
Basic Approach

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.

Illegal dumping of industrial waste may directly lead to serious environmental pollution. It is thus important to ensure the proper handling of waste from discharge through to final disposal. The DIC Group works to effectively manage and dispose of industrial waste as appropriate, depending on degree of risk, in compliance with the laws of the countries and territories where its production facilities are located.

and recycle). 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 its production facilities from generation and discharge on-site through to intermediate treatment and final disposal as landfill, as well as to reduce the volume of industrial waste it disposes of as landfill and to boost its resource recycling rate by increasing recycling (material and chemical) and recovering waste heat from incineration.

In seeking to promote the realization of a circular economy, the DIC Group is stepping up efforts to encourage the "3Rs" of waste management (reuse, reduce



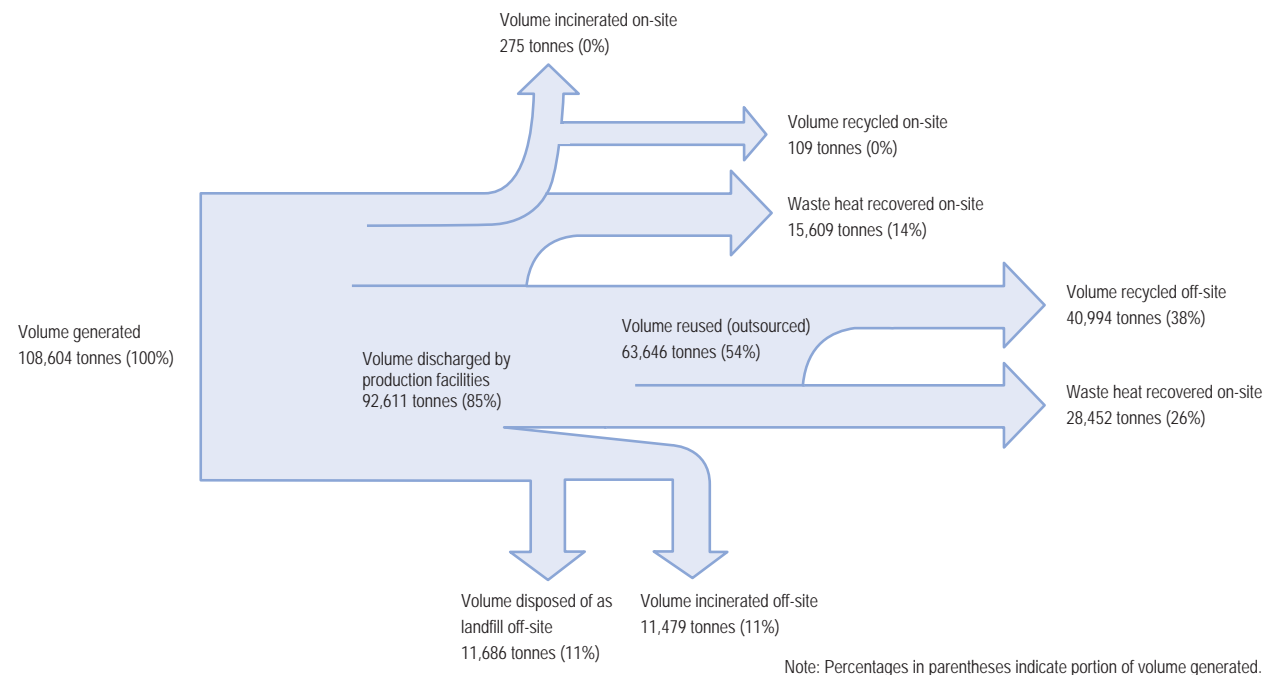
Principal Initiatives in Fiscal Year 2023

① Global DIC Group

The DIC Group works to fully grasp and effectively manage industrial waste at its production facilities around the world from generation and discharge on-site through to intermediate treatment and final disposal

as landfill. The chart on the next page illustrates the management of industrial waste by the global DIC Group in fiscal year 2023. As this shows, the Group breaks down and calculates amounts at all stages of the process.

Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2023



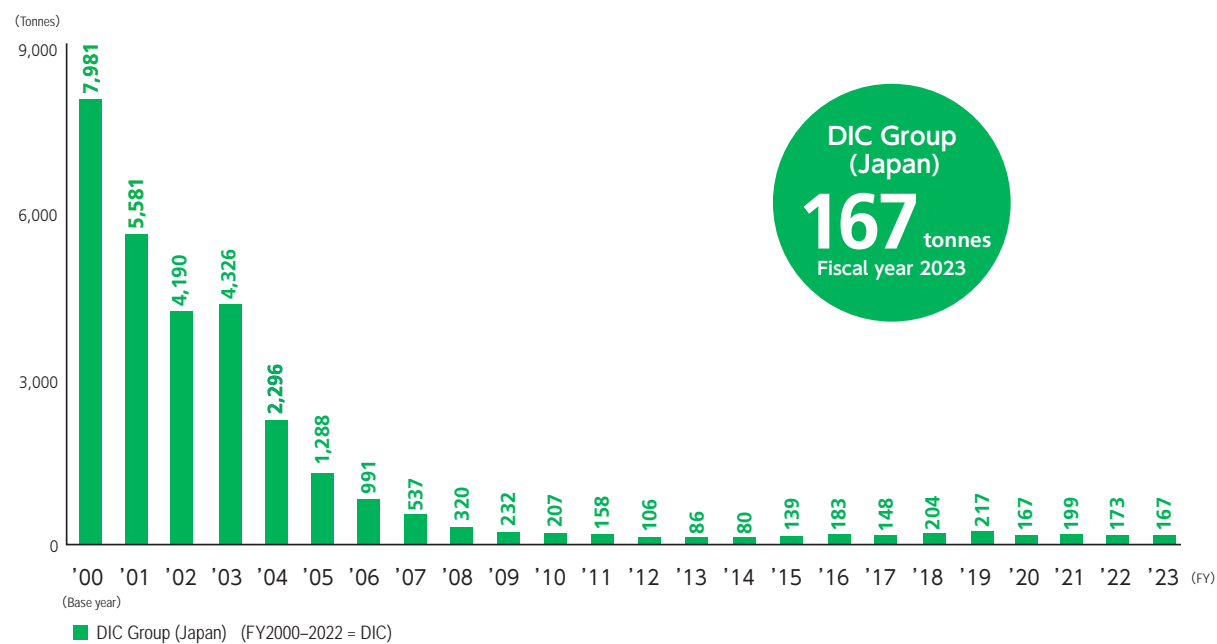
② DIC Group in Japan

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 of 45,000 tonnes for the former.

In fiscal year 2023, the DIC Group in Japan met its target for industrial waste generated by Group production facilities in Japan,

which amounted to 39,790 tonnes, a decrease of 4% from fiscal year 2022, 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 167 tonnes, down 3% from the previous period, as a result of which it also achieved a decline in industrial waste disposed of as landfill. This is attributable to the decrease in waste generated, resulting in a smaller volume of waste requiring disposal 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 essentially 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 2023

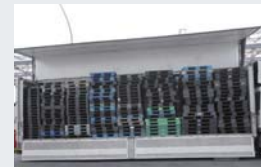
Type of waste	Volume generated (tonnes)
Cinders	857
Sludge	10,023
Waste oil	9,917
Waste acid	554
Waste alkali	1,624
Waste plastics	4,720
Scrap rubber	0
Scrap metal	2,112
Waste glass, concrete and ceramic	71
Slag	0
Debris	0
Dust	20
Waste paper	0
Wood chips	0
Fiber waste	0
Animal and plant residues	15
Unwanted animal solid matter	0
Livestock excreta	0
Animal carcasses	0
Industrial waste from products containing mercury	2
Total for nontoxic waste (ordinary industrial waste, etc.)	31,204
Toxic waste (specially controlled industrial waste)	8,585
Total waste (toxic and nontoxic)	39,790

TOPIC

Processing Discarded Pallets into Materials with Value at the Chiba Plant

DIC continues working to reduce waste to rationalize waste-related costs and lower CO₂ emissions. As a part of this effort, the Company is processing discarded pallets into materials with value at its Chiba Plant with the aim of shrinking the volume of industrial waste disposed of by the facility. In fiscal year 2022, the plant processed approximately 130 tonnes of plastic and wooden pallets, rather than simply disposing of them as waste, with the former recycled into raw materials and the latter sold on a secondhand basis to be reused. Because processing items that would otherwise be disposed of into materials with value shrinks the overall amount of waste, it also helps rationalize related costs and curb CO₂ emissions.

As of fiscal year 2023, more than 70% of DIC's discarded pallets are processed into materials with value. The Chiba Plant expects to have processed more than 140 tonnes of pallets during the period. With increasing effectiveness of processing at the Chiba Plant, the Company has begun to promote the horizontal deployment of this approach and is currently also processing waste flexible containers in a bid to further reduce waste.



Plastic pallets



Wooden pallets

③ Initiatives in Japan 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. Beginning in fiscal year 2023, DIC discloses plastic resource–recycling data, including volume of waste plastic generated and recycling rate, for the DIC Group in Japan in compliance with pertinent laws and regulations.

Plastic Recycling Rate and Resource Recycling Rate (Waste Recycled into Materials with Value + Waste)

Domestic DIC Group company	Waste			Materials with value + waste		
	Volume discharged (tonnes)	Recycling rate	Resource recycling rate	Volume discharged (tonnes)	Recycling rate	Resource recycling rate
DIC Corporation	2,717	29.9%	98.6%	3,644	47.7%	99.0%
DIC Graphics Corporation	256	61.8%	91.7%	260	62.4%	91.9%
DIC EP Corp.	30	17.7%	93.7%	30	17.7%	93.7%
DIC Color Coatings, Inc.	28	5.0%	100.0%	28	5.0%	100.0%
DIC Kitanihon Polymer Co., Ltd.	29	27.0%	27.0%	29	27.0%	27.0%
DIC Kyushu Polymer Co., Ltd.	14	5.0%	100.0%	14	5.0%	100.0%
DIC Decor, Inc.	163	43.2%	44.2%	188	50.6%	44.2%
DIC Plastics, Inc.	30	45.0%	96.1%	82	80.1%	96.1%
SEIKO PMC CORPORATION	65	56.1%	97.0%	84	66.0%	97.0%
KJ Chemicals Corporation	21	45.6%	97.3%	44	73.6%	97.3%

Target for materials with value + waste

DIC Corporation	Recycling rate	48.2% (fiscal year 2025)
DIC Graphics Corporation	Recycling rate	63.0% (fiscal year 2025)

④ Deployment of the Electronic Manifest System in Japan

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 domestic Group production sites in fiscal year 2019, an achievement that has helped to both save labor and ensure legal compliance,

territories totaled 68,815 tonnes, down 10% from fiscal year 2021. Industrial waste disposed of as landfill at these sites fell 32%, to 11,518 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 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 2023, waste generated by DIC production sites in other countries and

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	Goal for fiscal year 2023	Achievement in fiscal year 2023	Evaluation	Goal for fiscal year 2024
Asses and manage water risks at production facilities.	Global	Target implementation rates for countermeasures at high-risk sites: 75% by fiscal year 2023, 100% by fiscal year 2024	The implementation rate for countermeasures at the three high-risk sites was 75%.	★★★	Target implementation rate for countermeasures at high-risk sites: 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 freshwater 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.

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.

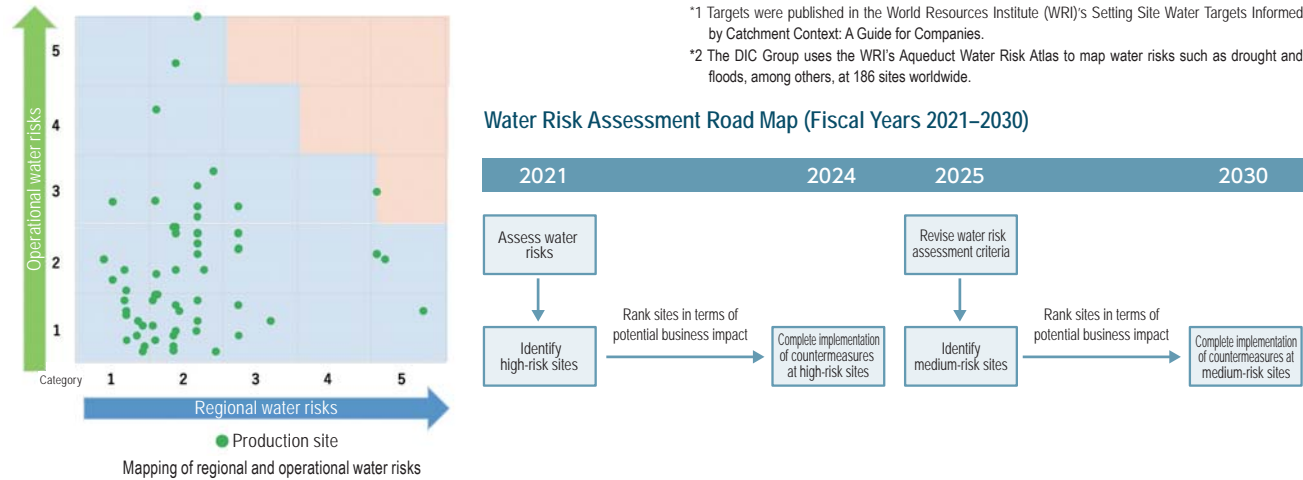
■ Principal Initiatives in Fiscal Year 2023

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).¹ In fiscal year 2018, the DIC Group began using the Aqueduct Water Risk Atlas.² 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

The DIC Group resolved to confirm and implement countermeasures at 16 high-risk sites between fiscal years 2021 and 2024 and set targets for rate of completion. 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. Between fiscal years 2025 and 2030, the Group also plans to implement countermeasures at medium-risk sites. (Please see the diagram below.)

The DIC Group is gradually implementing countermeasures at high-risk sites, completing this process at four sites each in fiscal years 2021 and 2022 and at three sites in fiscal year 2023. One high-risk site was closed in late fiscal year 2023, as a result of which the total number of such sites is currently 15.





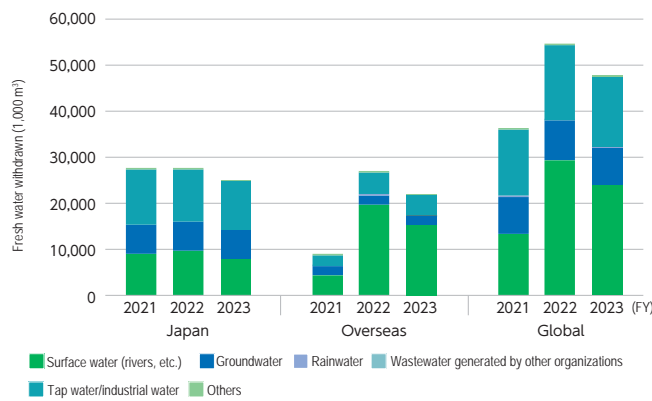
Assessment of regional water risks using Aqueduct

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 2023, the global DIC Group withdrew a total of 47,215,000 m³ of fresh water, down 14% from fiscal year 2022, and discharged a total of 43,369,000 m³ of wastewater, a decline of 15%. Fresh water withdrawn and wastewater discharged at Group sites in Japan amounted to 25,450,000 m³, a decrease of 8%, while wastewater discharged, at 23,886,000 m³, was down 9%. Fresh water withdrawn at and wastewater discharged from DIC Group sites in other countries and territories fell 19%, to 21,765,000 m³, and 22%, to 19,483,000 m³, respectively. The DIC Group will continue to advance the effective management of water resources.

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

Total Fresh Water Withdrawn (Fiscal Years 2021–2023)



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 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 40 m³ 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.



System for treating wastewater from research for reuse at the Central Research Laboratories

4 Reporting to the CDP's Water Security Program in 2023

In fiscal year 2023, 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

The DIC Group has formulated the DIC Group Biodiversity Policy. This policy outlines the Group's responsibilities, goals and metrics for preserving biodiversity and was created with the aim of contributing actively to the conservation and protection of biodiversity while also minimizing the Group's impact on the environment. The Group recognizes that the

responsible management of biodiversity is crucial not only for the environment but also for its own success over the long term. Guided by this policy, which demonstrates its dedication to ensuring a sustainable future, the Group will work tirelessly to achieve its goals and help realize a healthier planet for generations to come.

(Published on November 15, 2023)

The DIC Group Biodiversity Policy

Article 1 (Purpose)

The DIC Group is committed to environmental responsibility and sustainability. Recognizing the importance of biodiversity* in maintaining a healthy and balanced ecosystem, we are dedicated to minimizing our impact on the environment while contributing actively to the conservation and protection of biodiversity. This policy outlines our commitment to biodiversity conservation and our related goals, as well as the measures we will take to achieve them. We acknowledge that the responsible management of biodiversity is essential not only for the environment but also for the long-term success of our business. This policy is a testament to our dedication to sustainability, and we will continue to work tirelessly to achieve our goals and contribute to a healthier planet for future generations.

* "Biodiversity" is the diversity of all living things, whether from terrestrial, marine or other aquatic, complex or other ecosystems, other habitats or other growth environments and includes diversity within species, among species and of ecosystems.

Article 2 (Compliance with Laws and Regulations)

The DIC Group complies with all national and international laws and regulations concerning biodiversity preservation, environmental protection and natural resources management. When a conflict between national law and international law arises, we seek ways to respect internationally recognized rules to the extent possible.

Article 3 (Biodiversity Assessment)

The DIC Group assesses the impact of its business on biodiversity and capitalizes on the results thereof to mitigate negative effects.

Article 4 (Local Care)

The DIC Group conducts its business while minimizing damage to local habitats and ecosystems.

Article 5 (Sustainable Procurement)

The DIC Group seeks to procure raw materials, products and services in a manner that minimizes negative impacts on biodiversity. We use supplier management platforms (e.g., EcoVadis) and questionnaires to assess suppliers and encourage their corporate social responsibility initiatives.

Article 6 (Pollution Prevention)

The DIC Group employs technologies and practices that minimize the release of pollutants, chemicals and waste materials into the environment, ensuring that its operations do not harm local ecosystems. We improve downstream recyclability by applying the "5Rs" and the principles of a circular economy.

* The DIC Group's 5Rs (reuse, reduce, renew, recycle and redesign) describes an approach to advancing the realization of a circular economy and the reduction of carbon footprint that is incorporated into all DIC Group operations and product creation efforts.

Article 7 (Research and Technological Innovation)

The DIC Group contributes to the conservation of natural capital through biodiversity-friendly products and services, including sustainable sourcing of raw materials. We contribute to industry collaborations with the aim of achieving sustainable profits.

Article 8 (Education and Training)

The DIC Group provides education and training programs for its employees and subcontracted companies to raise awareness about the importance of preserving biodiversity. Our goal is to foster a culture of environmental responsibility across the DIC Group.

Article 9 (Reporting and Transparency)

The DIC Group maintains transparent communication regarding its biodiversity initiatives and performance. We regularly report on our progress and engage with stakeholders.

Article 10 (Continuous Improvement)

The DIC Group will regularly review and update this policy to reflect emerging best practices and evolving environmental standards. We are committed to the continuous improvement of our efforts to protect and enhance biodiversity.

Article 11 (Community Engagement)

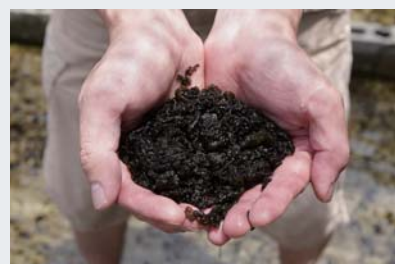
The DIC Group engages with local communities in promoting its biodiversity preservation initiatives. Building strong relationships and understanding local perspectives enables us to work toward the common goal of protecting our shared environment.

TOPIC | Helping Preserve Suizenji Nori

DIC has begun working with Group company Green Science Materials, Inc. (GSM), which manufactures and sells *SACRAN*[™],* a polysaccharide extracted from Suizenji nori, to support initiatives aimed at preserving this endangered species. Suizenji nori is a blue-green algae indigenous to Japan that because of climate change and other factors that have altered freshwater ecosystems currently grows naturally only in the Kogane River in Fukuoka Prefecture on the island of Kyushu. As a result, it has been declared endangered.

The DIC Group is the first in the world to succeed in developing a successful indoor mass cultivation technology for Suizenji nori, positioning it to contribute to the conservation of, as well as to expand applications for, this algae species. However, the Group's efforts have not stopped with the commercial cultivation of Suizenji nori. The Group expanded its focus to include preservation of Suizenji nori's natural habitat. In fiscal year 2023, the Group collaborated with local organizations to carry out environmental cleanup activities in and around the Kogane River, which was affected by extremely heavy rains in July 2023.

Going forward, the DIC Group will continue to leverage its indoor mass cultivation technology for Suizenji nori to advance species conservation and at the same time to provide support for initiatives aimed at preserving this endangered algae's natural habitat, thereby contributing to biodiversity.



Suizenji nori



Environmental cleanup activity

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 2023	Achievements in fiscal year 2023	Evaluation	Goal for fiscal year 2024
Reduce CO ₂ emissions attributable to logistics.	Japan	Reduce CO ₂ emissions attributable to logistics by 1.23% from fiscal year 2022.	<ul style="list-style-type: none"> Energy consumption per unit of production attributable to logistics was down 2%. CO₂ emissions attributable to logistics declined 8%. 	<div>★★★</div> <div>★★★</div>	Reduce CO ₂ emissions attributable to logistics by 1.23% from fiscal year 2023.

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

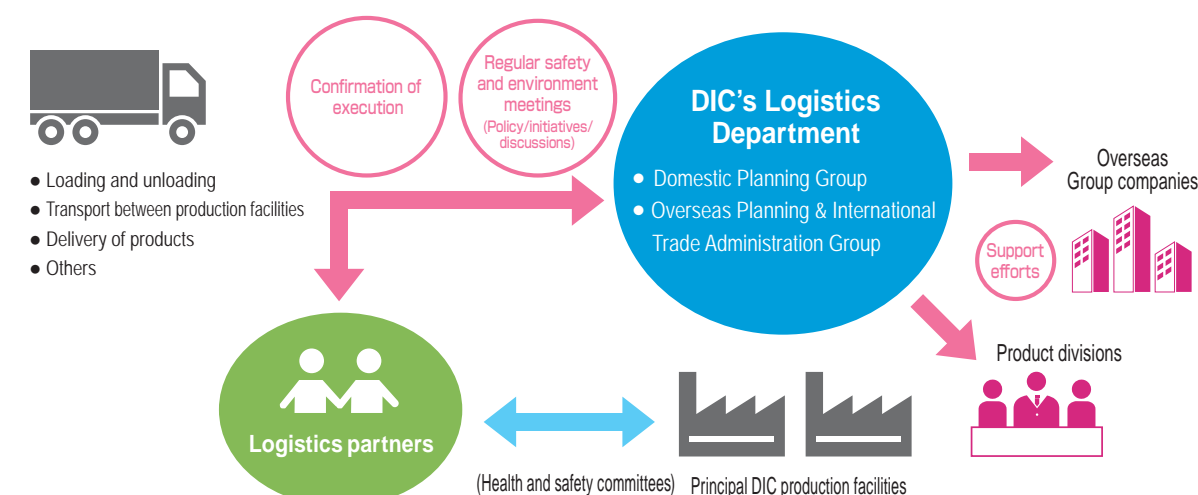
Having positioned the reduction of CO₂ emissions attributable to the transport of its products as a key aspect of its commitment to promoting Responsible Care, the DIC Group sets annual targets and promotes relative initiatives on an ongoing basis. DIC's logistics configuration—components of which include transport between production facilities, the transport of products to customers and international logistics—previously centered on a dedicated subsidiary, established in 1999, 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) firm¹—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 CO₂ emissions attributable to, its logistics activities. To respond better to social imperatives associated

with the transport of chemicals over the medium to long term, in January 2016 DIC combined the logistics components of its various departments to create a single Logistics Department with the goal of strengthening logistics management functions that had previously been spread across multiple departments.

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

¹ 3PL firms provide partial or complete outsourced logistics services.
² 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 Addressing the 2024 Issue

Japan's logistics industry continues to contend with a shortage of drivers, owing to the 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.

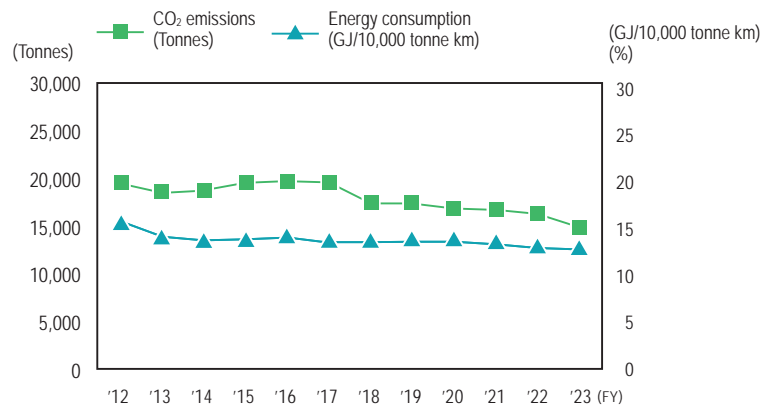
Against this backdrop, DIC continues to promote modal shift in the transport of its products in Japan with the aim of curtailing drivers' working hours and reducing environmental impact. In fiscal year 2023, the Company promoted

a variety of initiatives, including increasing transport using a combination of truck, rail and ship, making use of larger trucks and improving loading efficiency, as a result of which it achieved an 8% decline in both energy consumption and CO₂ emissions attributable to logistics. DIC is also proceeding with the implementation of initiatives in line with logistics guidelines* established by the Ministry of Economy, Trade and Industry and the Ministry of Agriculture, Forestry and Fisheries.

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.

* Formulated by the Japanese government and announced in June 2023, these are guidelines for initiatives by shippers and logistics service providers for optimizing shipping and improving productivity, thereby shortening waiting and handling times and bolstering the efficiency of commercial activity.

CO₂ Emissions and Energy Consumption per Unit of Production Attributable to DIC Group Logistics Activities in Japan



Collaborating with logistics partners to improve loading efficiency

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 Labelling 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 shares information on the 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. In particular, logistics quality issues that inconvenience customers such as leaks, undelivered cargo and delivery errors are designated as incidents for priority attention and decisive steps are taken to improve performance, notably by confirming targets, incident number, causes and preventative measures. Other ongoing efforts include initiatives aimed at preventing the recurrence of past accidents and regular logistics safety campaigns. Members of DIC Group site health and safety committees also participate in each other's meetings, as well as meetings of logistics partners' site general managers, with the objective of ensuring safe site operations. The Logistics Department also inspects the offices of logistics partners located on-site at its main domestic production facilities. In fiscal year 2023, issues were

pointed out at three of these offices, after which improvements were confirmed. In addition, to ensure effective responses to emergencies during transport, DIC requires transport personnel to carry Yellow Cards,* making it possible to prevent the spread of damage in the event of an accident.

* 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



Yellow Cards carried by transport personnel

TOPIC | Hybrid Meeting Format Takes Firm Root

DIC has adopted a hybrid format for its meetings with 3PL firms that enables participation either remotely or in person. This format has since taken firm root. In safety training, the Company used photographs and videos to encourage intuitive understanding and allow the horizontal sharing of case studies. These efforts contributed to a 3% decline in the frequency of accidents in fiscal year 2023.



Online meeting with a 3PL firm

VOICE | We are promoting logistics practices underpinned by an awareness of sustainability and BCPs.

The operating environment for logistics services is constantly in a state of flux. Issues faced in fiscal year 2023 included geopolitical risks arising from the Red Sea crisis, low water levels in the Panama Canal caused by global warming, and in Japan, the need to address the 2024 issue and the push to advance the White Logistics movement. In this environment, the Logistics Department remains keenly aware of the importance of grappling earnestly with such issues and recognizes that promoting logistics underpinned by an awareness of DIC's BCPs is the only way to ensure the stable transport of our products. To this end, we will adopt unconventional approaches to overcoming challenges and will continue working, through our everyday actions, to contribute to the realization of sustainability.



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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
<ul style="list-style-type: none">Enhance functions of comprehensive chemical substance information management systems.Expand deployment of CIGNAS at DIC Group companies in other countries and territories.	<ul style="list-style-type: none">JapanPRCAsia-Pacific region	<ul style="list-style-type: none">Launch the new comprehensive global chemical substance information management system in the PRC and prepare for fiscal year 2024 launch in the Asia-Pacific region.Continue promoting deployment of CIGNAS at DIC Group companies in the PRC and the Asia-Pacific region.	<ul style="list-style-type: none">The new comprehensive global chemical substance information management system was launched in the PRC and preparations for the fiscal year 2024 launch in the Asia-Pacific region were implemented as planned.In the PRC, launching of the new comprehensive global chemical substance information management system was prioritized, resulting in a delay in deploying CIGNAS. Preparations for launch in the Asia-Pacific region proceeded as planned.	<ul style="list-style-type: none">★★★★ (PRC)★★ (Asia-Pacific region)	<ul style="list-style-type: none">Launch the new comprehensive global chemical substance information management system in the Asia-Pacific region and prepare for its adoption by additional DIC Group companies.Continue promoting deployment of CIGNAS at DIC Group companies in the PRC. With preparations in the Asia-Pacific region complete, commence with prelaunch procedures.
<ul style="list-style-type: none">Review business flow to ensure compliance with laws and regulations around the world.Comply with laws and regulations in other countries and territories.	<ul style="list-style-type: none">JapanPRCAsia-Pacific region	<ul style="list-style-type: none">Continue deploying new business flows in the PRC and begin deployment in the Asia-Pacific region.Continue promoting the re-registration of substances in line with revisions to the ROK's K-REACH and take steps to achieve compliance with Taiwan's TCSCCA.Address revisions to labeling and reporting-related laws and regulations in the PRC. Gather information and prepare for the enforcement of new national laws.	<ul style="list-style-type: none">Use of new processes and business flows commenced in the PRC. Preparations for deployment in the Asia-Pacific region proceeded.The re-registration of existing substances in line with revisions to K-REACH continued and steps to achieve compliance with TCSCCA proceeded.Revisions to labeling and reporting-related laws and regulations in the PRC were addressed and local sites were notified. Information was gathered and preparations made for the enforcement of new national laws.	<ul style="list-style-type: none">★★★★★★★★	<ul style="list-style-type: none">Commence use of new business flows in the Asia-Pacific region.Continue promoting the re-registration of substances in line with revisions to K-REACH and take steps to achieve compliance with Taiwan's TCSCCA.Address revisions to labeling and reporting-related laws and regulations in the PRC. Gather information and prepare for enforcement of new national laws and municipal regulations in Shanghai.

Basic Approach

The DIC Group continues working to assess risks over the entire life cycle of its products and to provide information to stakeholders to ensure products are handled appropriately.

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 Sustainable Development Goals (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 has 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. To help realize alternative offerings that exert less of an impact on the environment, the DIC Group promotes the management of chemical substance information as a way to contribute to sustainable product development. To this end, the Group recently established a base to administer efforts in the PRC and created a new department in Japan to oversee communication for the Asia-Pacific region, better positioning it to disseminate information to Group companies across Asia.

* 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.*¹ 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.*² 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 creation system used globally 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. Use of the new system commenced at Group companies in Greater China in fiscal year 2023 and is expected to begin at Group companies in the Asia-Pacific region in fiscal year 2024, replacing the Weracs in both regions. U.S.-based Sun Chemical, which oversees Group operations in the Americas and Europe, and its group companies

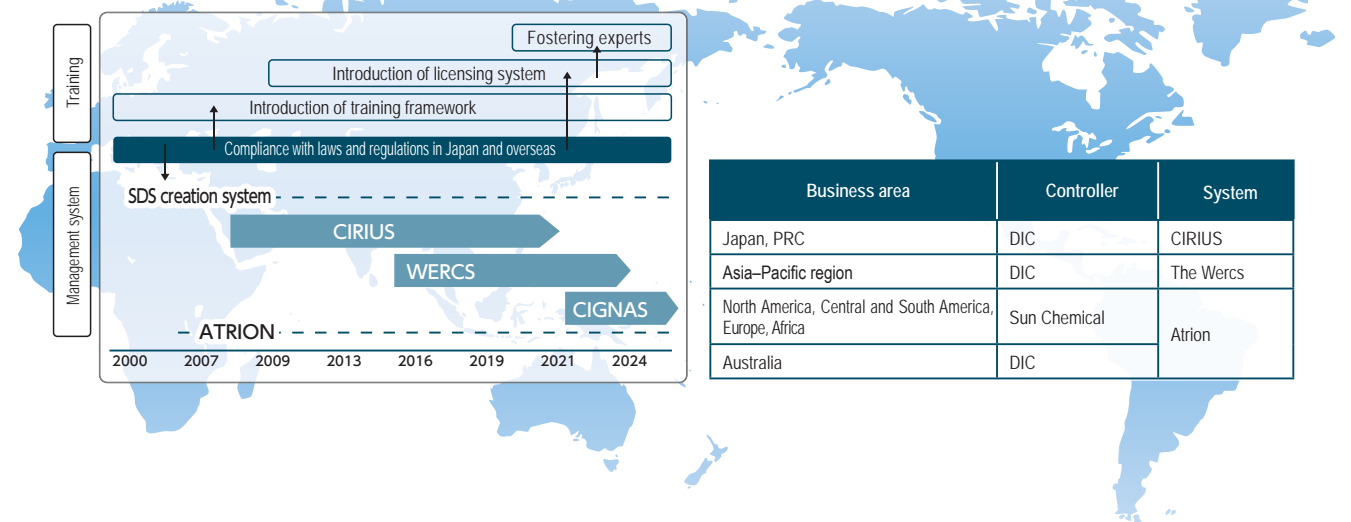
have used Atrion International Inc.'s eponymous chemical substance information management system since 2006, enabling it to provide highly accurate information to its customers worldwide.

Recognizing the importance of specialized expertise in the manufacture, import and handling of chemical substances in accordance with applicable laws and regulations, in 2000 the DIC Group in Japan 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



Creating and Deploying a New Chemical Substance Information Management System

DIC's Global Chemical Substance Information Management Project (GCIP) applied capabilities, experience and expertise accumulated in the design, development and operation of CIRIUS and the Weracs to designing and developing the CIGNAS system with the objective of streamlining its operations. The Company set about creating a unified global system for managing chemical substance information, thereby creating a framework for data integration with its ERP system.

Individual divisions and departments make use of chemical substance information in their 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 Company was thus aware of the importance of designing the interface so that even non-experts can use CIGNAS with ease to obtain the information they need. In addition, the 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 employees across Asia using the system, meticulous attention to security was a key consideration in system design and development.

DIC has also established a working group to enhance CIGNAS by addressing issues that arise as the system is being deployed. This working group will continue to explore modifications to the system to improve its performance.

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 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 Greater China. In January 2023, collaboration was expanded to encompass the Asia-Pacific region. Through such efforts, the Group will leverage know-how accumulated in Japan to integrate information management, thereby guaranteeing 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 2023.

Outlook for Principal Initiatives in Fiscal Year 2024

Japan's revised Industrial Safety and Health Act will be fully enforced effective from fiscal year 2024. 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. Moreover, in April 2024 additions to the list of chemical substances that must be labeled and to items that must be noted on SDSs will also be enforced, alongside rules regarding the optimization of content denotation. The DIC Group in Japan will continue working to ensure it manages chemical substances, as well as prepares and distributes SDSs and labels, in compliance with the revised Industrial Safety and Health Act. DIC will also take decisive steps to comply with the Global Framework on Chemicals Management (ICCM), which was held in September 2023 after a delay 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, and Central and South American countries, are also moving in this direction, but in many cases progress is behind schedule.

Deployment of the GHS has been adopted and 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.

In Japan, DIC has registered 36 substances to comply with the EU's REACH regulations. Individual departments collaborate to implement measures aimed at preventing shipments that violate the regulations. The Company is also taking other necessary steps, including updating its registration dossiers.

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 guaranteeing 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 laws or regulations requiring the registration or reporting of chemical substances by the DIC Group in other countries and territories in fiscal year 2023.

Outlook for Principal Initiatives in Fiscal Year 2024

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 that are close to the re-registration deadline. The Group will also prepare to meet the standard 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

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 target employees—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 Japan. Beginning in fiscal year 2023, efforts focus on enhancing program content by designing pragmatic new courses that address the practical requirements of 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 for export licenses is two years, while that for import licenses is three years. 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 2023, training and examinations were conducted online. As of the fiscal year-end, 334 employees held an import license; 216 held a Class B export license, requiring general knowledge; and 1,553 held a Class A export license, which requires high-level specialized expertise, while a further 103 had completed an advanced export license course, an achievement requiring superior capabilities.

Given the increasingly challenging security export control environment, in fiscal year 2023 DIC significantly reinforced its training regarding export sanctions that have been imposed on the Russian Federation (Class A export license training) and U.S. legal issues (advance export license training). DIC will continue to enhance this training in fiscal year 2024. In light of the increasing importance of economic partnership agreements (EPAs), owing to, among others, the entry into force of the Regional Comprehensive Economic Partnership (RCEP), since fiscal year 2022 DIC has had a

Export Licenses

Advanced licenses

103

Class A licenses

1,553

Class B licenses

216

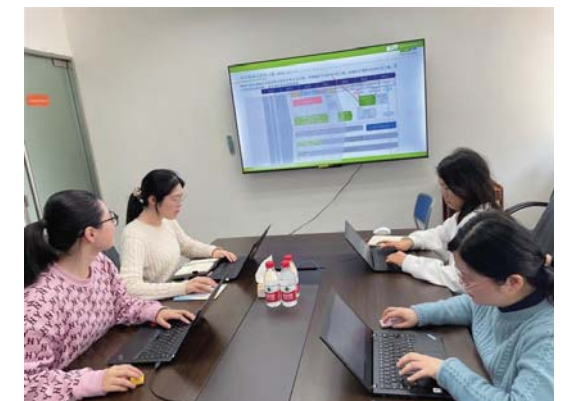
(As of December 31, 2023)

FTA-related licenses

164

Import Licenses

334



Explanation of CIGNAS given by Jiaojie Jiang of the GCIP Group in DIC (China)'s Corporate ESH Department

VOICE | We are part of the GCIP team.

My name is Jiaojie Jiang, and I am a member of the GCIP Group that was established in DIC (China)'s Corporate ESH Department. The DIC Group is advancing the deployment of CIGNAS across Asia. In February 2023, the system was launched in the PRC. My job involves supporting the companies here that have introduced the system. In fiscal year 2023, the GCIP Group provided instruction on the system's operation and algorithm, sought to enhance understanding of pertinent laws and regulations, offered guidance on system use and responded to queries from individual companies. Responding to the needs of individual companies also contributed to my own personal and professional growth. We will continue working with these companies to strengthen legal and regulatory knowledge, as well as to extend support and follow up with companies, to ensure the smooth operation of CIGNAS and related systems and help improve the DIC Group's chemical substance information management capabilities.

GCIP Group, Corporate ESH Department, DIC (China) Co., Ltd. **Jiaojie Jiang**



■ 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 "Safety in Logistics" on page 76.)

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 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. DIC discloses information on the global Group's safety and environmental activities in its DIC Report integrated report. The English-language version of the report is published exclusively as a PDF that can be downloaded from the DIC global website.

② Dialogue with Local Communities

In Japan, the DIC Group holds regular presentations on safety and environmental initiatives for the communities around its production facilities. In addition, biennial Responsible Care community meetings are held at plants located in industrial complexes, while annual environmental presentations are held

at production facilities located near residential areas. In fiscal year 2023, such a presentation was held at the Saitama Plant.

The DIC Group also seeks to deepen communication, including inviting junior and senior high school students for hands-on lab lessons, participating in community disaster drills, providing assistance for local festivals and other events, and other initiatives tailored to local communities. Facilities in Japan also share information with local residents by preparing site reports that detail their safety- and environment-related efforts.

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 preventing global warming and preserving biodiversity.



Site report



Joint Kinki Regional Development Bureau–Sakai City comprehensive disaster drill held at the Sakai Plant in fiscal year 2023

TOPIC | Tokyo Plant Holds “Children’s Festival: Learning through Play” for the First Time in Four Years

In fiscal year 2023, DIC's Tokyo Plant held a community event, “Children’s Festival: Learning through Play,” for the first time in four years. Given the long pause, secretariat members began preparing for the festival a full year in advance, organizing 10 activities for children who had been unable to play outside for so long because of the pandemic. Unfortunately, it rained on the day of the festival, forcing the cancellation of an outdoor event planned in cooperation with the police and fire departments. Other activities were moved indoors and went ahead, including a science lab, postcard-making lesson, capsule toy vending machine corner and ring toss, as well as an introduction to DIC products (Spirulina and helmets). Visitors could also purchase sweets and drinks.

Local children, members of the neighborhood association and families of DIC employees were able to mingle freely and enjoy booths that attracted their interest. In the science lab, students from a nearby junior high school's nature club used an emulsion made with DIC's *HYDRECT** to create coated kraft paper, after which they dissolved the film using an aqueous alkaline solution to return the paper to a recyclable state. The lab was well received, with participants saying it had increased their interest in the recycling of everyday food packaging and that they looked forward to taking part again next year. Instructors also expressed satisfaction with the sophisticated level of the science lab and focus on experiments with real implications for the resolution of social imperatives.

The festival is a valuable opportunity for people living in the vicinity of the Tokyo Plant to learn about the DIC Group's operations and for plant employees to interact with the local community. DIC plans to hold this event again in fiscal year 2024 and in subsequent years, and hopes it becomes a highly anticipated local event.

* *HYDRECT* is a highly recyclable coating varnish that boasts excellent resistance to water.



Festival poster

Management Systems

Basic Approach

The DIC Group operates management systems for occupational safety and health, disaster prevention, environmental protection, ensuring the safety of chemical substances, engaging with society and safety in logistics.

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, 2023, DIC Group companies responsible for 68% of the Group's production volume had acquired certification under ISO 14001.

② Occupational Health and Safety Management Systems 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, 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 management system regionwide. As of December 31, 2023, 20 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 97%.

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 ESH-related data to facilitate the centralized management thereof—in Japan, the PRC and the Asia–Pacific region. Data gathered is for occupational safety and health, climate change, water resources and waste. 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. In the Americas and Europe, Sun Chemical, which is based in the United States, manages information using a separate proprietary system to manage ESH-related data. These systems make it possible to manage information on a global basis by sharing data across regions.

Responsible Care Education

As an organization that handles chemical substances, the DIC Group incorporates education regarding the importance of Responsible Care initiatives into training for new employees in Japan, both for new graduates and mid-career hires. Ongoing education is provided as part of rank-specific training when an employee is newly promoted.

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

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 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. In other countries and territories, regional headquarters' ESH officers conduct audits to ascertain the progress of initiatives with the aim of enhancing Responsible Care at individual sites.

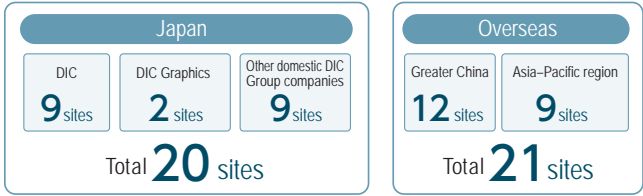
② ESH Audits in Fiscal Year 2023

Audits were carried out at principal Group sites in Japan, nine belonging to DIC and two 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 implemented at nine sites belonging to Group companies in Japan other than DIC Graphics and the SEIKO PMC Group with the aim of enhancing safety and environmental management.

In other countries and territories, ESH audits were conducted by ESH officers at regional headquarters.

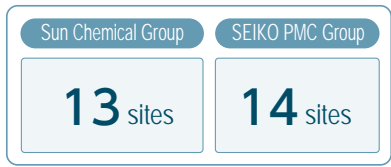
In the Asia–Pacific region, audits were carried out at nine sites. In Greater China, audits were as usual carried out at 12 sites. In the Americas, Europe and Africa, ESH audits were implemented at 13 sites belonging to Sun Chemical Group companies.

Outline of ESH Audits Implemented in Fiscal Year 2023



ESH audits were also conducted at 14 sites around the world belonging to the SEIKO PMC Group, which manufactures papermaking chemicals and resins for printing inks and reprographic products.

Audits Conducted at Subsidiaries' Sites in Fiscal Year 2023



Administrative Penalties

In fiscal year 2023, one violation of Responsible Care–related regulations with a financial penalty was reported in Greater China.

The DIC Group has addressed the matter for which the penalty was imposed. In addition, steps have been taken to avoid recurrence.

Key Data

Theme	Item	Unit	Boundary	Third-party verification	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Occupational safety and health	TRIR	Persons/million work hours	Japan	✓	3.60	2.23	2.09
			PRC	✓	1.94	0.79	2.06
			Asia–Pacific region	✓	0.90	1.21	1.11
			Americas and Europe	—	5.33	6.33	4.53
			Global ^{*1}	—	3.69	4.00	3.00
	Frequency rate for occupational accidents resulting in workdays lost	Persons/million work hours	Japan	✓	1.31	0.45	0.99
			PRC	✓	1.45	0.53	1.31
			Asia–Pacific region	✓	0.79	0.99	0.99
			Americas and Europe	—	2.70	3.36	2.49
			Global ^{*1}	—	1.89	2.07	1.73
	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 ^{*1}	—	0	0	0
	Injuries due to occupational accidents resulting in workdays lost	Persons	Japan	✓	12	4	9
			PRC	✓	6	2	7
			Asia–Pacific region	✓	7	9	9
			Americas and Europe	—	45	70	50
			Global ^{*1}	—	74	89	76
	Injuries due to occupational accidents not resulting in workdays lost	Persons	Japan	✓	21	16	10
			PRC	✓	2	1	4
			Asia–Pacific region	✓	1	2	1
			Americas and Europe	—	44	62	41
			Global ^{*1}	—	71	83	56
Disaster prevention	Process safety accidents	Events	Japan	✓	7	3	7
	Frequency of process safety accidents	Events / 200,000 work hours	Japan	✓	0.128	0.050	0.124
Environmental pollution	Emissions of VOCs	Tonnes	Japan	—	239	200	191 ^{*2}
	Emissions of PRTR-designated chemical substances (into the air, water and soil)	Tonnes	Japan	—	273	234	204 ^{*2}
	Emissions of NOx	Tonnes	Japan	—	186	172	133
	Emissions of SOx	Tonnes	Japan	—	8.8	13.3	5
	COD	Tonnes	Japan	—	940	854	768

^{*1} Global = Japan, PRC, Asia–Pacific region, Americas and Europe, and other regions
^{*2} As used here (as a period for data collection), fiscal year 2023 refers to the 12-month period from April 1, 2022 to March 31, 2023.

Theme	Item	Unit	Boundary	Third-party verification	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Total waste (toxic and nontoxic)	Volume generated	Tonnes	Japan	✓	42,914	41,422	39,790
			Overseas	—	64,101	76,851	68,815
			Global	—	107,015	118,273	108,604
	Volume discharged by production facilities	Tonnes	Japan	✓	30,541	31,627	30,238
			Overseas	—	57,186	70,756	62,373
			Global	—	87,727	102,383	92,611
	Volume recycled	Tonnes	Japan	✓	17,733	16,725	15,506
			Overseas	—	26,856	29,589	25,596
			Global	—	44,589	46,314	41,103
	Waste heat recovered	Tonnes	Japan	✓	20,434	20,849	20,371
			Overseas	—	15,832	12,001	23,691
			Global	—	36,266	32,850	44,062
	Waste heat not recovered (including from incineration)	Tonnes	Japan	✓	4,548	3,675	3,745
			Overseas	—	7,847	18,221	8,009
			Global	—	12,394	21,895	11,754
Toxic waste (subject to special control)	Volume generated	Tonnes	Japan	✓	7,660	8,268	8,585
			Overseas	—	37,938	47,546	40,375
			Global	—	45,597	55,815	48,960
	Volume discharged by production facilities	Tonnes	Japan	✓	6,136	7,069	7,417
			Overseas	—	31,068	41,495	33,975
			Global	—	37,203	48,564	41,392
	Volume recycled	Tonnes	Japan	✓	2,522	2,945	3,084
			Overseas	—	16,214	18,952	14,372
			Global	—	18,736	21,897	17,456
	Waste heat recovered	Tonnes	Japan	✓	4,212	4,597	4,077
			Overseas	—	15,671	9,935	21,053
			Global	—	19,883	14,532	25,130
	Waste heat not recovered (including from incineration)	Tonnes	Japan	✓	898	707	1,402
			Overseas	—	3,623	15,375	2,980
			Global	—	4,521	16,083	4,382
Fresh water withdrawn	Surface water	1,000 m ³	Japan	✓	8,922	9,789	8,225
			Overseas	—	4,372	19,699	15,372
			Global	—	13,293	29,487	23,597
	Groundwater	1,000 m ³	Japan	✓	6,505	6,403	6,210
			Overseas	—	1,840	2,278	1,820
			Global	—	8,345	8,681	8,030
	Rainwater	1,000 m ³	Japan	✓	0	0	0
			Overseas	—	191	163	117
			Global	—	191	163	117

Theme	Item	Unit	Boundary	Third-party verification	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Fresh water withdrawn	Wastewater generated by other organizations	1,000 m³	Japan	✓	0	0	0
			Overseas	—	0	0	0
			Global	—	0	0	0
	Tap water/industrial water	1,000 m³	Japan	✓	12,178	11,441	10,997
			Overseas	—	2,153	4,771	4,404
			Global	—	14,331	16,212	15,401
	Others	1,000 m³	Japan	✓	20	19	18
			Overseas	—	77	47	52
			Global	—	96	66	70
	Total	1,000 m³	Japan	✓	27,625	27,651	25,450
			Overseas	—	8,632	26,957	21,765
			Global	—	36,257	54,608	47,215
Wastewater discharged	Rivers	1,000 m³	Japan	—	15,126	15,879	14,164
			Overseas	—	2,204	2,067	1,418
			Global	—	17,330	17,946	15,581
	Oceans	1,000 m³	Japan	—	7,341	6,888	6,565
			Overseas	—	1	0	0
			Global	—	7,342	6,888	6,565
	Wastewater treatment plants	1,000 m³	Japan	—	3,627	3,367	3,156
			Overseas	—	888	750	753
			Global	—	4,515	4,117	3,910
	Below ground	1,000 m³	Japan	—	1	1	1
			Overseas	—	7	7	7
			Global	—	8	8	8
	Third parties	1,000 m³	Japan	—	0	0	0
			Overseas	—	0	0	0
			Global	—	0	0	0
	Others	1,000 m³	Japan	—	0	0	0
			Overseas	—	3,380	22,077	17,305
			Global	—	3,380	22,077	17,305
Total	1,000 m³	Japan	—	26,094	26,135	23,886	
		Overseas	—	6,481	24,901	19,483	
		Global	—	32,574	51,036	43,369	
Water consumed	Total	1,000 m³	Japan	—	1,531	1,516	1,564
			Overseas	—	2,151	2,056	2,282
			Global	—	3,682	3,572	3,846
ISO 14001	Acquisition of certification	%	Global	—	79%	78%	68%

Climate Change



Preventing Global Warming

Basic Approach

The DIC Group works to reduce CO₂ 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 CO₂ emissions (Scope 1 and 2)—by fiscal year 2050. In January 2023, the Group’s CO₂ emissions target received official endorsement from the Science Based Targets initiative (SBTi),* which was established with the

purpose of driving CO₂ 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 185 companies in 62 countries and territories. The Group is committed to working as one to cut emissions to ensure achievement of this target.

* The SBTi is a global entity 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 is a partnership of the CDP, the UNGC, the World Resources Institute (WRI) and the WWF.

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Reduce CO ₂ emissions at sites (Scope 1 and 2).	DIC Group (global): Reduce CO ₂ 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 (global): CO ₂ emissions: 534,889 tonnes • Down 41.9% from fiscal year 2013 (921,386 tonnes) (Fiscal year 2013 emissions were calculated including an estimate for the Colors & Effects pigments business for that year.)	★★	DIC Group (global): Reduce CO ₂ 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): 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): Energy consumption per unit of production: 3.811 GJ/tonne • Down 8.6% from fiscal year 2013 (4.170 GJ/tonne) (To facilitate comparison, energy consumption was calculated using the same method as in fiscal year 2013.)	★	DIC Group (Japan): 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:

CO₂ emissions per unit of production in fiscal year 2023 for the DIC Group in Japan: 134.7 kg/tonne

- Down 29.3% from fiscal year 2022 (190.6 kg/tonne)
- Down 43.6% from fiscal year 2013 (238.7 kg/tonne)

Framework for Promotion

The DIC Group works to reduce CO₂ 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 CO₂ emissions by 50% from the fiscal year 2013 level by fiscal year 2030.

Recognizing climate change as a key social imperative, the DIC Group is working to reduce CO₂ emissions from its sites. Important measures are proposed to the Sustainability Committee to be deliberated and determined. In Japan, an Energy-Saving Promotion Committee has been established at each Group company site. Committee activities include confirming the progress of initiatives,

engaging in discussions and conducting patrols. An Energy-Saving and Decarbonization 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 CO₂ emissions.

In the Americas and Europe, Sun Chemical is promoting efforts to reduce its CO₂ emissions in North, South and Central America, as well as in Europe. 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 and net solar power—at suitable sites.
- 5 Conduct energy-saving analyses and support the deployment of energy-saving initiatives at all DIC Group companies.
- 6 When installing or expanding facilities, purposefully select energy-efficient options and formulate related rules, including for environmental investments and the introduction of internal carbon pricing.

Sustainability-Related Disclosure

Owing to amendments to Japan’s Cabinet Office Ordinance on Disclosure of Corporate Affairs, a section was created in the annual securities report that Japanese companies are required to file titled “Approach to Sustainability and Our Initiatives” and compelled the disclosure of sustainability-related information. Climate change is an

issue of particular concern to the DIC Group structures its disclosure using a framework comprising four thematic areas: Governance, strategy, risk management, and metrics and targets. The Group is striving to improve its sustainability-related disclosure in the countries and territories in which it operates, reviewing its approach as required to reflect changes in its operating environment.

Framework for Sustainability-Related Disclosure

Governance	Strategy	Risk management	Metrics and targets
Governance system for addressing sustainability-related risks and opportunities	Sustainability-related risks and opportunities and related measures	Processes for identifying, assessing and managing sustainability-related risks and opportunities	Metrics and targets used to assess and manage sustainability-related risks and opportunities

Based on required disclosure items in the Amendment to the Cabinet Office Order on Disclosure of Corporate Affairs, promulgated in response to the June 2022 report of the Working Group on Corporate Disclosure of the Financial System Council.

1 Governance

The DIC Group has established the Sustainability Committee, which answers directly to the president and CEO and is responsible for formulating responses to key social imperatives. The committee is also tasked with reinforcing sustainability initiatives and deliberating on critical related matters. Recognizing climate change as a key management challenge, the committee deliberates on important matters, including the setting of medium- and long-term targets for the reduction of CO₂ emissions. Chaired by the president and CEO, the committee includes the executive vice president, the general managers/heads of the Production Management Unit, Technical Management Unit, Corporate Strategy Unit, General Affairs and Legal Unit, Finance and Accounting Unit and ESG Unit, as well as the CEOs of regional headquarters, presidents of the business groups and general managers of the product divisions. As part of the auditing process, one Audit & Supervisory Board member also participates. The committee meets four times annually and reports on the results of its deliberations on all agenda items to the Board of Directors, ensuring appropriate supervision.

Principal Climate Change–Related Issues Deliberated by the Sustainability Committee in Fiscal Year 2023

Fiscal year	Principal issues
2023	Report on calculation of product carbon footprint
	Report on endorsement of CO ₂ emissions target by the SBTi
	Formulation of plans for reducing CO ₂ emissions
	Progress report on CO ₂ emissions plan formulated in fiscal year 2022
	Report on registration of data for the GX-ETS (domestic emissions trading scheme)

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. The DIC Group 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 Group is working to enhance its awareness 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 a scenario analysis it conducted in early fiscal year 2024. In addition to improving the Group’s understanding of foreseeable risks and opportunities from a medium- to long-term perspective, this will also enable it to formulate and execute effective strategies on an appropriate time line.

The DIC Group recognizes achieving net zero CO₂ emissions by fiscal year 2050 as a material issue. The Group will continue to promote decarbonization not only by reducing its own energy use but also by providing information on the carbon footprint of its products.

Key Risk Management Perspectives

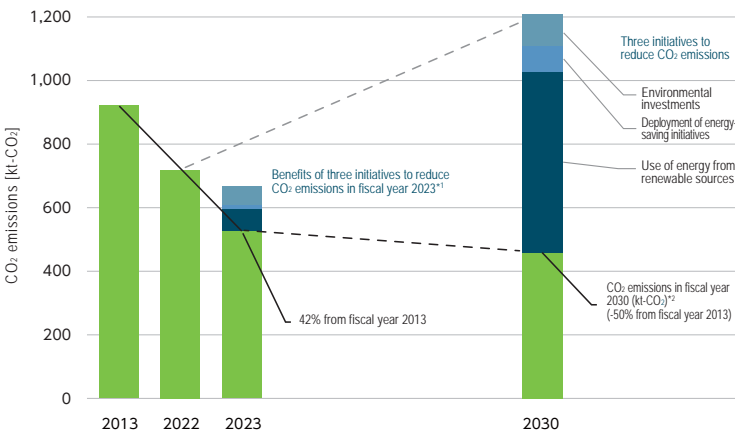
- 1 Should carbon pricing or carbon border taxes be introduced in the future, there is a risk that raw materials, fuel and electric power prices will rise and/ or that taxes will be imposed on exported products, making CO₂ emissions a factor that directly affects costs.
- 2 Should the Group be unable 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).

Strategies for Reducing CO₂ Emissions

As an organization with a CO₂ 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 ¥13 billion in Japan between fiscal years 2022 and 2030.

Notes:
1. In Japan, Scope 1 CO₂ 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 set by the 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 in the International Energy Agency (IEA)’s Emissions Factors 2023 database.

CO₂ Emissions by the Global DIC Group (Scope 1 and 2)



*1 The benefits of three initiatives implemented to reduce CO₂ emissions are calculated by estimating fiscal year 2023 emissions based on production volume and CO₂ emissions in fiscal year 2022 and production volume in fiscal year 2023.
*2 CO₂ emissions in fiscal year 2030 is an estimate for CO₂ emissions in fiscal year 2022 if no initiatives had been implemented and business had expanded.

TCFD Scenario Analysis

In fiscal year 2024, DIC revised the results of its previous scenario analysis, conducted in fiscal year 2020, taking into account shared socioeconomic pathway (SSP) scenarios SSP1–1.9, SSP2–4.5 and SSP5–8.5 in the Sixth Assessment Report (AR6), published by the United Nations Intergovernmental Panel on Climate Change (IPCC) in March 2023, and the environmental scenarios explored in World Energy Outlook (WEO) 2023, released by the IEA in October 2023. While the time frame of the previous analysis concluded in 2030, this was extended to 2050. Based on the outlook for the situation surrounding climate change and energy, DIC established three scenario groups, which it calls “transition,” “adaptation” and “limits to adaptation,”*1 and has analyzed risks and opportunities, as well as formulated measures for each. For more information, please see pages 91–92.

•Three Scenario Groups

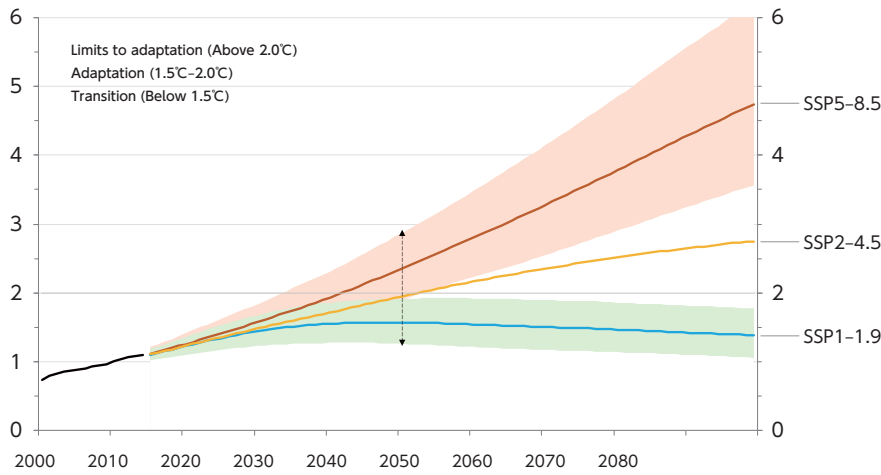
Transition: Countries immediately and decisively implement measures to reduce CO₂ emissions with the goal of limiting the rise in global temperature to 1.5°C above preindustrial levels. The efficient use of energy is required, including through energy conservation and the joint transport of goods. The use of carbon pricing*2 will begin and expand in many countries and territories and the prices used will continue to increase.

Adaptation: Global warming continues through the mid 2040s, with the rise in global temperature to above preindustrial levels exceeding 1.5°C but remaining below 2.0°C. Adapting to rising global temperatures requires strategies and actions to strengthen resilience. Insulation and heat shielding are effective approaches. The frequency of extreme climate events may go from once in a century to once in a decade or even once a year.

Limits to adaptation: Global warming persists and the rise in global temperature to above preindustrial levels exceeds 2.0°C in 2050 and approaches 5.0°C in 2100. Unpredictable weather and climate extremes increase, leading to food insecurity and supply instability, and forcing people to migrate from the places people have lived for centuries. Changes are complex and cascading, and have negative impacts on quality of life across borders. Pandemics, conflicts and other non-climate risks may be amplified by these impacts.

*1 Relationship between adaptation and limits to adaptation: As temperatures rise, limits to the capacity to adapt—key vulnerabilities—emerge. It is assumed that this will trigger an unremitting shift from the adaptation scenario to the limits to adaptation scenario.
*2 International carbon price forecast (per tonne of CO₂ emitted): \$135 in 2030, \$200 in 2050

Relationship Between SSP Scenarios and the DIC Group’s Newly Established Scenario Groups



Results of Scenario Analysis for the Three Scenario Groups

Transition

R = Response to risks, O = Response to opportunities

	Risks	Opportunities	Countermeasures
Policies and laws			
Implementation of carbon pricing around the world	<ul style="list-style-type: none">The implementation of policies such as emissions trading, carbon taxes and carbon border adjustment mechanisms increases costs.The DIC Group's Scope 1 and 2 emissions in 2030 are expected to be 1,221 kt-CO₂ (financial impact: \$149 million) if no countermeasures are taken or 461 kt-CO₂ (financial impact: \$63 million) if countermeasures are taken.	The promotion of energy efficiency and a shift to green electric power, both purchased and generated on-site, helps reduce fossil fuel consumption.	R: Apply reasonable carbon pricing in appropriate regions to hasten the reduction of CO ₂ emissions. R: Avoid the financial impact of CO ₂ emissions by promoting electrification and the use of renewable energy to reduce Scope 1 and 2 emissions. O: Promote enhanced functionality and contribution to decarbonization to deliver products that minimize the impact of carbon pricing.
Demand for disclosure of nonfinancial information increases globally	Building and operating a system for responding to disclosure requests around the world incurs costs.		R: Act on a request to respond to the EU's Corporate Sustainability Reporting Directive (CSRD) by proceeding with plans to release a report in 2026.
Technological innovations			
Changes in demand occur and the idea of a circular economy dominates	<ul style="list-style-type: none">Demand for single-use plastics decreases due to the introduction of global regulations on the use of plastics.Demand for materials that are difficult to recycle declines.	<ul style="list-style-type: none">Demand for recyclable and compostable plastics rises.The introduction of legally binding regulations, taxes and levies encourages the use of bioderived and recycled materials.	O: Step up consideration of chemical and material recycling in collaboration with customers and consumers. O: Focus on using bioderived materials and developing sustainable materials that make products easy to recycle.
Development focuses on products that are low-carbon or carbon neutral		Demand for products that are low-carbon or carbon neutral—thereby helping to reduce emissions attributable to customers' processes—increases.	O: Promote products that contribute to decarbonization (e.g., have low emissions of VOCs, low energy consumption, etc.).
Behavioral changes			
Necessity of responding to demands to reduce CO ₂ emissions attributable directly to production and across the supply chain	Efforts to reduce CO ₂ emissions with the aim of achieving the target rise in temperature of 1.5°C begin and the trend toward demanding such efforts spreads across supply chains.		R: Implement measures to reduce Scope 1 and 2 emissions by 50% and Category 2, 3, 4, 5 and 12 Scope 3 emissions by 13.5%, and achieve a supplier engagement rate of 80% in Category 1 of Scope 3. R: Give consideration to shifting to an SBT that corresponds to the 1.5°C target. R: Continue to make investments in energy-saving and renewable energy facilities.
Necessity of addressing biodiversity needs directly in production and across supply chains	Products that do not take biodiversity into account are removed from the market.		R: Take biodiversity into consideration in the purchasing of raw materials and at production sites.

Adaptation

	Risks	Opportunities	Countermeasures
Acute			
Increase in frequency of extreme climate events from the current once in a century to once in a decade or even once a year	<ul style="list-style-type: none">Production at suppliers' facilities is suspended due to frequent climate-related disasters.Production at DIC Group facilities is suspended due to frequent climate-related disasters and resulting concerns about the safety of operation.Premiums for non-life insurance rise.		R: For key raw materials, promote two-company shared procurement in multiple regions and strengthen BCP responses. R: For key products, ensure ample inventories of raw materials and products. R: Locate printing inks and other production facilities around the world to ensure complementary capabilities. R: Cooperate with other companies to minimize impact in the event port facilities are damaged due to storm surges or flooding. R: Strengthen measures for sites located in coastal areas.
Chronic			
Depletion of groundwater resources	Countermeasures are needed in areas where there are concerns regarding increased water-related risks.		R: Implement measures to address water-related risks and reinforce the effectiveness of BCPs by providing related training.
Changes in lifestyles and consumption patterns as a result of climate change	Demand for existing products may decrease as new lifestyles suited to high temperatures become necessary.	New lifestyles suited to high temperatures bring opportunities in such areas as coatings, packaging materials and healthcare.	O: Develop products that respond to increased demand for insulated and heat-shielding offerings as temperatures rise. O: Leverage changes in dietary habits to develop/expand long-life packaging for beverages and frozen food products. O: Expand operations in the areas of healthcare and life science and promote health.
Frequent poor harvests due to a loss of biodiversity	Supply of plant-derived raw materials will come to a halt as a consequence of poor harvests.		R: Strengthen resilience.

Limits to adaptation

	Risks	Opportunities	Countermeasures
Acute			
Sudden changes in weather patterns and extreme climate change that result in problems in terms of public health and the environment	<ul style="list-style-type: none">Factory operations are disrupted as heatstroke leads to a shortage of human resources.Extreme temperatures lead to plant malfunctions caused by fire and overheating.		R: Reinforce the effectiveness of BCPs by providing related training.
Chronic			
Difficulties using edible plants as chemical raw materials or fuel from a food security perspective	The use of raw materials derived from edible plants becomes difficult.		R: Switch from edible to non-edible biomass raw materials.
Amplification of non-climate risks as a consequence of instability caused by climate change	<ul style="list-style-type: none">Normal operations are disrupted by new pandemics emerging as temperatures rise.Normal operations cease as the instability of food supplies and housing prompts conflicts and riots.		R: Reinforce the effectiveness of BCPs by providing related training. R: Formulate an emergency plan that includes the strategic downsizing of operations; protection of core assets, data and hazardous chemicals; evacuation procedures; and support for employees' families. R: Prepare emergency plans that are better than those of competitors.

Post-Scenario Analysis Initiatives (Fiscal Years 2020–2023)

- Introduced internal carbon pricing.
Resolved to introduce internal carbon pricing to quantify CO₂ emissions and climate change risks, as well as to provide economic incentives for reducing CO₂ emissions. Beginning in fiscal year 2021, introduced internal carbon pricing for projects in Japan, the Asia–Pacific region and Greater China entailing capital investments of ¥50 million or more. Built a system that factors reductions in costs related to CO₂ emissions into the impact of capital investments.
- Promoted 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.
- Raised funds through sustainable finance.
- Began introducing green power at 34 sites in Japan and promoting use of low-carbon energy by, among others, reducing CO₂ emissions attributable to boiler operation at the Karawang Plant by switching from a coal-fired to a low-carbon liquefied natural gas (LNG)-fired unit.
- Began providing information on the carbon footprint of products and expanding the scope of provision.
- Resolved to introduce a new biomass boiler at the Sakai Plant as part of a program of investment in energy-saving and renewable energy equipment.

③ Risk Management

Processes Used to Identify and Assess Climate Change-Related Risks

DIC 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.

The Sustainability Working Group, a subordinate entity 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

The DIC Group uses Scope 1 and 2 emissions as Key performance indicators (KPIs) to evaluate transition risks. In light of accelerated global efforts to decarbonize, the Group pledges to work actively to help decarbonize society. DIC has set a long-term target for reducing CO₂ emissions (Scope 1 and 2) by 50% from the fiscal year 2013 level by fiscal year 2030 and has pledged to step up related efforts. The Group also aims to achieve carbon neutrality—net zero CO₂ emissions—by fiscal year 2050.

Principal Initiatives in Fiscal Year 2023

① Energy Consumption and CO₂ Emissions by the Global DIC Group (Scope 1 and 2)

Energy consumption by the global DIC Group in fiscal year 2023 amounted to 12,799,823 GJ, while CO₂ emissions totaled

534,889 tonnes. CO₂ emissions per unit of production were 233.0 kg/tonne. The Group achieved its target for reducing its consumption and CO₂ emissions were down from fiscal year 2022, owing to the expanded use of green power in Japan and a switch from a coal-fired to a low-carbon LNG-fired boiler at the Karawang Plant in Indonesia. These results also reflect the promotion of more ambitious energy-saving and decarbonization initiatives, including the adoption of internal carbon pricing.

The DIC Group continues 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. Some of these initiatives are outlined below.

In addition, the Sustainability Committee has made the decision to adopt CO₂-free electric power at all DIC Group sites in Japan. In November 2022, the DIC Building (DIC's corporate headquarters) and the No. 2 DIC Building in Tokyo switched fully to CO₂-free purchased electric power. Remaining sites began gradually changing over in April 2023, with a total of 34 sites having completed this switch. Looking ahead, the Group will also advance the use of green power at sites in other countries and territories. The Group has obtained third-party verification of its CO₂ emissions (Scope 1 and 2).

Factors Contributing to Change in Global CO₂ Emissions

	Factors	Impact on CO ₂ emissions (tonnes)		Decrease (%)
DIC Group in Japan	Implementation of 473 energy-saving initiatives at sites	-62,533	-71,820	10.0
	Reduction of emissions factor for electric power	-6,373		
	Decrease in production volume	-2,914		
DIC Group in other countries and territories	Asia-Pacific region: Switch from coal-fired to LNG-fired boiler in Indonesia	-22,695	-44,269	15.8
	Asia-Pacific region: Power purchase agreement (PPA) in India	-1,407		
	Asia-Pacific region: Shift to green power	-2,021		
	Asia-Pacific region: Energy-saving initiatives at sites	-1,872		
	Asia-Pacific region: Decrease in production volume	-13,548		
	Asia-Pacific region: Other factors (including reconstruction of facilities)	-2,725		
	Greater China: Energy-saving initiatives at sites	-2,708	9,541	
	Greater China: Acquisition of business	7,770		
	Greater China: Increase in production volume	2,693		
	Greater China: Other factors (including installation of new equipment)	1,786		
	Sun Chemical Group: Decrease in productio	-78,764	-78,764	25.8
	Other: Decrease in production volume	-244	-244	
	Change in CO ₂ emissions (tonnes)	-185,555		
Global CO ₂ emissions in fiscal year 2022		720,444		
Global CO ₂ emissions in fiscal year 2023		534,889		

Regional Initiatives

Japan

The bulk of renewable energy used by DIC Group companies in Japan is natural energy generated by a biomass boiler, as well as the use of wind and solar power (including through power purchase agreements PPAs.) In fiscal year 2023, the DIC Group in Japan used 549,000 GJ of renewable energy (equivalent to 14,171 kl of crude oil), or 12.4% 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 2023 accounted for a reduction in CO₂ emissions of 38,069 tonnes, equivalent to 21.8% of the total reduction achieved by the Group in Japan.

Total energy consumption by the DIC Group's 20 offices and research sites (excluding the Central Research Laboratories) in Japan in the period under review was down 1.6% from the previous fiscal year. A key factor behind this decrease was the implementation of energy-saving initiatives by these facilities, including replacing aged light fixtures and air conditioning equipment with newer high-efficiency models that comply with the standards set by the Energy Conservation Center, Japan (ECCJ) for its Top Runner program; turning off lights when not needed and implementing mandatory air conditioning temperature settings; and working with facility management companies to promote diligent measures to reduce energy use. In addition, a year-round no-jacket/no-tie dress code was instituted under the WSR 2020 project.

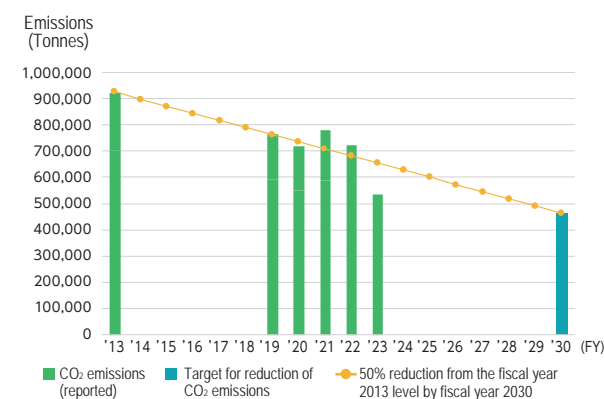
The use of electric power generated using energy from renewable sources at an additional 33 sites had a significant positive impact on CO₂ emissions by the DIC Group, which were down 100,601 tonnes, or 34.5%, from fiscal year 2022. Looking ahead, the Group will continue taking decisive steps to advance its use of renewable energy with the aim of meeting the goals of DIC NET ZERO 2050.

Europe

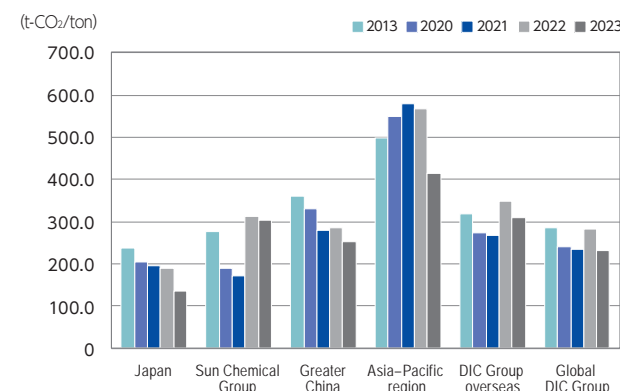
In an investment aimed at helping ensure sustainability by reducing greenhouse gas emissions, Sun Chemical's plant in Vienna replaced two older steam-generating boilers with smaller, more efficient units. The integration of the new boilers into the plant's existing heat recovery infrastructure resulted in a decrease in CO₂ emissions of 300 tonnes. Other initiatives to reduce CO₂ emissions include projects to improve energy efficiency that have helped curb environmental impact and lower costs. Sun Chemical will continue to focus on the recovery and reuse of waste heat as a particularly effective approach at many of its facilities.



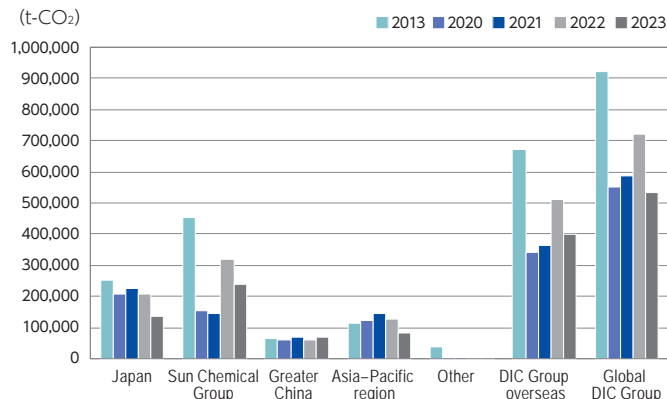
Global CO₂ Emissions: Results and Forecast for Fiscal Year 2030



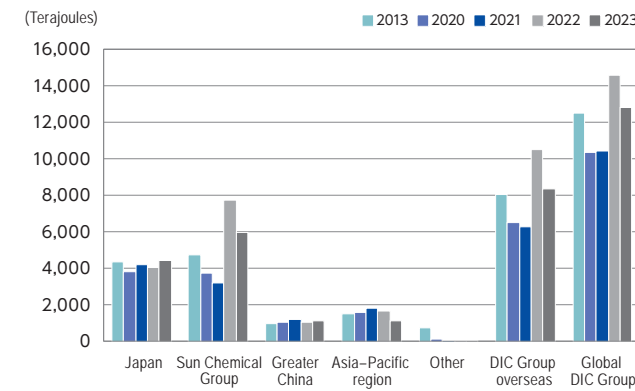
Global CO₂ Emissions per Unit of Production



Global CO₂ Emissions



Global Energy Consumption



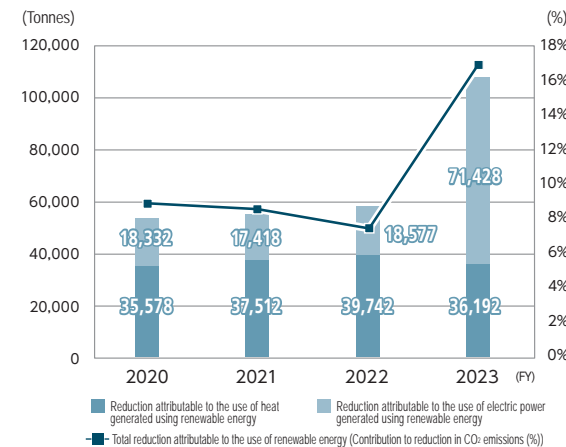
Asia-Pacific Region

The coal-fired boiler at PT. DIC Graphics' Karawang Plant in Indonesia was replaced with a low-carbon LNG-fired unit. The lower carbon content of the fuel used to fire this boiler

contributed significantly to a decline in regional CO₂ emissions. The plant also has a biomass boiler fueled partially by palm kernel shells.

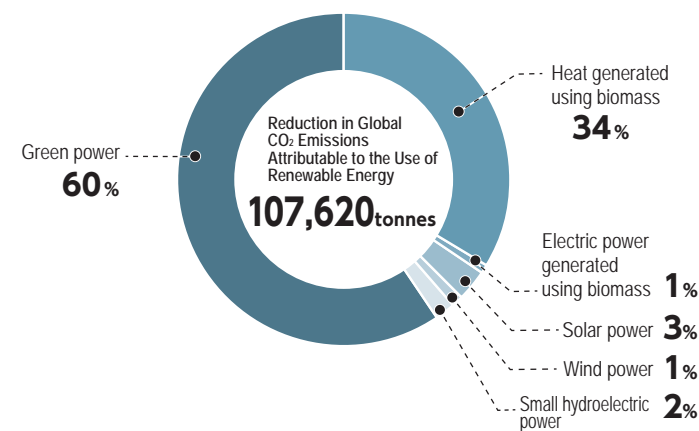
Reduction in Global CO₂ Emissions Attributable to the Use of Renewable Energy

Reduction in Global CO₂ Emissions Attributable to the Use of Renewable Energy



Note: For more information on these figures, please see "Reduction in Global CO₂ Emissions Attributable to the Use of Renewable Energy (Tonnes/%)" below.

Breakdown of Reduction in Global CO₂ Emissions Attributable to the Use of Renewable Energy in Fiscal Year 2023

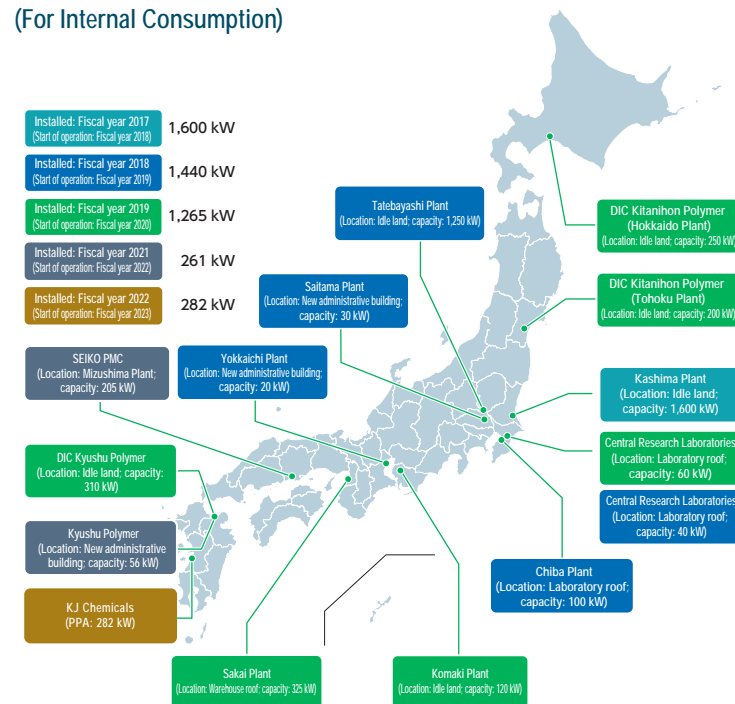


Reduction in Global CO₂ Emissions Attributable to the Use of Renewable Energy (Tonnes/%)

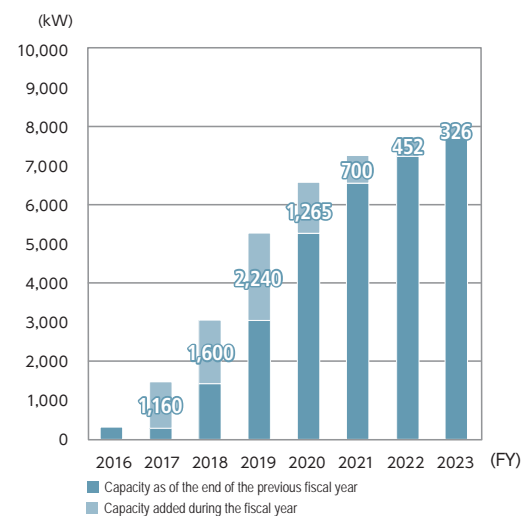
	Unit	2020	2021	2022	2023
Reduction attributable to the use of heat generated using renewable energy (biomass)	t-CO ₂	35,578	37,512	39,742	36,192
Reduction attributable to the use of renewable energy (electric power generated on-site)	t-CO ₂	18,332	17,418	12,568	6,874
Reduction attributable to the use of (green power)	t-CO ₂	0	0	6,009	64,554
Total reduction attributable to the use of renewable energy	t-CO ₂	53,909	54,929	58,319	107,620
CO ₂ emissions by the global DIC Group	t-CO ₂	551,049	588,985	720,444	534,889
Total reduction attributable to the use of renewable energy ÷ CO ₂ emissions by the global DIC Group	t-CO ₂	604,959	643,914	778,763	642,509
Total reduction attributable to the use of renewable energy (%)	%	8.9%	8.5%	7.5%	16.7%

	Unit	2020	2021	2022	2023
Reduction attributable to the use of electric power generated using renewable energy (biomass)	t-CO ₂	7,739	6,542	7,277	1,100
Reduction attributable to the use of solar power	t-CO ₂	8,165	8,054	2,320	3,072
Reduction attributable to the use of wind power	t-CO ₂	2,025	2,451	2,683	928
Reduction attributable to the use of small hydroelectric power	t-CO ₂	403	371	288	1,774
Reduction attributable to the use of renewable energy (electric power generated on-site)	t-CO ₂	18,332	17,418	12,568	6,874

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

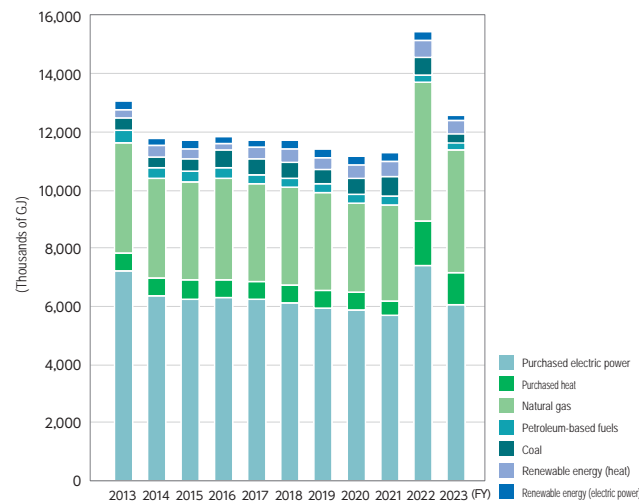


Installation of Solar Power Facilities in Japan (Fiscal Years 2018–2023)

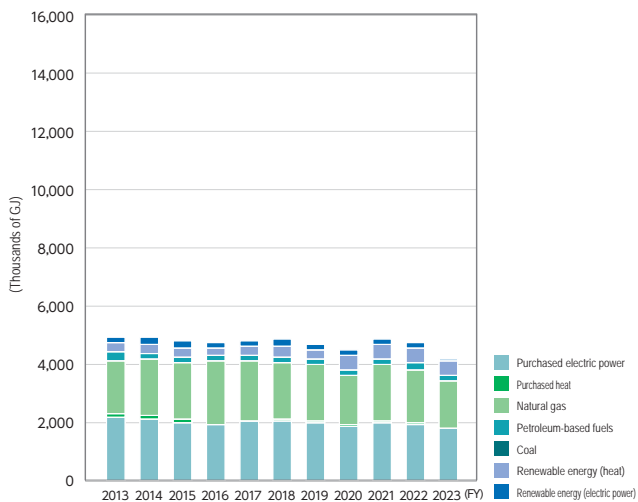


Energy Mix

DIC Group in Other Countries and Territories



DIC Group in Japan



② Grasping CO₂ 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 all categories with the aim of refining data reported in this category.

Greenhouse Gas Emissions Across the DIC Group's Supply Chains in Fiscal Year 2023

Category number	Category	Emissions
1	Purchased goods and services	4,658,043
2	Capital goods	164,043
3	Fuel- and energy-related activities (not included in Scope 1 or 2)	136,579
4	Upstream transportation and distribution	259,542
5	Waste generated in operations	69,692
6	Business travel	2,893
7	Employee commuting	6,825
9	Downstream transportation and distribution	308
10	Processing of sold products	144,565
12	End-of-life treatment of sold products	1,268,613
15	Investments	17,626

Procurement Initiatives

Based on the DIC Group Sustainable Procurement Guidelines, DIC formulated and promotes awareness of the *DIC Group Sustainable Procurement Guidebook*, encouraging suppliers to reduce their emissions of greenhouse gases. The Group also surveys suppliers to assess the status of their emissions reduction efforts and their reduction targets, and to enhance understanding. With the objective of better grasping 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 used of bioderived and recycled raw materials. (For more information, please see "Ensuring the Sustainable Procurement and Use of Raw Materials" in "Sustainable Procurement" on page 123.)

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 will explore diversifying the transportation methods it uses with a view to reducing emissions of greenhouse gases by advancing the use of next-generation modes of transport.

Calculating PCF

To achieve carbon neutrality, it is crucial to reduce CO₂ emissions across the supply chain. To this end, it is necessary to calculate and reduce the CO₂ emissions of each DIC Group company and product. Despite the existence of international standards for calculating product carbon footprint (PCF), including those provided by ISO 14067:2018 and the GHG Protocol, certain aspects of these standards are vague, so companies trying to calculate PCF must make their own interpretations and determine their own specific method for calculation. The DIC Group has shared information, including on guidelines from the European nonprofit Together for Sustainability (TfS) and Japan's Ministry of Economy, Trade and Industry and Ministry of the Environment, to develop a consistent Groupwide method for calculating PCF. In fiscal year 2023, the DIC Group calculated PCF for 1,809 products (DIC: 179, Sun Chemical: 1,630) and provided this information to customers.

Avoided Emissions

The term “avoided emissions” refers to CO₂ 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. In recent years, avoided emissions have attracted attention as a way to envisage the positive impact of corporate activities on climate change. While there remains room for improvement in terms of the precision of calculation methods and the reliability of calculations, DIC is promoting the use of avoided emissions as a way for it to clarify its contributions to decarbonization across its supply chains.

Innovation

By capitalizing on open innovation to promote the chemical recycling of its products, as well as the recycling and conversion of recovered CO₂ 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, HFCs have a warming potential 100–10,000 times that of CO₂ 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). As of January 11, 2024, the Kigali Amendment had been ratified by 156 Parties, including Japan.

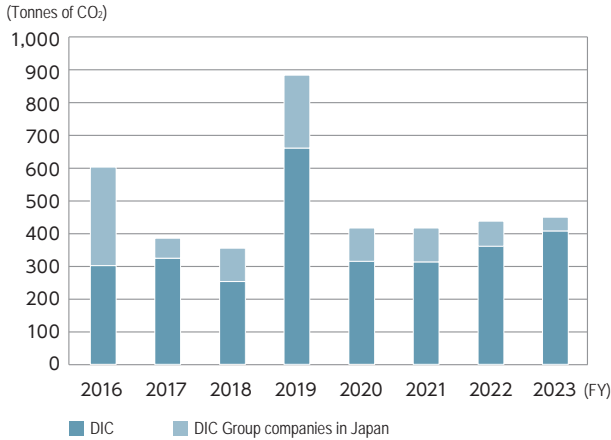
In April 2015, Japan revised its Fluorocarbons Recovery and Destruction Law. The same month, the Act on Rational Use and Proper Management of Fluorocarbons entered into force, compelling stakeholders to ascertain and report leaks of fluorocarbons from commercial equipment and facilities. In April 2020, a revised version of the Act on the Rational Use and Proper Management of Fluorocarbons came into effect, introducing direct penalties for violations in instances where fluorocarbons are not recovered by users.

In fiscal year 2023, leaked fluorocarbons from DIC Group sites in Japan were equivalent to 452 tonnes of CO₂. (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 2023, the Group's efforts to comply with laws governing leaked fluorocarbons were recognized in the Japan Refrigerant and Environmental

Organization's third JRECO Fluorocarbon Rating. DIC has earned an A rank every year since this program began.

Going forward, the DIC 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 (CO₂ Equivalent)



Key Data

Category	Unit	Boundary	Fiscal year 2019	Fiscal year 2020	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Energy used (converted into GJ)	1,000 GJ	Japan	4,184	3,827	4,183	4,028	4,447
		PRC	1,056	1,036	1,197	1,066	1,110
		Asia–Pacific region	1,623	1,606	1,835	1,650	1,178
		Sun Chemical	3,784	3,791	3,196	7,767	6,017
		Other	69	118	63	58	48
		Global	10,717	10,379	10,474	14,569	12,800
Energy consumed per unit of production	GJ/tonne	Japan	3.706	3.733	3.656	3.687	4.391
		PRC	5.574	5.698	4.749	4.881	3.914
		Asia–Pacific region	6.810	7.151	7.389	7.331	5.825
		Sun Chemical	4.371	4.705	3.739	7.603	7.557
		Other	133.440	3.030	108.223	110.776	102.070
		Global	4.423	4.559	4.189	5.695	5.577
CO ₂ emissions	Tonnes	Japan	232,028	209,018	224,916	208,231	136,412
		PRC	63,000	60,163	70,342	62,457	71,998
		Asia–Pacific region	122,812	123,227	144,107	127,851	83,583
		Sun Chemical	173,146	153,374	147,553	319,946	241,182
		Other	2,107	5,267	2,068	1,958	1,715
		Global	593,093	551,049	588,985	720,444	534,889
CO ₂ emissions (Scope 1)	Tonnes	Japan	135,428	118,786	135,612	128,458	112,591
		PRC	14,004	13,098	15,287	14,635	22,896
		Asia–Pacific region	66,199	69,597	88,575	76,127	44,028
		Sun Chemical	53,780	50,283	51,503	121,361	97,600
		Other	1,236	1,299	1,085	1,029	944
		Global	270,647	253,064	292,063	341,610	278,059
CO ₂ emissions (Scope 2)	Tonnes	Japan	96,600	90,231	89,304	79,773	23,821
		PRC	48,996	47,065	55,054	47,822	49,102
		Asia–Pacific region	56,613	53,630	55,531	51,725	39,555
		Sun Chemical	119,366	103,091	96,050	198,585	143,582
		Other	871	3,967	982	929	771
		Global	322,446	297,986	296,922	378,834	256,830
CO ₂ emissions per unit of production	Kg/tonne	Japan	206	204	197	191	135
		PRC	332	331	279	286	254
		Asia–Pacific region	515	549	580	568	413
		Sun Chemical	200	190	173	313	303
		Other	4,053	135	3,579	3,731	3,616
		Global	245	242	236	282	233

Notes:
1. The Colors & Effects pigments business is included in data from fiscal year 2022.
2. Non-fossil fuels and renewable energy are included in energy from fiscal year 2023.
3. Owing to rounding, some totals may differ from sums achieved by adding individual figures.

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Secure product quality.	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.	<ul style="list-style-type: none">Organizational changes were implemented in January 2024.Business-specific efforts were promoted to deepen understanding of quality and customer needs.	★★	Ensure that understanding of the functions and roles of departments responsible for quality permeates the entire Group.
	Create a scheme for fostering individuals' sense of ownership over their own work and apply it to tasks performed by management-level employees.	<ul style="list-style-type: none">Certain noncore tasks were reassigned to other employees.Flexible work assignments were implemented together with associated efforts to increase employee motivation.	★★	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)

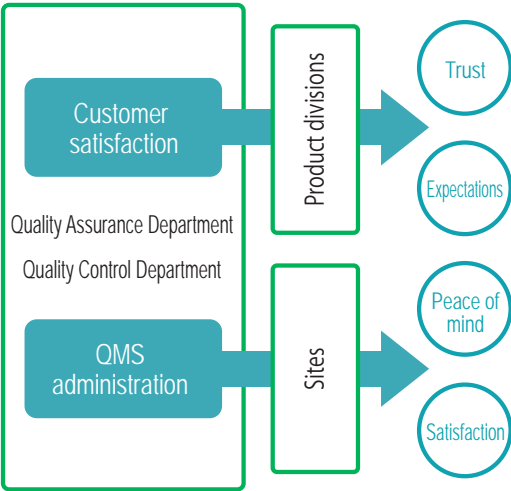
Framework for Promotion

To leverage its agility and comprehensive capabilities, the DIC Group in Japan employs 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. The Quality Assurance Department is part of the Production Management Unit.

Guided by DIC's Quality Policy, the president and CEO speaks to employees annually regarding the importance of quality assurance. In addition, the Group offers awareness enhancement and training programs while reiterating the belief articulated by the director in charge of production departments that safe operations and quality assurance are the foundation of everything the DIC Group does. The Group also strives to promote the improvement of quality by ensuring the appropriate administration of its quality management system (QMS).

Having created the position of deputy general manager in charge of quality control in each of the management units, in fiscal year 2024 DIC will revamp its quality management configuration. This will include having quality assurance groups at individual sites report directly to the general manager of that site, while the corporate headquarters' Quality Assurance Department and Quality Control Department focus on identifying issues facing sites and product divisions, devising the most effective measures in response and reinforcing governance.

In terms of practical measures, the president and CEO convenes meetings of DIC's Quality Committee on a quarterly basis, thus maintaining direct involvement in quality management for the DIC Group in Japan with a view to playing a role in quality management for the global DIC Group. The Quality Committee formulates Group quality policies and deliberates important quality measures. At committee meetings, product division general managers and unit heads report on the implementation status of these measures and summarize related activities. Meeting results are reported to the Board of Directors, which provides appropriate supervision.



Quality Assurance and Quality Improvement Initiatives

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 or inappropriate conduct 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 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.

* Issues of nonconformance or inappropriate conduct refer to instances when a product fails to fully meet standards, conditions, etc. (nonconformance) or when a shipped product does not comply with laws, regulations and/or DIC's agreement with the customer (inappropriate conduct).

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, production, product storage and sales, giving consideration to the need for effective product stewardship.

In addition to regular quality audits and internal audits, the DIC Group in Japan monitors and inspects sites as appropriate to ensure operations confirm with the QMS and makes improvements to systems and procedures to further earn the trust of customers. This ensures that an awareness of the need to place customers first remains firmly rooted across the DIC Group. Beginning in fiscal year 2023, quality audits focus on realizing design quality, troubleshooting in production processes and process control methods, among others, 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.

By recognizing and sharing best practices from sites, the DIC Group is promoting the improvement of operating efficiency and procedures, as well as 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, 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, beginning with production facility general managers. 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

In addition to the Quality Committee meetings, led by the president, DIC Group quality conferences, which are conducted by the deputy general manager in charge of quality control in Japan, concentrate on transforming key policies and measures for the Group in Japan into specific strategies, as well as on communicating these strategies and monitoring their implementation. The conferences also play a role in improving quality management across the Group by advancing the horizontal deployment of best practices across sites and product divisions.

Product division quality conferences, which are led by product division general managers and focus on raising customer satisfaction, are also held. As well as proposing solutions that deliver value to customers, the product divisions quality conferences are in charge of 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 nonconformance, site quality conferences investigate causes, formulate plans for corrective actions, recurrence prevention and pre-emptive measures, and monitor implementation. 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 2024, DIC will consider a new framework that strengthens cooperation with the DIC Group in the PRC and the Asia-Pacific region, and will gather information with a view to collaboration with Sun Chemical in the future.

Reinforcing Management of 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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Foster human resources.	Systematically foster Group management candidates and future global leaders.	<ul style="list-style-type: none">The dispatch of employees to external training institutions and provision of in-house training for next-generation leaders proceeded as planned. (DIC)Deliberations on how best to proceed to uncover and provide training for management candidates began with regional headquarters. (DIC Group)	★	Human resources <ul style="list-style-type: none">Systematically foster Group management candidates and future global leaders.Promote reskilling and the improvement of management capabilities (promote DX training, refresh basic working skills and enhance people management capabilities) (DIC and DIC Graphics)
Ensure mobility (hiring, retention and succession).	Enhance the “Job Challenge” system.	The “Job Challenge +” program (internal recruitment system) was introduced. A total of 12 individuals took advantage of this new system, beginning in July, to take on jobs in other departments concurrently with their existing responsibilities. (DIC)	★★	Enhance the “Job Challenge” and “Job Challenge +” systems. (DIC)
	Promote department-specific human resources portfolio planning.	Despite promoting department-specific human resources portfolio planning for key Group positions, estimating the quality and number of human resources that will be required over the medium to long term proved difficult. (DIC)	★	<ul style="list-style-type: none">Promote department-specific human resources portfolio planning. (DIC Group)Implement strategic mid-career hiring. (DIC)
Improve engagement and organizational cohesiveness.	Encourage one-on-one meetings to enhance internal communications.	With the aim of establishing one-on-one meetings as standard, monitoring of implementation and deployment of best practices were implemented and a dedicated one-on-one meeting portal site was created. (DIC and DIC Graphics)	★★	Encourage one-on-one meetings to enhance internal communications, team building and people management capabilities. (DIC and DIC Graphics)
	Deploy CliftonStrengths® for team building.	Team building activities were conducted to promote the sharing of individual strengths with employees' own departments and teams. (DIC and DIC Graphics)	★★	
	Advance career support measures to assist the efforts of employees to design their own careers.	A support system involving interviews with in-house career consultants was launched and interviews were conducted with 102 individuals. Follow-up interviews were conducted with participants in age group-specific career training (335 individuals). (DIC Group in Japan)	★★	Advance career support measures to assist the efforts of employees to design their own careers. (DIC Group in Japan)
Reinforce human resources systemic governance	Examine deployment of a global human resources information system in Japan and elsewhere in Asia.	A global human resources information system is necessary over the medium to long term from the perspective of effective global organizational management. However, due to cost and other considerations, deployment in fiscal year 2023 was postponed and remains under consideration. (DIC Group in Japan)	★	Continue to consider the introduction of a global human resources information system. (DIC Group in Japan)
	Build a management system for human resources-related KPIs based on ISO 30414.	Core human capital management KPIs were identified, a list was created, and data that can be collected now and that will be collected in the future was determined. Plans are to disclose a portion of this data publicly. (DIC Group)	★★	Build a management system for human resources-related KPIs. (DIC Group)
Promote diversity.	Continue to implement measures to promote diversity (training for female employees in leadership roles, career support for employees who are foreign nationals).	With the goal of creating role models, a mentoring system for female employees was established with female employees in management positions as mentors. Issues facing employees who are foreign nationals were identified through two-on-two interviews between employees and the diversity secretariat. (DIC)	★★	Continue to implement measures to promote diversity (training for female employees in leadership roles, career support for employees who are foreign nationals, job opportunities for individuals with disabilities). (DIC Group in Japan)
	Advance collaboration between DIC and its special-purpose subsidiary. Increase the percentage of the total labor force accounted for by individuals with disabilities at corporate headquarters, sites, and subsidiaries and affiliates.	The percentage of the total labor force accounted for by individuals with disabilities was 2.36%, falling short of the 2.4%-plus target level. (DIC Group in Japan)	★	

Guarantee human rights.	Reconsider and designate human rights-related risks and take steps to promote awareness Companywide.	Efforts to promote human rights awareness were promoted at 65 sites belonging to 13 DIC Group companies in Japan. In tandem with self-inspections for compliance with labor laws, human rights due diligence was conducted with survey items added regarding foreign nationals, who are at high risk of human rights violations in Japan. No issues were identified as a result of human rights due diligence. (DIC Group in Japan)	★★	Conduct human rights due diligence in line with updates to the DIC Group Human Rights Policy.
Support a healthy work-life balance.	Create workplace environments conducive to new work styles.	In January, the construction of new active floors for business group employees—phase one of an overall plan to renovate corporate headquarters—was completed. In February, activity-based working (ABW), a new work style that allows employees to choose from a variety of locations, settings and support functions according to the nature of the work they are performing, was launched. A review was conducted after three months and improvements to facilities and administrative procedures were made based on feedback received regarding perceived issues. (DIC)	★★	
	Continue to implement corporate health management measures.	Steps were taken to strengthen the system for post-corporate health check follow-ups by nurses and human resources departments for individuals determined to require additional testing or treatment to prevent their condition from worsening. Stress check results were analyzed and applied to implement workplace improvements. The status of health management measures was communicated widely to the general public. (DIC)	★★	Continue to implement corporate health management measures. (DIC)

* 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 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. Reinforce Management of Human Capital

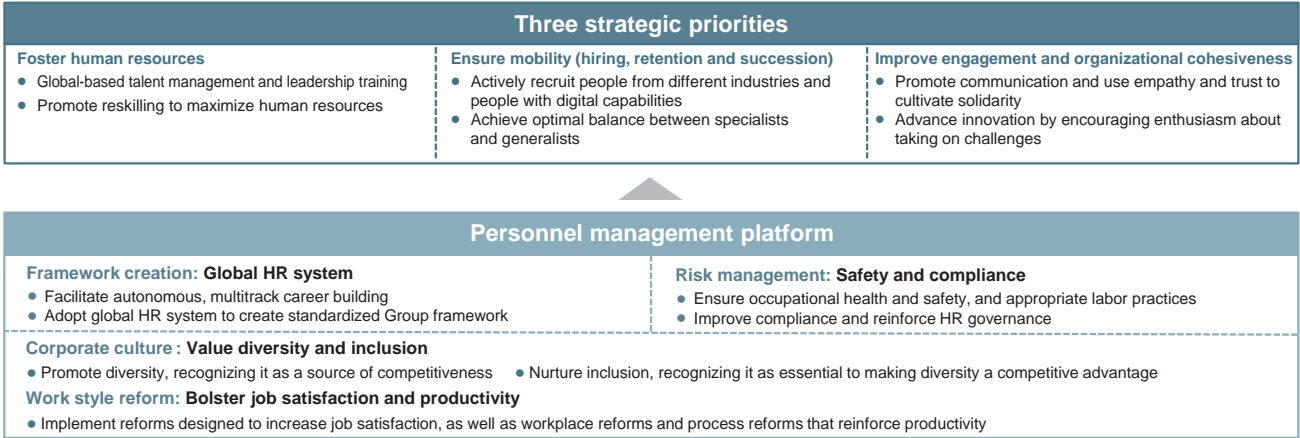
① Build a Strategic Human Resources Portfolio that Maximizes the Value of Human Capital

In line with The DIC Way, formulated to represent the DIC Group's 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. In the DIC Vision 2030 long-term management plan, announced in February 2022, the Group's basic strategy for human resources and diversity is to reinforce its management of human capital. The plan recognizes human resources as capital that is crucial to the execution of management strategies, and 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 these as essential to building an ideal 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, launched in fiscal year 2020 with the aim of ensuring job satisfaction and productivity, was transformed into an all executive-led committee in which all employees participate. In addition to seeking to resolve existing issues, all executives have committed themselves to a fundamental revamping of work styles in response to a continuously evolving environment. In fiscal year 2023, measures to reinforce management of 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.

③ Basic Personnel Statistics (DIC)

		Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Number of employees	Male	2,659	2,646	2,798
	Female	686	709	759
	Overall	3,345	3,355	3,557
Average age	Male	42.9	42.7	42.4
	Female	42.8	42.6	42.2
	Overall	42.9	42.7	42.3
Average years of employment	Male	19.8	19.3	18.3
	Female	21.1	20.5	19.2
	Overall	20.1	19.6	18.5
New graduates hired	Male	42	44	59
	Female	18	22	28
	Overall	60	66	87

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.

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.

• 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.

• 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.

		Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Retention rate (after three years)	Male	(Fiscal year 2018 hires) 93.0%	(Fiscal year 2019 hires) 84.4%	(Fiscal year 2020 hires) 91.5%
	Female	90.0%	81.8%	72.7%
	Overall	92.1%	83.6%	86.4%
Mid-career hires (percentage of total new hires)	Male	63	109	218
	Female	7	30	53
	Overall	53.8%	67.8%	75.7%
Separations (voluntary) (number of individuals)	Male	54	43	57
	Female	12	16	13
	Overall	66	59	70
Separation rate (voluntary)	Male	2.0%	1.6%	2.0%
	Female	1.8%	2.3%	1.7%
	Overall	2.0%	1.8%	2.0%

2. Three Strategic Priorities

The DIC Group's basic strategy for human resources and diversity is to reinforce its management of human capital. This reflects the Group's belief that maximizing the value of human capital is crucial to promote business portfolio transformation and establishing a more robust global management configuration, two of the principal strategies of the DIC Vision 2030 long-term management plan. In line with this basic strategy, the Group is promoting measures in line with three strategic priorities, which are to foster human resources, ensure mobility (hiring, retention and succession), and improve engagement and organizational cohesiveness.

① Foster Human Resources

(1) Global-Based Talent Management

One of the basic strategies outlined in DIC Vision 2030 is to establish a more robust global management configuration. Guided by this strategy, corporate headquarters in Japan and regional headquarters overseeing operations in the Americas and Europe, Greater China and the Asia-Pacific region work together to promote a variety of global talent management initiatives. In fiscal year 2023, the Group began formulating a competency model for management-level human resources and launched global talent pooling.

(2) Leadership Training

DIC chooses talented employees with the goal 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 addition, to expand the scope of efforts to foster leaders across the DIC Group, the Company is collaborating with regional headquarters to explore the creation of a leadership training program that is aligned with its talent pooling process.

(3) Reskilling to Maximize Human Resources

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 addition to traditional self-development programs aimed at the acquisition of skills, the Company offers subscription-based online programs that emphasize reskilling and allow employees to freely choose the courses they need from a wide selection. In fiscal year 2023, the Company's average spending on education and training per employee amounted to ¥89,436.

Average Spending on Education and Training per Employee (DIC)

Fiscal year	2021	2022	2023
Total (Yen)	69,346	96,578	89,436

② Ensure Mobility (Hiring, Retention and Succession)

DIC recognizes that the realization of business portfolio transformation depends on not only fostering human resources but also on ensuring and improving mobility for DIC Group employees.

(1) Active Recruiting of 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 2023, the percentage of new recruits that were experienced mid-career hires exceeded 70%. (Calculation: Experienced mid-career hires / (New graduates + Experienced mid-career hires)). The Company is also intensifying efforts to hire people with digital capabilities. Of note, in addition to seeking experienced mid-career individuals who it expects will be able to hit the ground running, DIC will adopt recruitment by job category for new graduates, underscoring its commitment to raising the overall level of its human resources portfolio.

(2) Support for Autonomous Career Building

As a part of its support for career building, DIC provides "self-career dock" age group-specific training, the objective of which is to encourage career independence. In fiscal year 2023, the Company created the position of career support manager within its human resources department. DIC also has nationally qualified in-house career consultants that conduct career development interviews with interested employees. In addition, the Company follows up age group-specific career training by conducting "self-career dock" interviews with all participants. In fiscal year 2023, career development interviews were conducted with 102 employees, while "self-career dock" interviews were conducted with 335 employees.

To support employees' desire to forge the career they desire, in fiscal year 2019 DIC launched an in-house recruitment system dubbed "Job Challenge." In fiscal year 2023, DIC introduced a new system called "Job Challenge +," which enables employees to attempt a job in another department on a temporary basis while continuing to serve in their current capacity. During the period under review, 12 individuals took advantage of this new system to broaden their careers by taking on jobs in other departments concurrently with their existing responsibilities.

(3) Promotion of Succession Planning

DIC promotes succession planning from the perspective of ensuring business continuity and fostering human resources. The Company holds a global human resources management meeting as a 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. Key positions have also been defined for the DIC Group in the PRC and the Asia-Pacific region and a system has been established to create and ensure the successful implementation of succession plans in both regions.

③ Improve Engagement and Organizational Cohesiveness

To increase job satisfaction and productivity for DIC Group employees in Japan, DIC promotes initiatives to improve engagement and organizational cohesiveness, spearheaded by the WSR 2020 Committee, in which all executives participate, with the ultimate goal of strengthening the win-win relationship between the Company and employees.

(1) Surveys to Assess Engagement

As a WSR 2020 initiative aimed at improving engagement, since fiscal year 2021 DIC has periodically surveyed employees of the DIC Group's 13 companies in Japan regarding this topic. The findings of these surveys are used not only to assess engagement with employees but also to identify issues to be addressed and formulate countermeasures.

(2) Cultivation of Solidarity through Communication, Empathy and Trust

One issue highlighted by previous engagement surveys was a lack of communication between superiors and subordinates. In response, in fiscal year 2022 DIC introduced a system of one-on-one meetings with the goal of promoting communications between these two key groups. In fiscal year 2023, the Company deployed a Companywide communications training workshop for management-level employees called "Interactive session: Modern people management practices." DIC also began conducting Companywide workplace team-building activities, aimed at nurturing interpersonal relations, using the CliftonStrengths® assessment, first introduced by DIC in fiscal year 2022, which to date has been taken by approximately 80% of employees.

3. Talent Management: Personnel System, Global Human Resources Framework and Group Human Resources Governance

① Personnel System Reforms Aimed at Facilitating Autonomous, Multitrack Career Building

In tandem with its formulation of DIC Vision 2030, in January 2022 DIC revised its personnel system with the objective of enhancing organizational capabilities to support qualitative reforms in existing core businesses and the successful commercialization of new businesses. In revising this system, 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. To ensure these systems function effectively as a framework for talent management for all employees, since fiscal year 2022 the Company's human resources team and individual business groups meet regularly to discuss human resources management, thereby strengthening communication regarding personnel-related issues.

② Qualification-Based Remuneration System: Encouraging Autonomous Career Building and Maximizing Performance

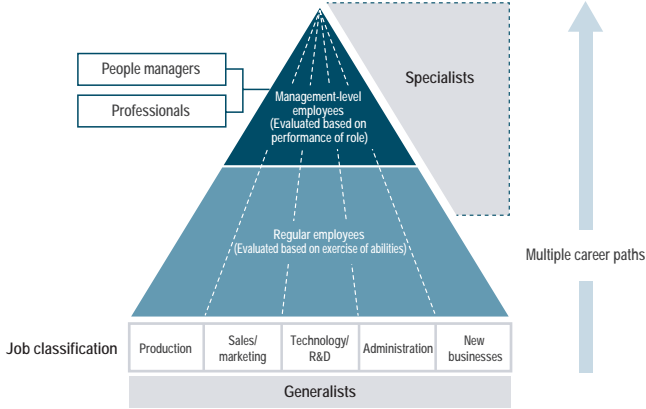
• Job- and Performance-Oriented Qualification-Based Remuneration System

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.

Promotion of Multitrack Career Building

DIC has established systems for fostering both generalists and specialists 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.

New Qualification-Based Framework



Evaluation Systems that Inspire Employees to Achieve Results and Take on Challenges

Performance-Based 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 the targets of the DIC Vision 2030 long-term management plan.

Personnel Evaluation System as a Tool for Encouraging Employees to Take on Challenges

To further encourage employees to take on challenges in addition to their existing responsibilities, DIC recently introduced a mechanism whereby points are added to the evaluation of employees who have taken bold steps that have not only yielded short-term results but also contributed to medium- to long-term growth, thereby further motivating them to seek challenges and drive innovation.

Personnel Evaluation System as a Tool for Career Building

DIC has adopted a career goal sheet for 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.

Percentage of employees participating in one-on-one meetings (as of September 30, 2023): 60%
Percentage of participating employees satisfied with one-on-one meetings: 73%

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.

Creation of a Standardized Global Human Resources 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 is promoting the adoption of harmonized personnel systems and management strategies around the world. 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, companies are 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 formulating and disseminating related Group KPIs, as well as working to achieve the goals it has set.

Group Human Resources Governance

With the objective of further fortifying its management foundation over the medium to long term and improving management transparency, the DIC Group is reinforcing its human resources governance as it pertains to individuals in principal positions, including the CEOs of regional headquarters, Group company presidents and heads of regional functional departments. In particular, the committee responsible for evaluating the performance of and determining remuneration for individuals in principal positions in the Americas and Europe, the PRC and the Asia-Pacific region meet annually. Management members from corporate headquarters participate in evaluations. Remuneration is reviewed annually after verification of prevailing market rates.

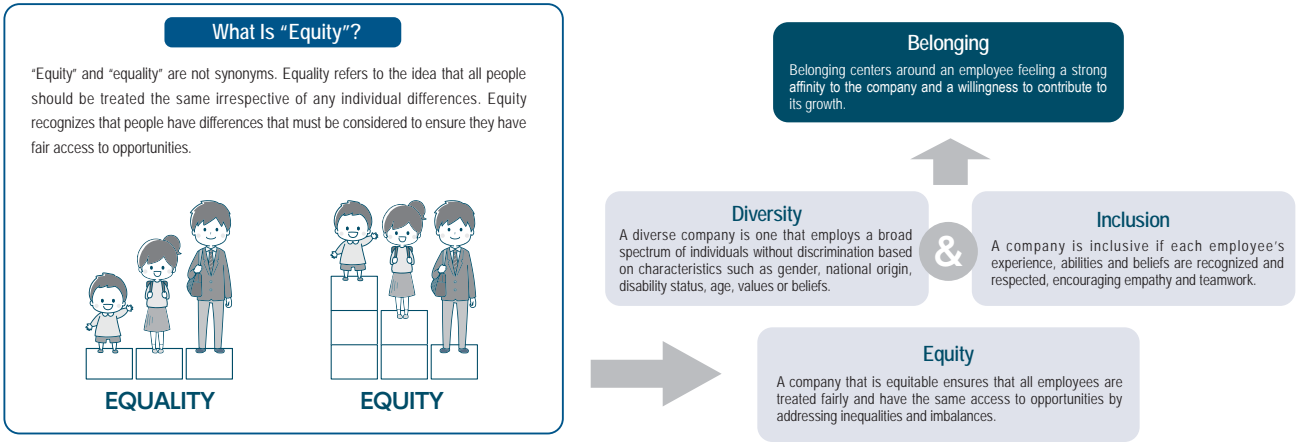
In addition, beginning in fiscal year 2022 the DIC Group introduced Group succession guidelines in the PRC and the Asia-Pacific region. Succession plans for individuals in principal positions are formulated and implemented by DIC in collaboration with regional headquarters and Group companies to ensure the appropriate organizational regeneration.

DIC's Approach to Diversity

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).



The DIC Group 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 Group'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*."

In Japan, DIC has established 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. The Company is also exploring the feasibility of disclosing information on efforts to

advance career opportunities for women, including pay differences for male and female employees. The Company has set the KPIs shown in the table below. Diversity initiatives are progressing steadily, evidenced by the fact that some targets have already been achieved. Seeking to disclose information on its diversity initiatives, in early fiscal year 2024 DIC established a public-facing website, the content of which includes a message from the president and CEO.

The DIC Group continues to communicate the importance and necessity of inclusion, as well as to promote understanding of such concepts as psychological safety and unconscious bias, 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 2024	15.4%	➡	20.0%
2	Percentage of executive officers accounted for by women and/or foreign nationals		19.0%	➡	20.0%
3	Percentage of management positions occupied by women		8.1%	➡	8.0%
4	Percentage of new employees accounted for by foreign nationals	Fiscal year 2023	5.0%	➡	5.0%
5	Percentage of new recruits accounted for by women		32.2%	➡	Maintain at 30%
6	Percentage of mid-career hires accounted for by women		19.6%	➡	30.0%
7	Percentage of male employees using the Childcare Leave Program		33.6%	➡	30.0%
8	Percentage of employees using the Leave to Assist with Parenting Program		79.0%	➡	90.0%
9	Percentage of total labor force accounted for by individuals with disabilities		2.4%	➡	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)		76.4%		
	Non-regular employees (part-time, fixed-term)		52.4%		
	All employees		67.1%		



Kuniko Torayama
Executive Officer;
Head of ESG Unit,
In Charge of Diversity,
DIC Corporation

Diversity Across the DIC Group

The DIC Group is a global organization that as of December 31, 2023, consisted of 185 companies in 62 countries and territories and had a global labor force of 22,255, of which 16,198, or 73%, were in other countries and territories. Given its global presence, diversity within the Group has come to exist across multiple variables besides gender, including cultural background, race, religion and ideology. These differences can become issues if simply left as such. Through various diversity initiatives, we are striving to transform these differences into strengths, enabling us to realize an organization that empowers all employees to reach their full potential while working together as colleagues. Because the challenges faced vary depending on location, we continue to prioritize those that we feel are most pressing in each country and territory. The global diversity team meets regularly to exchange ideas, and to share both best practices and failures, with the aim of improving initiatives Groupwide and building a “One DIC” approach. I think that we are making progress on this important front, and I strongly believe that our efforts will help the Group realize true diversity, equity and inclusion and work environments where everyone feels a sense of belonging.



Clifton Tang
Regional Human
Resource Director,
DIC Asia Pacific Pte Ltd

Asia-Pacific Region

The DIC Group in the Asia-Pacific region comprises 21 companies spanning 12 countries and territories. Operating in such a highly diverse cultural environment and with 25 different nationalities, the challenges can be overwhelming. With our commitment to the “One DIC” approach, we have launched various successful initiatives that have expanded our diversity outreach, as a result of which 26% of management positions are now filled by female employees. We have deepened our health programs by conducting mental well-being initiatives for our more than 160 regional managers, as well as a “4 Design Thinking” workshop, while continuing to extend the reach of such efforts to employees at different levels. In addition, we have introduced a regional personnel system and strategically linked it with corporate headquarters in Japan, thereby widening access to internal communications, as well as an e-evaluation system to strengthen communication between employees and management, and promote the use of flexible working schemes and mobile desking wherever possible to address changing social norms and diversity in work styles. We will continue to drive DEI&B to enhance teamwork, bonding, production and innovation. We aim to drive related initiatives from a holistic perspective, to better meet the needs of individual employees while eliminating unconscious bias against the different variables of diversity.



Genni Zhou
Corporate HR Director,
DIC (China) Co., Ltd.

Greater China

Greater China is home to 24 DIC Group companies. In the PRC, dual-income households are common and there are many women in managerial positions, meaning there are few discernable differences in the gender breakdown at the management level. Our principal current challenge revolves around a shortage of younger people, the result of an aging population. To address this challenge, we focus on recruiting efforts and retaining younger talent. To acquire top talent, we have established a recruitment page on our website targeting young professionals. Additionally, in collaboration with a college we launched the “DIC Class,” aimed at approximately 20 selected first-year undergraduates. DIC staff members serve as instructors for this program, providing information on DIC products and our corporate culture, as well as know-how related to color. In 2023, 11 new graduates joined DIC Graphics (Dongguan) Ltd. and eight joined DIC Synthetic Resins (Zhongshan) Co., Ltd., all of whom are actively contributing in key positions. Moving forward, we will continue these initiatives to ensure our ability to attract employees of various generations.



Jennifer Dewey
Director, Global Talent
Management
Sun Chemical Corporation

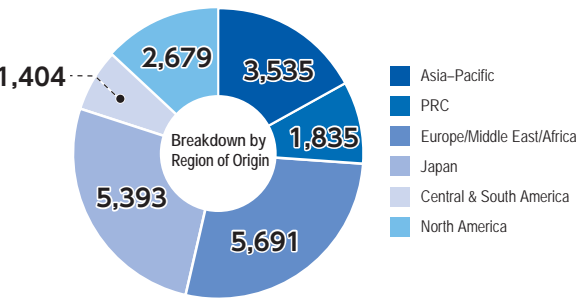
The Americas, Europe, the Middle East and Africa

With a global workforce exceeding 10,000 employees across 45 countries and territories, primarily in the Americas, Europe, the Middle East and Africa, Sun Chemical is dedicated to cultivating an inclusive culture that prioritizes both customer value and the satisfaction and engagement of our employees. To reinforce this commitment, we integrate DEI&B into every aspect of the employee experience, as well as into our human resources process, from recruitment and onboarding through to career development and performance evaluation.

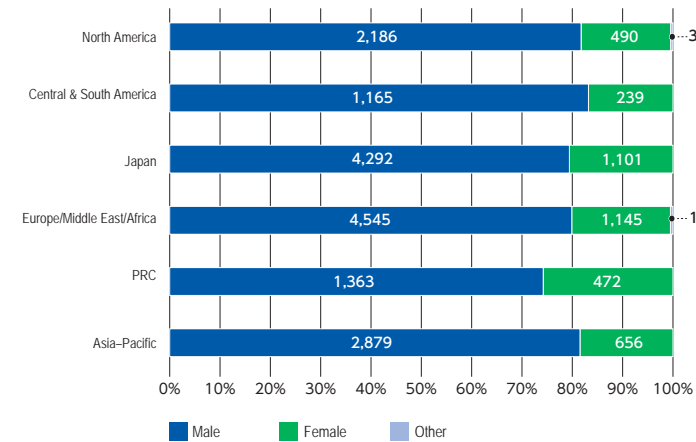
We have positioned the fostering of leaders and effective onboarding of new hires as the fundamental goals of our diversity strategy. We are investing in leadership development initiatives to nurture leaders with awareness, empathy and strong communication skills. By equipping employees with the necessary tools and skills, we aim to foster an environment where diverse perspectives are not only valued but also celebrated, ensuring that every individual feels respected and heard.

As our workforce evolves and new talent joins our team, our main concern is to seamlessly integrate new people into the Sun Chemical culture. We place significant emphasis on welcoming and onboarding our newest employees with care, recognizing that fostering a sense of belonging and facilitating smooth integration is essential. Through these efforts, we will continue to effectively unlock value for our business and establish a foundation for sustained success.

Employees by Region of Origin



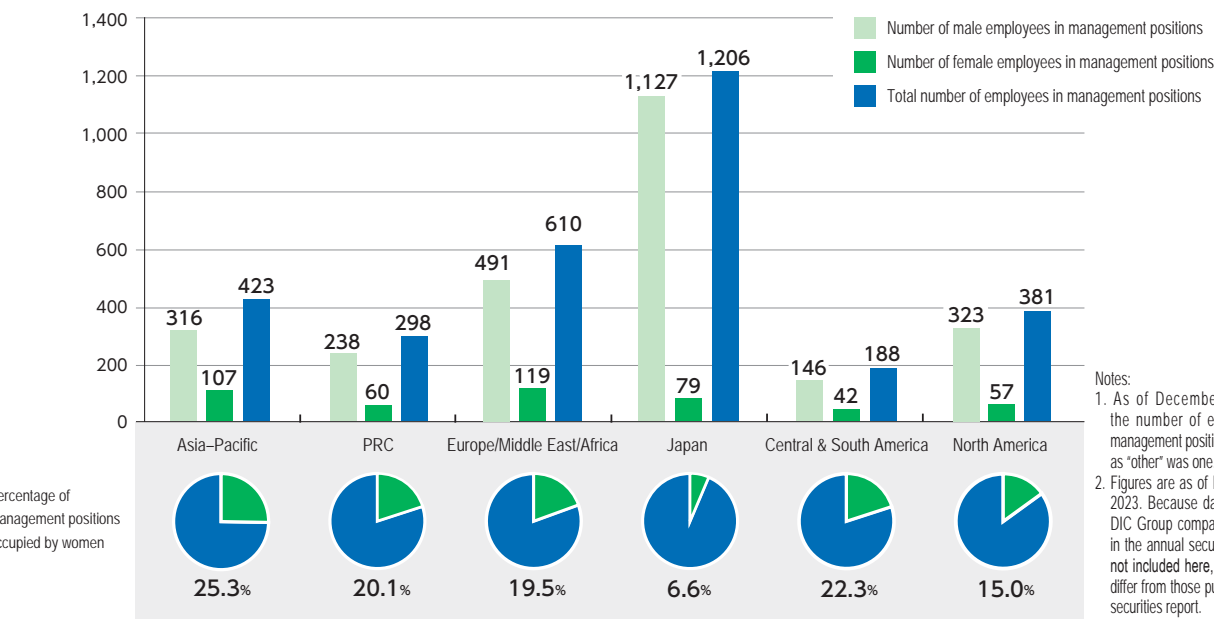
Breakdown of Labor Force by Gender



Employees in Management Positions and Percentage of Management Positions Occupied by Women by Region

Total number of employees in management positions (global)	3,106 (male: 2,641, female: 464)
Percentage of management positions occupied by women (global)	14.9%

Number of persons



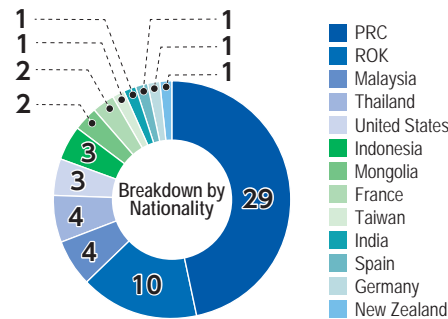
Notes:
1. As of December 31, 2023, the number of employees in management positions identifying as “other” was one.
2. Figures are as of December 31, 2023. Because data for certain DIC Group companies included in the annual securities report is not included here, these figures differ from those published in the securities report.

② Hiring of Foreign Nationals

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, 62 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 and dedicated website, 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
4	37	6	11	4	62

VOICE | I look forward to helping drive innovation at DIC by capitalizing on D&I.

I learned about DIC's active efforts to promote diversity and inclusion (D&I) after joining the Company in fiscal year 2023. This reinforced my understanding of DIC as a global entity that seeks to grow together with its employees by leveraging the individual attributes and capabilities that come with a labor force comprising employees with widely ranging backgrounds. I believe that DIC's real strength lies in its corporate culture, which encourages the recognition of different ways of thinking, opinions and values to ensure the mutual understanding and collaboration crucial to achieving common goals.

At the Central Research Laboratories, where I am based, our team comprises researchers with different varying areas of specialization and professional experiences and who are of differing ages and nationalities. Diversity & inclusion (D&I), which emphasizes valuing diverse ideas and opinions, rather than rejecting them, is driving new insights and innovations in R&D, as well as in other areas. I look forward to helping on the innovation front by capitalizing on D&I and communicating openly with as many people as possible.

FEM Project, Advanced Material Research Center (Central Research Laboratories), R&D Management Unit, DIC Corporation **Chienju Lee**



TOPIC | Networking Conference Held for Non-Japanese Employees

The sixth networking conference for DIC Group employees in Japan who are foreign nationals was held in July 2023 at DIC's corporate headquarters in Tokyo. This conference, which was launched in fiscal year 2020, is held twice annually to foster ties among non-Japanese employees.

Beginning from the sixth conference, several non-Japanese employees have joined the secretariat and are playing a role from the planning stage, including determining the conference theme. A variety of ideas for the theme of the sixth conference were suggested, but given the underlying objective of better understanding the individual concerns of non-Japanese employees it was decided that the theme this time should be the creation of a forum for groupings of two secretariat members and two non-Japanese

employees to exchange views. During the conference, participants were asked their opinions regarding the pros and cons of holding such meetings. Based on the findings of the sixth conference, in the second half of fiscal year 2023 non-Japanese employee volunteers were paired with secretariat members to conduct two-on-two meetings with employees who expressed a desire for such an interview. Concerns raised during these two-on-two meetings will be used to determine a theme for the next networking conference and deepen the level of discussion to find viable solutions. Approximately 20 new foreign nationals joined DIC Group companies in Japan in fiscal year 2023. DIC will continue to actively foster closer communications with non-Japanese employees to create work environments where all feel able to fully leverage their strengths and capabilities.

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 began dispatching 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 for women in

management with in-house executives serving as mentors to help create pipelines to higher-ranking female colleagues. The mentoring program has since been expanded to enable women in management who were previously mentored to mentor female employees who are about to be promoted to management-level positions. When women in management-level positions who have been mentored then become mentors themselves, it can further expand their horizons and frame of reference, as well as enhance their approach to resolving issues. It can also provide an opportunity for female employees to build networks beyond the confines of their particular department. 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. At present, there are 24 female employees in such positions at five sites in Japan. The number of women serving as managers and team leaders has also risen. 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.

Number of Female Employees at DIC Sites in Japan

2008
4 at 1 site

2018
8 at 2 sites

2023
24 at 5 sites

Site	Production group	Utility control group
Chiba Plant	8	2
Hokuriku Plant	0	2
Sakai Plant	4	0
Saitama Plant	6	0
Yokkaichi Plant	2	0
Total	20	4

(2) Initiatives since Fiscal Year 2016 to Expand Career Opportunities for Women

Since fiscal year 2016, DIC has promoted a wide range of initiatives to expand career opportunities for women with the aim of becoming an organization in which women can play an active role. With the launch of WSR 2020 in fiscal year 2020, which is headed by the president and CEO, the Company is promoting related diversity initiatives that will help increase corporate value.

Transform corporate culture and mindset	<ul style="list-style-type: none"> • Messages from the president • Identical uniforms for male and female employees • Training on unconscious bias
Encourage the drive and determination of female employees	<ul style="list-style-type: none"> • Third-party leadership development program • Joint leadership development program with companies in other sectors • Mentoring program with in-house executives as mentors • Mentoring program with female employees in management positions as mentors
Broaden the scope of positions available to female employees	<ul style="list-style-type: none"> • 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
Establish systems to help female employees balance childcare and their careers	<ul style="list-style-type: none"> • Expansion of systems designed to help female employees balance childcare and their careers • Training for employees returning after taking childcare leave • Training (e-learning) for male employees on taking childcare leave • Informal discussions for male employees who have taken and those who wish to take childcare leave
Create workplaces conducive to job satisfaction	<ul style="list-style-type: none"> • Introduction of a system allowing management-level employees to limit the locations to which they will accept transfers • Expansion of flextime system • Launch of telework and hybrid working styles

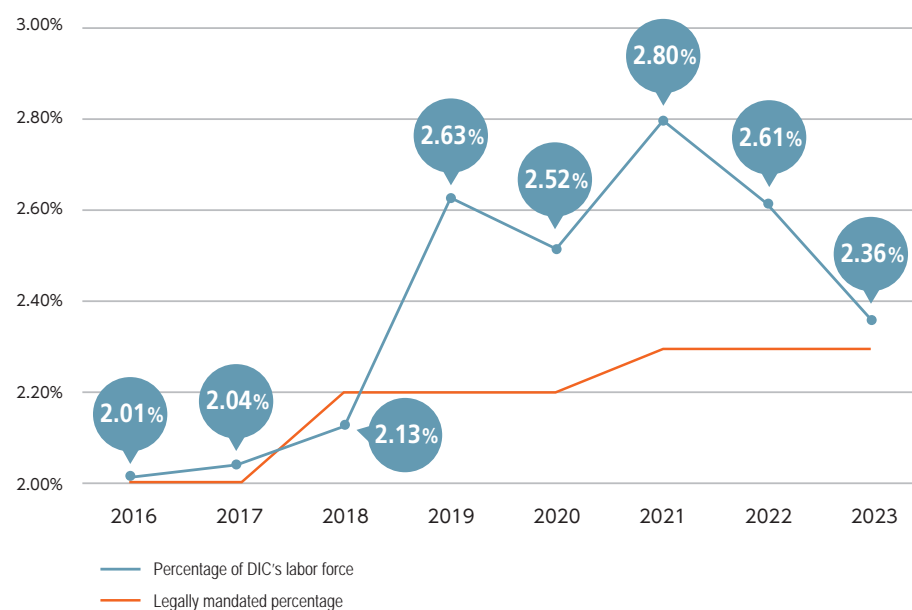
(3) Selection for Inclusion in the Next Nadeshiko: Companies Supporting Dual-Career and Co-Parenting

In 2024, DIC was selected as a company with an outstanding performance in terms of supporting both male and female employees to strike a balance between empowerment in the workplace and child-rearing under "Next Nadeshiko: Companies Supporting Dual-career Co-parenting," a new program inaugurated in fiscal year 2023 by Japan's Ministry of Economy, Trade and Industry. DIC was one of 16 companies chosen in the first year of this program across all industries and one of two in the "Raw Materials & Chemicals" industry category.

In recent years, the average length of service for female employees of DIC in Japan has exceeded that of male employees. Close to 100% of female employees return to work after maternity leave. Unlike in the past, continuing to work after having children has become the norm for women in Japan. Accordingly, the Company recognizes that the fact such life events as childbirth and childcare are treated as career interruptions is something it must help address, and it works to create an environment in which female employees can resume their careers and male employees can participate in the raising of their children and to foster a corporate culture that encourages both female and male employees to play active roles in the family and in the workplace.



Percentage of DIC's Labor Force Accounted for by Individuals with Disabilities



④ Efforts to Advance the Employment of Individuals with Disabilities

In Japan, DIC's General Affairs and HR Department and special-purpose subsidiary* DIC Estate Co., Ltd., spearhead efforts 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, DIC Estate fosters the development of human resources by establishing systems designed to expand the range of jobs available and facilitate individual growth, thereby realizing work environments that support employees with disabilities and empower them to realize their potential. DIC Estate also works with other DIC Group sites and companies in Japan to strengthen recruitment capabilities and develop systems that bolster retention, thereby enhancing the employment experience for employees with disabilities across the Group.

* 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. DIC Estate was accredited as a special-purpose subsidiary on January 1, 2023.

TOPIC | Holding Study Session on Employing Individuals with Disabilities

On November 2, 2023, DIC Estate held a study session on employing individuals with disabilities at the request of Kanagawa Prefecture's Heartful Leader Association.* Approximately 30 representatives of companies that are working to employ people with disabilities, employment assistance organizations and special needs schools, as well as 11 people from the DIC Group, participated in the session and discussed the status of efforts by DIC and DIC Estate to hire individuals with disabilities, toured both companies' premises and held a Group discussion.

With the goal of continuing to promote the hiring of individuals with disabilities, the DIC Group will continue to regularly hold company tours and study sessions to which it invites people from other companies responsible for hiring individuals with disabilities, as well as from employment assistance organizations, special needs schools and other groups.

* A volunteer association of companies and employment assistance organizations concerned with the employment of individuals with disabilities that is active primarily in Kanagawa Prefecture and Tokyo.



⑤ Reemployment after Retirement

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	Fiscal year 2023
Number of retirees (A)	69	89	96	92	103	150	122
Individuals seeking reemployment	55	74	81	80	87	132	105
Number of individuals reemployed (B)	55	70	77	79	84	128	102
Reemployment rate (B) / (A)	79.7%	78.7%	80.2%	85.9%	81.6%	85.3%	83.6%



I joined DIC Estate's Business Support Department in 2022 after graduating from Tokyo Metropolitan Katsushika School for the Deaf. At first, I had no idea about the collection and delivery service I was assigned to perform and was frequently confused. Because I am deaf, communicating with those around me was difficult, but I continued to press ahead using gestures and written notes to communicate with my seniors and fellow employees and I'm now able to instruct my juniors on collection and delivery duties. I look forward to continuing to work hard so that individuals with similar disabilities are given the opportunity to join our company.

DIC Estate Co., Ltd. Shinji Maruo



5. Respect for Human Rights

1 The DIC Group's Human Rights Policy

The DIC Group actively supports global codes governing human rights and in 2018 formulated the DIC Group Human Rights Policy. In light of the increasing importance of respecting human rights around the world, in fiscal year 2023 the Group announced a revised version of this policy, in line with which it is promoting related initiatives.

The DIC Group Human Rights Policy

Respect for Human Rights

The DIC Group is committed to respecting the human rights of all stakeholders in all aspects of its business activities. In 2018, the Group adopted a human rights policy based on global human rights codes. The Group strives to protect and promote human rights through its business activities.

Basic Principles on Human Rights

The DIC Group supports and respects the United Nations International Bill of Human Rights, the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. In addition, we respect the Ten Principles of the United Nations Global Compact. The DIC Group Code of Business Conduct, which outlines standards that DIC Group employees are expected to follow, contains provisions prohibiting human rights violations and requiring respect for diversity. These reflect the philosophies that form the foundation of the DIC Group's corporate activities. All DIC Group employees must display understanding of the DIC Group Code of Business Conduct and provide written assurances to abide by it. The DIC Group promotes awareness among Group executives and employees, and works to enhance its inspection and monitoring structure, to reinforce respect for human rights and to prevent violations of human rights.

1. Global Labor Standards

This policy, which reflects global human rights codes, articulates the DIC Group's fundamental stance on respect for human rights.

Child Labor and Forced Labor

The DIC Group strictly prohibits the use of child labor and forced labor in its operations and supply chain. The Group adheres to applicable laws and regulations regarding the minimum working age and fair compensation, and will not engage in any form of slavery or forced labor.

Freedom of Association and Collective Bargaining

The DIC Group respects employees' rights to associate freely, join labor unions and participate in collective bargaining, while adhering to both local laws and global standards.

Work Conditions

The DIC Group values the well-being and safety of every employee, recognizing that each person is immeasurably valuable. The Group's dedication extends beyond numbers and statistics; it centers on people and their families. The Group pledges to maintain safe working conditions, offer comprehensive training and instill a profound culture of safety to ensure that every one of its employees returns home from work safely.

Fair Compensation and Benefits

The DIC Group is dedicated to providing fair compensation, comprehensive benefits and opportunities for professional growth to all employees. The Group's compensation and benefits packages adhere to relevant laws and industry standards.

Anti-Harassment

In alignment with its policies and the legal frameworks of many countries, the DIC Group unequivocally prohibits any form of discrimination, harassment, hazing, intimidation or retaliation within the workplace or at any business-related function, event or meeting. The Group's commitment to human rights is unwavering, and it is dedicated to fostering an inclusive and respectful environment for all.

Equal Opportunity

The DIC Group is committed to providing equal opportunities to all individuals throughout the entire employment process, including recruiting, hiring, development, promotion and compensation, and in all terms and conditions of employment. This commitment extends without regard to factors such as race, religion, sex, skin color, age, marital status, gender, gender identity, sexual orientation, physical or mental disability (or lack thereof), veteran status, national origin or any other characteristic protected by applicable laws and regulations in each jurisdiction.

Diversity, Equity, Inclusion and Belonging (DEI&B) Policy

The DIC Group is dedicated to fostering a diverse culture ("diversity") where all decisions are made equitably ("equity") and every individual is treated with dignity ("inclusion"). The Group's commitment to these principles will lead to a diverse workforce, which inherently contributes value to its business through the satisfaction and engagement of its people ("belonging"). The Group firmly believes in upholding these values as fundamental to its corporate ethos and mission.

2. Scope of Application

This policy applies to all executives and employees of the DIC Group. The Group shall also encourage its business partners and suppliers to adhere to this policy and will cooperate with them to advance respect for human rights.

3. Responsibility to Respect Human Rights

The DIC Group strives to be an organization that does not tolerate any form of discrimination, including discrimination based on race, religion, sex, skin color, age, marital status, gender, gender identity, sexual orientation, physical or mental disability (or lack thereof), veteran status, national origin or any other characteristic protected by applicable laws and regulations in each jurisdiction. All members of the DIC Group will work together to fulfill the Group's corporate social responsibility goals while enabling every individual in the Group to exercise their abilities to the fullest.

The DIC Group 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 or services, the DIC Group—while not directly intervening—shall use its influence to encourage the responsible parties to cease or alter the practices responsible for such adverse impacts.

4. Human Rights Due Diligence*

To fulfill its responsibilities with regard to respect for human rights, the DIC Group has created a human rights due diligence system, which continues to evolve in an ongoing basis to identify, evaluate and address negative impacts of human rights risks.

The DIC Group will identify and evaluate negative impacts on human rights and apply the results to its supplier management decisions.

5. Corrective/Remedial Actions

Should the DIC Group cause adverse human rights impacts or should it become evident that it has been complicit in causing such impacts, the Group shall take appropriate corrective and/or remedial actions in response.

6. Compliance with Applicable Laws

The DIC Group will comply with the laws and regulations of all countries and territories in which it operates. Where there is any conflict between a country's laws and internationally recognized human rights standards, the Group will seek ways to respect internationally recognized human rights principles to the maximum extent possible.

7. Disclosure and Education/Training

The DIC Group shall periodically report publicly on the progress of initiatives implemented in line with this policy. To ensure the effectiveness of this policy, the Group shall also provide appropriate training to its executives and employees.

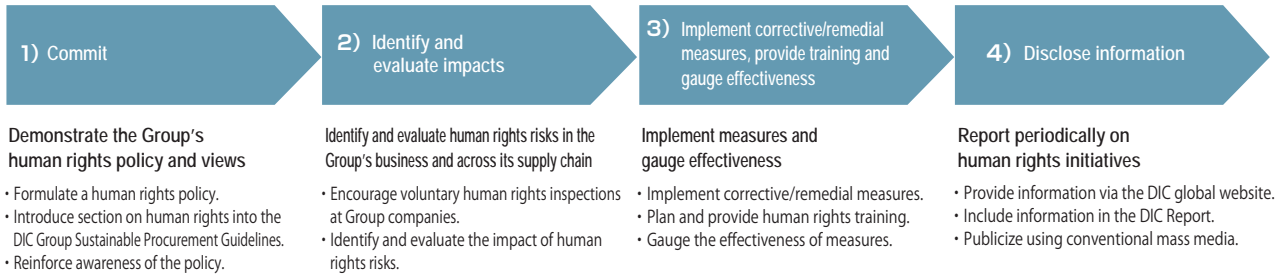
8. Dialogue and Discussion

The DIC Group shall engage with stakeholders regarding initiatives implemented in line with this policy by creating opportunities for dialogue and promoting discussion in good faith.

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

2 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.



(1) Addressing Human Rights Due Diligence 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 more information, please see "Human Rights Due Diligence in Supply Chains" on page 123.

(2) Promoting the Responsible Procurement of Minerals

The DIC Group has formulated the 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 more information, please see Responsible Procurement of Minerals in “Sustainable Procurement” on page 123.

(3) Implementation of Human Rights Due Diligence at DIC Group Companies

In fiscal year 2023, the Group promoted human rights awareness at 65 sites belonging to the DIC Group’s 13 companies in Japan. In tandem with self-inspections for compliance with labor laws, human rights due diligence was conducted with survey items added regarding foreign nationals, who are at high risk of human rights violations in Japan. No issues were identified as a result of this process. 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 2023, 20 reports were received regarding human rights–related issues such as power harassment and discrimination. The Group has also established the Ethics Hotline for reports from external stakeholders. In fiscal year 2023, one report of power harassment was received through this hotline. The Group conducts internal investigations and responds to any incidents requiring action by taking corrective or remedial measures in accordance with pertinent regulations. For more information, please see “Initiatives to Promote Compliance” in “Compliance” on page 124.

(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 global website. The Group strives to respond swiftly to queries and complaints received. No such complaints were received in fiscal year 2023.

③ 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 72.6% of parent company employees belong to the DIC Employees’ Union (99.1% of eligible employees).

6. Work–Life Balance/Occupational 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 implemented a childcare leave program before such programs were legally mandated. Since establishing a program to support employees in balancing the demands of a career and childcare in 2007, the Company has deployed various systems for both regular and management-level employees, including one that enables employees to take leave to provide nursing care for a child up until the end of the child’s third year of elementary school and another that allows them 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. In recognition of these efforts, in 2024 DIC was recognized for its efforts to promote work–life balance by being selected under the “Next Nadeshiko: Companies Supporting Dual-career Co-parenting” program.

(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) Creating Flexible and Efficient Work Environments

To facilitate flexible work styles, DIC significantly expanded its flextime system in April 2018 by making it applicable to all areas of operations, with certain exceptions such as production floors. In April 2024, the Company reviewed its core hours and shortened the minimum number of work hours per day to facilitate greater flexibility. This, plus telework, encourages 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 six months longer than the legally mandated leave period. Male employees can also take childcare leave at the time of birth (postpartum paternity leave) together with four weeks (28 days) of paid leave under the Leave to Assist with Parenting Program during the eight weeks following their child’s birth.
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 can 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. 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 three 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 employees taking advantage of the Leave to Assist with Parenting Program following a child’s birth is also rising.

	Fiscal year 2017	Fiscal year 2018	Fiscal year 2019	Fiscal year 2020	Fiscal year 2021	Fiscal year 2022	Fiscal year 2023
Number of employees using the Childcare Leave Program	35 (0)	21 (4)	28 (4)	22 (3)	25 (4)	55 (28)	62 (40)
Number of employees using the Leave to Assist with Parenting Program	77	81	86	84	77	87	94

Note: Figures in parentheses are the number of male employees included in the total number of employees using the Childcare Leave Program.

(8) 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.

(9) 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	Fiscal year 2023
Average monthly overtime hours worked per employee	12.2 hours	12.0 hours	10.8 hours	10.1 hours	12.3 hours	12.4 hours	11.9 hours
Average annual paid leave granted	18.8 days	18.6 days	18.7 days	18.7 days	18.9 days	18.8 days	18.4 days
Average annual paid leave used	12.0 days	12.5 days	13.3 days	11.8 days	12.1 days	13.4 days	13.8 days
Usage rate for annual paid leave	63.8%	67.2%	70.9%	63.1%	64.0%	71.3%	75.1%

2 Corporate Health Management

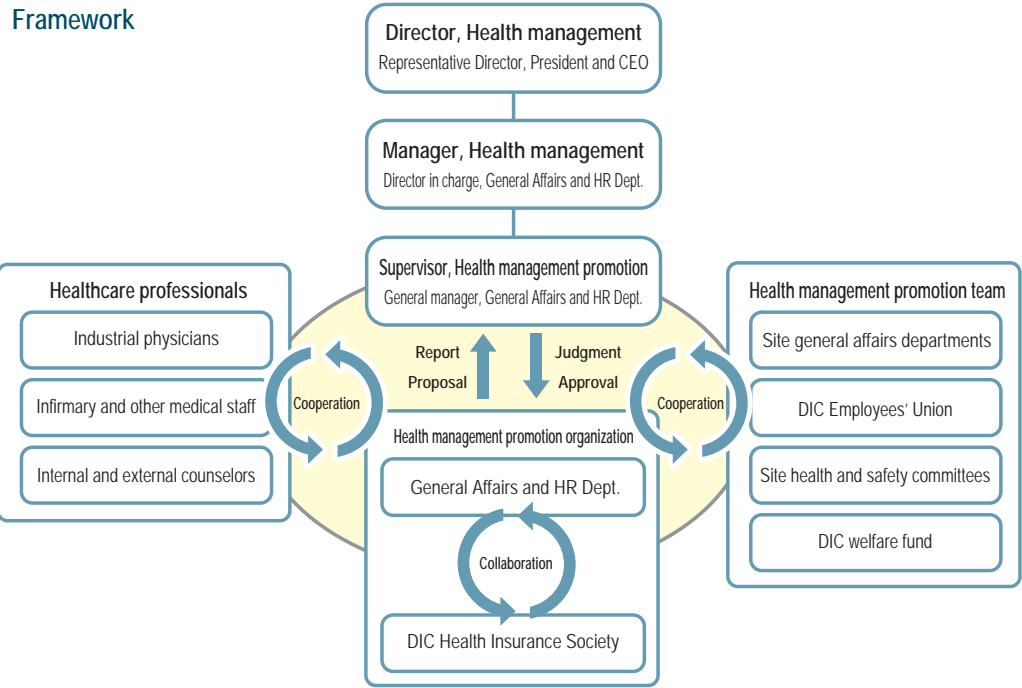
(1) Corporate Health Management Initiatives

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.

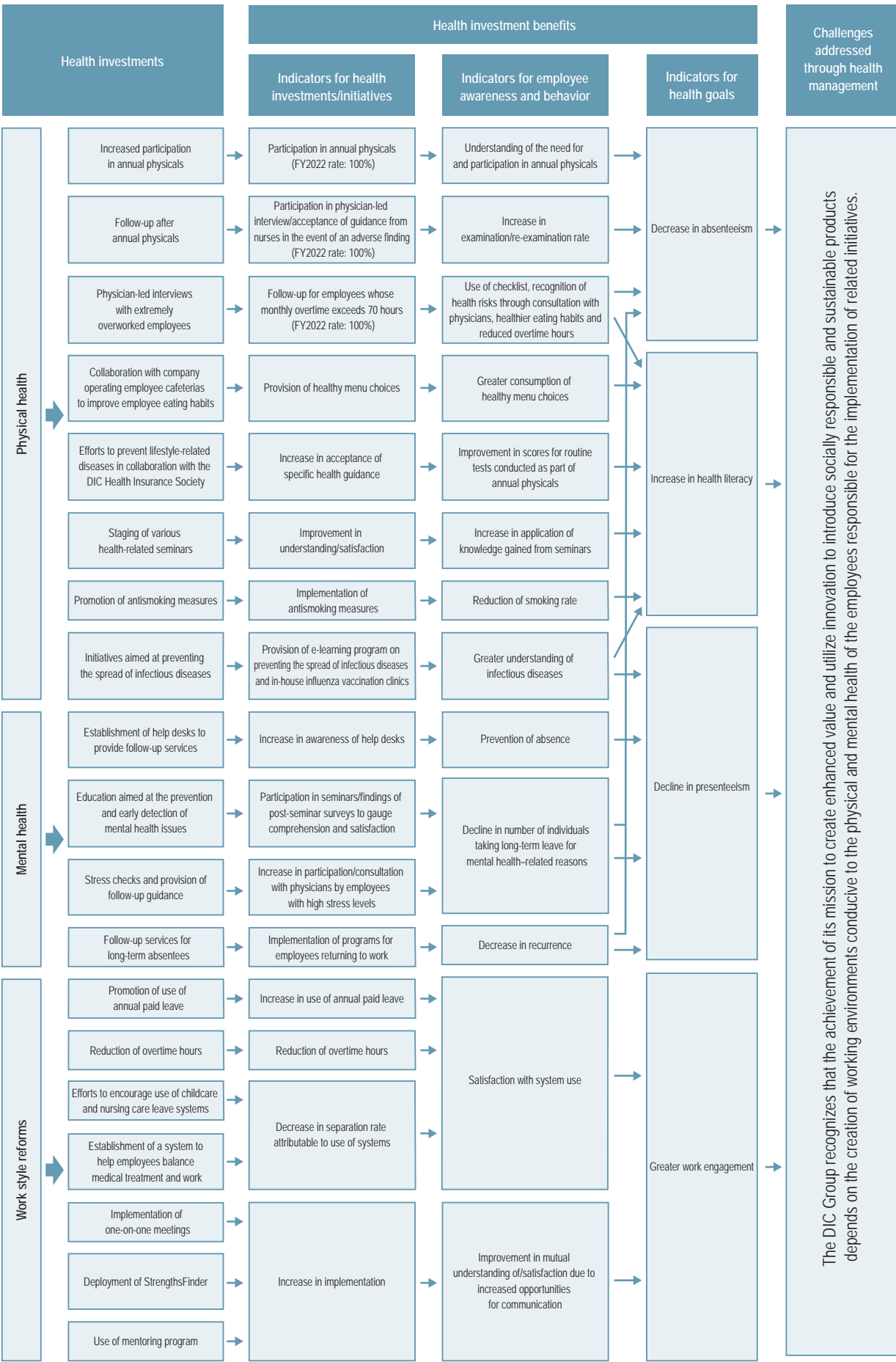
(2) Framework for Promoting Health Management

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.

Framework



(3) Health Management Strategy Map



(4) Key Health Management Initiatives

Category	No.	Initiative	Goal	Details
Employee health	1	Improve participation in annual physicals	Prevention of serious illness through early detection	Annual physicals help medical staff grasp changes in physical condition and provide appropriate guidance. Target for percentage of employees participating in annual physicals: 100% Fiscal year 2022: 99.9%, fiscal year 2021: 100.0%
	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. Percentage of employees undergoing thorough examinations Fiscal year 2022: 68.7%, fiscal year 2021: 62.7% (Note: Certain calculation methods were adjusted in fiscal year 2022)
	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. Target for percentage of employees taking leave again: 0% Fiscal year 2022: 4.8%, fiscal year 2021: 5.1%
	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, namely, by setting the threshold for overtime to be considered overwork at 70 hours/month, and by encouraging early consultation with physicians. (Percentage of employee overtime exceeding 80 hours/month) Fiscal year 2022: 0%, fiscal year 2021: 0%
	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. (Glycated hemoglobin concentration in the blood: 20% or below) Fiscal year 2022: 21.5%, fiscal year 2021: 26.1%
	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 on 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. (Percentage of employees participating) Fiscal year 2022: Up 28% from fiscal year 2021 (average rate of satisfaction: 88%)
	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. (Percentage of employees participating) Fiscal year 2022: 70.8%, fiscal year 2021: 70.2%
	10	Promotion of antismoking measures	Prevention of damage to health and loss of productivity attributable to smoking	Antismoking measures 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. Target for percentage of employees who are smokers: 15% Fiscal year 2022: 21.5%, fiscal year 2021: 21.9%
	11	Initiatives to prevent the spread of infectious diseases	Improvement of productivity through realization of comfortable work environments; prevention of mental health issues	Efforts are ongoing to prevent the spread of infectious diseases, including the implementation of mass influenza vaccination clinics and the provision of a related e-learning program.
	12	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.
Mental health	13	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. Target for percentage of employees taking leave: Below 0.5% Fiscal year 2022: 1.0%, fiscal year 2021: 0.8%
	14	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. Target for percentage of employees undergoing stress checks: 95% or higher Fiscal year 2022: 95.8%, fiscal year 2021: 95.7% Target for percentage of employees with high stress levels: 10% or lower Fiscal year 2022: 12.3%, fiscal year 2021: 12.9%
Work style reforms	15	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. (Average number of days of annual leave taken/employee) Fiscal year 2022: 13.4, fiscal year 2021: 12.1
	16	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. (Average monthly hours of overtime/employee) Fiscal year 2022: 12.4, fiscal year 2021: 12.3
	17	Efforts to encourage use of childcare and nursing care leave systems	Prevention of job separation because of childcare or nursing care responsibilities	Use of leave systems is being promoted by a job satisfaction improvement working group as part of the Companywide WSR 2020 project.
	18	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. Dedicated help desks have been set up at sites to provide individual consultations.
	19	Implementation of surveys to facilitate management of indicators	Improvement of employee contentment and productivity through the greater opportunities for communication and job satisfaction	Surveys are conducted regularly at DIC Group companies in Japan to facilitate management of employee engagement and other indicators. (Engagement) Fiscal year 2022: Up slightly from fiscal year 2021; (Presenteeism) Fiscal year 2022: Up 3.9 points from fiscal year 2021 (measured using the University of Tokyo's Single Item Presenteeism Question method)
Other	20	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.

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 *Kakaro 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.



Kakaro no Kenko self-check handbook

TOPIC | DIC Earns White 500 Certification for the Seventh Consecutive Year

DIC earned certification in the large enterprise category of the 2024 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 seventh 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.

* 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



SDGs Goal 12

Sustainable Procurement

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Promote sustainable procurement.	Advance initiatives aimed at expanding sustainable procurement over the medium to long term, including assessing and reducing CO ₂ emissions associated with raw materials and searching for bioderived and recycled raw materials.	<ul style="list-style-type: none">In Japan, the CO₂ emissions reduction targets of key suppliers were assessed and steps were taken to promote awareness of the need for related initiatives.Assessments of CO₂ emissions associated with raw materials were conducted, information was collected from suppliers and themes for future assessments were identified.In addition to bioderived materials, research was conducted regarding target raw materials for which the mass balance approach has been adopted, including bionaphtha, and markets for these raw materials, and information was shared across the Group in preparation for introduction.	★★	Advance initiatives aimed at expanding sustainable procurement over the medium to long term, including evaluating the CO ₂ emissions reduction targets and promoting awareness of the need for improvements, assessing CO ₂ emissions associated with raw materials, and searching for bioderived and recycled raw materials.
	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.	Sustainability assessments of suppliers were conducted in Japan and at Sun Chemical. Furthermore, the EcoVadis platform, used by Sun Chemical, was deployed across the DIC Group, with the goal of reinforcing initiatives. Assessments using this tool commenced in Japan.	★★	Continue conducting sustainability assessments of suppliers in Japan and Sun Chemical suppliers using the EcoVadis platform or another tool and promote related efforts across the DIC Group by expanding the scope of this initiative to include the PRC and the Asia-Pacific region.

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 [WEB https://www.dic-global.com/en/csr/stakeholder/partner.html](https://www.dic-global.com/en/csr/stakeholder/partner.html)

The DIC Group Universal Purchasing Policy

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



Efforts to ascertain/improve suppliers' sustainability

- Assess using EcoVadis
- Assess using the *DIC Group Sustainable Procurement Guidebook*

Responsible mineral procurement

Investigate smelters and refineries used for minerals contained in raw materials (using CMRT, etc.)

Sustainable procurement initiatives

- Survey and promote the reduction of CO₂ emissions associated with raw materials
- Advance the adoption of bioderived and recycled raw materials

Ascertaining and Improving Suppliers' Sustainability

The DIC Group uses EcoVadis and the *DIC Group Sustainable Procurement Guidebook*, capitalizing on the distinctive features of each, to assess the sustainability of its suppliers and encourage related efforts.

EcoVadis

EcoVadis is a third-party web-based sustainability rating platform that assesses the performance of companies, providing sustainability scorecards and benchmarks, among others, and has been used to evaluate more than 100,000 companies worldwide. EcoVadis experts conduct evidence-based analysis of supplier information collected, facilitating the provision of objective and highly reliable assessments of suppliers' sustainability. Sun Chemical, based in the United States, began using EcoVadis in 2020. In fiscal year 2023, the transition was made to an integrated subscription for use of this platform and deployment across the global DIC Group commenced.

DIC Group Sustainable Procurement Guidebook

Inaugurated in 2010, the *DIC Group Sustainable Procurement Guidebook* was developed with the aim of assessing suppliers' sustainability and promoting improvements. Version 3 of this guidebook, published in fiscal year 2020, is currently in use.

Outline of the *DIC Group Sustainable Procurement Guidebook* (Version 3, published in February 2020)

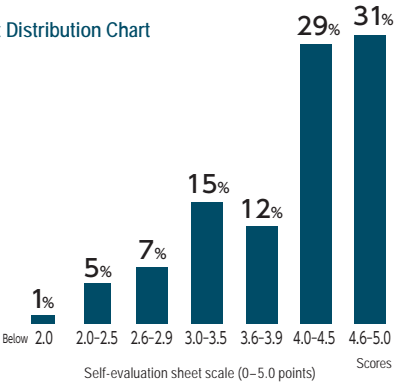
[WEB https://www.dic-global.com/pdf/about/purchase/dic_sc_csr_en.pdf](https://www.dic-global.com/pdf/about/purchase/dic_sc_csr_en.pdf)

- DIC Group Universal Purchasing Policy
- DIC Group Sustainable Procurement Guidelines
- DIC Group Green Procurement Guidelines
- DIC Group Sustainable Procurement Self-Evaluation Sheet

In addition to using the *DIC Group Sustainable Procurement Guidebook* to encourage awareness of the Group's expectations of suppliers, outlined in the DIC Group Sustainable Procurement Guidelines, the Group conducts surveys using the guidebook's self-evaluation sheet to ascertain the status of suppliers' sustainability programs. The self-evaluation sheet consists of 45 questions segmented into the same eight categories as the DIC Group Sustainable Procurement Guidelines. 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 when required.

The DIC Group Green Procurement Guidelines, included in the guidebook, oblige suppliers to ensure the stringent management of chemical

Assessment Distribution Chart



Global Sustainable Procurement Efforts

Japan

The *DIC Group Sustainable Procurement Guidebook* has been used in Japan since 2010 to assess Group suppliers' sustainability. In fiscal year 2023, the Group collected evaluations from suppliers accounting for more than 85% of its domestic procurement spending using version 3 of the *DIC Group Sustainable Procurement Guidebook*. In instances where the supplier surveyed is a trading company, an additional survey was conducted for the actual producer, with responses received from 691 companies. Feedback was provided to all responding suppliers and producers. To date, the Group has followed up with on-site inquiries to a total of 102 companies.

In fiscal year 2023, the DIC Group also began conducting assessments in Japan using EcoVadis. Plans are to gradually expand the scope of assessments with the goal of strengthening its assessment of and encouraging improvements in the sustainability of suppliers.

PRC and the Asia-Pacific Region

The DIC Group plans to commence full-scale surveys of suppliers in the PRC and the Asia-Pacific region using EcoVadis and the *DIC Group Sustainable Procurement Guidebook* in fiscal year 2024.

The Americas and Europe

In the Americas and Europe, EcoVadis has been used by Sun Chemical to assess the sustainability of and encourage initiatives by its suppliers since fiscal year 2020. The company has completed assessments of suppliers accounting for approximately 80% of its procurement spending and will continue working to expand implementation.

Human Rights Due Diligence in Supply Chains

Recognizing the importance of respect for human rights in supply chains, the DIC Group works with its suppliers to promote initiatives across its own supply chains.

Initiatives Targeting Suppliers

In accordance with the *DIC Group Sustainable Procurement Guidebook*, the Group compels its suppliers to respect the human rights of their employees by, among others, providing equal opportunities, prohibiting forced labor, preventing harassment, paying appropriate wages, appropriately managing working hours, ensuring freedom of association and guaranteeing the right to engage in collective bargaining. In addition, the Group uses EcoVadis and the aforementioned guidebook to assess the status of suppliers' efforts and encourages awareness of the need for improvements by providing feedback and conducting on-site inquiries.

Responsible Procurement of Minerals

The DIC Group has formulated the Basic Approach to the Responsible Procurement of Minerals and conducts surveys to ensure its ability to procure these critical resources in a responsible manner.

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.

* The EU Conflict Minerals Initiative defines high-risk areas as areas in a state of armed conflict or a fragile post-conflict state, as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.

In line with this approach, the DIC Group ascertains the status of suppliers' efforts to ensure the responsible procurement of minerals using EcoVadis and the *DIC Group Sustainable Procurement Guidebook* and surveys smelters using the conflict minerals reporting template (CMRT) and the extended minerals reporting template (EMRT)* to evaluate 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. In addition, Sun Chemical is a founding member of the Responsible Mica Initiative, which seeks to eradicate child labor and unacceptable working conditions in India's mica supply chain, and is working to improve the soundness of that country's mica mining industry.

* 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 cobalt and mica.

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,*1 a safety data sheet (SDS), chemSHERPA*2 and the CMRT.

*1 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.
*2 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 across supply chains.

Ensuring the Sustainable Procurement and Use of Raw Materials

The DIC Group promotes the sustainable procurement and use of raw materials from a medium- to long-term perspective.

Surveying CO₂ Emissions Associated with Raw Materials

In response to social imperatives and the expectations of its customers, the DIC Group surveys CO₂ emissions associated with raw materials to calculate the carbon footprint of its products, that is, total CO₂ emitted over its products' life cycles. So far, the Group has surveyed suppliers and collected relevant data, and has identified a need to broaden the range of items for which it gathers data. The Group will continue to keep abreast of industry trends, as well as to conduct surveys with the objective of accurately calculating and helping reduce its products' carbon footprint.

Engaging with Suppliers to Reduce CO₂ Emissions Associated with Raw Materials

The DIC Group seeks to work with its suppliers to encourage the reduction of CO₂ 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 confirmed the status of efforts to set medium- to long-term CO₂ emissions reduction targets by suppliers accounting for approximately 90% of its procurement spending, as well as to publicize and raise awareness of these efforts.

* For more information on the SBTi, please see page 88.

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.

Internal Configuration and Employee Training

Internal Configuration

A dedicated team has been established within DIC's Purchasing Department that is responsible for sustainability in the DIC Group's supply chains. This team promotes a variety of efforts with the goal of achieving sustainable procurement for the entire Group, establishing KPIs for these initiatives to track progress. Global meetings and other initiatives are used to promote the sharing of information among different regions regarding region-specific initiatives, underscoring the Group's robust commitment to advancing sustainable procurement. Thanks to these efforts, in 2023 the DIC Group scored an outstanding 70 points in the "Sustainable Procurement" category of the EcoVadis assessment.

Employee Training

To promote understanding across the DIC Group, training on sustainable procurement is provided to individuals involved in purchasing at point of hire, when joining a Group company and otherwise as appropriate.

Compliance



SDGs Goal 16

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Enhance awareness of compliance.	<ul style="list-style-type: none">Achieve target of percentage of employees participating in the e-learning program (100%).Develop global compliance self-inspection and reporting systems.	<ul style="list-style-type: none">The percentage of employees participating in e-learning reached 99%.Consideration was given to the format of self-inspections, but the development of systems was not realized.	★★	<ul style="list-style-type: none">Achieve target of percentage of employees participating in the e-learning program (100%).Continue working to develop global compliance self-inspection and reporting systems.
Conduct business fairly.	Achieve target of zero violations of antitrust, anti-corruption and other key laws.	Zero violations of antitrust, anti-corruption and other key laws were reported.	★★	Achieve target of zero violations of antitrust, anti-corruption and other key 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 work 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, at DIC Asia Pacific, at 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 2023, there were no serious violations of compliance laws.

Compliance E-Learning

- Fiscal year 2019

Fiscal year 2020
- Avoiding conflicts of interest

• 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

Fiscal year 2022

Fiscal year 2023
- Ensuring compliance (product quality)

• Information security and Japan's Act on the Protection of Personal Information, etc.

• Preventing discrimination and harassment

• Ensuring compliance (product quality)

• Information security and Japan's Act on the Protection of Personal Information, etc.

• Ensuring compliance (DIC Group Code of Business Conduct)

• Ensuring compliance (product quality)

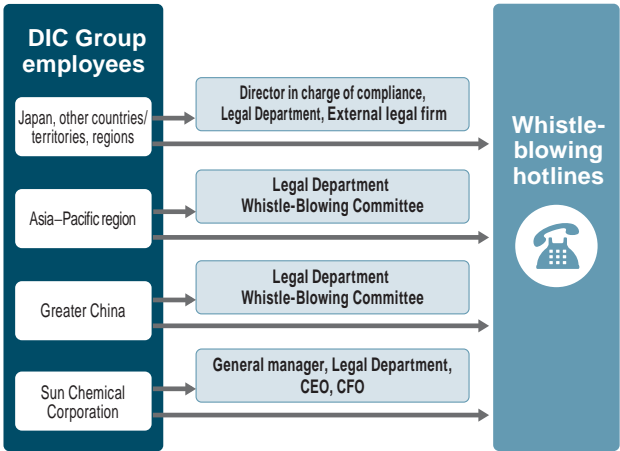
• Information security and Japan's Act on the Protection of Personal Information, etc.

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 accommodate more than 160 languages.) 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 2023, approximately 50 reports were received on compliance issues and labor-related matters such as power harassment and discrimination, but none were judged to be serious, the content of which was reported to the Board of Directors



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. Strict rules for compliance with antitrust legislation and the prohibition of involvement in corruption are contained in the DIC Group Code of Business Conduct. These are also among the themes addressed in e-learning held annually to bolster employee understanding and advance awareness.

Promoting Compliance with Legislation Regarding the Timely Payment of Subcontractors

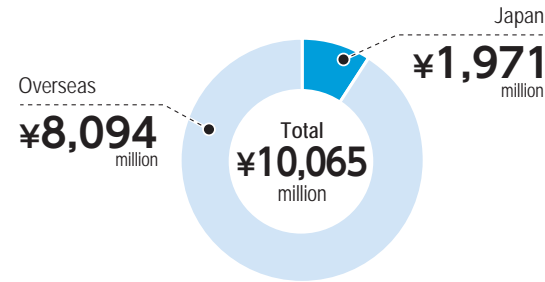
With the aim of enhancing understanding of the importance of appropriate and fair transactions with subcontractors, the Legal Department held presentations on legislation regarding the timely payment of subcontractors, incorporating case studies, for the purchasing departments of domestic DIC Group companies, 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 2023.

The DIC Group's Approach to Tax
WEB <https://www.dic-global.com/en/csr/philosophy/management/tax.html>

Income Taxes in Fiscal Year 2023



Business Continuity Management (BCM) and Crisis Management

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 2023	Achievements in fiscal year 2023	Evaluation	Goals for fiscal year 2024
Ensure the continuity of DIC Group businesses.	Periodically revise Business Continuity Plans (BCPs) and reinforce cooperation among product divisions and sites.	• Annual scheduled updates of BCPs were implemented. • With the aim of ensuring the stable operation of the DIC BC Portal to reinforce collaboration among the headquarters task force, product divisions and sites, a review was conducted of criteria for activating this system and, from an information security perspective, of event-specific user settings. • Training employing the DIC BC Portal was offered at multiple sites.	★★★	Promote BCM systems.
	Strengthen efforts to create a global crisis management configuration and promote BCP initiatives.	• Surveys were conducted on the status of BCPs at DIC Group companies overseen by DIC Asia Pacific and DIC (China).	★	Strengthen efforts to create a global crisis management configuration.

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 critical events arising from these risks and the impact thereof 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, and is working to formulate and improve BCM and crisis management countermeasures, including by reviewing risk-specific manuals used Groupwide, formulating and revising BCPs for key products and updating information.

Framework for Promoting BCPs

DIC has prepared crisis management rules and risk-specific manuals for use across the DIC Group in the event of a major disaster, as well as formulated BCPs for individual product divisions. DIC also recognizes the importance of fulfilling 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 Company selects key products and reflects them in BCPs.

In fiscal year 2023, DIC formulated and deployed BCPs for all of its unlisted consolidated subsidiaries in Japan with production sites, completing BCPs targeting high-priority risks similar to those of the parent company. Additionally, a fact-finding survey was conducted on the status of, among others, BCPs and crisis management rules of DIC Group companies overseen by DIC Asia Pacific in Singapore and DIC (China) with a view to expanding the scope of BCP formulation to include these companies.

BCM in Fiscal Year 2023

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, which includes presentations for employees newly put in charge of BCPs for business groups, as well as for Group company employees assigned to related roles at Group companies in advance of the rollout of BCP initiatives. Training also involves conducting workshops and map-based simulation exercises targeting senior management for headquarters task force members under the supervision and guidance of experts.

In fiscal year 2023, the Group conducted a BCP-focused drill based on the premise of an accident involving a chemical leak at a production facility caused by an earthquake. The drill included using online meetings involving the headquarters task force, product divisions and production facilities in combination with the DIC BC Portal disaster information system—a web-based system facilitating the collection and sharing of information when an accident or disaster occurs—to report and discuss responses based on damage estimates, including the possibility of chemicals escaping outside the site, and included an exercise in dealing with local governments and residents.

Improving the Effectiveness of BCPs and Avoiding Mere Formalities

DIC works to refine its BCP templates to avoid mere formalities. Key measures include conducting annual status update meetings, attended by relevant executives, to verify that product division BCPs are up-to-date and relevant. The fiscal year 2023 status update meeting involved examining the content of product division BCPs, confirming the update status, as well as identifying areas for improvement and issues to be addressed, based on which improvements will be implemented in fiscal year 2024 and beyond.

Conducting Emergency Response Drills

In addition to annual headquarters task force–led training, DIC 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 employee safety confirmation, site-to-site emergency radio warning, site-specific comprehensive disaster and other drills. With the establishment of site training environments for the aforementioned DIC BC Portal, use of the system in the sharing of information among sites during emergency response drills expanded significantly.

Crisis Management

Administration of the DIC Portal Web-Based Disaster Information System

In fiscal year 2023, DIC sought to address issues associated with the DIC BC Portal that emerged during the period, the second year since the system’s rollout, to maintain and gradually improve the effectiveness and usefulness of this system. Specifically, from the perspective of clarifying criteria for activating the system and facilitating more appropriate internal information management, a review was conducted of the range of settings for categories used for sharing information, which include natural disasters, accidents, fires, explosions, chemical leaks and serious personal injuries.

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 the DIC Building, 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 a nearby empty lot. 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 major disaster. The Company also participates in drills in collaboration with local authorities aimed at guaranteeing the effective sharing of information, even in the midst of post-disaster chaos, regarding evacuations. DIC will continue to play an active role in community-based efforts to reinforce local disaster preparations, thereby helping ensure Tokyo’s disaster resilience.

Information Security

Initiatives to Ensure Information Security

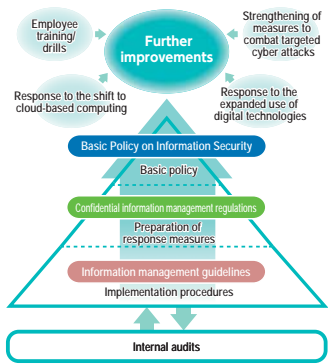
Goals and Achievements of Major Initiatives

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

Objective of initiatives	Goal for fiscal year 2023	Achievements in fiscal year 2023	Evaluation	Goal for fiscal year 2024
Establish a global information security framework.	Based on the information security road map devised in fiscal year 2022, decisively implement action plans for themes determined to be of particular importance. Minimize information security risks in a global and open cloud-based digital environment, strengthen ability to address incidents when they occur and to minimize the impact thereof.	<ul style="list-style-type: none">Efforts to deploy a global security framework, advance the transition to cloud-based computing under a next-generation IT project and provide training to address incidents when they occur proceeded as planned.The information security road map was updated to reflect recent trends in terms of cyber security risks.	★★	Based on the information security road map, continue to decisively implement action plans for themes determined to be of particular importance. Minimize information security risks in a global and open cloud-based digital environment, strengthen ability to address incidents when they occur and to minimize the impact thereof.

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. 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.

Regulations and Guidelines

In line with its Basic Policy on Information Security, in Japan, the PRC and the Asia–Pacific region the DIC Group has set forth confidential information management regulations, which stipulate the scope of management and related standards, rules and responsibilities, and the confidential 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. These are updated regularly and as required to address new security risks in a timely manner. The Group has also created and revises global guidelines and rules governing the use of AI, cloud computing and control systems in response to the increasing prevalence of digital technologies.

Management Framework

The Information Security Committee, which is led by the head of the IT Strategy Unit, meets regularly (twice annually) and whenever

necessary 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.

Information Security Infrastructure

The DIC Group has formulated a road map for information security that focuses on latent risks identified through a risk assessment conducted by a third-party organization. Guided by this road map, the Group is advancing initiatives designed to permanently reduce related management and business risks by equipping it to respond swiftly and accurately to increasingly active and sophisticated cyber security threats. The Group is also working to enhance control systems management at individual sites by promoting the effective use of guidelines, as well as the determination of management cycles, to address issues identified through risk analysis and audits.

Going forward, the DIC Group aims to deploy information security measures introduced in Japan (including introducing internet security and endpoint security systems) elsewhere in Asia, as well as to strengthen its cyber attack detection and analysis capabilities in the Americas and Europe. In addition, the Group will plan and implement IT-related initiatives to streamline and automate related operations.

○ Employee Education and Training

The DIC Group offers an e-learning information security program for employees 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, including providing training in how to contend with phishing attacks.

○ 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.

Comment This is my view of DIC’s information security capabilities as a partner for DIC.

In addition to forensic services,¹ Verizon Japan Ltd. periodically provides DIC with security advisory services. To be precise, in addition to responding to queries pertaining to topics proposed by the Company, we also extend services designed to help fortify DIC’s security systems and enhance its knowledge base, including presenting case studies based on initiatives promoted by other companies and useful materials pertaining to risks associated with new technologies and approaches to strengthening security systems, as well training pertaining to settings for security devices, the basics of evidence preservation and the use of related tools, and how to address incidents when they occur.

DIC has one group that explores and implements effective security policies and governance and another that is responsible for technologies for the practical application of both to concrete solutions such as firewalls and endpoint detection and response (EDR) solutions. However, rather than being siloed off from each other, these groups cooperate and communicate, allowing them to maintain a constructive relationship that underpins the implementation of various initiatives. This is made possible by the fact that everyone involved is firmly focused on the same goal.

Looking ahead, it is my hope that we can continue to assist DIC in its efforts to build and maintain an ever-better security system through effective interactive collaboration.

^{*1} In the context of information security, forensic services support the ability to resolve security incidents such as unauthorized access and information leaks.
^{*2} EDR is a cybersecurity technology that providing detection and notification of cyber attacks on endpoints in an environment, such as computers, servers and smartphones.



Consultant, Verizon Japan Ltd. Yasuki Kono

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

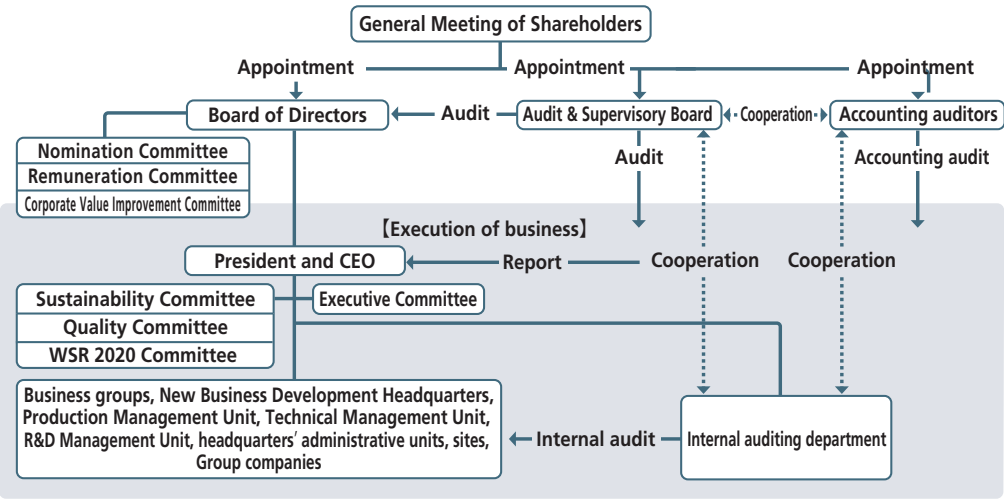
DIC has prepared a Policy on Corporate Governance and published the policy on its global website.

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

Corporate Governance Structure

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 the Nomination Committee, Remuneration Committee, Corporate Value Improvement Committee Executive Committee, Sustainability Committee, Quality Committee and Work Style Revolution (WSR) 2020 Committee.

Corporate Governance Structure



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 10 directors, four of whom are outside directors (two of whom are female, including one who is a foreign national). 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 activities 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 six directors, four 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 six directors, four of whom are independent outside directors, with an independent outside director serving as chair.

4 Corporate Value Improvement Committee

The Corporate Value Improvement Committee was established in April 2024 to explore the role of companies in society from a high-level, broad viewpoint and advise the Board of Directors from a third-party perspective regarding the improvement of corporate value over the long term. The committee consists of four outside directors and depending on the theme invites external experts to serve as advisors.

5 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.

6 Sustainability Committe

The Sustainability Committee, which functions as an advisory body, formulates sustainability policies and activity plans, evaluates and

promotes sustainability initiatives, and deliberates and makes decisions regarding matters of importance when it deems this to be necessary. In fiscal year 2023, the Sustainability Committee met four times. The committee consists of executive officers and others designated by the Board of Directors from among the President and CEO, Executive Vice President, the heads of the units, the general managers of the management units and product divisions, and the managing directors of regional headquarters. As part of the auditing process, one Audit & Supervisory Board member also attends Sustainability Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

7 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.

8 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 regarding matters of particular importance and the results thereof are reported to the Board of Directors.

9 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. Board members also report on the results of audits conducted, as well as 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 four 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. Full-time Audit & Supervisory Board member Toshinobu Kitamura was in charge of finance and accounting for the Company and served as vice chairman and CFO of DIC (China) Co., Ltd. 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 a certified public accountant with extensive experience in corporate auditing.

10 Internal Auditing Department

The internal auditing department comprises four local teams of employees covering Japan, the Asia-Pacific region, the PRC, and the Americas, Europe, the Middle East and Africa. The department is charged with formulating annual audit plans based on quantitative and qualitative risk assessments. These plans are finalized when they receive approval from the Executive Committee and are reported to the Audit & Supervisory Board, which provides instructions regarding key concerns, and conducts internal audits, including monitoring the effectiveness of internal controls.

11 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 2023
Board of Directors: Number of meetings: 15; attendance: 100%
Nomination Committee: Number of meetings: 4; attendance: 100%
Remuneration Committee: Number of meetings: 3; attendance: 100%

Rationale Behind Current Corporate Governance System

DIC 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 four highly independent outside individuals to its Board of Directors to reinforce its monitoring of business execution. The Company also has a Nomination Committee, Remuneration Committee and a Corporate Value Improvement Committee, which include four outside directors, to ensure objectivity in the nomination of, and in determining remuneration for, directors and executive officers, as well as measures to bolster corporate value. 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 activities, 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 annual budgets 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 the 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 four outside directors and two outside Audit & Supervisory Board members. As well as attending meetings of the Board of Directors, the four outside directors—who have extensive experience in corporate management—serve as members of the Nomination Committee, the Remuneration Committee and the Corporate Value Improvement Committee, enabling them to provide supervision with an independent point of view, thereby helping to reinforce the Company's corporate governance. 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 Independent 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 independent 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 in 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 corporate 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

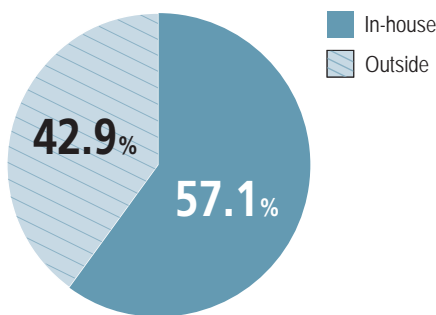
① Composition of the Board of Directors

The Board of Directors, which is chaired by the chairman and representative director, resolves major operations-related issues. 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 Nomination Committee selects candidates for the position of director based on expertise and experience, as shown in the skills matrix. The Board of Directors is of an appropriate scale based on the presumption that authority will be delegated to management.

Given the increasingly global nature of the DIC Group's business activities, the Company is also striving to diversify the composition of

the Board of Directors. At present, three of the Board's members are women (two outside directors and one outside Audit & Supervisory Board member). One of the female outside directors is a foreign national.

Composition of the Board of Directors (As of April 1, 2024)



Composition of the Board of Directors

	In-house	Outside	Total	Percentage of outside members
Directors	6	4	10	40.0%
Audit & Supervisory Board members	2	2	4	50.0%
Total	8	6	14	42.9%

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	Financial/asset Building	Legal Affairs/risk Management	International experience	Sustainability	IT/DX	Personnel/labor	Marketing/Sales/purchasing	Technology/R&D	Production/quality
Kaoru Ino	Representative Director Chairman of the Board of Directors	●	●		●					●	
Takashi Ikeda	Representative Director President and CEO	●	●		●		●				●
Shuji Furuta	Representative Director Executive Vice President	●	●	●	●			●			
Yoshihisa Kawamura	Director	●			●	●				●	
Takeshi Asai	Director Senior Managing Executive Officer	●	●		●				●		
Masaya Nakafuji	Director Senior Managing Executive Officer		●	●			●		●		
Kuniko Shoji	Outside Director					●	●			●	●
Masami Fujita	Outside Director	●		●					●	●	
Shiro Saito	Outside Director	●			●		●	●			
Donna Costa	Outside Director			●	●	●			●		
Hiroyuki Ninomiya	Audit & Supervisory Board Member (Full-time)		●	●	●			●			
Toshinobu Kitamura	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 in accordance with the policies for determining remuneration for individual directors adopted by the Board of Directors and stipulated in the Executive Regulations, with consideration given to such factors as prevailing market rates, the Company's operating results, individual qualifications, ability

to perform duties, actual performance of duties and balance with employee salaries. Directors receive basic remuneration; bonuses, which are linked to consolidated operating results and achievement of individual targets; and stock compensation, which aims to strengthen awareness of the importance of contributing to the medium- to long-term improvement of operating results, as well as to the enhancement

of corporate value, and of sharing the same objectives as shareholders. 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 & Supervisory Board Members in Fiscal Year 2023

	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)	290	265	4	21	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	60	60	—	—	2
Outside officers	77	77	—	—	7

③ Evaluating the Effectiveness of the Board of Directors

The Company 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 2023, 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 2022, 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, increased opportunities to hear explanations from executive officers who are foreign nationals, and the restructuring of the Company's risk management system. Accordingly, the effectiveness of the Board of Directors was confirmed.

In fiscal year 2024, DIC will seek to further bolster the Board of Directors' effectiveness. As well as revising DIC Vision 2030 and reviewing progress of the plan's priority measures, the Company will encourage understanding of its current status by organizing regular opportunities for outside directors to provide overviews of individual businesses, among others. The Company will also continue to discuss specific distinctively DIC aspects of its corporate governance system, as part of its ongoing effort to promote improvement.

■ Other Initiatives

① Ensuring Diversity in the Promotion of Core Human Resources

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.

As measurable targets for ensuring diversity, the Company has set targets for percentage of management positions in Japan occupied by women and percentage of employees in Japan accounted for by foreign nationals, publishing actual figures in the integrated report.

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." A director has been put in charge of diversity to create an effective configuration.

In its long-term management plan, the Company identifies three strategic priorities for reinforcing management of human capital: Foster human resources, ensure mobility (hiring, retention and succession), and improve engagement and organizational cohesiveness. The WSR 2020 Committee targets the development of new work styles with the objective of enhancing productivity and job satisfaction. The status of measures implemented under this project is disclosed in the integrated report.

② Sustainability Initiatives

The Company promotes sustainability initiatives in line with 13 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 the "Overview of Sustainability" section of 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 United Nations Global Compact (UNGC). In addition, having declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019, in April 2022 DIC joined the Japan Business Initiative for Biodiversity (JBIB) and in November 2023 formulated its own biodiversity policy. In February 2023, the Company set a target for achieving carbon neutrality by fiscal year 2050, which 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.

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
Establishes Corporate Value Improvement Committee	2024
Increased number of outside directors from three to four	2024

Risk Management

Basic Approach to Risk Management

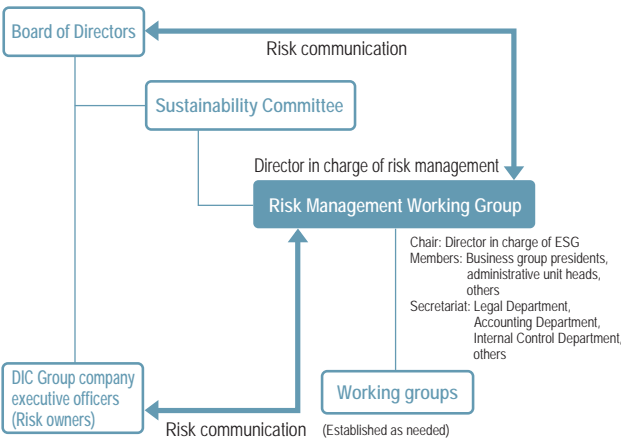
The DIC Group works to expand its operations in line with the growth scenario set forth in the DIC Vision 2030 long-term management plan. At the same time, in this age of unprecedented uncertainties, effectively managing risks is crucial to increasing corporate value. The Group strives to address changes in its operating environment and the diversification of risks in an appropriate and flexible manner. The Group also promotes initiatives aimed at promptly grasping the impact of latent risks on its businesses, preventing such risks from manifesting and minimizing the impact if they do.

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 plan-do-check-act (PDCA) cycle.

Framework for Risk Management

Under the guidance of the director in charge of risk management, the DIC Group has established the Risk Management Working Group, a subordinate entity of the Sustainability Committee, as part of its effort to strengthen its comprehensive framework for risk management.

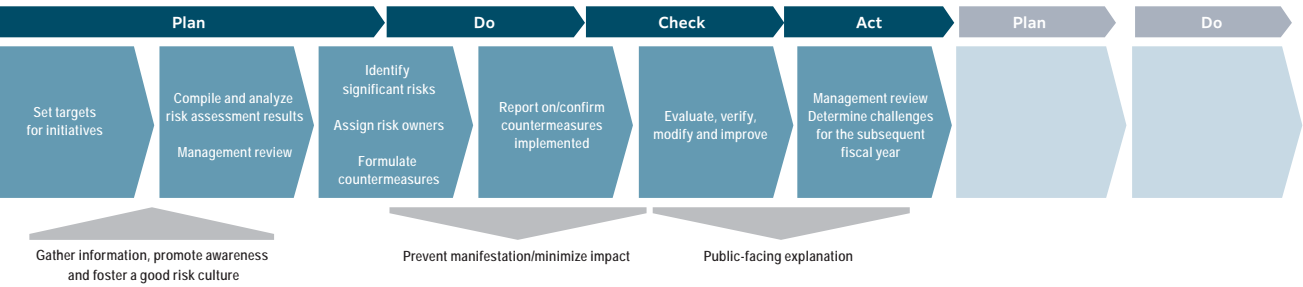


Risk Management Initiatives

At the end of each fiscal year, directors and business group presidents conduct a risk assessment, the results of which are compiled and analyzed by the Risk Management Working Group. The working group's findings are reported to the Sustainability Committee and the Board of Directors at the beginning of the subsequent fiscal year and significant risks facing the Group in the new period are identified. Each of these significant risks is assigned an owner, that is, the division or department responsible for implementing countermeasures. Risk owners report the progress and outcome of their efforts, as well as any resulting changes to the risk, among others, to the Risk Management Working Group as necessary. The working group responds by providing the risk owner with critical support, evaluating and verifying the results of countermeasures, and suggesting corrections and improvements. The results of these efforts are reported to the Sustainability Committee and the Board of Directors at fiscal year-end, based on which challenges and targets to be incorporated into the following year's sustainability activity plan are determined. The risk management framework is also honed or modified as appropriate, laying the foundation for the subsequent year's risk management assessments. Changes to the status of risks resulting from risk management initiatives, as well as from changes in the operating environment, are disclosed publicly as appropriate in the annual securities report, among others.

Overview of Risk Management

Led by the Risk Management Working Group, DIC uses the PDCA cycle on an annual basis to enhance the effectiveness of the DIC Group's risk management.



Directors, Audit & Supervisory Board Members and Executive Officers

(As of May 2024)

Directors



- 1

Kaoru Ino

Chairman of the Board of Directors
- 2

Takashi Ikeda

Representative Director
- 3

Shuji Furuta

Representative Director
- 4

Yoshihisa Kawamura

Director
- 5

Takeshi Asai

Director
- 6

Masaya Nakafuji

Director
- 7

Kuniko Shoji

Director*
- 8

Masami Fujita

Director*
- 9

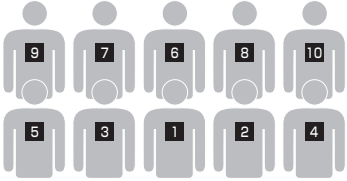
Shiro Saito

Director*
- 10

Donna Costa

Director*

* Outside



Audit & Supervisory Board Members



- 1

Hiroyuki Ninomiya

Full-Time Audit & Supervisory Board Member
- 2

Toshinobu Kitamura

Full-Time Audit & Supervisory Board Member
- 3

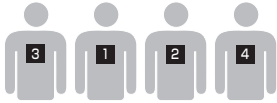
Keita Nagura

Audit & Supervisory Board Member*
- 4

Keiko Kishigami

Audit & Supervisory Board Member*

* Outside



Outside Director Profiles

Masami Fujita
June 2012 Vice President, Fujitsu Limited
June 2019 Representative Director and President, SHINKO ELECTRIC INDUSTRIES CO., LTD.
June 2021 Representative Director and Chairman, SHINKO ELECTRIC INDUSTRIES CO., LTD.

Shiro Saito
September 2015 Executive Officer and Corporate Senior Vice President, Toshiba Corporation
June 2018 Executive Officer and Corporate Executive Vice President, Toshiba Corporation
April 2020 Executive Fellow, Toshiba Corporation

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

Donna Costa
April 2017 President, Mitsubishi Chemical Holdings Europe GmbH (currently Mitsubishi Chemical Europe GmbH)
April 2017 Executive Officer, Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)
October 2020 Director, Gelest, Inc.

Outside Audit & Supervisory Board Member Profiles

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

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

Executive Officers



Takashi Ikeda
President and CEO



Shuji Furuta
Executive Vice President
Assistant to President and CEO
Head of Corporate Strategy Unit
In Charge of Kawamura Memorial
DIC Museum of Art



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



Takeshi Asai
Senior Managing Executive Officer
Head of Finance and Accounting Unit
CFO
Chairman of the Board, Sun Chemical Corporation



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



Koji Asada
Managing Executive Officer
Head of IT Strategy Unit



Toshiro Ariga
Managing Executive Officer
In Charge of Technical Management
Unit and R&D Management Unit
General Manager,
Technical Management Unit



Yuji Kikuchi
Managing Executive Officer
President, Functional Products Business Group
General Manager, Performance Material
Products Div.



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



Masahiro Kikuchi
Executive Officer
Chairman, DIC (China) Co., Ltd.
Chairman, DIC (Shanghai) Co., Ltd.



Yuji Morinaga
Executive Officer
General Manager, Packaging 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, Corporate Supply
Chain Dept.



Yoshiharu Ootoshi
Executive Officer
General Manager, Production Management
Unit



Kevin Michaelson
Executive Officer
Vice President and CFO,
Sun Chemical Corporation



Hisashi Komoto
Executive Officer
General Manager, Composite Material
Products Div.

A Message from an Outside Director



Having appointed a new president in a move aimed at driving reform, we are stepping up efforts to generate both social and economic value.

Masami Fujita

Outside Director

June 2012 Vice President, Fujitsu Limited
June 2019 Representative Director and President, SHINKO ELECTRIC INDUSTRIES CO., LTD.
June 2021 Representative Director and Chairman, SHINKO ELECTRIC INDUSTRIES CO., LTD.

Working Together as a Team Under the New President to Drive Reform

In January 2024, Takashi Ikeda was appointed President and CEO of DIC to guide the Company through the next phase of its evolution. Prior to this, the Nomination Committee, which is responsible for providing recommendations regarding the appointment of the president, deliberated candidates in a process that incorporates both internal and external perspectives in a balanced manner, to ensure objectivity in its nomination. The committee comprises six directors, four of whom currently are independent outside directors, with an independent outside director serving as chair.

Discussions regarding the appointment of the new president were carried out over an extensive period, beginning prior to fiscal year 2023, when I became an outside director of the Company. At the very root of these discussions was recognition of the need to choose a leader capable of bringing out change in the harsh post-pandemic operating environment, while at the same time seeking to build a new business portfolio, and to promote succession planning to ensure a management team equipped to support the president's efforts. Eventually, Mr. Ikeda's diverse background, which includes extensive time spent outside Japan, a career in technology, and an MBA from a U.S. university, and his broad business experience, which straddles multiple areas of DIC's operations, led to the conclusion that he was the best candidate. It is my hope that as president, Mr. Ikeda will demonstrate his management proficiency from a long-term perspective, striving not only to achieve short-term goals but also to explore ways to better maximize the Company's considerable strengths.

Key Competitive Advantages: An Open Corporate Culture and Employees' Commitment to Product Quality

I believe that the Board of Directors of DIC hold free, open and high-level discussions, and rate the effectiveness of the Company's governance as high. The Company as a whole, not just the Board of Directors, has an open corporate culture and my impression is that employees approach their work earnestly and with a sense of duty.

Even in the early days of my tenure as an outside director, I was impressed by the way individual executive officers were able to express their opinion candidly to the chairman, the president and other directors, and engage in lively debate. In other words, I believe that DIC actively seeks to attract human resources with a keen perspective on corporate management. DIC also has unique technologies that distinguish it from its competitors. These technologies, which are underpinned by employees' commitment to product quality and an open corporate culture that encourages thinking outside the box, are key competitive advantages for the Company.

DIC's vision statement is "We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*." I find myself relating particularly to this statement, which accurately articulates the Company's determination to provide products that add vivid color to the lives of people everywhere.

Evolving as a Company that Generates Both Social and Economic Value

I believe that enhancing sustainability initiatives and reinforcing human capital management remain important challenges for DIC. The Company has a broad range of distinctive technologies and capabilities with the potential to contribute to sustainability. (For example, it is currently working with FPCO, which is headquartered in the city of Fukuyama, in Hiroshima Prefecture, to establish a closed-loop recycling system for polystyrene food trays.) Going forward, it will be necessary to leverage such technologies and capabilities to build business models that generate both social and economic value. To reinforce human capital management, it is necessary to strengthen diversity initiatives to build a truly global human resources portfolio.

Looking ahead, I pledge to continue drawing on my experience in corporate and human resources management to assist DIC as it strives to bolster its corporate value and achieve sustainable growth.

Financial Report for Fiscal Year 2023

Analysis of Results of Operations

Overview of Operating Results

(Billions of yen)				
	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]
Net sales	1,054.2	1,038.7	-1.5%	-5.1%
Operating income	39.7	17.9	-54.8%	-51.0%
Ordinary income	39.9	9.2	-76.9%	—
Net income (loss) attributable to owners of the parent	17.6	(39.9)	Loss	—
EBITDA*	85.5	30.8	-63.9%	—
¥/US\$1.00 (Average exchange rate)	130.59	140.51	7.6%	—
¥/EUR1.00 (Average exchange rate)	137.71	151.98	10.4%	—

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

In the fiscal year ended December 31, 2023, consolidated net sales edged down 1.5%, to ¥1,038.7 billion. Uncertainties persisted in the global economy, owing to such factors as the continued pursuit of inflation-curbing monetary policies in the United States and Europe, geopolitical risks attributable to the protracted crisis in Ukraine and a slowing economic recovery in the PRC caused by a slumping real estate sector, among others, as a result of which demand for goods flagged in all regions and efforts to adjust inventories were seen in various industry sectors. Against this backdrop, demand trends in core customer industries varied. In the area of digital materials, used principally in electrical and electronics equipment and in displays, demand picked up, underpinned by the completion of inventory adjustments by display manufacturers. The semiconductor market showed signs of bottoming out after a lengthy slump, but a full-scale demand revival remained elusive. In industrial materials,* used primarily in mobility solutions, an upturn in vehicle sales was seen worldwide, contributing to the resolution of surplus inventories of materials for use in automobiles across the supply chain, but demand recovery remained slow. Reflecting these trends, and notwithstanding efforts in all segments to pass on rising costs by adapting sales prices, conditions remained challenging in terms of sales volume, particularly in the Color & Display segment—which saw sagging shipments of pigments for coatings and for plastics, among others, a consequence of prolonged economic stagnation in Europe, a leading market for these products, and falling demand for consumer goods caused by rising prices in the

United States—and in the Functional Products segment, where shipments of high-value-added digital materials and industrial materials declined overall.

Operating income fell 54.8%, to ¥17.9 billion. This sharp decrease was despite efforts in all segments to adjust sales prices, together with a gain in the Packaging & Graphic segment, and was largely a result of sinking shipments of pigments, mainly those for coatings and for plastics, in the Color & Display segment, and of high-value-added products, including those in the Functional Products segment. Another contributing factor was the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories, notably those of pigments for coatings and for plastics.

Ordinary income, at ¥9.2 billion, dropped 76.9%.

Net loss attributable to owners of the parent was ¥39.9 billion. This was due to a steep increase in extraordinary losses, owing primarily to a ¥19.7 billion impairment loss on goodwill recognized in the Color & Display segment in relation to the Colors & Effects pigments business, acquired in June 2021.

EBITDA declined 63.9%, to ¥30.8 billion.

* 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.

Segment Results

(Billions of yen)								
	Net sales				Operating income (loss)			
	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]
Packaging & Graphic	533.0	541.9	1.7%	-1.9%	20.3	22.0	8.1%	11.4%
Color & Display	248.2	227.3	-8.4%	-14.1%	5.1	(8.9)	Loss	Loss
Functional Products	315.4	305.9	-3.0%	-5.0%	23.6	15.4	-34.6%	-36.4%
Others, Corporate and eliminations	(42.4)	(36.4)	—	—	(9.4)	(10.6)	—	—
Total	1,054.2	1,038.7	-1.5%	-5.1%	39.7	17.9	-54.8%	-51.0%

Packaging & Graphic

	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]
Net sales	¥533.0 billion	¥541.9 billion	1.7%	-1.9%
Operating income	¥20.3 billion	¥22.0 billion	8.1%	11.4%

Segment sales advanced 1.7%, to ¥541.9 billion. Shipments of packaging inks, used chiefly on packaging for food products, were up in the PRC, underpinned by efforts to cultivate new customers, but down overall as rising prices dampened demand for consumer goods in other regions. Nonetheless, sales of these products were essentially level thanks to successful efforts to adapt sales prices worldwide. Sales of publication inks, which center on inks for commercial printing and news inks, decreased, despite moves to adjust sales prices in all regions, which lifted sales in Japan, as dwindling demand, among others, pushed shipments down in the Americas and Europe, as well as in Asia. Sales of jet inks, used in digital printing, were bolstered by the positive impact of a weak yen on sales denominated in other currencies, which countered the absence of a recovery in demand, especially from overseas customers,

and a decline in shipments amid inventory adjustments and other measures implemented in response to rising prices and interest rates in the United States and Europe.

Segment operating income rose 8.1%, to ¥22.0 billion. In Japan, shipments of high-value-added jet inks deteriorated, although efforts to counter higher costs in the area of packaging inks and publication inks by adapting sales prices progressed. Operating income overseas was up overall, buttressed by increased shipments of packaging inks and publication inks in the PRC, which boosted results in Asia, together with moves to maintain sales prices for packaging inks and publication inks in the Americas and Europe.

Color & Display

	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]
Net sales	¥248.2 billion	¥227.3 billion	-8.4%	-14.1%
Operating income (loss)	¥5.1 billion	¥(8.9) billion	Loss	Loss

Segment sales declined 8.4%, to ¥227.3 billion. Shipments of pigments for coatings and for plastics, which account for a significant proportion of segment sales, were down overall. Factors behind this result included falling demand and ongoing moves by customers to curtail inventories, both consequences of slowing economic growth in Europe, a leading market for these products, and rising prices in the United States. Among high-value-added products, shipments of pigments for color filters, used in displays, were firm following the completion of inventory adjustments by display manufacturers. In pigments for cosmetics, sales were weak as shipments in the Americas and Europe were listless, hindered by rising prices, although demand in Asia rallied, bolstered by a delayed return to pre-COVID-19 lifestyles. In pigments for specialty applications, shipments of products for agricultural use tumbled, a consequence

of inventory adjustments by customers, and shipments of pigments for use in building materials remained sluggish in Europe, a primary market for these products, owing to the protracted crisis in Ukraine.

The segment reported an operating loss of ¥8.9 billion. This was despite steady shipments of pigments for color filters and for cosmetics, and was attributable to a decrease in shipments of pigments for coatings and for plastics, particularly in Europe, combined with stagnant shipments of high-value-added pigments for specialty applications. The segment loss was also due to the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories, notably those of pigments for coatings and for plastics.

Functional Products

	FY2022	FY2023	Change (%)	Change (%) [Local currency basis]
Net sales	¥315.4 billion	¥305.9 billion	-3.0%	-5.0%
Operating income	¥23.6 billion	¥15.4 billion	-34.6%	-36.4%

Segment sales dipped 3.0%, to ¥305.9 billion. Sales of digital materials, used principally in electrical and electronics equipment and in displays, were down as shipments of epoxy resins—the foremost application for which is semiconductors—failed to fully recover, despite signs that the market had bottomed out. Sales of industrial-use adhesive tapes, used mainly in smartphones and other mobile devices, were boosted by steady efforts to lock in demand. Sales of industrial materials, used primarily in mobility solutions, rose. This was despite a slower-than-expected recovery in shipments of materials for use in automobiles as the resolution of surplus inventories across the supply chain progressed, and was thanks to the addition of the sales of

Guangdong DIC TOD Resins Co., Ltd., a coating resins manufacturer in the PRC acquired in July 2022. Sales of PPS compounds advanced, despite shipments for use in automobiles remaining in recovery mode, bolstered by the positive impact of factors such as sales price adjustments.

Segment operating income fell 34.6%, to ¥15.4 billion. This substantial decrease was despite efforts to adapt sales prices for all products to pass on cost increases and reflected a decline in shipments of high-value-added products used in electrical and electronics equipment and in mobility solutions.

Consolidated Financial Statements

Consolidated Balance Sheet As of December 31, 2022 and 2023

(Millions of yen)

	2022	2023
Assets		
Current assets		
Cash and deposits	63,380	87,533
Notes and accounts receivable—trade	247,520	225,148
Merchandise and finished goods	182,572	167,427
Work in process	11,656	11,250
Raw materials and supplies	116,522	94,157
Other	42,432	38,623
Allowance for doubtful accounts	(4,116)	(3,951)
Total current assets	659,967	620,188
Non-current assets		
Property, plant and equipment		
Buildings and structures	330,046	350,676
Accumulated depreciation	(201,304)	(217,614)
Buildings and structures, net	128,742	133,062
Machinery, equipment and vehicles	497,171	533,849
Accumulated depreciation	(378,061)	(405,236)
Machinery, equipment and vehicles, net	119,110	128,613
Tools, furniture and fixtures	80,714	86,607
Accumulated depreciation	(63,626)	(68,784)
Tools, furniture and fixtures, net	17,089	17,822
Land	66,353	66,488
Construction in progress	22,242	27,907
Total property, plant and equipment	353,536	373,892
Intangible assets		
Goodwill	33,641	17,782
Software	10,277	14,298
Customer-related assets	9,609	11,639
Other	25,238	25,198
Total intangible assets	78,764	68,916
Investments and other assets		
Investment securities	63,819	63,071
Deferred tax assets	16,419	16,593
Net defined benefit assets	64,383	78,961
Other	24,849	23,366
Allowance for doubtful accounts	(98)	(98)
Total investments and other assets	169,371	181,893
Total non-current assets	601,671	624,701
Total assets	1,261,637	1,244,889

Consolidated Balance Sheet As of December 31, 2022 and 2023

(Millions of yen)

	2022	2023
Liabilities		
Current liabilities		
Notes and accounts payable—trade	154,964	140,089
Short-term loans payable	26,056	12,405
Commercial papers	30,000	33,000
Current portion of bonds payable	30,000	30,000
Current portion of long-term loans payable	35,928	33,897
Lease obligations	4,607	4,656
Income taxes payable	5,650	2,870
Provision for bonuses	5,555	5,037
Other	97,133	86,794
Total current liabilities	389,892	348,749
Non-current liabilities		
Bonds payable	110,000	95,000
Long-term loans payable	260,259	308,231
Lease obligations	12,479	11,769
Deferred tax liabilities	14,443	19,351
Net defined benefit liabilities	28,742	36,056
Asset retirement obligations	8,449	9,480
Other	16,286	16,986
Total non-current liabilities	450,657	496,873
Total liabilities	840,549	845,622
Net Assets		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,234	94,234
Retained earnings	222,796	173,292
Treasury shares	(1,785)	(1,586)
Total shareholders' equity	411,802	362,497
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,360	5,542
Deferred gains or losses on hedges	694	248
Foreign currency translation adjustment	(17,286)	12,559
Remeasurements of defined benefit plans	(13,573)	(16,910)
Total accumulated other comprehensive income	(24,805)	1,440
Non-controlling interests	34,091	35,330
Total net assets	421,088	399,267
Total liabilities and net assets	1,261,637	1,244,889

Consolidated Statement of Income Years ended December 31, 2022 and 2023

(Millions of yen)

	2022	2023
Net sales	1,054,201	1,038,736
Cost of sales	854,979	852,360
Gross profit	199,221	186,376
Selling, general and administrative expenses		
Freightage and packing expenses	16,701	14,206
Employees' salaries and allowances	61,005	65,355
Provision of allowance for doubtful accounts	769	(232)
Provision for bonuses	2,356	2,233
Retirement benefit expenses	(2,908)	(451)
Research and development costs	15,144	17,189
Other	66,472	70,132
Total selling, general and administrative expenses	159,539	168,433
Operating income	39,682	17,943
Non-operating income		
Interest income	1,968	6,078
Dividends income	465	503
Foreign exchange gains	750	—
Equity in earnings of affiliates	2,368	2,734
Other	2,223	1,680
Total non-operating income	7,774	10,996
Non-operating expenses		
Interest expenses	4,512	11,274
Foreign exchange losses	—	4,188
Other	2,998	4,261
Total non-operating expenses	7,510	19,723
Ordinary income	39,946	9,216
Extraordinary income		
Gain on sales of investment securities	445	2,688
Gain on sales of non-current assets	957	1,858
Insurance income	340	340
Settlement income	1,077	—
Total extraordinary income	2,819	4,886
Extraordinary losses		
Impairment losses	1,107	33,537
Severance costs	3,514	4,268
Loss on disposal of non-current assets	2,407	2,571
Provision for loss on withdrawal from business	—	194
Loss on withdrawal from business	559	—
Total extraordinary losses	7,586	40,570
Income (loss) before income taxes	35,179	(26,468)
Income taxes—current	12,449	10,065
Income taxes—deferred	4,081	2,328
Total income taxes	16,531	12,393
Net income (loss)	18,649	(38,861)
Net income attributable to non-controlling interests	1,039	996
Net income (loss) attributable to owners of the parent	17,610	(39,857)

Consolidated Statement of Comprehensive Income Years ended December 31, 2022 and 2023

(Millions of yen)

	2022	2023
Net income (loss)	18,649	(38,861)
Other comprehensive income		
Valuation difference on available-for-sale securities	(94)	371
Deferred gains or losses on hedges	598	(444)
Foreign currency translation adjustment	38,266	31,066
Remeasurements of defined benefit plans, net of tax	(5,545)	(3,162)
Share of other comprehensive income of associates accounted for using equity method	358	(580)
Total other comprehensive income	33,584	27,251
Comprehensive income (loss)	52,233	(11,609)
Comprehensive income (loss) attributable to		
Comprehensive income attributable to owners of the parent	50,788	(13,612)
Comprehensive income attributable to non-controlling interests	1,445	2,002

Consolidated Statement of Changes in Net Assets Years ended December 31, 2022 and 2023

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

Year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2023	96,557	94,234	222,796	(1,785)	411,802
Change in FY2023					
Dividends from surplus			(9,478)		(9,478)
Net income (loss) attributable to owners of the parent			(39,857)		(39,857)
Purchase of treasury shares				(447)	(447)
Disposal of treasury shares		(170)		646	476
Net changes of items other than shareholders' equity		170	(170)		—
Transfer from retained earnings to capital surplus					
Total change in FY2023	—	—	(49,505)	199	(49,306)
Balance at December 31, 2023	96,557	94,234	173,292	(1,586)	362,497

(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, 2023	5,360	694	(17,286)	(13,573)	(24,805)	34,091	421,088
Change in FY2023							
Dividends from surplus							(9,478)
Net income (loss) attributable to owners of the parent							(39,857)
Purchase of treasury shares							(447)
Disposal of treasury shares							476
Net changes of items other than shareholders' equity	182	(446)	29,845	(3,336)	26,245	1,239	—
Total change in FY2023	182	(446)	29,845	(3,336)	26,245	1,239	(21,821)
Balance at December 31, 2023	5,542	248	12,559	(16,910)	1,440	35,330	399,267


Consolidated Statement of Cash Flows Years ended December 31, 2022 and 2023

(Millions of yen)

	2022	2023
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	35,179	(26,468)
Depreciation and amortization	47,126	50,846
Amortization of goodwill	1,666	2,251
Increase (decrease) in allowance for doubtful accounts	(60)	(539)
Increase (decrease) in provision for bonuses	(660)	(519)
Interest and dividends income	(2,433)	(6,581)
Equity in (earnings) losses of affiliates	(2,368)	(2,734)
Interest expenses	4,512	11,274
Loss (gain) on sales and retirement of non-current assets	1,450	713
Impairment losses	1,107	33,537
Loss (gain) on sales of investment securities	(445)	(2,688)
Decrease (increase) in notes and accounts receivable—trade	4,318	26,415
Decrease (increase) in inventories	(55,521)	59,101
Increase (decrease) in notes and accounts payable—trade	(764)	(18,430)
Other, net	(9,641)	(21,830)
Subtotal	23,465	104,348
Interest and dividends income received	3,772	8,191
Interest expenses paid	(4,444)	(11,410)
Income taxes paid	(14,857)	(12,033)
Net cash provided by (used in) operating activities	7,935	89,095
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,173)	(3,596)
Proceeds from withdrawal of time deposits	2,065	1,535
Purchase of property, plant and equipment	(40,817)	(52,057)
Proceeds from sales of property, plant and equipment	1,383	1,894
Purchase of intangible assets	(4,580)	(6,016)
Purchase of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	(30,732)	(14,078)
Proceeds of shares and investments in capital of subsidiaries resulting in change in scope of consolidation	—	9
Proceeds from sales of shares and investments in capital of subsidiaries and affiliates	2	395
Purchase of investment securities	(325)	(325)
Proceeds from sales and redemption of investment securities	749	5,591
Proceeds from sales of businesses	—	631
Payments for transfer of business	(16)	(185)
Other, net	1,285	(254)
Net cash provided by (used in) investing activities	(73,160)	(66,457)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	13,715	(15,417)
Increase (decrease) in commercial papers	30,000	3,000
Proceeds from long-term loans payable	127,913	88,747
Repayment of long-term loans payable	(49,623)	(48,299)
Proceeds from issuance of bonds	—	15,000
Redemption of bonds	(20,000)	(30,000)
Cash dividends paid	(9,479)	(9,478)
Cash dividends paid to non-controlling interests	(681)	(407)
Net decrease (increase) in treasury shares	(6)	29
Purchase of shares and investments in capital of subsidiaries not resulting in change in scope of consolidation	(1,999)	—
Repayment of lease liabilities	(5,807)	(5,882)
Other, net	(85)	(212)
Net cash provided by (used in) financing activities	83,948	(2,920)
Effect of exchange rate change on cash and cash equivalents	6,265	2,363
Net increase (decrease) in cash and cash equivalents	24,989	22,082
Cash and cash equivalents at beginning of the period	37,572	62,560
Cash and cash equivalents at end of the period	62,560	84,642

Third-Party Verification

Verification Opinion



11 Jun 2024
Opinion No : SGS24/007

Mr. Takashi Ikeda
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, 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 2023 to 31 December 2023.
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 Yokkaichi Plant and the DIC Kitanihon Polymer Co., Ltd. Hokkaido 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. 5.0", "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.5" 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 1
134, Good-cho, Hodogaya-ku, Yokohama
Business Assurance
Head of Certification/Accreditation

Yuji Takeuchi



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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

Attached file

11 Jun 2024
Opinion No : SGS24/007

The details of the scope of verification

The Scope	The Boundary	The Statement
1	The performance data Scope1 and 2 limited CO2 * non-energy and waste-derived energy related CO2 are only following	The DIC Group *The consolidated subsidiaries in the securities report
The performance data Scope 1 (non-energy and waste-derived energy related CO2) * included in above the Scope1	DIC Corporation and Japanese consolidated companies Production and laboratory sites (10 companies, 39 sites)	Scope1 Non-energy energy related CO2 : 10,347t-CO2 Waste-derived energy related CO2 : 8,184t-CO2
Scope 3 (Category5) *including only industrial waste	The DIC Group *The consolidated subsidiaries in the securities report Limited to production and laboratory sites	69,692 t-CO2
2	Amount of hazardous waste *including valuables	DIC Corporation and Japanese consolidated companies Production and laboratory sites (10 companies, 39 sites)
Amount of non-hazardous waste *including generals and valuables	DIC Corporation and Japanese consolidated companies Production and laboratory sites (10 companies, 39 sites)	

Generation amount:8,585 t
Emission amount from facilities: 7,417 t
Recycled amount: 3,084 t
Energy recovery incineration amount: 4,077 t
Simple incineration amount (including neutralization): 1,402 t
landfill amount: 23 t


Generation amount: 31,204 t
Emission amount from facilities: 22,822 t
Recycled amount: 12,423 t
Energy recovery incineration amount: 16,294 t
Simple incineration amount (including neutralization): 2,343 t
landfill amount: 145 t

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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

				
The Scope		The Boundary	The Statement	
3	Amount of water	DIC Corporation and Japanese consolidated companies Production and laboratory sites (10 companies, 39 sites)	Surface water: 8,225 km ³ Ground water: 6,210 km ³ Municipal water: 265 km ³ Industrial water: 10,731 km ³ Other: 18 km ³ Total: 25,450 km ³	
4	The data of occupational injuries	The DIC Group *The consolidated subsidiaries in the securities report Limited to production and laboratory sites	Total recordable injury rate (TRIR): 3.00 Lost time injury rate: 1.73 Number of deaths: 0 Number of injuries workdays lost: 76 Number of injuries non-workdays lost: 56	
5	The data of process accidents	DIC Corporation and Japanese consolidated companies Production and laboratory sites (10 companies, 39 sites)	Number of accidents: 7 Rate to process accidents: 0.124	
6	The number and rate of female managers	DIC Corporation 1 January 2024	Number: 81 Rate: 8.1%	

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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 2024 and the GRI Standards

Statement of Use	In this report, DIC Corporation presents information in accordance with the GRI Standards for fiscal year 2023 (January 1, 2023–December 31, 2023). The report also contains some information from before and after fiscal year 2023.
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
General Disclosures			
GRI 1: Foundation 2021			
GRI 2: General Disclosures 2021			
1 The Organization and its reporting practices			
2-1	Organizational details	29 (The DIC Group: A Global Powerhouse), 154 (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 (About this Report)	
2-4	Restatements of information	—	
2-5	External assurance	147–149 (Third-Party Verification)	
2 Activities and workers			
2-6	Activities, value chain and other business relationships	29 (The DIC Group: A Global Powerhouse), 121–123 (Sustainable Procurement)	
2-7	Employees	106 (DIC's Approach to Diversity), 154 (Corporate Data)	
2-8	Workers who are not employees	—	
3 Governance			
2-9	Governance structure and composition	34 (System for Promoting Sustainability Initiatives), 130–135 (Corporate Governance), 59–74 of the Annual Securities Report	
2-10	Nomination and selection of the highest governance body	130 (Corporate Governance Structure), 59–61 of the Annual Securities Report	
2-11	Chair of the highest governance body	54 of the Annual Securities Report	
2-12	Role of the highest governance body in overseeing the management of impacts	7 (Achievements to date), 17 (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 (About this Report)	
2-15	Conflicts of interest	57–58 of the Annual Securities Report	
2-16	Communication of critical concerns	125 (Establishing and Operating a Whistle-Blowing System)	
2-17	Collective knowledge of the highest governance body	—	
2-18	Evaluation of the performance of the highest governance body	—	
2-19	Remuneration policies	133–134 (② Remuneration for Directors and Audit & Supervisory Board Members), 80–84 of the Annual Securities Report	
2-20	Process to determine remuneration	130 (⑤ Remuneration Committee), 133–134 (② Remuneration for Directors and Audit & Supervisory Board Members), 82–84 of the Annual Securities Report	
2-21	Annual total compensation ratio	—	9 of the Annual Securities Report (5. Employees)
4 Strategy, policies and practices			
2-22	Statement on sustainable development strategy	5–10 (A Message from the President)	
2-23	Policy commitments	113–114 (The DIC Group Human Rights Policy), 124 (The DIC Group Code of Business Conduct)	
2-24	Embedding policy commitments	124–125 (Toward Fair and Transparent Corporate Activities), 131–132 (System of Internal Controls)	
2-25	Processes to remediate negative impacts	125 (Establishing and Operating a Whistle-Blowing System)	
2-26	Mechanisms for seeking advice and raising concerns	125 (Establishing and Operating a Whistle-Blowing System)	
2-27	Compliance with laws and regulations	81 (Complying with Laws and Regulations), 84–85 (ESH Audits), 124–125 (Compliance) No violations of laws or regulations were reported.	
2-28	Membership associations	52 (Participation in Industry Organizations)	
5 Stakeholder engagement			
2-29	Approach to stakeholder engagement	49–53 (Communication with Stakeholders)	
2-30	Collective bargaining agreements	115 (⑤ Building Trust with the DIC Employees' Union)	
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	17–18 (Overview of Materiality)	
3-2	List of material topics	17–18 (Overview of Materiality) (unchanged from fiscal year 2022)	
3-3	Management of material topics	17–18 (Overview of Materiality), 34 (System for Promoting Sustainability Initiatives) and other related pages	

Economy			
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	84–152 of the Annual Securities Report, 11–12 (A Message from the CFO), 29 (The DIC Group: A Global Powerhouse), 140–146 (Financial Report for Fiscal Year 2023)	
201-2	Financial implications and other risks and opportunities due to climate change	89–92 (Sustainability-Related Disclosure)	
201-3	Defined benefit plan obligations and other retirement plans	143–145 of the Annual Securities Report	
201-4	Financial assistance received from government	149 of the Annual Securities Report	
GRI 202: Market Presence 2016			
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	—	
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	—	46–48 (Harmony with the Community and Social Contributions)
203-2	Significant indirect economic impacts	—	46–48 (Harmony with the Community and Social Contributions)
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	—	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	—	124–125 (Compliance)
205-2	Communication and training about anti-corruption policies and procedures	124–125 (Compliance)	121–123 (Sustainable Procurement)
205-3	Confirmed incidents of corruption and actions taken	NA	124–125 (Compliance)
GRI 206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	NA	124–125 (Compliance)
GRI 207: Tax 2019			
207-1	Approach to tax	The DIC Group's Approach to Tax https://www.dic-global.com/en/csr/philosophy/tax.html	
207-2	Tax governance, control, and risk management	The DIC Group's Approach to Tax https://www.dic-global.com/en/csr/philosophy/tax.html	
207-3	Stakeholder engagement and management of concerns related to tax	The DIC Group's Approach to Tax https://www.dic-global.com/en/csr/philosophy/tax.html	
207-4	Country-by-country reporting	—	
Environment			
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	—	
301-2	Recycled input materials used	—	
301-3	Reclaimed products and their packaging materials	—	42–43 (Sustainable Packaging)
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	28 (Nonfinancial Information), 64–65 (Groupwide Environmental Performance), 98 (Key Data)	
302-2	Energy consumption outside of the organization	96 (🔗 Grasping CO ₂ Emissions Across the DIC Group's Supply Chains (Scope 3))	
302-3	Energy intensity	28 (Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)), 98 (Key Data)	
302-4	Reduction of energy consumption	28 (Global Energy Consumption and Energy Consumption per Unit of Production (DIC Group)), 98 (Key Data)	
302-5	Reductions in energy requirements of products and services	NA	
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	72–73 (Managing Water Resources)	
303-2	Management of water discharge–related impacts	73 (Managing Water Resources)	
303-3	Water withdrawal	86–87 (Key Data)	
303-4	Water discharge	87 (Key Data)	
303-5	Water consumption	87 (Key Data)	
GRI 304: Biodiversity 2016			
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	—	
304-3	Habitats protected or restored	—	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—	75 (Biodiversity)
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	98 (Key Data)	
305-2	Energy indirect (Scope 2) GHG emissions	98 (Key Data)	
305-3	Other indirect (Scope 3) GHG emissions	96 (🔗 Grasping CO ₂ Emissions Across the DIC Group's Supply Chains (Scope 3))	
305-4	GHG emissions intensity	98 (Key Data)	

305-5	Reduction of GHG emissions	—	
305-6	Emissions of ozone-depleting substances (ODS)	97–98 (Protecting the Ozone Layer)	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	67 (🔗 Reducing SOx, NOx and COD), 85 (Key Data)	
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	—	
306-2	Management of significant waste-related impacts	—	
306-3	Waste generated	69–71 (Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2023), 86 (Key Data)	
306-4	Waste diverted from disposal	69–71 (Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2023), 86 (Key Data)	
306-5	Waste directed to disposal	69–71 (Industrial Waste Generated and Disposed of by the Global DIC Group in Fiscal Year 2023), 86 (Key Data)	
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	123 (Advance Assessments of New Raw Materials)	
308-2	Negative environmental impacts in the supply chain and actions taken	122 (Global Sustainable Procurement Efforts)	
Society			
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	103 (Basic Personnel Statistics (DIC))	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	116 ((6) Programs that Help Employees Balance the Demands of Work and Home)	101–120 (Human Resources Management)
401-3	Parental leave	116 ((7) Use of the Childcare Leave and Leave to Assist with Parenting Programs), 110–111 (Human Resources Management)	
GRI 402: Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	—	
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	54–56 (ESH), 58–59 (Occupational Safety and Health)	
403-2	Hazard identification, risk assessment, and incident investigation	59–60 (Principal Initiatives in Fiscal Year 2023), 63 (Disaster Prevention)	
403-3	Occupational health services	117–120 (🔗 Corporate Health Management)	
403-4	Worker participation, consultation, and communication on occupational health and safety	55–56 (Framework for Promoting Responsible Care)	
403-5	Worker training on occupational health and safety	60–62 (Occupational Safety and Health), 63–64 (Disaster Prevention)	
403-6	Promotion of worker health	117–120 (🔗 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	Work-related injuries	58 (Occupational Safety and Health), 85 (Key Data)	
403-10	Work-related ill health	—	
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	—	103 ((3) Reskilling to Maximize Human Resources)
404-2	Programs for upgrading employee skills and transition assistance programs	103–105 (2. Three Strategic Priorities), 112 (🔗 Reemployment after Retirement)	
404-3	Percentage of employees receiving regular performance and career development reviews	104–105 (3. Talent Management: Personnel System, Global Human Resources Framework and Group Human Resources Governance)	
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	103 (🔗 Basic Personnel Statistics), 106 (Diversity KPIs), 108 (Employees in Management Positions) 66–73 of the Annual Securities Report	
405-2	Ratio of basic salary and remuneration of women to men	—	
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	NA	125 (Compliance (Establishing and Operating a Whistle-Blowing System))
GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—	115 (🔗 Building Trust with the DIC Employees' Union)
GRI 408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	No suppliers were found to be at risk.	122–123 (Sustainable Procurement)
GRI 409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	No suppliers were found to be at risk.	122–123 (Sustainable Procurement)
GRI 410: Security Practices 2016			
410-1	Security personnel trained in human rights policies or procedures	—	
GRI 411: Rights of Indigenous Peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples	NA	
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	—	49–53 (Communication with Stakeholders)
413-2	Operations with significant actual and potential negative impacts on local communities	—	

GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	—	121–123 (Sustainable Procurement)
414-2	Negative social impacts in the supply chain and actions taken	121–123 (Sustainable Procurement)	
GRI 415: Public Policy 2016			
415-1	Political contributions	52 (Monetary Contributions)	
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	99–100 (Quality)	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	NA	
GRI 417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	77 (Safety in Logistics), 79–80 (Ensuring the Safety of Chemical Substances), 82 (Safe Product Transport)	
417-2	Incidents of non-compliance concerning product and service information and labeling	NA	
417-3	Incidents of non-compliance concerning marketing communications	NA	
GRI 418: Customer Privacy 2016			
418-1	Substantial complaints concerning breaches of customer privacy and losses of customer data	NA	129 (Customer Privacy and Customer Data)

Corporate Data

About the Company

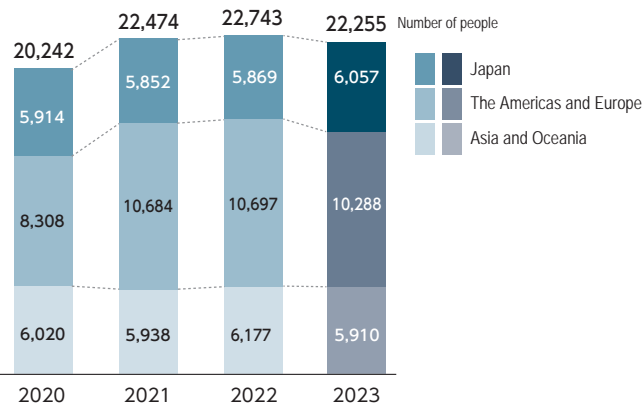
Registered name:	DIC Corporation
Corporate headquarters:	DIC Building, 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8233, Japan
Date of foundation:	February 15, 1908
Date of incorporation:	March 15, 1937
Paid-in capital:	¥96.6 billion
Number of employees:	22,255 (Nonconsolidated: 3,973) (As of December 31, 2023)
Number of subsidiaries and affiliates:	185 (Domestic: 29, overseas: 156) (As of December 31, 2023)



Composition of Labor Force

Segment	Number of employees
Packaging & Graphic	10,320
Color & Display	4,309
Functional Products	5,623
Others	485
Corporate	1,518
Total	22,255

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

Corporate Communications Dept.

Corporate Planning Dept.

Sustainability Dept.

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