



Dainichiseika

Dainichiseika Integrated Report 2024

Website Information

More detailed corporate information, IR information, and information on CSR activities are reported on our website.



■ **Dainichiseika Corporate Website**
<https://www.daicolor.co.jp/english/index.html>



■ **IR Information**
<https://www.daicolor.co.jp/english/ir/index.html>



■ **CSR Activities**
<https://www.daicolor.co.jp/english/csr/index.html>



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Dainichiseika
Color & Chemicals Mfg. Co., Ltd.

2024

BEYOND COLOR

EXPLORE THE UNKNOWN TO REACH A BETTER FUTURE.

Our company was founded in 1931 with the aim of domestic production of pigments, and since then, we have contributed to society by paying close attention to technological innovation and creating new technologies and products.

As our brand message "BEYOND COLOR" suggests, by accurately identifying needs that grow ever more complex and sophisticated, we will take significant strides toward a sustainable society. To this end, our ongoing commitment is pushing beyond Dainichiseika's current identity, challenging all possibilities and steadily advancing forward.

In addition, the sub-message "Explore the unknown to reach a better future" represents our roadmap to challenge "something new" and open up "the future" as positioned in our corporate philosophy.

This brand message expresses our strong desire to see the future of the Group as our "personal goal."



Dainichiseika All Around You

We illustrate how the things around us are linked to our products by color.

Pigments and prepared pigments




- IT devices (such as smartphones)
- Paints and printing inks
- LCD panels
- Toner and inks for inkjet printers
- Building materials and daily necessities
- Automobiles, etc.

Naturally-derived functional polymers



- Cosmetics
- Wastewater purification, water treatment, etc.

Mass colorants for synthetic fibers and textile printing agents



- Vehicles and industrial materials
- Interior fabrics
- Apparel
- Paper, etc.

Coating agents



- IT devices (such as smartphones)
- LCD panels
- PCs and office equipments
- Decorating films
- Building materials etc.

Colorants and functional agents for plastics (Masterbatches and compounds)



- IT devices (such as smartphones)
- Electrical wires and cables
- Toner
- Automobiles
- Home appliances, daily necessities, and outdoor goods
- Industrial materials, agricultural materials, and construction materials
- Food packaging materials, toiletries, etc.

Gravure inks / flexographic inks



- IT devices (such as smartphones)
- Packaging materials for food and daily necessities
- Books
- Food trays
- Industrial and building materials
- Beverage bottle labels
- Cardboard and packaging materials
- Toiletries, etc.

Urethane resins



- IT devices (such as smartphones)
- Synthetic leather (furniture, clothing)
- Automotive interior materials, daily necessities
- Tubes, belts, etc.

Offset inks



- Advertisements and books
- Packaging, etc.

- Books
- Synthetic leather (furniture, clothing)
- Interior fabrics
- LCD panels



- Home appliances
- Cosmetics
- Toiletries
- Daily necessities



- MFPs
- Personal computers
- IT devices (such as smartphones)



- Vehicles
- Building materials
- Industrial materials



- Beverage caps
- Beverage bottle labels
- Food trays



- Apparel
- Food packaging materials

Corporate Philosophy

- Have an interest in people
- Have an interest in something new
- Have an interest in the future

Precept

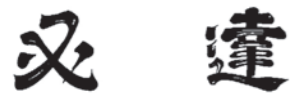
Man is interesting,
then customers as well as companies are constituted of such men.
All the economic principles and the management theories are based upon human behavior pattern.
Have an interest in people.

New things always excite us to expectation.
Customers, marketplaces are dug up with technical innovation & product development, which makes people active.
Have an interest in something new.

It is pleasant to imagine the future.
The future is in favor of children.
Thinking of the future, we know companies as well as people shall not live all alone.
Without customers' growth, albeit some profit is brought to us, it would never last long.
In consequence, neither we nor companies can keep alive unless admitted into the society.
Have an interest in the future.

Meanwhile, we have kept a business creed "Full Achievement" established in 1968.
Being proud of this traditional creed, we shall abide by it along with the corporate philosophy set forth.

Our Business Creed, "Full Achievement"



Under our business creed "Full Achievement" each of us shall set to work with modest pride as a member of Dainichiseika Group taking on the responsibility for Color-Age*1.

- Work always to be achieved with aiming at the end.
- Pursue the opportunities of expanding our products to the world with good knowledge of products.
- Enhance the trust of our company through business or products.
- Have an opportunity to always cultivate ourselves, and to deepen reflection as a member of society.
- Make Dainichiseika Group the most valuable company by performing services for the society through business.

*1 Color-Age: A word coined by the founder of Dainichiseika, which implies a prosperous times led by color technology.

Editorial policy

The Group has published an Environmental Report since the fiscal year ended March 31, 2006, seeking to enhance the content disclosed in the form of Social & Environmental Report, Corporate Report, and Integrated Report to meet the needs of the times. The report presents the Group's strategies and achievements from both financial and non-financial perspectives, and includes a special page reporting on the Group's business operations and their growth potential. Following deliberations at the Board of Directors meeting, this report is disclosed in booklets and electronic data, and has not been audited by an auditing firm.

Scope of reporting

Addresses the entire Group.

Reporting period

April 1, 2023 - March 31, 2024 (FYE March 2024)

* Also addresses certain activities outside this period.

Issued

Previous: September 2023

Current: September 2024

Next: Scheduled for September 2025

Reference guidelines

- VRF (Value Reporting Foundation)
The International <IR> Framework
- Ministry of Economy, Trade and Industry (METI)
Guidance for Collaborative Value Creation 2.0
- GRI (Global Reporting Initiative)
Sustainability Reporting Standards
- International Organization for Standardization
ISO 26000 (Guidance on social responsibility)

External evaluation

Designated as 2024 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category)

Continuously selected as a component of the FTSE Blossom Japan Sector Relative Index

Selected as a component of the S&P/JPX Carbon Efficient Index

Received a grade of B in CDP2023 Climate Change

Participation in external initiatives

Signing the United Nations Global Compact

Endorsement of the TCFD (Task Force on Climate-related Financial Disclosure)

Endorsement of the Partnership Building Declaration

Participation in the Clean Ocean Materials Alliance (CLOMA)

Participating organizations

Japan Chemical Industry Association (JCIA)

Japan Dyestuff and Industrial Chemicals Association (JDICA)

JAPAN FASHION COLOR ASSOCIATION (JAFCOA)

JAPAN POLYETHYLENE PRODUCTS INDUSTRIAL FEDERATION

Japan PET Tray Association

Japan Printing Ink Makers Association

Third-party verification

In order to improve the reliability of our information disclosure, we have our greenhouse gas emissions verified by third parties.

Verification agencies	Bases
Japan Smart Energy Certification Corporation	Tokyo Production Plant
Japan Chemical Quality Assurance Ltd.	Kazo Production Plant, DAINICHI COLOR COMPOSITE CO., LTD.

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Top Message

We aim to strengthen our competitive advantage through HR strategy and DX promotion, and make a leap forward in the field of functional materials

Representative Director and President of Dainichiseika Color & Chemicals Mfg. Co., Ltd.

Koji Takahashi

Due to rapid changes in the external environment, the goals of the previous medium-term management plan were not achieved.

A new medium- to long-term vision was formulated through discussions involving employees

—Please review the previous medium-term management plan that started in the FYE March 2022. To what extent were you able to approach the long-term vision that was announced in the same year?

The previous medium-term management plan had set targets of 125 billion yen in net sales and 8.7 billion yen in operating profit for the FYE March 2024, but unfortunately these targets were not met, with net sales of 119.8 billion yen and operating profit of 4.5 billion yen.

In fact, the FYE March 2021, before the start of the previous medium-term management plan, was relatively strong due to stay-at-home demand caused by the COVID-19 pandemic and advance orders in anticipation of economic recovery, which exceeded actual demand. However, as a reaction to this, the inventory adjustment period was prolonged from the FYE March 2023 onwards, and there was a tendency for price increases to be delayed in response to the sharp rise in raw material prices caused by the situation in Ukraine. The postponement of invest-

ments due to the uncertainty of the future, as well as the impact of the economic slowdown in China, are also factors contributing to the failure to meet our targets. We conclude that the first three years towards the realization of the long-term vision left many issues to be addressed.

In the first basic strategy of the previous medium-term management plan, “Secure a competitive advantage through technology initiatives,” sales of the natural, biodegradable powder for cosmetics, which was a key product, were sluggish due to delays in the implementation of laws in Western European countries. In the second basic strategy, “Promote ESG-focused management to realize a sustainable society,” we achieved our targets for net sales and CO₂ emissions reductions, and in particular, the waste plastic recycling rate grew beyond our plans. However, we recognize that there are still issues to be addressed at our overseas subsidiaries. The third basic strategy, “Expand overseas business to strengthen business foundation,” was achieved in terms of the numerical target of increased sales, but the impact of the weak yen was significant, and production volume was lower than expected. We are aware that the economic situation in China is extremely severe, and we have been implementing measures such as the reorganization of unprofitable businesses and the optimal redistribution of resources.

Based on the above basic strategy, we had set financial targets of ROE of over 9% and ROA of over 5%, with the aim of “Implement capital-efficiency-oriented management,” but as of the end of the FYE March 2024, the interim results were ROE of 3.2% and ROA of 2.6%, and we recognize that we are falling

behind the expectations of our investors.

Even in these difficult circumstances, technological development is steadily progressing. For example, the biodegradable powder for cosmetics mentioned above is starting to be used in countries other than Western Europe, and the market for “functional coating and adhesive agent HPU (hydroxy polyurethane),” an eco-friendly material made from CO₂, is already in the phase of market development. As for overseas operations, we are also working to increase production capacity for new materials and expand local production through partner companies. At present, we recognize that we are steadily making preparations to turn the situation around.

—Based on a review of the previous medium-term management plan, you have formulated a new medium-term management plan, “TRANSFORMATION for TOMORROW,” which will begin in the FYE March 2025, and you have also re-examined your “Where We Want to Be in 10 Years.” Could you tell us about the main points of this?

In the medium-term management plan, we have clarified “Where We Want to Be in 10 Years” with the phrase, “Become an excellent company in the field of functional materials.” We have had in-depth discussions about this within the company.

The original plan was “Become an excellent company in the field of fine chemicals.” When we explained this to all employees and took a survey, we received many comments saying that they did not understand the term “fine chemicals.” It is true that pigments, which are our original business and also our main business today, are fine chemical products. However, in general, fine chemicals have a strong image of being used in pharmaceuticals. While the definition of the term is not incorrect, we decided that “functional materials” would be more appropriate, as it clarifies the characteristics of our products and takes into account the fact that our business domain in the field of functional materials will continue to expand in the future.

“Where We Want to Be in 10 Years” in the previous medium-term management plan was a little vague, and the formulation process was led by the secretariat. In order to reflect on this and get as many employees as possible to align their vectors, in the new medium-term management plan, we set up an opportunity for all employees to give their opinions when the concept was being finalized during the formulation process. The new medium-term management plan was finalized based on these feedbacks. Even after the announcement of the new medium-term management plan, we have continued gathering input from our employees, and other directors including myself have been visiting our domestic business locations to engage in discussions with employees on topics such as the new medium-term management plan and areas of improvement as envisioned by individuals.

At the same time, in October 2023, we changed our brand message to “BEYOND COLOR.” We wanted to convey the message that we are not just a manufacturer of color materials, and we also wanted people to imagine the company as an “Excellent company in the field of functional materials” - an image that we had created by looking back from where we wanted to be in 10 years.

The basic strategy of the new medium-term management plan has been expanded to include “Promote HR strategy and DX,” and the construction of an “R&D Innovation Center” is planned as a strategic investment

—In the new medium-term management plan, “Promote HR strategy and DX” has been added as a new basic strategy. What are the objectives and specific details of this?

In the new medium-term management plan, we have added “Promote HR strategy and DX” to the three basic strategies we have followed up to now: “Secure a competitive advantage through technology initiatives,” “Expand overseas business to strengthen business foundation,” and “Promote ESG-focused management to realize a sustainable society.” This is a new strategy that will accelerate the organic connection of the three basic strategies.

The reason for this is that we are aware of the fact that the major issue in the industry is that DX promotion must be considered in conjunction with HR strategy. While DX is an essential matter that must be implemented, we believe that in order to ensure that DX is firmly established, it is necessary to change the organizational culture by promoting HR strategy, such as reforming the personnel system.

While advancing the previous medium-term management plan, we became keenly aware of the need for a reform of our personnel system. In order to achieve the goal of our HR strategy, “Fostering a thriving corporate culture that inspires innovation,” it is essential to implement a performance evaluation system that is accepted by employees, along with compensation that is appropriately linked to these evaluations. A fundamental premise is to create an environment where employees can grow through training programs and other initiatives, and to ensure they experience a sense of fulfillment in their work. Additionally, it is crucial to improve engagement so that there is a win-win relationship between employees and the company. Under the HR strategy formulated in the new medium-term management plan, we will continue to monitor the KPIs for each measure of the HR strategy by utilizing the employee questionnaire on mental health that we have been conducting for some time. These activities are also a path to achieving “health management” and the “well-being” of employees.

Our corporate philosophy is “Have an interest in people, Have an interest in something new, Have an interest in the future.” This philosophy itself is the driving force behind innovation, and the HR strategy in our new medium-term management plan reinforces this from the perspective of personnel systems.

With regard to DX promotion, we recognize that we are still in the first stage of “raising employee awareness and digitizing analog processes.” In the future, we plan to further enhance our transition to a data-driven business in order to ultimately achieve “improved competitiveness” by promoting “digitization and



efficiency improvement of business processes” using generative AI and other technologies.

In order to improve the competitiveness of our research and development, we introduced MI (Materials Informatics) in April 2023 as one of our DX initiatives, and we are working to improve the efficiency of various materials development. We plan to expand these initiatives throughout the company and promote DX.

—I would like to ask you about the “technology-driven initiatives” strategy in the new medium-term management plan. First, please tell us about the newly announced “R&D Innovation Center Project.”

This initiative aims to create innovation through the integration of technologies by consolidating the R&D functions of the entire company. Our engineers do not necessarily conduct research and development in a single specialized field. Moreover, there have been voices from the front line asking why we could not integrate them into a single organization. The measures in the new medium-term management plan will make it easier for engineers from different fields to share their tacit knowledge, and will also encourage more interaction with engineers from universities and other companies. This will lead to long-lasting innovation.

The “R&D Innovation Center Project” has two aspects. One is a laboratory that pursues customer needs and leads to the application development and product development of currently held technology. The idea is to develop new markets and new fields through synergy effects, and to achieve new product development by linking together the technologies of the entire company. Examples of this would be biodegradable powders for cosmetics and “functional coating agents and adhesives HPU.”

The other is a laboratory that explores seeds for next-generation materials. We aim to innovate by launching new business areas through research and development of new materials and improving the quality of human resources. We are also considering technical collaborations and capital participation, and are looking

forward to developing new electronic materials and wavelength control materials through co-creation through open innovation.

By taking this two-pronged approach, we plan to focus even more on our target areas and markets.

However, we must be careful that consolidating R&D functions does not weaken cooperation with the production site. Also, we strongly hope that the sales department will have a strengthened its technical expertise, assuming that the efficiency will be improved by consolidating the contact points within the company.

Our strength lies in the cyclical structure of our “technological capabilities, customer support capabilities, and production capabilities” that we have cultivated over our 90-year history. Our sales department responds reliably to customer needs, our technical department creates new value by deepening and integrating our three core technologies centered on pigments and resins, and our production department provides a stable global supply of high-quality products. We must never forget these features that are unique to our company and continue to refine them.

Achieve capital-efficient management through three basic strategies, plan large-scale capital investment and strategic growth investment

—What are the specific details of the initiatives to “Secure a competitive advantage through technology initiatives,” “Expand overseas business” and “Promote sustainability management” that will continue from the previous medium-term management plan?

The three basic strategies will be continued and expanded without major changes from the previous medium-term management plan. The targets for the increase in sales for the FYE March 2027 compared to the results for the FYE March 2024 are

+2.6 billion yen for technology initiatives, +3.6 billion yen for overseas business, and +3 billion yen for sustainability, and by having this supported by the foundation of “Promote HR strategy and DX,” the company aims to achieve 4.6% ROE and 4.3% ROA in the third year of the new medium-term management plan, and to move closer to capital-efficiency-oriented management.

In terms of “Secure a competitive advantage through technology initiatives,” we plan to continue to develop our business in Functional Materials for IT and Electronics, Life Science & Personal Care fields as new development markets, and to focus on Mobility and Environmentally Friendly Packaging as continuous development markets. As a topic, there is a lot of attention being paid to the development of cosmetics materials that replace microplastic beads contained in cosmetics with natural, biodegradable powders, and after 2024, we plan to expand the number of users who adopt this technology and introduce new products. In addition, our “functional coating agent and adhesive HPU,” which is made from CO₂, has excellent gas barrier properties, and we are developing various applications for it.

In terms of “Expand overseas business,” we are targeting mainly Asia, Europe and North America. In the high-growth GDP markets of Asia, we will expand sales of products that have gained a high reputation in Japan in line with needs, and we will work to expand our business, particularly in India, which is a key strategic region. In the advanced markets of Europe and North America, we will develop high-value-added products using cutting-edge technology.

In terms of “Promoting sustainability management,” we are pursuing two main plans. One is to expand sales of products that contribute to sustainability, and we plan to increase sales by 3 billion yen over three years through products such as components for secondary battery materials, gas barrier coating materials, and natural material biodegradable powders. The other is to strengthen the sustainability promotion system, with the goal of reducing the Group’s overall CO₂ emissions by 31% compared to the FYE March 2020 by the FYE March 2027.

—How will the basic strategies of the new medium-term management plan be implemented by product segment?

The basic strategy mentioned above is broken down into medium-term plans for each segment of strategic products. Regarding pigments and secondary pigment processed products in the Color & Functional Products category, we will develop high added-value products globally, primarily for the information/electronics industry and the transportation equipment industry. In the area of synthetic resins and special coating agents for Polymers & Coating Materials, we will implement a sales expansion strategy that makes the most of our wide range of urethane resins, and we will develop and expand sales of products that are highly unique and feature-rich. In the Inks for Packaging and Advertising & Publishing category of Graphic & Printing Materials, we will proceed with strong rationalization efforts domestically while focusing on products in which we have strengths and in growth areas, and will implement aggressive sales expansion measures overseas.

—In your investment strategy, you are projecting capital investment of 15.5 billion yen over the next three years and 33 billion yen over the next five years, and you are also planning to invest 15 billion yen in growth. Please tell us about this and your recovery plan.

First, in terms of capital investment, while normal investment is the majority over a three-year period, strategic investment will

be increased over a five-year period. The main strategic investments include the introduction of HPU production facilities, the introduction of environmentally friendly urethane resin facilities, and the expansion of capacity at the Thai factory, and the construction of the R&D Innovation Center mentioned above also falls into this category.

The 15 billion yen growth investment will cover overseas M&A of 4 to 10 billion yen in the transportation equipment and information/electronics fields, and M&A or capital alliances of 3 billion yen in Japan. In addition, 3 to 7 billion yen is expected to be spent on building new plants in Asia for resin compounds and colorants. Furthermore, although the amount of investment has not yet been decided, we will continue to invest in DX and human capital. We will implement these investments while carefully examining the returns, including synergies with our current business.

Align the vectors of management with all stakeholders, and aim to improve governance through dialogue with investors

—How will you engage with stakeholders to achieve the new medium-term management plan and “Where We Want to Be in 10 Years”?

We recognize the importance of aligning the management vector with all stakeholders. We want to increase our points of contact and expand opportunities for dialogue with stakeholders, including shareholders, customers, suppliers, and local communities.

We sometimes receive questions from investors about the effectiveness of our board of directors and its disclosure. I have always carried out my duties as Representative Director and President with the following in mind: to engage in constructive discussions about our corporate philosophy and management plan to provide strategic direction, to create an environment that supports appropriate risk-taking, and to ensure that management and directors are effectively supervised from an independent and objective standpoint. From this perspective, we are considering establishing a new management committee to oversee business execution, and by ensuring that the directors and executive officers responsible for business execution have sufficient opportunities to discuss matters, and by making the discussion and decision-making processes more transparent, we aim to further enhance the effectiveness of the Board of Directors.

To achieve this, it is also necessary to further clarify the roles of executive officers. Our current outside directors have a wide variety of backgrounds, and I believe investors understand this, but I think this will also help us see what kind of discussions we should expect from outside directors in the true sense of the word. In addition, we have also received feedback regarding the introduction of performance-linked compensation in addition to restricted stock compensation as part of the executive compensation system. We will consider this suggestion in line with our review of the employee evaluation system and treatment.

Dialogue with our shareholders and other stakeholders is extremely important. We will expand our points of contact even further than before, and we will do our utmost to achieve our “Where We Want to Be in 10 Years” vision.





Progress to Date

Yoshihiro Takahashi, founder of Dainichiseika, believed that "it is a common feeling among human beings to feel pleasure from beautiful colors, and it is our wish that our lives be enveloped by the colors we love." We have been conducting research and development to fulfill our customers' wishes for "more flexible coloring" and to contribute to society through our corporate activities. We sincerely hope that our "color" will become an indispensable element in people's lives and continue to enrich people's lives in the future.

Founded with the aim of domestically producing pigments

Yoshihiro Takahashi, the founder of the company, was concerned about the fact that most pigments were imported before World War II, and founded Saika Ganryo L.P. in 1931 with the aim of domestically producing pigments. He believed that pigments were difficult to use as they were and that they had to be made into an easy-to-use form to popularize them, so he began research and development.

In 1944, the company merged with two other companies in the industry acquired and company name changed to Dainichiseika Kogyo k.k. (that is, Dainichiseika Color & Chemicals Mfg. Co., Ltd.), forming the base of the company as we know it today.



Founder
Yoshihiro Takahashi



Dainichiseika

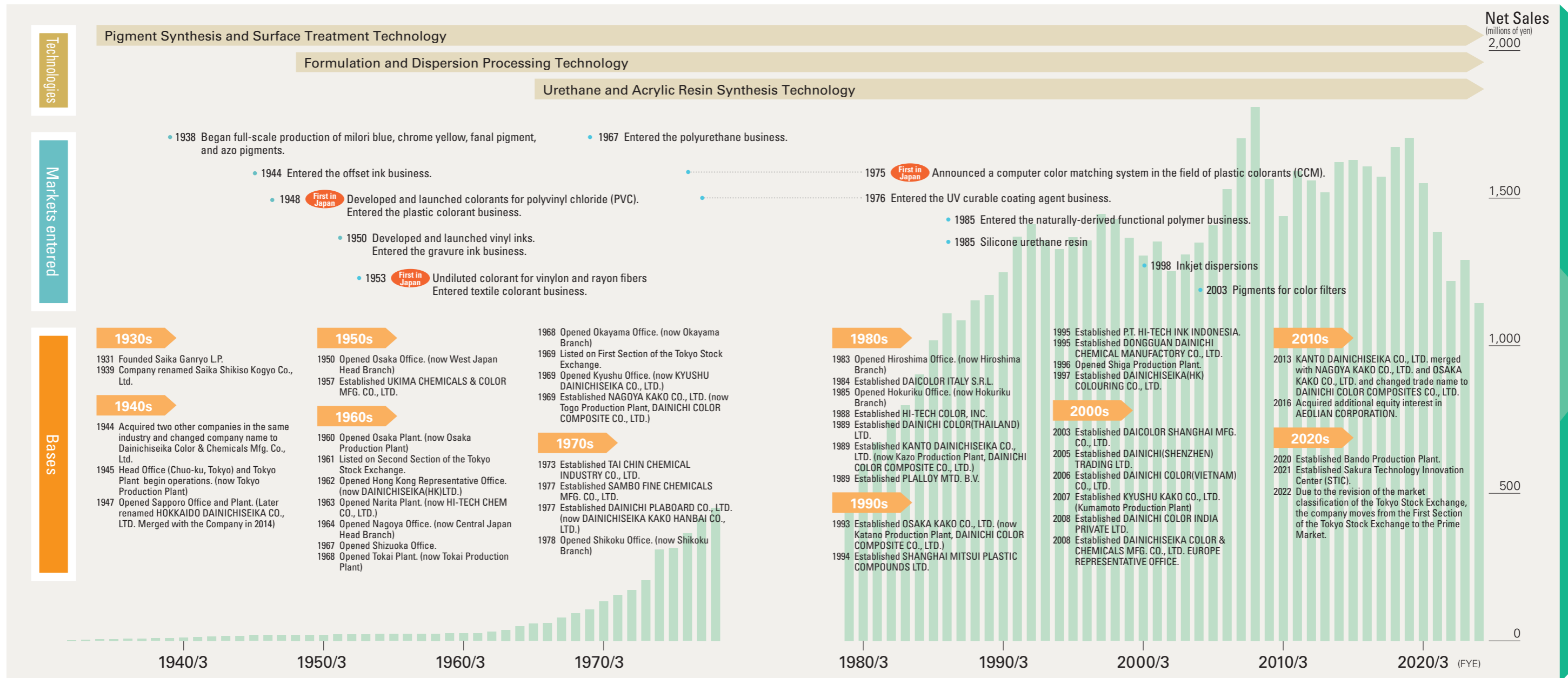
Our logo, established in 1950, is based on the motif of an amphibious "pelican" and "the earth." It represents the desire of our founder and employees to be like the king of waterfowls, carrying beautiful colors, walking all over Japan and spreading its wings to the world.

Technical development and production systems were established and penetrated into the domestic market

After World War II, We made a fresh start and set synthetic resin colorants, pigment printing agents, and mass colorants for synthetic fibers as the three pillars of our postwar plan. By 1953, the three pillars of technological development had been established, and in 1968, the Tokai Plant (now the Tokai Production Plant) was completed. It was here that we began to penetrate the domestic market in earnest.

Expanding "Domestically Produced" technology into overseas markets

Since the 1980s, as Japanese companies have been aggressively expanding overseas, we've been expanding our deployment area to meet their needs. Today, we've globally 16 sales and production bases in 11 countries and regions, and have built a system to meet the development needs of our customers around the world.



*The "Accounting Standard for Revenue Recognition" has been applied from the FYE March 2022.

Leveraging the strengths developed throughout our history, we aim for further growth as we approach the 100th anniversary of our founding.

Value Creation Process

Brand Message



INPUT	
Source of value creation	
Financial capital	
• Total assets	¥194,852 million
• Net assets	¥119,166 million
• Capital stock	¥10,039 million
Human capital	
• Number of employees	3,634
Intellectual capital	
• Number of research bases	6 in Japan
Manufacturing capital	
• Number of bases	13 in Japan 12 in overseas
Natural capital	
• Total energy (crude oil equivalent)	32,075 kℓ
• Net water volume	2,471,000 m³
Social capital	
• Symbiosis with stakeholders	

* As of the end of March 2024, on a consolidated basis

Business segment

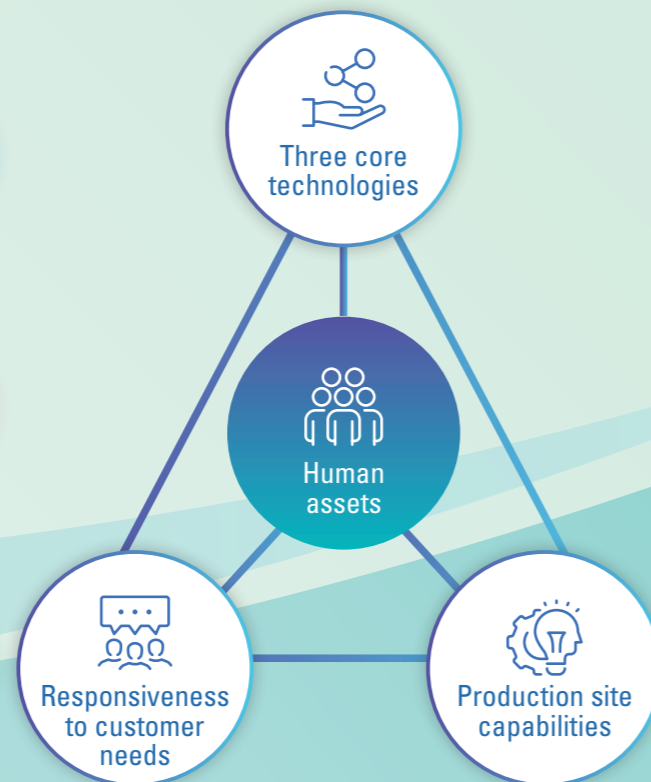
Color & Functional Products

Polymer & Coating Materials

Graphic & Printing Materials

Value Creation Platform

Value co-creation with customers
Our strengths



Basic Strategies

Secure a competitive advantage through technology initiatives P.17

Expand overseas business to strengthen business foundation P.18

Promote ESG-focused management to realize a sustainable society P.18

Promote HR strategy and DX P.19

Implement capital-efficiency-oriented management P.20

明日への変革 2027 TRANSFORMATION FOR TOMORROW Business strategy

OUTPUT

Priority projects and target markets P.26

New development markets



Functional Materials for IT and Electronics

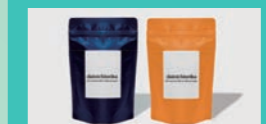


Life Science & Personal Care

Continuous development markets



Mobility



Environmentally Friendly Packaging

OUTCOME

Become an excellent company in the field of functional materials



Developing together with society

We provide products that enrich people's lives



Living in harmony with the environment

We strive to reduce the environmental impact of our business activities and product development



Improving stakeholder engagement

We aim to improve the development and quality of life of our stakeholders

Social issues (external environment, business environment)

- Climate change
- Resource recycling
- Declining domestic population
- Respect for human rights
- Environmental pollution
- Global food crisis
- Geopolitical procurement issues
- Supplier business continuity issues

Medium-term management targets

P.17

- Net sales: ¥130 billion
- Operating income: ¥7.8 billion
- ROE: 4.6% ROA: 4.3%
- Engagement score: 56→59 points (actual result for the FYE March 2024)
- CO₂ emissions: 31% reduction compared to the FYE March 2020

Long-Term Vision and Review of Previous Medium-Term Management Plan

Growth strategy and positioning 10 years from now

In our new three-year medium-term management plan, "TRANSFORMATION for TOMORROW," which begins in the FYE March 2025, we have announced that we aim to "Become an excellent company in the field of functional materials" as our "Where We Want to Be in 10 Years" goal. By striving to reduce the environmental impact of our business activities and continuing to develop and supply "functional materials" that add functionality to materials, we aim to build win-win relationships with all stakeholders surrounding the Group and enrich people's lives.

In order to achieve our vision for the next 10 years, we will continue to pursue the mission of our previous medium-term management plan, which was to "Leverage our technological capabilities in niche markets so we can continue contributing to society" and to "Work on finding solutions and create new value for a sustainable society."

In order to achieve these missions, we have set out five basic

strategies, including "Secure a competitive advantage through technology initiatives," "Expand overseas business to strengthen business foundation," "Promote ESG-focused management to realize a sustainable society," which we have continued from the previous medium-term management plan, and "Promote HR strategy and DX" as a supporting strategy, as well as "Implement capital-efficiency-oriented management."

Where We Want to Be in 10 Years

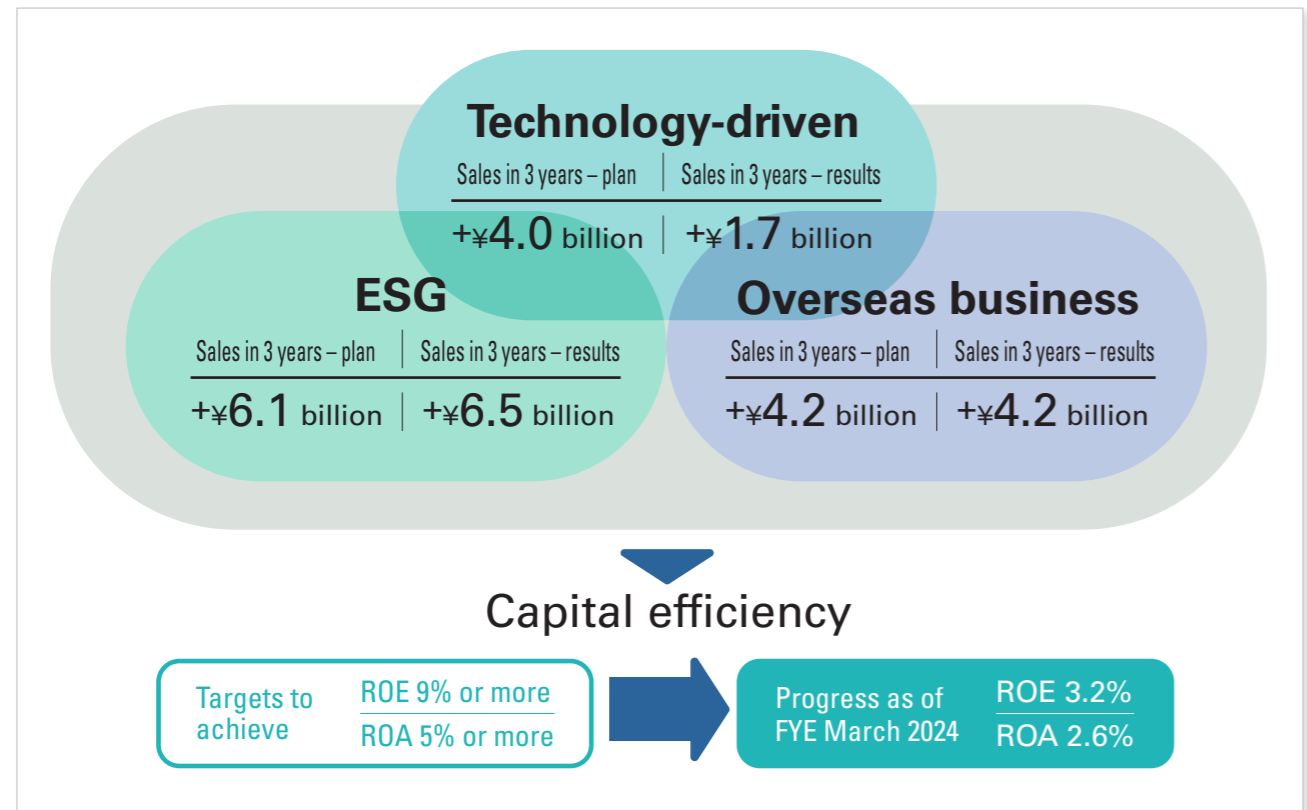
Become an excellent company in the field of functional materials

Review of the previous medium-term management plan (from the FYE March 2022 to the FYE March 2024)

In August 2021, we announced our previous medium-term management plan, which set out "two missions" and "four basic strategies." The four basic strategies of "capital-efficiency-oriented management," "technology-driven," "promote ESG-focused

management" and "expand overseas business" have been carried over to the new medium-term management plan, and we have been working hard toward their realization.

Initial targets of the previous medium-term management plan and FYE March 2024 results (vs. FYE March 2021 results)



Capital-efficiency-oriented management

Our long-term targets were ROA 5% and ROE 9%, but ROA was 2.6% and ROE 3.2% as of the FYE March 2024. Revenue increased but profits decreased due to factors such as the prolonged inventory adjustment caused by the rebound decline in demand following the recovery from the COVID-19 pandemic, a decrease in volume due to inflation and the slowdown in the Chinese economy, and delays in price revisions in response to the ongoing rise in raw material prices due to the situation in Ukraine.

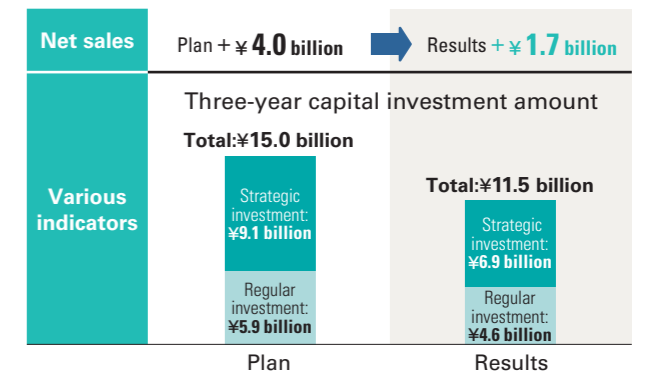
As part of our financial strategy, we sold shares held for policy reasons and introduced a cash management system to improve capital efficiency.

	FYE March 2021 - results	FYE March 2024 - plan	FYE March 2024 - results
Net sales	¥106.6 billion	¥125 billion	¥119.8 billion
Operating profit	¥4.9 billion	¥8.7 billion	¥4.5 billion
Ordinary profit	¥5.6 billion	¥9.5 billion	¥5.0 billion
ROE	6.5%	6.0%	3.2%
ROA	2.9%	4.7%	2.6%
EBITDA*	¥9.7 billion	¥14.2 billion	¥9.7 billion

* EBITDA = Operating profit + Depreciation and amortization

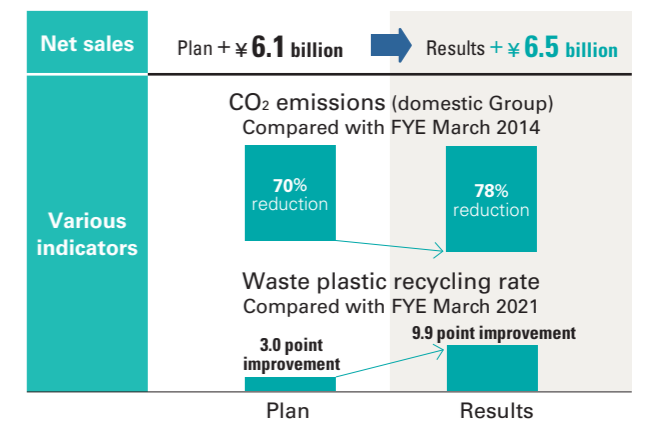
Secure a competitive advantage through technology initiatives

Sales of newly developed products increased by only ¥1.7 billion, compared to the target of ¥4 billion. Strategic investments were also delayed due to delays in evaluation testing caused by the COVID-19 pandemic, which resulted in delays in the launch of new products. Although we did not achieve our sales increase target, we have made steady progress on the technology side, and our products are being commercialized, including some of our secondary battery materials and biodegradable cellulose powder being adopted. We will continue to promote our efforts to make up for the delays caused by the COVID-19 pandemic.



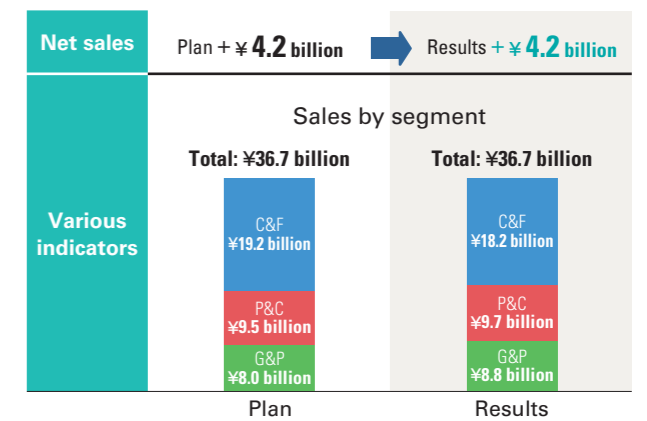
Promote ESG-focused management to realize a sustainable society

Sales of sustainable products were increased by only ¥6.5 billion, compared to the target of ¥6.1 billion. Numerical targets for CO₂ emissions and waste plastic recycling rate were achieved. We recognize that efforts at our overseas subsidiaries regarding climate change measures and the circular economy are insufficient, and we are taking measures tailored to the issues and trends in each region. With regards to diversity and inclusion, we recognize that improving engagement is necessary to enable our human assets to demonstrate their capabilities, and we will work on this in our new medium-term management plan.



Expand overseas business to strengthen business foundation

Sales increased by ¥4.2 billion, compared to the target of ¥4.2 billion. However, sales volume decreased, due in large part to the effects of the weak yen and price increases. Although the impact of the economic slowdown in China was particularly felt in the FYE March 2024, this was offset by favorable performance in other Asian regions. Increased sales of automotive surface treatment agents also contributed.



New Three-Year Medium-Term Management Plan: TRANSFORMATION for TOMORROW

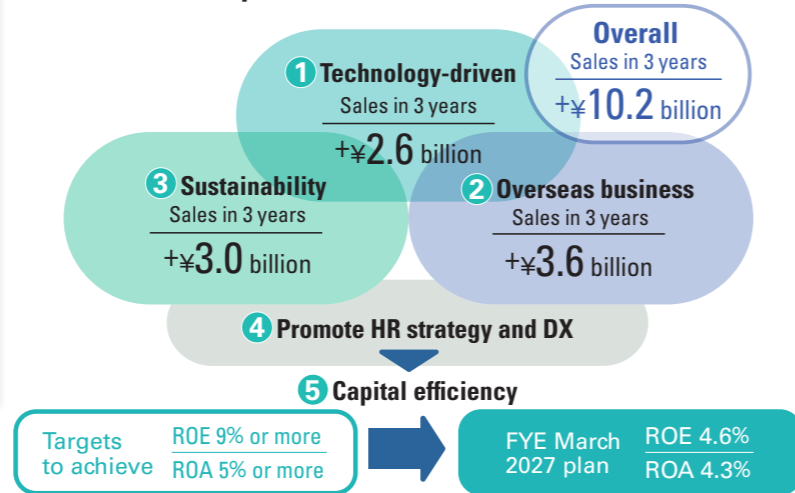
In order to achieve sustainable growth and create medium- to long-term corporate value for the Group, we will work towards the realization of the five basic strategies in the new medium-term management plan, which begins in the FYE March 2025, based on the status of achievement of measures in the previous medium-term management plan, which ends at the end of March 2024.



Basic strategy of the new medium-term management plan (FYE March 2025 to FYE March 2027)

- Secure a competitive advantage through technology initiatives
 - Expand overseas business to strengthen business foundation
 - Promote ESG-focused management to realize a sustainable society
 - Promote HR strategy and DX
 - Implement capital-efficiency-oriented management (ROE of 9% or more, ROA of 5% or more)
- Newly added**

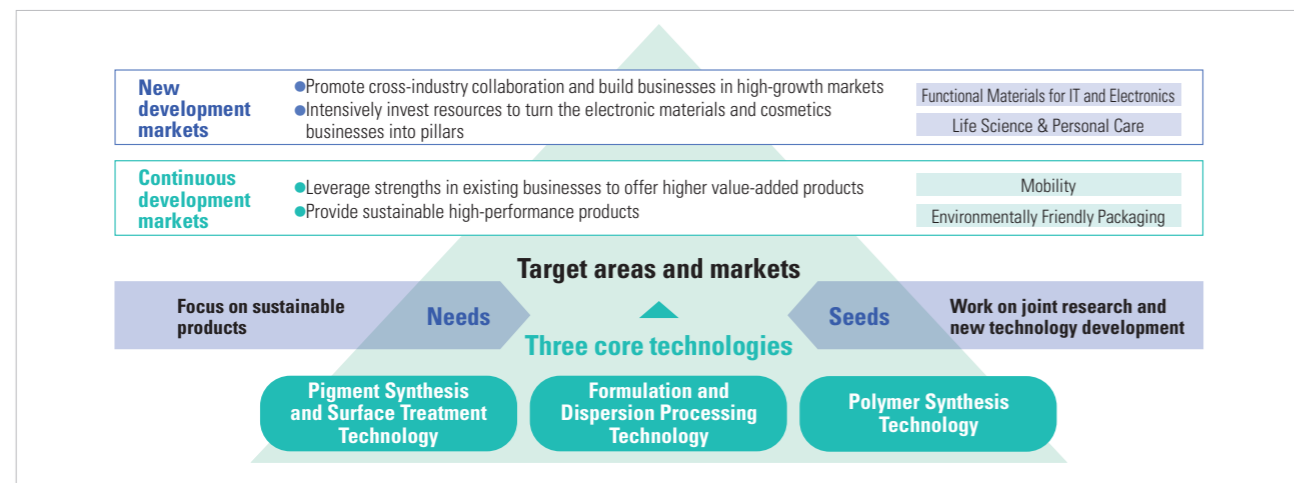
New medium-term management plan Increase sales (compared with the FYE March 2024)



1 Secure a competitive advantage through technology initiatives

The Group is reevaluating the technologies we possess using technology management methods, and is working on technology development that deepens our three core technologies (see p. 25) by combining open innovation, synergy between segments, intellectual property strategies, etc., with the highest priority being placed on contributing to social needs (ESG). In the new medium-term management plan, these core technologies remain an important foundation, and we have evaluated market size, profitability, and growth potential. We have placed “Functional Materials for IT and Electronics” and “Life Science

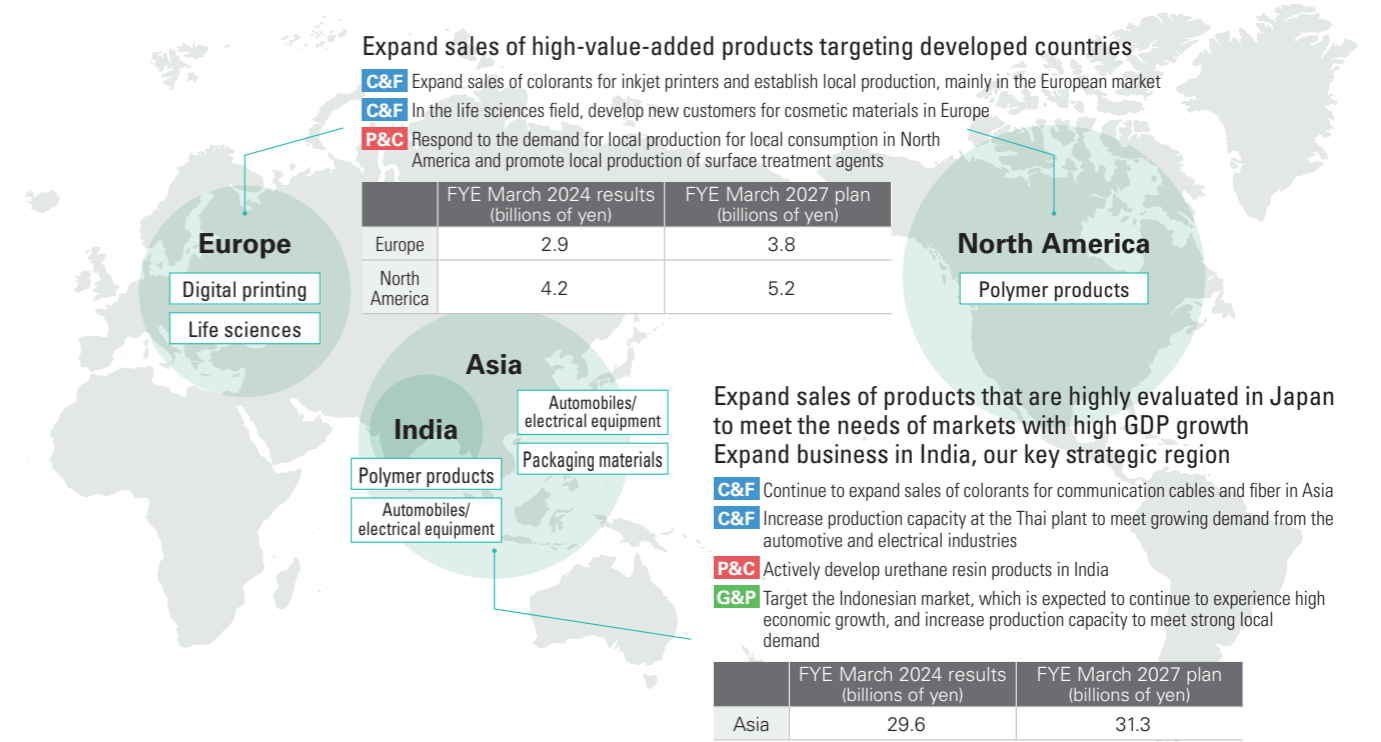
& Personal Care” as new development markets, and “Mobility” and “Environmentally Friendly Packaging” as continuous development markets at the center of our development. We are actively investing human assets, facilities, and funds in these markets, and are building a “technology-driven” structure with the aim of securing a competitive advantage through technology leadership. By differentiating our products and improving their quality, we aim to increase our contribution to society while at the same time ensuring profitability.



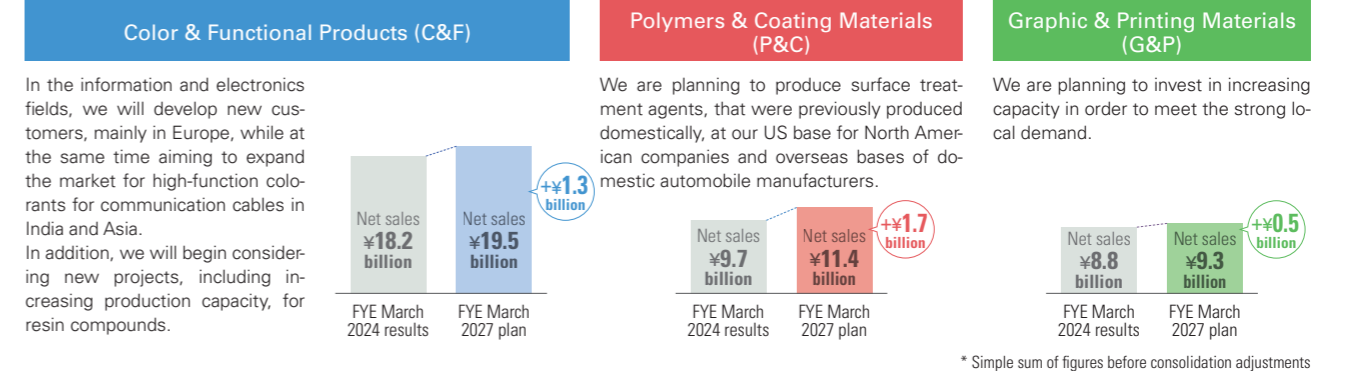
2 Expand overseas business to strengthen business foundation

We have been developing our business based on the recognition that the source of the Group’s earnings and growth exists both in Japan and overseas and that we need to develop our business in countries with high GDP growth in a balanced manner, but production volumes have continued to be sluggish due

to the impact of the economic slowdown, particularly in China. Under the new medium-term management plan, we will continue to focus on proactively expanding our business, focusing on promoting “local production for local consumption,” expanding our overseas bases, and creating new businesses.



Overseas strategies



3 Promote ESG-focused management to realize a sustainable society

In the previous medium-term management plan, we emphasized ESG management and implemented the following 1 to 7 as important issues for the entire supply chain surrounding the Group, from the raw material procurement stage to the entire product life cycle, including the disposal of products that use our products. In the new medium-term management plan, we will continue to emphasize ESG management, and we believe that we need to focus on internal reform to address the issues identified in the previous medium-term management plan. In particular, we recognize that the importance of “7. Human capital investment and human assets development,” which was added in the second year of the previous medium-term management plan, is increasing day by day, and in the new medium-term management plan, we will strive to create further value by setting “HR Strategy,” which aims to improve employee engagement as a manufacturing company, as one of the key measures.

- Development and expansion of sustainable products
 - We will efficiently invest management resources in the technical departments responsible for product development, and we will actively utilize HR strategies that maximize the potential of our human resources in the technical departments.
 - Numerical target for the FYE March 2027: Increase sales of sustainable products by ¥3 billion compared to the FYE March 2024.
- Initiatives to address climate change
 - In line with risk analysis based on international research reports on climate change, we are promoting the formulation of a 1.5°C scenario to limit the rise in the average global temperature to less than 1.5°C and a transition plan toward Society 5.0 with Carbon Neutral.
 - Promoting global decarbonization by deploying energy-saving measures developed in Japan to overseas bases and

introducing renewable energy that matches local energy conditions.

- We will manage the risks and revenue opportunities related to climate change for the Group in line with the TCFD framework, and contribute to improving corporate value, so that we can also reduce the world's CO₂ emissions (Scope 3) through our products.

Numerical target for the FYE March 2027: Reduce the Group's domestic and overseas CO₂ emissions (Scope 1 + Scope 2) by 31% compared to the FYE March 2020.

3. Promoting resource recycling (circular economy)

- Aiming to convert raw materials to biomass and to reduce the amount of waste plastic discharged and promote recycling, we are strengthening process management to reduce losses from production processes and strengthening the sorting of waste plastic on a global scale.

Numerical target for the FYE March 2027: Increase the recycling rate of waste plastic (in Japan) by 3 percentage points compared to the average during the previous medium-term management plan period.

4. Initiatives for biodiversity

- We are promoting both our own management activities to reduce environmental impact, such as air and water pollution caused by the use of chemical substances like organic solvents, and product development that contributes to reducing environmental impact at the stage of use of the Group's products, all in accordance with the TNFD framework.
- Actively participate in initiatives such as CLOMA, which the Group is currently a member of, and also collaborate with the local community near our offices.

5. Further promotion of social contribution

- Customer relations: We are developing appropriate chemical substance management, quality control, responsible raw material procurement, and sustainable logistics operations to meet the trust and expectations of our customers.

- Employee relations: We are working to improve our personnel system in terms of enhancing work-life balance and further promoting the active participation of women, foreigners, and mid-career hires.
- Local communities relations: We will give top priority to safety and security for the neighborhood of our business premises, and in addition to disaster prevention activities, we will give further consideration to the local ecosystem as part of biodiversity conservation, and strive to reduce our environmental impact and preserve the natural environment.

6. Further efforts to improve corporate governance

- Based on the recognition that simply complying with laws and rules is not enough to improve governance in practice, we will continue to send messages from management and receive feedback from employees to ensure thorough compliance.
- Enhance two-way communication that activates top-down communication from the management level and bottom-up communication from the operational departments, and create an internal environment in which each employee can take action by viewing management strategies as "their own responsibility."
- Strengthen the link between internal controls and corporate governance in order to further improve the effectiveness and efficiency of operations.

7. Human capital investment and human assets development Added in the FYE March 2023

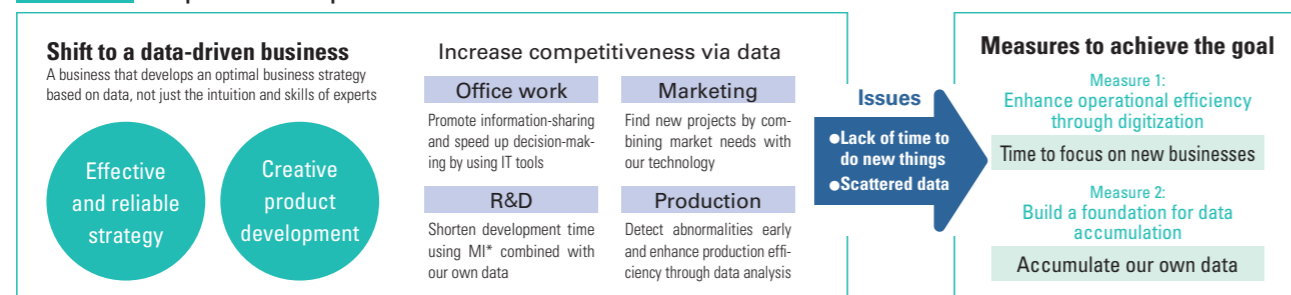
- We are striving to create even more value by making "personnel system reform" - which aims to improve engagement, such as "job satisfaction," "pride" and "motivation to contribute to colleagues" - as one of our key strategies as an employee of a manufacturing company.

4 Promote HR strategy and DX

As part of our HR strategy, we will increase opportunities for dialogue between management and employees, so that we can share and give shape to mutual expectations. We will also foster a willingness among employees to contribute voluntarily to their colleagues and the organization, and we will guide them so that they can set high goals for themselves based on this willingness and continue to challenge themselves to achieve those goals. In addition, we will enhance internal and external training programs, including training managers who will work alongside them. The performance evaluation system will clarify evaluation criteria and standards for each job level, incorporating the concept of evaluations that are both convincing and leading to growth, as well as those that provide a high level of psychological safety.

As part of our DX promotion, we will advance efficiency through the digitization of operations, build a foundation for data accumulation and sharing, and transition to a data-driven business, including improving operational efficiency through generative AI and formulating strategies using the Group's proprietary data, in order to vigorously promote efficient, reliable strategies and original product development. We will further strengthen the foundation of digital human resources by efficiently conducting training to improve digital literacy and on-the-job training using specific projects.

Purpose Improve competitiveness



* MI (Materials Informatics): Technology to improve the efficiency of material development using information science technology

5 Implement capital-efficiency-oriented management

In order to improve our corporate value over the medium to long term, we will strengthen the profitability of existing businesses and investing in growth areas, based on the four basic strategies mentioned above. As part of our financial strategy, we will also work to strengthen shareholder returns, invest in growth areas such as M&A, and improve capital efficiency, with the aim of achieving ROE of 9% and ROA of 5% as soon as possible. In addition, as part of our non-financial strategy, we will continue to hold briefings for institutional investors and individual investors, and we will also focus on IR and SR activities.

Shareholder return

I. Total return ratio of 40-50% or annual dividend of at least 100 yen per share.

* For the FYE March 2025, the extraordinary income from the transfer of the former Kawaguchi Production Plant will be excluded from the dividend source and paid as a separate special dividend.

II. Special dividends of 30 yen per share will be paid for four periods from the FYE March 2024 in relation to the special profit described in I above.

III. The Company will flexibly acquire treasury stock.

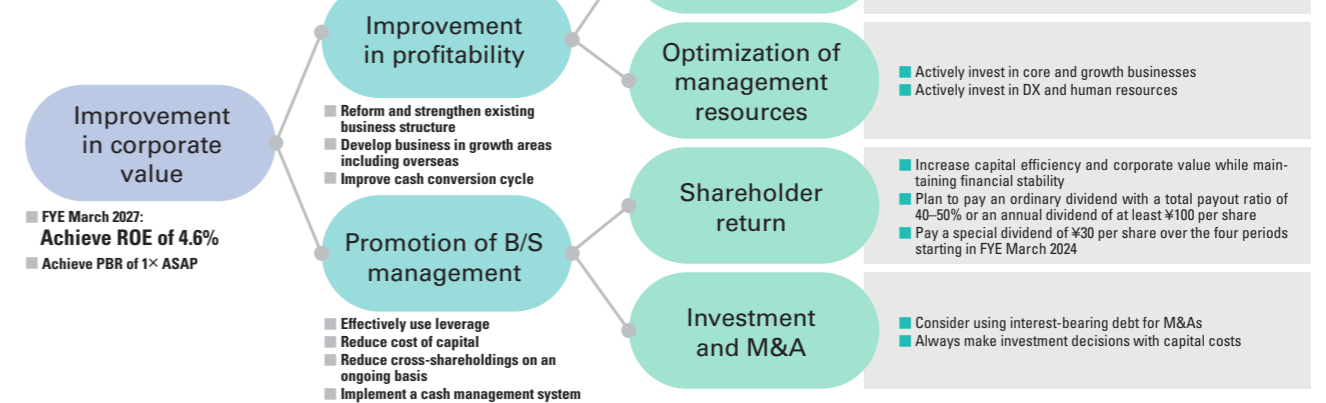
Growth investment

- As part of its growth investment, the company plans to spend ¥15 billion on M&A and capital tie-ups with overseas companies, mainly in Asia.

Measures to improve capital efficiency

- In addition to further improving the efficiency of Group funds through the cash management system introduced in the FYE March 2024, we have set a target of reducing the balance of shares held for policy purposes by at least 15% from the balance at the end of March 2024.
- We are promoting the consideration of measures to improve the cash conversion cycle, such as the liquidation of accounts receivable.

Implement management with the need to improve ROE while taking into account our financial health



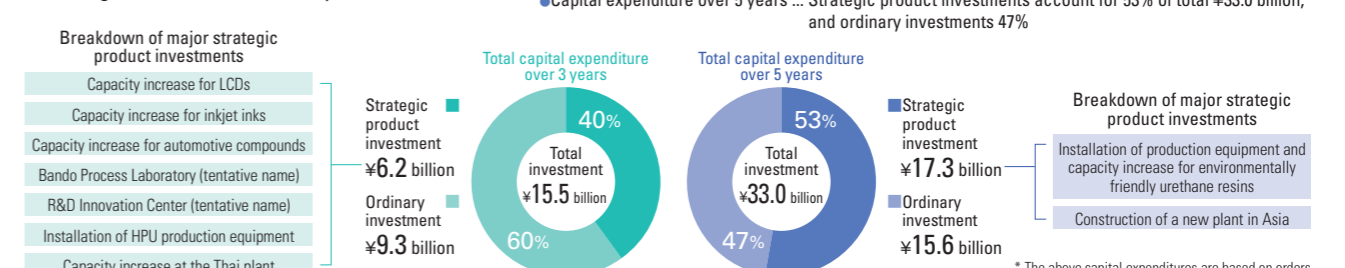
Medium-term capital investment plan (FYE March 2025 to FYE March 2027)

The capital investment plan calls for ¥15.5 billion to be invested over the three-year period, of which ¥9.3 billion (60%) will be invested in business continuity as ordinary investment, and ¥6.2 billion (40%) will be invested in streamlining, increasing capacity, and launching new products as strategic investment. The main strategic investments include investments to increase capacity for color materials for LCDs and inkjet printers, automotive compounds, etc., and for the launch of new products, we are planning production facilities for the coating business and hydroxy polyurethane (HPU®) resin made from CO₂. In addition,

we are planning to realize the R&D Innovation Center (tentative name), which was not included in the previous medium-term management plan, in the new medium-term management plan. The R&D Innovation Center will promote basic research, including material development, and open innovation. We are also considering adding a function that will make it easier to achieve co-creation with the technology departments of each segment, so that it will become a place for building an environment that will bring about the most suitable innovations for the Group.

Capital investment

(including the total amount for five years as a reference)



* The above capital expenditures are based on orders



CFO Message

We will continue to make aggressive investments for growth, with a focus on securing a competitive advantage through the consolidation of R&D functions

Senior Managing Executive Officer, Chief Financial Officer of Dainichiseika Color & Chemicals Mfg. Co., Ltd.

Tatsuhiko Komada

During the three years that we were buffeted by COVID-19 and the situation in Ukraine, we focused on revising sales prices due to the sharp rise in raw material prices

—The previous medium-term management plan, which ended in the FYE March 2024, was a tough one, with the numerical targets for sales and operating income not being met. How do you assess the results as CFO?

The previous medium-term management plan started in April 2021. As the formulation process began in the second half of 2020, when the COVID-19 pandemic began, we set a goal of returning to the situation before the pandemic within three years, amid the chaos of economic activity stagnating, demand plummeting, and restrictions on not only overseas travel but also domestic travel.

In the first year of the plan, the FYE March 2022, operating profit was ¥7.4 billion, far exceeding the target of ¥5.4 billion, and reaching a figure close to the ¥8.7 billion target set for the third year of the previous medium-term management plan. The main reason for this was the rapid increase in orders for products for automobiles and products for liquid crystal displays, which are representative of the stay-at-home demand.

Looking back at the situation at the time, first of all, there was a slowdown in consumption in the first year of the COVID-19 pandemic, and inventories in the supply chain were decreasing. In addition, many countries and regions declared a state of emergency and implemented lock-

downs, and there was a succession of factory closures and movement restrictions. In addition, due to the major disruption in international logistics, there were delays in the transportation of raw materials and products, causing supply instability, and in response to the declaration of force majeure (exemption from contractual liability due to force majeure) for some materials due to the severe cold wave in Texas, we assume that companies placed orders that led to excessive production activities in each supply chain in order to maintain their commercial rights. Under these circumstances, the prices of raw materials and utility costs began to rise.

In the second year of the COVID-19 pandemic, the FYE March 2023, raw material prices continued to rise, and utility costs increased further in the wake of Russia's invasion of Ukraine. Orders for products for automobiles and liquid crystal displays, which had increased rapidly in the first year of the previous medium-term management plan, rapidly declined due to sluggish final demand, and there was excess inventory throughout the supply chain, and we estimate that it took about one to one and a half years for inventory to return to an appropriate level.

In the FYE March 2024, the final year of the previous medium-term management plan, orders gradually recovered from the beginning of the period. However, manufacturers remained cautious in assessing trends in final consumption while managing their production activities, which led to a recovery that involved adjustments across the entire supply chain.

Even in 2024, final consumption was sluggish due to the effects of the Noto Peninsula Earthquake that occurred at the beginning of the year, and inventory adjustments were made in small increments. In addition, throughout the FYE March 2024, the economic stagnation of the Chinese economy had a significant impact on exports from Japan and the

production and sales of local subsidiaries in China.

—What actions did you take as CFO in such a difficult environment?

As a top priority, I asked sales staff in each segment to continue working on revising sales prices in order to pass on the rising cost of raw materials to product prices. The rise in raw material prices during this period was unprecedented in terms of both the extent of the increase and the duration of the rise, and I think it was on a level that had not been seen since the bubble economic period. In addition, inflation occurred due to factors such as the rise in utility costs, so it became necessary to revise sales prices and also increase labor costs.

No one has ever experienced a prolonged period of rising raw material prices like this. Therefore, extremely difficult and careful negotiations continued.

The products we manufacture use multiple raw materials. As negotiations to revise raw material prices continue with each supplier and for each raw material, we calculate the cost of our products for a certain period of time and then propose price revisions to our customers. As a result, it usually takes 3 to 6 months for the price revisions to be reflected in the prices of our products. In this case, the price increase continued, so there was a time lag that meant the price could not be reflected, and this had an impact on the company's annual accounts. Currently, with the government having issued a request for price revisions, it is becoming common practice to pass on the increased costs to the product price.

We have been working hard to improve our performance by compiling data on these revisions to sales prices across the company, sharing analyses of the current situation in each segment and business activity, and striving to improve our performance. Looking back, I can see that the previous medium-term management plan was a period of three years that was buffeted by dramatic changes in the external environment, and unfortunately we were unable to achieve the profit levels we had targeted.

Redefining the long-term vision “Where We Want to Be in 10 Years” and aiming to secure a competitive advantage through company-wide technological integration

—The new medium-term management plan “TRANSFORMATION for TOMORROW” started in April 2024. You have also set out the company's vision for where you want to be in 10 years: “Become an excellent company in the field of functional materials.” Could you tell us about the purpose of this?

Our company originally started out with color materials called “pigments” as its core products. Since our founding, we have been providing inks, colorants, compounds, etc. that are tailored to our customers' applications, molding methods, and types of resin, so that customers from a wide range of industries can easily obtain the colors they desire in a way that is both economical and rational. Our basic stance is to continue providing products with performance and quality that satisfy our customers, and to steadily carry out product development that can respond to new molding methods and resins.

On the other hand, “adding color” also means “adding value” to their appearance, and in recent years, there has been an increase in demand for additional value beyond just color, that is, adding functions. From the beginning of the development of urethane resins and coating agents, our company has pursued functionality that meets the needs of our customers.

Against this background, in the “Where We Want to Be in 10 Years,” which we have clarified this time, we have indicated our business domain using the term “functional materials” rather than using words related to color. The term “functional materials” is used to clearly express our vision of providing a wide range of functionality, including thermal conductivity, electrical conductivity/insulation, adhesiveness, heat/weather (light) resistance, ultraviolet/infrared absorption/reflectivity, X-ray shielding, and gas barrier properties, for all the materials around us, including plastics, metals, and paper.

The phrase “Excellent company” is a common used term, but we have deliberately chosen it after careful reconsideration to convey our desire to continue developing and supplying products in the field of functional materials, to build win-win relationships with all stakeholders in the Group, and to become a company that enriches people's lives.

—You originally come from a technical background. How will you strengthen the basic strategy of “Secure a competitive advantage through technology initiatives,” which has been consistently continued since the previous medium-term management plan?

We are a B-to-B chemical manufacturer. Our mission is to accurately identify our customers' needs, quickly design products with the necessary functions and quality, manufacture them on the production line, and deliver them to our customers. Since our founding, we have developed and implemented growth strategies for each of our business areas, and this is how the Group has come to be today. In order to respond even more accurately to the increasingly diverse needs of our customers in the future, it is necessary for us to use the technologies we have across the company and to develop products with all our might.

Our engineers are divided into three main categories. The Production Technology Department, which is affiliated with each division and contributes to efficient production; the Technical R&D Department, which is affiliated with each division and is responsible for developing products that meet





the needs of customers identified by sales staff; and the R&D Structure, which is responsible for basic research related to synthesis and dispersion. In order to integrate the technologies possessed by each organization, it is necessary to have a system that allows these organizations to collaborate and interact, and we have been promoting the creation of such a system in the previous medium-term management plan.

In order to further promote these systems, the new medium-term management plan has introduced the "R&D Innovation Center Project." The aim is to create innovation through the integration of technologies by consolidating the company's R&D functions, and it is positioned as one of the strategic investments in the ¥15.5 billion capital investment plan for the next three years. We have taken the time to thoroughly discuss the range of technologies to be consolidated in the center and to strengthen collaboration with the business divisions.

The growth prospects for major products by business segment are clearly stated, and a growth investment of ¥15 billion is planned for medium-term sustainable growth

—I would like to ask you about the new medium-term management plan. For the first time, you have specified the growth prospects for related markets and major products in terms of numerical targets by business segment. Could you tell us about the purpose of this?

As a B-to-B chemical manufacturer, it was difficult to see the end product, so it was sometimes hard to see the connection between our business portfolio and our products.

In the new medium-term management plan, we have indicated the publicly available growth rates for three particularly important markets - "Pigments and coating materials for color filters," "Polyurethanes for automobiles" and "Res-

in compounds and colorants for automobiles" - and compared them with the growth rates of the products planned in the new medium-term management plan, making it easier to understand the relationship with the sales plan.

These numerical plans are formulated by accumulating information from customers and adding in our own prospects, but I think you will understand that there is not a great discrepancy between the growth rates for each industry that can be obtained and our sales and profit plans.

The markets and industries we are involved in are diverse, and it is difficult to compare the growth of our products with that of the market for all of our products, but we will

continue to strive to provide easy-to-understand explanations.

—In the previous medium-term management plan, you postponed some capital investments. How will you implement capital investments in the new medium-term management plan, including those that were postponed?

There are clear reasons for the two investment projects that were postponed in the previous medium-term management plan. One is that legislation in Western Europe, the main battlefield for cosmetics, was delayed with regard to capital investment in biodegradable powder for use in cosmetics. The other was that we decided that more careful discussion was needed regarding the construction of the technology building for the R&D Innovation Center, which will consolidate the company's R&D functions. These two projects account for about half of the investment amount postponed in the previous medium-term management plan.

On the other hand, we have been moving forward with capital investment to maintain and streamline existing businesses, as well as with investment to increase pigment production capacity in anticipation of increased sales in the IT field, ahead of our initial plans. In other words, we have executed individual capital investment plans in line with business progress. In the new medium-term management plan, we have also created a capital investment plan in line with the business plan. As a result, the investment amount is at the same level as the plan in the previous medium-term management plan.

In addition to these capital investment plans, the new medium-term management plan also includes plans to invest ¥15 billion in growth. Specifically, we are considering capital tie-ups and M&A that take into account the synergies of promoting existing businesses, and we will carry out these investments after carefully examining the return on investment. We are also positioning the construction of new factories in Asia and DX and human capital investment as growth investments.

Actively promote HR strategy with engagement index as KPI and transition to digital transformation and data-driven business

—In the new medium-term management plan, "Promote HR strategy and DX" has been added as a new basic strategy. Could you tell us about this growth investment?

Regarding the HR strategy, we have set our own engagement index as a KPI, with the aim of achieving a sense of fulfillment through personnel system reform, and we will continue to improve it. We plan to continue this even after March 2027, when the new medium-term management plan ends.

—You were previously in charge of introducing a core system, and oversaw the stable operation of the core system and the promotion of data utilization. Please tell us your thoughts on DX promotion and the transition to a data-driven business based on your experience.

The core system was renewed in October 2018. In line with the launch of the core system, we also launched a WMS (warehouse management system) based on our 3PL contract, and we have also achieved "visualization" of logistics costs.

The core system stores a huge amount of management data. We have been using BI tools to extract the necessary data from the core system and apply it to the formulation of medium-term management plans and the execution of daily business plans. In the new medium-term management plan, we will upgrade these BI tools to make them even easier to use.

Furthermore, we will continue to accumulate and share personally held information and expertise that is not included in the core system, and we will also utilize AI to promote initiatives to shift the work that employees carry out on a daily basis, such as production, research and development, and sales, to a more data-driven approach. First, we are planning to revamp our internal platform, and we are hoping that this will dramatically change the way we communicate within the company.

For example, anyone can freely set up and join chat rooms. This allows open and easy communication that transcends the barriers of conventional organizations. I think it's very interesting that information that was previously shared only within vertical structure can now be shared across organizational boundaries.

As a driving force, I would like to make it a priority to encourage people to make full use of the renewed platform. I would like to see the changes that will occur within the Group.

Implementing speedy management with an awareness of capital profitability and communicating with investors to clearly convey the rationale for growth

—As a goal of the new medium-term management

plan, you have set "Implement capital-efficiency-oriented management" as a long-term target. Could you tell us how you plan to achieve this?

"Implement capital-efficiency-oriented management" is one of the basic strategies that has been carried over from the previous medium-term management plan. We have set medium- to long-term targets of ROE of 9% or more and ROA of 5% or more, and have set ROE of 4.6% and ROA of 4.3% as targets for the end of the FYE March 2027 to reach these targets. You may think that a ROE of 4.6% is a low target, but we have presented this as a realistic plan after carefully evaluating the environment surrounding our company over the next three years and the measures we can take, and we hope you will understand. In order to achieve this goal, we will first work to achieve net sales and operating profit that exceed the targets we have set. In particular, we will use the ¥15 billion growth investment budget and the ¥15.5 billion in capital investment over the next three years to strengthen activities that will lead to growth.

From a financial perspective, we will continue to implement measures to improve capital efficiency. The effects of the cash management system that went live in Japan in March 2024 are starting to be seen, so we will continue to review our funding levels. In order to shorten the cash conversion cycle (the period from accounts payable to accounts receivable collection), we will carefully implement measures such as the liquidation of accounts receivable. In addition, we will continue to reduce our holdings of strategic investment shares by at least 15%.

We recognize that improving ROE through these measures in terms of business performance and financials will lead to the early achievement of a PBR of 1 or more. We will always be conscious of the share price and work with a sense of urgency.

—In your dialogue with shareholders and investors, what do you think they expect from Dainichiseika?

In short, I think they expect the share price to rise as a result of the company's growth. To meet this expectation, I think it is important to explain clearly to investors the reasons for the company's growth.

Until now, we have often received comments that the chemical industry is difficult to understand. In particular, as we are a B-to-B manufacturer, it is difficult to see the connection with final consumer goods, so I think it is difficult to understand the impact of the external environment on our business performance. Therefore, in our dialogue with investors, we have made efforts to help them understand our business by highlighting the final products of our customers that utilize our products. We also received many questions about which business segments would grow in the future. In the new medium-term management plan, we have clarified the representative strategic products for each business segment and presented sales and profit plans for them.

The Japanese stock market is changing rapidly. A lot of money is now flowing into the Japanese market from overseas investors. This shows the high expectations that foreign investors have for change in Japanese companies. In order to meet these expectations, speed is as important as strategy. We will work on all of the items we have disclosed as management targets with a strong sense of urgency.

Please continue to look forward to our business activities.

Technologies and R&D Behind Our Products

VOICE

Challenges and changes in creating a sustainable society



Director, Head of R&D Structure

Taiyo Aoyagi

The Group has returned to the basics of creating new value and contributing to society for our sustainable growth, and is actively pursuing R&D activities to become a chemical manufacturer that co-creates new value with its customers and creates a comfortable and sustainable society by strengthening its business foundation to respond quickly to the changing economic environment. In order to embody the missions of the medium-term management plan, “Leverage our technological capabilities in niche markets so we can continue contributing to society” and “Work on finding solutions and create new value for a sustainable society,” we have been working on “Secure a competitive advantage through technology initiatives” since the previous medium-term management plan. This is a paraphrase of “our comprehensive technological capabilities as a manufacturer”: “to solve social issues, i.e., to accumulate technological capabilities to quickly respond to needs and provide number one products,” and “to apply technological seeds to create and propose only-one products with an eye to future social issues.” The “R&D Innovation Center Project,” reiterated in the new medium-term management plan, is a concept that reaffirms “technology fusion through collaboration” and “technological deepening and innovation to realize next-generation themes,” based on discussions on the nature of R&D, and creates a “space where the knowledge of the Group can come together” to create maximum synergy for both existing and new businesses. As I take on a greater responsibility from this term, I will return to my roots and will engage in “challenge and innovation” in new products and businesses, without being restricted by existing priority themes.

Three core technologies

Our technologies began with the synthesis of high-quality, highly functional pigments, evolved to the stable dispersion of pigments in various materials to improve their coloring and functionality. In addition, they evolved to the acquisition of the technology to synthesize the synthetic resins themselves that form the base of such dispersions. We will continue to meet our customers’ needs by linking and integrating these three technologies.

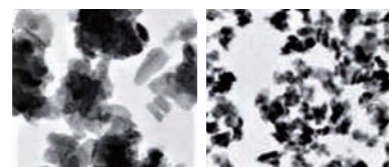
Pigment Synthesis and Surface Treatment Technology

Pigment synthesis is a technical field that makes full use of knowledge of chemical substances, the coloring theory of chemical bonds, physical chemistry and surface chemistry. In addition to synthesis, we also have technology that chemically processes the surface of pigments to give them new functions, such as pigments for color filters in LCD panels. In addition, technology for functional materials, such as controlling heat and wavelength, has also been developed in this field.



Formulation and Dispersion Processing Technology

Dispersing pigments that are insoluble in water or oil evenly and stably in the target material requires a great deal of expertise. In addition, our wide range of formulation and dispersion processing technologies, which can be used with a variety of materials, can be used not only for coloring but also for imparting functionality such as conductivity, flame retardance, and strength. We have also established stable dispersion technology for fibrous fillers, which are difficult to disperse evenly.



Before dispersion After dispersion

Polymer Synthesis Technology

We have extensive knowledge of raw materials such as urethane resins, imide resins, acrylic resins, and naturally-derived functional polymers, as well as resin design and resin synthesis technologies to match target performance. Our strength lies in our ability to provide high value-added products that match the needs of our customers using this technology and being able to provide integrated production to the final product.



Intellectual Property Strategy

Intellectual property (hereafter, IP) is necessary for protecting the rights of existing products and improving the competitiveness of newly developed products. We aim to increase the number of patent applications and acquire patents strategically by implementing the following measures.

- (1) Improving IP education by hiring patent attorneys
- (2) Preventing infringement of other companies’ rights by monitoring other companies’ application trends and visualizing other companies’ patents as patent maps
- (3) Improving engineers’ patent search skills by introducing AI-based patent search systems, etc.

We aim to contribute to the creation of a sustainable society by linking and integrating our three core technologies to target four developing markets.

In order to propose solutions to the issues faced by the four developing markets, we will further promote links and integration across organizational boundaries, making use of the Group’s three core technologies, with the aim of creating new products and achieving early commercialization.

Secure a competitive advantage through technology initiatives — R&D structure’s overall strategy: target domains —

New development markets

Functional Materials for IT and Electronics

- Combine material development with formulation and dispersion processing technology to realize an IT and electronics-driven society where life is easy
- Enrich people’s lives through products that paved the way to next-generation communications infrastructure (5G/6G)
- Contribute to a sustainable society through energy management materials

Specific examples

Secondary battery materials, conductive materials, heat management materials, functional polymers, and high value-added pigments and dispersions



Life Science & Personal Care

- Provide high value-added products derived from natural sources
- Contribute to a sustainable society with safe and reliable products

Specific examples

Biodegradable microparticles and naturally derived cosmetic raw materials



Continuous development markets

Mobility

- Create comfortable interior spaces with high-performance products
- Contribute to a sustainable society with a variety of materials geared to CASE and other changes

Specific examples

Urethane/acrylic/silicone polymers, lightweight, high-strength resin compounds, and decorating films



Environmentally Friendly Packaging

- Provide completely solvent-free, environmentally friendly inks
- Provide gas barrier materials made from CO₂
- Contribute to a sustainable society with environmentally friendly products

Specific examples

Water-based flexographic inks, gas barrier coating materials, environmentally friendly adhesives, and highly durable inks



Joint research and new technology creation through open innovation

The Group is promoting exchanges and joint research with universities, research institutions and companies both in Japan and overseas. We are imagining future issues and working to introduce new technologies for their resolution, while also integrating and developing our own technologies. In addition to the living radical polymerization method with Kyoto University, we

are also developing high-performance products by incorporating new synthesis methods. We are also actively involved in external collaborations, including participation in various consortiums, and are collecting information on evaluation methods and other topics for new and developing markets.

Focusing on sustainable products

● Biodegradable cellulose powder (RUBLALEAF® KCX)

We have developed a biodegradable powder with a shape that gives a smooth, moist feel, using particle design technology cultivated through acrylic and urethane resins, and derived from natural cellulose. It was adopted as a cosmetic material in 2023, and we will continue to make proposals for its adoption by cosmetics and OEM manufacturers in Japan and overseas.



● Polyurethane (HPU®) series made from CO₂

We have established a method for mass-producing cyclic carbonate compounds, which are intermediate materials made from CO₂, and we aim to contribute to the realization of a sustainable society by promoting the use of HPU, which has gas barrier and adhesive properties, and reducing CO₂ emissions.



The employment information page of our corporate website includes project stories of our staff members dedicated to research and development, although this is only available in Japanese at present.

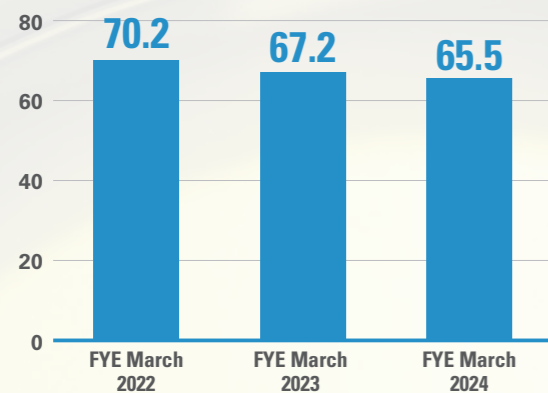


Business description

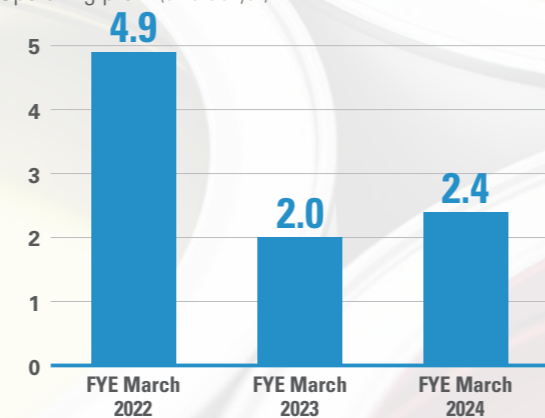
This segment is engaged in the manufacture and sale of pigmented colorants for fibers^{*1}, colorants for plastics, resin compounds^{*2}, pigment dispersions, and functional materials, with a focus on pigments and secondary processed products of pigments.

Achievements in Color & Functional Products

Net sales (billions of yen)



Operating profit (billions of yen)



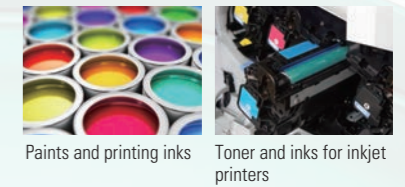
Pigments

Inorganic and organic pigments^{*3} are used in a wide range of applications, including paints, printing inks, and for displaying and recording information, as well as for imparting functionality such as heat dissipation and infrared reflection

Main products

- General-purpose pigments
- Pigments for color filters
- Pigments for inkjet printers
- Pigments for toners
- Cellulose powder
- Thermally conductive inorganic powder

Main applications



Colorants and resin compounds

Colorants for information display and recording materials, mass colorants^{*4} for synthetic fibers, pigment printing agents^{*5}, paper colorants as well as coloring agents for a wide range of resins, including polyvinyl chloride, general-purpose resins, and engineering plastics

- Colorants and functional material master batches for thermoplastic resins
- Mass colorants for synthetic fibers
- Pigment printing agents
- Paper colorants
- Colorants for polyvinyl chloride resin
- Colorants for fluororesin
- Colorants for olefin resin
- Colorants for thermosetting resins
- Functional material compounds



Color & Functional Products SWOT analysis

	Advantage	Disadvantage
Internal origin	<p>S Strengths</p> <ul style="list-style-type: none"> ● Advanced knowledge and technology accumulated through consistent experience in pigment and resin synthesis, surface treatment, blending, and dispersion processing ● A wide range of production facilities and reliable production capabilities ● The provision of high-quality, stable products ● Problem-solving and proposal-making capabilities ● Global network of production bases 	<p>W Weaknesses</p> <ul style="list-style-type: none"> ● Slow growth in the domestic market due to high market share ● Inefficiency due to high-mix low-volume production ● Delay in updating equipment due to high utilization rate ● Time lag before passing on price increases
External origin	<p>O Opportunities</p> <ul style="list-style-type: none"> ● Demand for lighter weight due to the electrification of automobiles and the progress of CASE, and the expansion of demand for new parts and electrical components ● Expansion of the renewable energy industry ● Growing focus on high added value (functionality, quality, design) ● Rising demand for high quality overseas, and growing demand in high-growth countries ● Faster communication speeds ● Regulations on microplastics in cosmetics ● Increase in digital printing methods ● Larger display sizes 	<p>T Threats</p> <ul style="list-style-type: none"> ● Decrease in publications, reducing plastic ● Move towards colorless products for recycling ● CO₂ emissions regulations ● Rising raw material prices and distribution costs ● Unforeseen circumstances (geopolitical risks, business withdrawals, brand consolidations, discontinued products, climate change, equipment accidents, etc.) causing raw material procurement instability ● Internal production ● Tightening of environmental regulations for chemical substances

Review of the FYE March 2024

Sales of pigments and colorants for the information/electronics industry recovered from the beginning of the period for display applications, but adjustments were made in the second half due to a decline in final demand. In addition, the automotive industry finally emerged from a long period of inventory adjustments and recovered gradually from the summer, but after the new year, it remained sluggish due to the effects of the earthquake disaster, etc. The building materials sector was weak due to the decline in the number of housing starts, but the renovation sector provided support. Overseas, the automotive sector at our Indian subsidiary performed well, but the home appliances and office equipment sector at our Chinese subsidiary performed poorly. The clothing and accessories sector was weak due to the sluggish market.

Business strategy

In the pigment and colorant business for color filters and inkjet printers, we expect to expand our colorant business by utilizing our own dispersants and dispersing technology, and we will increase the capacity of our facilities. As functional materials for sustainable products, we will develop our businesses for thermal conductive materials and cellulose powders for cosmetics into stable growth businesses, while also promoting the development of high-functionality, high-value-added products that respond to the CASE of automobiles. Overseas, we aim to achieve further growth by capturing demand for compounds in countries in the Asian region with high GDP growth, while targeting further growth in international markets. At the same time, we will promote further sales expansion of colorants for communication cables by leveraging our brand recognition. For general-purpose pigments, we will work to rationalize production by integrating product lines to match demand.

Priority measures

- Capital investment to expand sales of functional materials
- Expansion of facilities for pigments for the information/electronics industry
- Sales expansion in the Asian region with a view to strengthening local production capacity
- Production rationalization through brand integration and updating to the latest facilities

*1 Colorants: Since pigments are insoluble or poorly soluble in water or oil, dispersion technology that takes advantage of the characteristics of the pigment is required to disperse them. Colorants are products born from this dispersion technology, and are synonymous with dispersions, processed pigments, and masterbatches.
*2 Resin compounds: A molding material in which additives such as pigments and reinforcing agents are mixed into plastic.

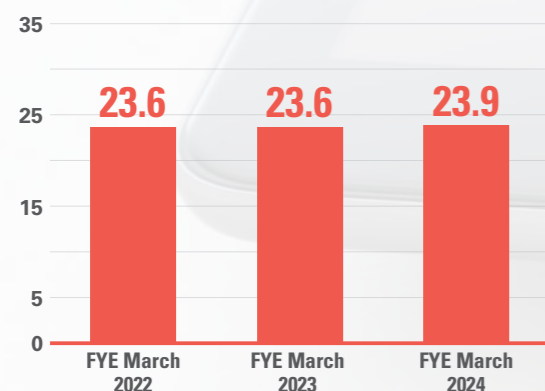
*3 Inorganic and organic pigments: Pigments, which are the source of color, can be divided into inorganic pigments made from inorganic substances such as metals, and organic pigments made from organic substances.
*4 Mass colorants: A colorant that is added to the resin before it is spun.
*5 Printing agents: A material used when printing on cloth.

Business description

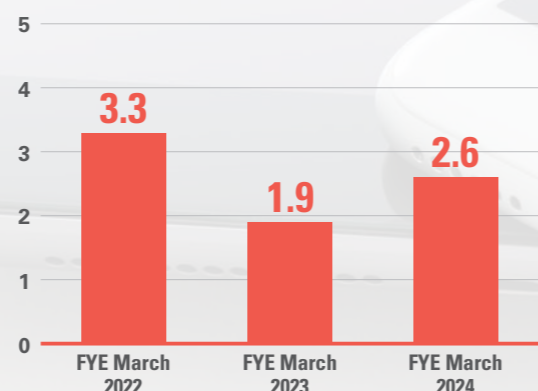
This segment is primarily engaged in the manufacture and sale of synthetic resins and specialty coating agents, UV and EB curable coating agents^{*1}, urethane resins, and naturally-derived functional polymers.

Achievements in Polymers & Coating Materials

Net sales (billions of yen)



Operating profit (billions of yen)



Polymer & Coating Materials SWOT analysis

	Advantage	Disadvantage
Internal origin	<p>S Strengths</p> <ul style="list-style-type: none"> ● Problem-solving and proposal-making capabilities based on accumulated resin design, development and evaluation technologies ● Formulation and dispersion processing technologies that add value (functionality and design) ● Wide range of resin products ● Product lineup of sustainable products derived from water-based, solvent-free, biomass, and CO₂ sources 	<p>W Weaknesses</p> <ul style="list-style-type: none"> ● High utilization of production facilities ● Insufficient testing and research facilities and production facilities
External origin	<p>O Opportunities</p> <ul style="list-style-type: none"> ● Progress in the electrification of automobiles and CASE ● Increased demand for sustainable products ● Increased focus on high functionality and high quality ● The trend towards monomaterialism due to the increased recycling of plastics ● Increased communication speeds and higher performance of electronic devices ● Increased demand for design quality ● Increased demand for semiconductors ● Rationalization and sustainability of the coating process ● Increased demand for adhesives 	<p>T Threats</p> <ul style="list-style-type: none"> ● Progress in the elimination of plastic and the use of recycled plastic ● CO₂ emissions regulations ● Rising raw material prices and distribution costs ● Raw material procurement concerns (geopolitical risks, business withdrawals, brand consolidation, discontinued products, climate change, equipment accidents, etc.) ● Tightening of environmental regulations on chemical substances ● Risks associated with switching to other materials

*1 UV and EB curable coating agents: A coating agent that causes a chemical reaction using the energy of ultraviolet rays or electron beams, instantly changing the liquid into a solid.

	Main products	Main applications
Urethane resins	<p>Urethane resins and colorants used in synthetic leather and molded products, special coating agents and adhesives that impart functionality, and imide resins, which are representative heat-resistant resins</p> <ul style="list-style-type: none"> ● Synthetic leather, artificial leather (epidermal layer, adhesive layer, surface treatment layer, coloring agent) ● Adhesives for flexible packaging materials and industrial materials ● Coating agents for thermal recording, functional coating agents ● Paint additives ● Materials for various types of molding (injection, extrusion, calendaring, etc.) 	  <p>Vehicle interior materials</p> <p>Thermal recording materials</p>
Naturally-derived functional polymers	<p>Chitosan^{*2}, which is made from crab shells and mushrooms, and other naturally-derived functional polymer products made from various marine organisms and natural products that have been extracted for their active ingredients</p> <ul style="list-style-type: none"> ● Chitosan made from crab shells ● Chitosan derivatives for cosmetics made from mushrooms 	  <p>Cosmetics</p> <p>Wastewater purification, water treatment</p>
Coating agents	<p>UV and EB curable coating agents and decorative and functional coating agents used in the information and electronics fields, the automotive field, and the interior building materials field, etc.</p> <ul style="list-style-type: none"> ● UV and EB curable coating agents 	  <p>PCs and office equipments</p> <p>Flooring</p>

Review of the FYE March 2024

Although sales of urethane resins to the transportation equipment industry recovered from the beginning of the period, they weakened after the new year due to the effects of the earthquake and other factors. Sales to the apparel industry were generally strong, despite some sluggish demand in China. Sales of coating agents for liquid crystal displays in the information/electronics industry were strong from the beginning of the period, but weakened from the fourth quarter due to sluggish market conditions.

Business strategy

We will make use of our wide range of urethane resins to expand sales both in Japan and overseas, targeting the transportation equipment and apparel industries. In addition, against the backdrop of growing awareness of the global environment, we will focus on developing and selling sustainable products, such as water-based, solvent-free and biomass products, as well as developing and selling heat-resistant high-performance resins for use in next-generation automobiles and electronic devices, which are becoming smaller and more sophisticated. In the field of coating agents, we are particularly strong in the development of original and customized products based on our accumulated blending and dispersion processing technology, and we will continue to propose and provide products that meet customer needs, including UV adhesives.

Priority measures

- Develop new customers in North America
- Strengthen cooperation with overseas subsidiaries (Taiwan, China, USA)
- Restructure production bases and increase capacity (domestic/overseas)
- Focus on development and sales of decorating films
- Consider building a new production facility (Bando Process Lab Building)

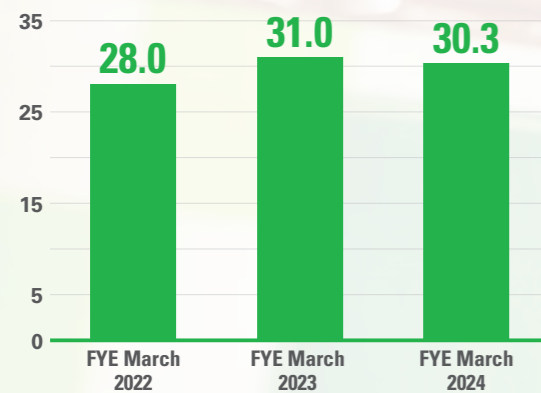
*2 Chitosan: A naturally occurring material found in the shell skins of arthropods and crustaceans such as crabs and shrimps. It is a substance obtained by alkali treatment of polysaccharides whose chemical structure resembles cellulose. We also manufacture allergen-free chitosan derivatives isolated from mushrooms.

Business description

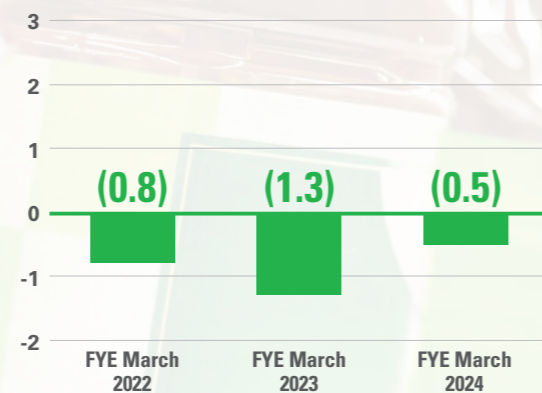
This segment develops, manufactures, and sells a wide range of gravure and flexographic inks^{*1} and offset inks^{*2} for various applications, with a focus on packaging and advertising publication inks.

Achievements in Graphic & Printing Materials

Net sales (billions of yen)



Operating profit (billions of yen)



Printing inks

Gravure printing inks that can be used to print on a variety of materials, coating agents, water-based flexographic printing inks, offset printing inks and special inks used for paper media such as newspaper inserts, books and packaging materials

Main products	Main applications
<ul style="list-style-type: none"> ● Gravure inks ● Flexographic inks ● Coating agents ● Offset inks ● Adhesives 	 <p>Packaging materials for food and daily necessities</p>  <p>Beverage bottle labels</p>  <p>Advertisements and books</p>  <p>Paper packaging</p>

Graphic & Printing Materials SWOT analysis

	Advantage	Disadvantage
Internal origin	<p>S Strengths</p> <ul style="list-style-type: none"> ● A wide range of products that can be used with a variety of base materials ● A production line that can handle a wide range of products, from small lots to large batches ● Development capabilities for sustainable products, such as the use of water-based materials and biomass materials ● The ability to respond to new demand arising from changes in industrial structure ● The provision of high-quality, stable products ● The latest evaluation equipment and evaluation technology 	<p>W Weaknesses</p> <ul style="list-style-type: none"> ● Inefficiency due to high-mix low-volume production ● Time lag before passing on price increases
External origin	<p>O Opportunities</p> <ul style="list-style-type: none"> ● Increased demand for sustainable products ● The birth of new markets in response to changes in the social environment ● The trend towards monomaterialism due to the increased recycling of plastics ● The trend towards replacing plastic with paper as a base material ● Increased interest in high-quality product packaging 	<p>T Threats</p> <ul style="list-style-type: none"> ● Market contraction due to the move away from plastic and food loss reduction ● CO₂ emissions regulations ● Rising raw material prices and distribution costs ● Raw material procurement concerns (geopolitical risks, business withdrawals, brand consolidation, discontinued products, climate change, equipment accidents, etc.) ● Plainification of food trays, etc. ● Decreasing demand for printing due to the move towards paperless systems ● Tightening of environmental regulations on chemical substances

Review of the FYE March 2024

Sales of gravure inks for the packaging industry were weak due to a significant decrease in demand for flexible packaging materials for food products, caused by consumers holding off on purchases due to rising prices, and inventory adjustments for flexible packaging materials. Sales of inks and coatings for functional films used in smartphones and other information devices recovered from the FYE March 2023, but were affected by the slowdown in the Chinese economy. In the building materials field, sales remained sluggish due to the continued decline in the number of housing starts in Japan. Overseas, sales volumes were weak due to competition with competitors at our Indonesian subsidiary, but profits increased due to revisions to sales prices and cost reduction efforts.

Business strategy

We will work to rationalize production by consolidating our bases at the newly established Bando Production Plant, improving production efficiency by making the most of the latest production equipment, and integrating product types. We will also implement appropriate price revisions in response to the rising cost of raw materials, while seeking the understanding of our customers. We will expand sales of strategic products with high technological superiority (label inks and water-based flexo printing inks), and focus on the information and electronics, and industrial materials fields, where growth is expected, to promote sales expansion. At our overseas subsidiaries, we will monitor market trends to determine the timing of investment in order to secure production capacity in line with demand.

Priority measures

- Focus on products with high technological superiority (label inks and water-based flexographic inks)
- Create new markets
 - Develop sales channels for new products using exhibitions, etc.
 - Enter new fields through collaboration with technology organizations and other divisions
- Focus on industrial materials, and promote sales expansion in target fields
- Implement rationalization measures
- Consider increasing capacity at overseas subsidiaries

*1 Gravure and flexographic inks: Gravure inks, coating agents and water-based flexographic inks that can be used to print on a wide range of materials.
*2 Offset inks: Offset printing inks and special inks used for paper media such as newspaper inserts, books, and packaging materials.

Technologies Behind Our Products

Color & Functional Products

Specialty compound – Thermal conductive compound –

Development history

The technology for specialty compounds*1 dates back 30 years. During this time, we have cultivated our know-how for imparting high functionality to plastics through the process of solving our customers' problems by making use of the core technology in our colorant business. This technology is being put to use in a variety of R&D themes, and the optimized blending, dispersion processing and evaluation technologies for each theme have become the "tools" that meet customer requirements and are our "strengths."

Product overview

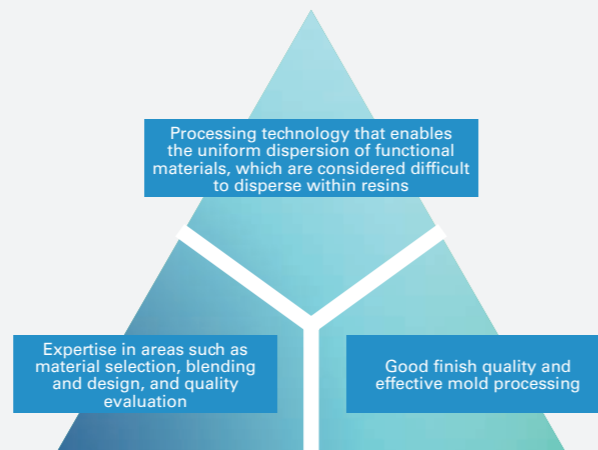
One type of specialty compound, thermal conductive compound, is a functional material that improves the ease with which heat is transmitted. It is attracting attention as a material that contributes to the miniaturization of electronic devices, as an alternative to metal, and as a material that improves the convenience of everyday life.



Thermal conductive compound (TM series)

Our strengths

We propose customized products that match the performance requirements of our customers, and work alongside them to find solutions to the issues they face.



Anticipated end product

By focusing more on R&D themes related to thermal management (heat control) in the fields of Functional Materials for IT and Electronics, and Mobility (CASE/ADAS), we hope to contribute to solving our customers' problems in the future by proposing technical solutions that leverage our high functionality.



Smartphones, PCs Mobilities OA equipment

Developer's voice

- ▶ I think that by visiting customers and listening to their feedback at exhibitions, we can create products that will be adopted by customers.
- ▶ I would like to share information with other departments that handle the theme of "thermal conductivity" and become a key person in creating products with new, never-before-seen performance.
- ▶ I started out with no knowledge of thermal conductivity, but by steadily clearing each issue, I have gained more knowledge about materials and more ideas for product design, and I feel like I'm making steady progress.



Plastic Colors No. 2 Division
Technical R&D Department
Development team members



Thermal conductivity evaluation of a developed product

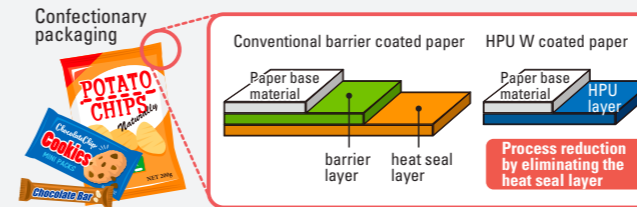
*1 Specialty compound: A compound that has been given "high functionality" to plastic by formulation and dispersion processing technology for highly dispersing functional materials, which are considered difficult to disperse, in resin with unique blending and design technology.

Polymer & Coating Materials

Gas barrier coating materials using hydroxy polyurethane (HPU®)

Product overview

Gas barrier coating materials are paints that can significantly reduce oxygen permeability when applied to films and paper. When a monomaterial film coated with such a paint is used as food packaging materials, it can have the effect of extending the shelf life of the food.



Developer's voice

- It is difficult to achieve both the oxygen barrier performance required for barrier materials for packaging and the adhesive strength required, so we are constantly trying and testing to achieve the physical properties that our customers are looking for.
- I think it is a valuable experience to be involved in everything from development to product adoption. I want to develop HPU with new performance and expand the range of products that use it.



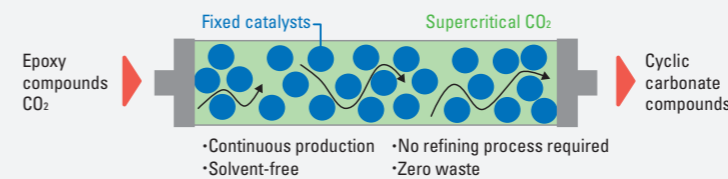
UKIMA CHEMICALS & COLOR MFG. CO., LTD.
Technical R&D Department, Material Application
Development team members

Polymer & Coating Materials

Project to develop a method for producing cyclic carbonates using supercritical CO₂

Product overview

Although the main focus of this project is on the development of a method for manufacturing cyclic carbonates, we are also considering the application of cyclic carbonate compounds as new functional monomers. Specifically, we are developing products for use in applications such as urethane-based adhesives that do not use isocyanates and cross-linking agents that can be used as alternatives to epoxy compounds.



Developer's voice

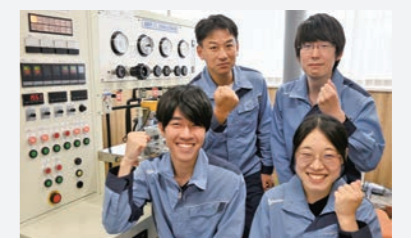
- ▶ We are steadily moving forward with production, and we hope to develop cyclic carbonates as a new material for the chemical industry in the future.
- ▶ It is difficult to make progress in a limited amount of time, but we have high expectations for the stable supply and expanded use of new materials made from CO₂, and we feel that this is an important development for the realization of a sustainable society.

Anticipated end product

We are considering various packaging materials, building materials, and the automotive field as components of adhesives and inks.

Our strengths

- Developing products that apply cyclic carbonates, making use of the knowledge unique to urethane manufacturers
- Developing ahead of other companies, and actively acquiring intellectual property



UKIMA CHEMICALS & COLOR MFG. CO., LTD.
Technical R&D Department, New Development
Development team members

Graphic & Printing Materials

Alkali-removable ink – CycleFine –

Development history

We have positioned climate change, loss of biodiversity, and environmental pollution as important issues, and we are developing and expanding sales of sustainable products in order to solve these problems. We believe that chemical and material recycling of waste plastics is an urgent issue from the perspective of reducing CO₂ emissions, as most of the plastic packaging other than PET bottles is thermally recycled for heat utilization. In order to achieve horizontal recycling^{*1}, which is a form of circular economy, not only for PET bottles but also for PET bottle labels, we have developed and improved CycleFine (alkali-removable ink), which is a type of ink that can be removed from PET bottle labels, fruit and vegetable bags, and other packaging.

Product overview

- Ink can be removed from film under heated alkaline conditions
- Environmentally friendly ink that uses biomass materials in its composition
- Ink is removable, but maintains the same performance as conventional products

Anticipated end product

- PET bottle labels (beverages, seasonings, detergents)
- Vegetable bags, rice bags
- Vegipack
- Packaging for daily food products (bread, rice balls)
- Packaging for daily necessities



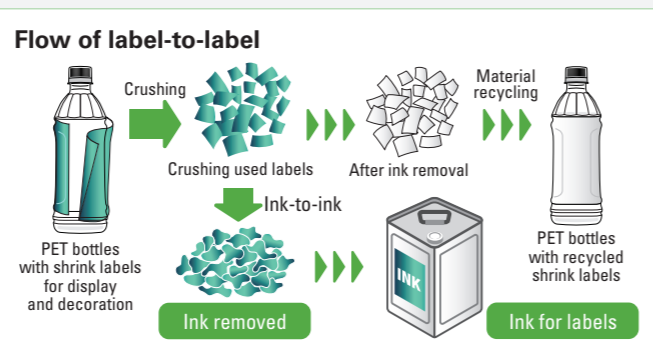
After stirring in an alkaline solution of 80°C, 1.5wt% (concentration) sodium hydroxide for 10 minutes, rinse with water.

Brand	Application	Biomass ratio in ink film solids
CycleFine series	Printing ink for PET bottle labels ^{*2}	10% or more
CycleFine (SP) series	Printing ink for surface printing ^{*3}	30% or more

Collaborating on “label-to-label”

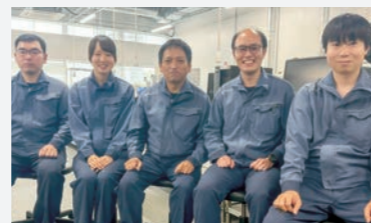
We are currently working with brand owners, bottle manufacturers and recyclers on “label-to-label” recycling, which involves removing the printing ink from used labels and recycling it into new labels, with the aim of implementing “horizontal recycling” to help build a recycling-oriented society.

In the process, we have developed “ink-to-ink” technology with Fuji Seal International, Inc. to recycle the printing ink removed from used labels into packaging ink.



Developer’s Voice

- ▶ We expect that CycleFine (SP) will contribute to the “monomaterialization” of products that are easy to recycle by taking advantage of its adhesion to a wide range of films. We hope that many customers will use it.
- ▶ Printing inks for PET bottle labels are required to have high physical properties because they go through the processes of high-speed printing and attaching to bottles. Achieving a balance between these properties and removability is a continuous process of trial and error, but we would like to make efforts in product development from the perspective of printing inks so that recycling labels becomes the norm in society.



Gravure Inks Division Technical R&D Department Development team members

*1 Horizontal recycling: A method of recycling resources without changing their use before and after.
 *2 Printing ink for PET bottle labels: Ink that is suitable for attaching labels to bottles, and is used for beverage bottles, detergent bottles, etc. Since labels are attached using heat shrinkage, it is required that the appearance does not change due to shrinkage, and that the ink does not peel off even if it gets wet with beverages or detergent.
 *3 Printing ink for surface printing: Ink used for printing on the front side of film, and used for products such as daily food products, vegetable bags, and rice bags. In addition to design features such as gloss, it is also required to have properties such as abrasion resistance and adhesion to a wide range of films so that the ink does not easily rub off.



Interview with the CSR/ESG Promote Group Headquarters

We will achieve ESG-focused management by further

strengthening our sustainable products and promoting HR strategies

Senior Managing Executive Officer / General Manager of CSR/ESG Promote Group Headquarters of Dainichiseika Color & Chemicals Mfg. Co., Ltd.

Tatsuhiko Komada

—First of all, please tell us about your basic approach to sustainability management.

Nakayasu It is easy to think that sustainability management is limited to environmental activities and social contribution activities, but it actually refers to management that aims for sustainable growth in all areas, including the environment, society and the economy. In recent years, there has been a growing demand in Japan for proactive disclosure of information related to sustainability management. This is because the key to improving international competitiveness is for Japanese companies to acquire “sustainable earning power” and to clearly define a path to achieving new value creation.

Komada In order to acquire this “sustainable earning power,” it is essential to carry out SX (sustainability transformation), which involves business transformation and management reform from a sustainability perspective. In order to promote SX, we believe that it is important to take a comprehensive approach that contributes to the realization of a sustainable society while also achieving the growth of our own company, by using tools such as ERM (enterprise risk management) to assess the business environment from both the perspective of risk and profit opportunities.

Meeting customer needs for decarbonization and CO₂ emission reduction through increased sales of sustainable products

—Over the three years of the previous medium-term management plan, sales of Dainichiseika’s sustainable products grew steadily. How are you responding to the rising demand from customers?

Komada At our company, we define sustainable products

Executive Officer / Senior Manager of CSR/ESG Promote Group Headquarters of Dainichiseika Color & Chemicals Mfg. Co., Ltd.

Satoru Nakayasu

as products that can reduce environmental impact throughout their lifecycle, from the procurement of raw materials to disposal, and products that contribute to society, such as strengthening social infrastructure and reducing food loss. As a B-to-B manufacturer, we work with our customers to develop products that contribute to the realization of a sustainable society through the products they make. In recent years, around 90% of the products we develop with our customers contribute to sustainability in some way, and we are sensing a growing need for such products.

Nakayasu I agree. The number of sustainability-related questionnaires we receive from customers is increasing year on year, and in the FYE March 2024, it exceeded 250. In particular, there are many requests related to reducing CO₂ emissions and respecting human rights. In particular, major customers that manufacture final consumer goods are placing importance on reducing CO₂ emissions throughout the entire product lifecycle and on responsible raw material procurement. As a member of the supply chain, we also have a responsibility to contribute to the realization of sustainable management together with our customers. There are three main ways to do this. The first is to reduce our own CO₂ emissions (Scope 1 + 2), the second is to ensure that we procure raw materials with due consideration



for human rights, and the third is to develop products that can reduce CO₂ emissions on the customer side.

Regarding the first point, we have been promoting energy-saving measures and the introduction of renewable energy in our manufacturing processes for some time. Regarding the second point, we conduct supplier surveys in line with the guidelines of the United Nations Global Compact for our suppliers. We request that they reduce CO₂ emissions and consider human rights, and we investigate the situation and evaluate suppliers appropriately. Sustainability in raw material procurement is treated as an important quality, just like procurement costs. The third is to contribute to reducing CO₂ emissions in the world through various sustainable products, including materials that contribute to energy conservation and products made from biomass-derived materials. In particular, we are focusing on the development of technologies for functional materials such as secondary battery materials and conductive materials, seeing energy management components as a new development market for the prevention of global warming.

—You have given two examples of sustainable products as products that focus on the basic strategy of “Secure a competitive advantage through technology initiatives.” How have these products been received in the market?

Komada One is the development of cosmetic materials, and we are developing “natural biodegradable powders” to replace microplastic beads contained in cosmetics, with the aim of resolving the problem of microplastic pollution in the oceans. This is a natural material-based product, but it is highly regarded for its spherical smoothness, which makes it easy to spread and apply, and for its good uniformity, and it is already being adopted.

Another development is the new eco-friendly material, “functional coating and adhesive agent HPU (hydroxy polyurethane),” made from CO₂. As a urethane resin with unique properties derived from its molecular structure, it has been well received by customers in Japan and overseas. Some customers have even tested it on their own equipment, and the results have been positive. We will continue to work on this product so that it can be used widely.

Significant results in reducing CO₂ emissions and improving the waste plastic recycling rate, and seeing environmental regulations as a business opportunity

—In the previous medium-term management plan, CO₂ emissions were reduced by 78% compared to the FYE March 2014, exceeding the initial target. What do you think is the reason for this?

Nakayasu The biggest factor was the introduction of renewable energy, as mentioned earlier. When the previous medium-term management plan started, we converted almost all of the electricity used at all of our domestic bases, including group companies,* to renewable energy, resulting in virtually zero CO₂ emissions. In addition, we are systematically implementing energy-saving measures in our manufacturing processes, and these efforts are already exceeding our targets for the FYE March 2024. In the FYE March 2025, we will continue to implement energy-saving measures and reduce CO₂ emissions, including the installation



of solar power generation facilities in the Kyushu region.

*Excluding offices with tenant contracts and low-voltage power contracts

—The waste plastic recycling rate has also exceeded the initial plan, improving by 9.9 points compared to the FYE March 2021. What do you think is the reason for this?

Nakayasu This is the result of our efforts to get employees to understand the concept that plastic is a resource even after it has been used, as set out in The Plastic Resource Circulation Act (hereafter, the New Plastic Act), which came into force in 2022, and the fact that many employees have participated in activities in line with this concept. Because plastic is highly convenient and used everywhere, and because the range of objects that need to be recycled is extremely wide, we were able to achieve results by having each and every employee make steady, ongoing efforts, such as sorting by type and cleaning to prevent impurities from getting in. Recycling waste plastic is a relatively low-key activity compared to product development such as biomass plastic development, but it is an extremely important issue of recycling fossil resources. Recently, in light of the trend from thermal recycling to chemical recycling, we are also working with the companies that are cooperating with us to consider efficient and advanced recycling methods.

Komada In response to the New Plastic Act, the environment surrounding our plastic business is changing. In particular, in relation to biomass plastics, which are expected to be in demand in the future, a system has been established in which a third-party organization certifies that the plastic has been manufactured using biomass as a raw material (ISCC). It is necessary to obtain this certification throughout the entire supply chain and ensure reliability and transparency.

Our company processes various products made from biomass and biomass plastics. For example, in our resin compound business, we take resin from major resin manufacturers and process it to add color, functionality, strength, etc., before delivering it to the customer. We are currently preparing to obtain ISCC certification for this entire process. Rather than just seeing various regulations as a risk, we want to see them as a business opportunity that will lead to business expansion.

Promote HR strategies and DX that further enhance our strengths and accelerate growth by improving employee engagement

—I would like to ask you about the HR strategy that has been added to the basic strategy in the new

medium-term management plan “TRANSFORMATION for TOMORROW.” How does this HR strategy connect with the strengths of Dainichiseika?

Nakayasu Mr. Komada just mentioned two products that will be the focus of our sustainability contributions in the future: “natural biodegradable powders” and “functional coating and adhesive agent HPU.” These products contribute to reducing the environmental impact of the entire supply chain, and they all have the common feature of creating value through co-creation with customers.

The starting point for co-creating value with our customers is for our sales representatives to accurately identify their needs. We then use our three core technologies to design, develop and commercialize products that meet those needs, and supply them with our high-quality, high-efficiency manufacturing capabilities. The key to this is that our human assets are the foundation for demonstrating our strengths, and our HR strategy is to create an internal environment that allows our human assets to fully demonstrate their abilities.

In April 2023, our company established Human Asset Development Policy and Internal Environment Development Policy. The two main points are: appropriate evaluation and dialogue regarding results, and the enhancement of the human resources system to increase the desire to achieve and contribute. We believe that improving engagement through these initiatives is essential for the growth of our company, and we have added them as HR strategies to our new medium-term management plan. From now on, we will enhance communication from the management level so that management policies and strategies can be shared and understood by both management and employees, and engagement can be improved.

Komada In past internal surveys, we received feedback that the management policy had not been fully communicated to each and every employee, and that it was difficult for them to feel that they were making a contribution to the company. This is a clear indication that engagement is an issue. So, from this fiscal year, the president has been explaining the new medium-term management plan, and we have set up a place for collecting opinions from employees and providing feedback. This initiative was very well received, and we plan to increase opportunities for direct dialogue between management and employees in the future. When we solicited ideas for the renewal of our brand message in 2023, we received approximately 700 submissions from all 2,400 employees in Japan. We would like to continue strengthening these types of employee-participation ac-



tivities in the future.

Furthermore, in order for our company to grow, we need to reform and innovate our management, and DX is one of the tools we can use to achieve this. It is not just about digitizing information and using MI to improve operational efficiency, but rather it is the collaboration of knowledge that will create new value. For this reason, we believe it is important to successfully link DX promotion and HR strategy.

Three numerical targets have been set to achieve diversity. A system has also been designed to reflect sustainability in individual targets

—Could you tell us about the other particularly important numerical targets for sustainability management set out in the new medium-term management plan?

Nakayasu First of all, we have set three numerical targets for diversity. We have set numerical targets of 30% or more for the ratio of female new graduates hired and 70% or more for the ratio of employees taking paid leave, in relation to the two perspectives of providing opportunities for female workers in relation to their working lives and balancing working and family life required by the Act on the Promotion of Women’s Active Engagement in Professional Life. In addition, although we have not set numerical targets, we disclose externally the rate of male employees taking childcare leave every year, and we have maintained a rate of 70% or more.

Our medium- to long-term diversity goal is to increase the ratio of female, foreign, and mid-career hires in management positions. In light of our future business strategy and organizational human resource development, we need to realize diversity in terms of various perspectives, cultures, and experiences. In addition, we will consider appointing managers based on their abilities and achievements, regardless of gender.

—What do you think is particularly important for promoting sustainability management in the future?

Nakayasu I think that the presentation of the materiality matrix related to sustainability management has raised awareness within the company. In the past, when we talked about ESG-focused management, there were many people who didn’t know what to do, but now we are changing to a system where people are aware of what materiality is related to their work and can reflect this in their personal goals. Moving forward, we plan to elevate the awareness and understanding of sustainability management among our employees.

Komada We are working to ensure that employees fully understand the relationship between individual and business goals, and I think we will be able to further promote sustainability management in the future.



Our Thinking on CSR and ESG

Our business creed "Full Achievement," established by the Group in 1968, and the precept incorporate the modern concept of sustainability, which is to contribute to customers and society, and to develop together with society by being supported by it, and management and employees have regularly shared this concept. Furthermore, in 2022, we established our CSR and ESG Basic Policy, clearly indicating our aim for sustainable growth, and we are promoting autonomous initiatives to solve social issues and create value for business growth that we should address as a chemical manufacturer.

CSR and ESG Basic Policy (Established on July 13, 2022) This CSR and ESG Basic Policy applies to the Group.

Based on our corporate philosophy of "Have an interest in people," "Have an interest in something new," and "Have an interest in the future," the Dainichiseika Group recognizes that contributing to the realization of a sustainable society will lead to the creation of new value, and aims for sustainable growth together with society by working to preserve the global environment and solve social issues. In the development of our business activities, we will strive to maintain

and strengthen relationships of trust with our stakeholders as a good corporate citizen with high ethical standards, not to mention respect for human rights and compliance with laws, regulations, and social norms, both within and outside of Japan. We will also strive to enhance corporate value by building an appropriate governance system and promoting the growth and success of each and every employee.

The following policies have been established as guidelines for promoting sustainability activities.

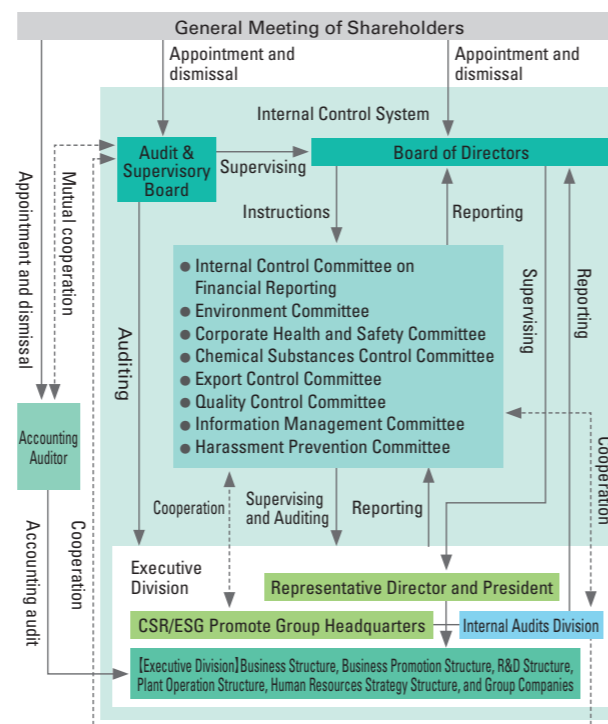
- Environmental Policy ■ Quality Policy ■ Purchasing Policy ■ Information Security Policy
- Health and Safety Policy ■ Human Rights Policy ■ Multi-stakeholder Policy ■ Human Asset Development Policy
- Internal Environment Development Policy ■ Health Management Policy

Please refer to this website for the respective policies of Dainichiseika Group. <https://www.daicolor.co.jp/english/csr/policy/index.html>



Promotion system

The Group has established an internal control system to ensure the soundness and efficiency of our business activities and to realize a sustainable society. Under the direction of Representative Director and President, CSR/ESG Promote Group Headquarters formulates targets and measures for our sustainability initiatives, and assigns implementation activities to each executive division. The status of activities at each executive division is reported to the eight internal control committees, which evaluate them from various perspectives. The evaluation results are reported regularly to the Representative Director and President and the Board of Directors by each committee, as necessary, and are supervised and directed, and feedback is provided to each committee and the executive division. In addition, Internal Audits Division independently audits the activities of the executive division based on the reports of the committees related to internal control, and reports the results to the Representative Director and President and the Board of Directors. During the FYE March 2024, the Board of Directors met a total of 13 times, of which 11 were for reporting and deliberating on sustainability. Furthermore, we have incorporated performance evaluations of sustainability-related work into our personnel evaluation system, and we are operating a system that reflects these evaluations in employee salaries. In the FYE March 2024, we set the evaluation weight for sustainability issues at 10%.

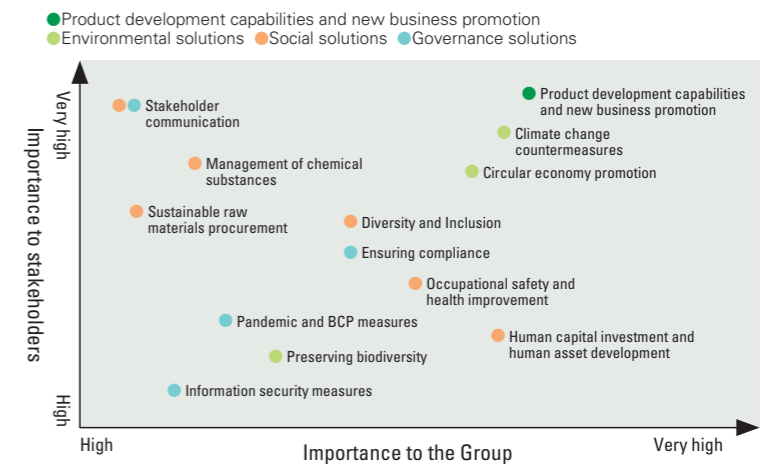


CSR and ESG Materiality

Materiality identification process

- STEP 1 Issue extraction** Issues are extracted from the previous year's management review, policies and market trends related to society, the environment, and the SDGs.
- STEP 2 Priority assessment** Risks and opportunities of the issues are analyzed, the extent of their impact is understood, and priorities are evaluated both from the perspective of stakeholders and from the perspective of the Group's business.
- STEP 3 Validation** Under the direction of Representative Director and President, confirm the appropriateness of materiality to be prioritized at a specialized internal meeting.
- STEP 4 Formulation of measures** Targets and measures to achieve them are developed for each materiality.

Materiality matrix



Description of the main materialities and related SDGs

Materiality	Reasons for selection, activity policy	Relevant SDGs	
Product development capabilities and new business promotion (sustainable products)	In order for society and the Group to achieve sustainable development, we will promote the development of products that contribute to society through our business, while co-creating value with our supply chain partners.	2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17	
E Environment	Climate change countermeasures (Global warming countermeasures)	Recognizing that the impact of climate change on the global environment is an important social issue, we will actively work on business activities and product development aimed at realizing a decarbonized society. Please refer to P.45 for "Initiatives for TCFD Recommendations."	13, 14, 15
	Circular economy promotion	As a company that uses raw materials derived from limited fossil resources, we're committed to reducing the environmental impact of waste and establishing a circular economy that safeguards against resource depletion.	12, 13
	Preserving biodiversity	We recognize that our lives are sustained by the benefits of natural capital, and we will work to minimize the impact of our business activities on the ecosystem, while also striving to protect and restore them.	14, 15
S Social	Occupational safety and health improvement	We will work to minimize anticipated risks to the environment and human health from raw materials handled by the Group, as well as risks such as fire in our operations, over their lifecycle.	2, 3, 4, 5, 8, 9, 10, 11, 12, 15, 17
	Management of chemical substances		2, 3, 4, 5, 8, 9, 10, 11, 12, 15, 17
	Diversity & inclusion	We aim for sustainable growth by respecting the diversity of our human assets and their different sense of values, and by creating a workplace in which all people involved in the Group can play an active role.	4, 5, 8, 9, 10, 11, 12, 15, 17
	Human capital investment and human asset development	We will identify the skills and human capital needed to achieve our management strategy, and promote active investment in human capital and human asset development. We will also work to create a corporate environment that improves employee engagement in order to maximize the potential of our human assets.	4, 5, 8, 9, 10, 11, 12, 15, 17
	Sustainable raw materials procurement	We will procure raw materials that take into consideration human rights, working conditions, the natural environment, resource conservation, and compliance, and strive to remain a company that is trusted by all stakeholders.	8, 9, 10, 11, 12, 15, 17
Stakeholder communication	Recognizing the importance of co-creating value with our diverse stakeholders, including shareholders, customers, employees, suppliers, creditors, and local communities, we will strive for the sustainable development of the economy as a whole by appropriately distributing the profits and achievements we generate to our stakeholders.	17	
G Governance	Ensuring compliance	To enhance the trust of our stakeholders, we will not only comply with laws and regulations, but also actively engage in social contribution activities.	9, 10, 11, 12, 16, 17
	Information security measures	To ensure the trust of our stakeholders and the stability of our business activities, we will work to strengthen our defense and resilience against cyber-attacks which have been increasing in recent years.	12, 16, 17
	Pandemic and BCP measures	We have formulated a business continuity plan (BCP) centered on core products that have a significant economic impact, in anticipation of infectious diseases and large-scale disasters. We have also established rules for initial response, strengthened our internal communication system, and conduct regular drills.	17

CSR and ESG activity evaluation and targets for the next fiscal year

The Group's sustainability activities are carried out under the direction of Representative Director and President, with company-wide goals being developed for each division and targets being set for each key issue. The status of activities is evaluated by each internal control committee on a quarterly basis, and reported to and supervised by the Board of Directors.

The FYE March 2024 was the third and final year of the previous medium-term management plan, and we evaluated the plan from a medium-term perspective and

used the results to formulate the activity plan for the new three-year medium-term management plan that will begin in April 2024. We will co-create new value with our business partners with the aim of achieving harmony with the environment and society, as well as improving stakeholder engagement.

Excellent:★★★ Good:★★☆ Acceptable:★☆☆ Unacceptable:☆☆☆

Materiality	Main issues	Activity plan and targets for the FYE March 2024	Corresponding SDGs	Activity results for the FYE March 2024	Evaluation	Mid-term or the FYE March 2025 activity plan and targets
Climate change countermeasures (Global warming countermeasures)	Contribute to the prevention of global warming through our business. <ul style="list-style-type: none"> Expand sales of products that contribute to a decarbonized society Reduction of greenhouse gas emissions from business activities Risk countermeasures against natural disasters 	<ul style="list-style-type: none"> Promote development and sales of ESG-contributing products (including non-climate change related products) <ul style="list-style-type: none"> Target: Increase sales by 20% in FYE March 2024 compared to FYE March 2021 Reduce GHG emissions by procuring electricity from 100% substantially renewable energy <ul style="list-style-type: none"> Target: Reduce domestic Group GHG emissions (Scope 1 + Scope 2) by 70% in FYE March 2024 compared to FYE March 2014 Continuously promote efficient use of energy in accordance with the Energy Conservation Act <ul style="list-style-type: none"> Target: 1% reduction in energy consumption per unit of production from the previous year Internal implementation of carbon pricing 		<ul style="list-style-type: none"> Promote development and sales of ESG-contributing products (including non-climate change related products) <ul style="list-style-type: none"> Results: Increase sales by 23% in FYE March 2024 compared to FYE March 2021 Reduce GHG emissions <ul style="list-style-type: none"> Results: Domestic Group GHG Emissions (Scope 1 + Scope 2) 78% reduction in FYE March 2024 compared to FYE March 2014 Continuously promote efficient use of energy in accordance with the Energy Conservation Act <ul style="list-style-type: none"> Results: 3.5% increase in energy consumption per unit of production from the previous year 	★★★	<ul style="list-style-type: none"> Promote development and sales of sustainable products (The name has been changed to sustainable products from this term.) <ul style="list-style-type: none"> Target: Increase sales by ¥3 billion in FYE March 2027 compared to FYE March 2024 Reduce CO₂ emissions associated with energy consumption <ul style="list-style-type: none"> Target: CO₂ Emissions (Scope 1 + Scope 2) of the Group (domestic and international) 31% reduction in FYE March 2027 compared to FYE March 2020 48% reduction in FYE March 2031 compared to FYE March 2020 Continuously promote efficient use of energy in accordance with the Energy Conservation Act <ul style="list-style-type: none"> Target: 1% or more reduction in energy consumption per unit of production from the previous year Actively deploying energy-saving measures developed in Japan at overseas bases
Circular economy promotion	Promote resource recycling mainly to prevent depletion of fossil resources and reduce environmental impact. <ul style="list-style-type: none"> Expand sales of products that contribute to resource recycling Promote reduction and recycling of waste generated by business activities As a business that generates significant volumes of industrial waste, including plastic waste, we will work to reduce the volumes of waste plastic generated and to recycle the waste plastic generated. 	<ul style="list-style-type: none"> Reduce the amount of waste plastic and solvents disposed of; maintain and improve recycling rate <ul style="list-style-type: none"> Target: As medium-term targets for recycling rates of waste plastic and solvents, (1) Improve recycling rate for waste plastic by 3 points in FYE March 2024 compared to FYE March 2021 (2) Improve the processes to achieve 99.9% recycling rate of waste solvents by FYE March 2024, and study on introduction of recycling facilities 		<ul style="list-style-type: none"> Reduce the amount of waste plastic and solvents disposed of; maintain and improve recycling rate <ul style="list-style-type: none"> Results: Compared to medium-term targets for recycling rates of waste plastic and solvents (1) Recycling rate of waste plastic (domestic) 9.9 points improvement in FYE March 2024 compared to FYE March 2021 (2) Recycling rate of waste solvent (domestic) was 100% in FYE March 2024 We made efforts to sort and clean up waste plastic, and were able to increase the amount of plastic that was recycled. 	★★★	<ul style="list-style-type: none"> Reduce the amount of waste plastic and solvents disposed of; maintain and improve recycling rate <ul style="list-style-type: none"> Target: As medium-term targets for recycling rates of waste plastic and solvents (1) Recycling rate of waste plastic (domestic) 3 points improvement compared to the average of the previous three years of the medium-term plan for FYE March 2027 (2) Recycling rate of waste solvents (domestic) Maintain at 99.9% or more We will work to sort and clean up waste plastic, and we will also consider how to increase the ratio of chemical recycling and material recycling by processing companies.
Preserving biodiversity	In addition to climate change countermeasures and efforts to promote a circular economy, we will work to minimize the impact of our business activities on ecosystems throughout our supply chain and strive to protect and restore ecosystems. <ul style="list-style-type: none"> Reduction of emissions of substances that pollute the air, water, and forests and operation of abatement facilities Promote the development and marketing of products that reduce pollution of air, water, and forests 	<ul style="list-style-type: none"> Promote efficient use of water resources <ul style="list-style-type: none"> Target: 1% reduction in water consumption per unit of production from the previous year Reduce the ecological impact of potentially harmful chemicals <ul style="list-style-type: none"> Reduce the volume of wastewater and properly operate and manage wastewater treatment facilities. Target: Reduce emissions of PRTR substances by 1% from previous year 		<ul style="list-style-type: none"> Promote efficient use of water resources (domestic) <ul style="list-style-type: none"> Results: 8.4% increase in water consumption per unit of production from the previous year Reduce the ecological impact of potentially harmful chemicals <ul style="list-style-type: none"> Results: Reduced emissions of PRTR substances by 4.8% from previous year (domestic) The wastewater treatment and dust collection facilities were operating properly, and there were no accidents, such as the leakage of hazardous chemical substances outside the premises. 	★★★	<ul style="list-style-type: none"> Promote efficient use of water resources (domestic) <ul style="list-style-type: none"> Target: 1% reduction in water consumption per unit of production from the previous year Strive to protect water resources by circulating and reusing cooling water. Strive to use water rationally by properly managing water supply and drainage facilities. Reduce the ecological impact of potentially harmful chemicals <ul style="list-style-type: none"> Target: Reduce emissions of PRTR substances by 1% from previous year (domestic)
Management of chemical substances	Strengthen a chemical substance management system to conserve the environment and ensure people's healthy lives. <ul style="list-style-type: none"> Improve and maintain a chemical substance management system Strengthen management of hazardous chemicals in products 	<ul style="list-style-type: none"> Promoting the introduction of a New Chemical Substance Management System To strengthen management of hazardous chemical substances in products <ul style="list-style-type: none"> Implementation of measures to comply with the partial revision of the enforcement order of the Law concerning Pollutant Release and Transfer Register Implementation of internal audits on management of environment-related substances to be controlled Implementing employee training on chemical substance management 		<ul style="list-style-type: none"> Work is ongoing to the introduction of a New Chemical Substance Management System Responses to strengthen management of hazardous chemical substances in products <ul style="list-style-type: none"> Timely response to comply with the partial revision of the enforcement order of the Law concerning Pollutant Release and Transfer Register Conducted internal audits on management of environment-related substances to be controlled Implemented employee training on chemical substance management 14 times 	★★★	<ul style="list-style-type: none"> Promoting the introduction of a New Chemical Substance Management System To strengthen management of hazardous chemical substances in products <ul style="list-style-type: none"> Implementation of measures to comply with the partial revision of the enforcement order of the Industrial Safety and Health Act Implementation of internal audits on management of environment-related substances to be controlled Implementing employee training on chemical substance management
Quality assurance	Contribute to people's health through the manufacture and stable supply of high-quality products. <ul style="list-style-type: none"> Establishment of a system for unified QMS operation Appropriate supplier management 	<ul style="list-style-type: none"> Deployment of QMS company-wide unified manual throughout the company and preparation for its operation Verification of effectiveness of corrective actions for past complaints Confirmation of QMS operation in divisions and affiliated companies <ul style="list-style-type: none"> Thoroughly standardizing work, analyzing of quality control data, checking outsourcing management, etc. 		<ul style="list-style-type: none"> Started operating the company-wide QMS <ul style="list-style-type: none"> Conduction of mutual internal audits Identified opportunities for QMS improvement as needed and rolled them out across the company Implemented checks to confirm the effectiveness of measures to prevent the recurrence of complaints Checked the conformity and effectiveness of the QMS at divisions and domestic subsidiaries 	★★★	<ul style="list-style-type: none"> Operation of the company-wide QMS <ul style="list-style-type: none"> Conduction of mutual internal audits Implementation of audits of external providers Work to reduce complaints and claims and prevent recurrences Implement quality-related education and develop human resources with the skills necessary for product compliance
Occupational safety and health improvement	Work on improvement of safety measures and safety awareness to create a comfortable work environment and prevent accidents. <ul style="list-style-type: none"> Compliance with laws and regulations related to occupational health and safety Reduce the number of occupational accidents 	<ul style="list-style-type: none"> Propose improvement measures through company-wide health and safety patrols and horizontally expand the measures throughout the company Raise awareness of on-site managers and personnel Implementing compliance with revised laws and regulations 		<ul style="list-style-type: none"> As a result of the proposal of improvement measures through company-wide health and safety patrols and horizontally expand the measures throughout the company, as well as the thoroughness of safety awareness by on-site managers (foremen), the number of occupational accidents (public injuries) has decreased by 20% Guiding the implementation of risk assessments at manufacturing bases and increasing their effectiveness 	★★★	<ul style="list-style-type: none"> Disseminate information on the causes and countermeasures for past occupational accidents throughout the company, and further reduce the occurrence of occupational accidents Reflect the results of the analysis of the causes of past occupational accidents in the content of health and safety training, and improve the effectiveness of training Provide guidance to improve the effectiveness of risk assessments at manufacturing bases
Diversity & inclusion	Aim for sustainable growth by having employees with diverse perspectives and values who have different knowledge, skills, experience, abilities and attributes play a role in management. <ul style="list-style-type: none"> Active recruitment of women, foreign nationals, and mid-career hires and promotion of employees who can make the most of their diversity Increase the ratio of women, foreign nationals, and mid-career hires in managerial positions toward management that makes the most of diversity 	<ul style="list-style-type: none"> Develop the following action plans and targets to create a work environment where personnel can work for a long time regardless of gender. <ul style="list-style-type: none"> Ratio of female new graduate hires: 30% or more Create an environment that enables the placement of women in manufacturing workplaces Paid leave utilization rate of 70% or more Surveys of the current situation and efforts to promote the acquisition of paid leave Ratio of female, foreign nationals, and mid-career hires in management positions: Improve by 6 percentage points by FYE March 2031 (compared to FY2021) 		<ul style="list-style-type: none"> Female percentage of new graduates: 34.1% (domestic) Annual utilization rate of paid leave: 75.9% (domestic) Male percentage taking childcare leave: 71.8% (non-consolidated) Ratio of female, foreign nationals, and mid-career hires in management positions: 1.6 point increase Promoted opportunities for women to be appointed to manufacturing and sales positions, where there have traditionally been few female employees, and improving the environment for them Implemented a human resource system with a highly convincing evaluation system and fair promotion opportunities 	★★★	<ul style="list-style-type: none"> Develop the following action plans and targets to create a work environment where personnel can work for a long time regardless of gender. <ul style="list-style-type: none"> Continuing to ensure that the female ratio in new graduate recruitment is 30% or more Paid leave utilization rate of 70% or more Male percentage taking childcare leave: 70% or more (non-consolidated) Interview with workplaces with issues Ratio of female, foreign nationals, and mid-career hires in management positions: Improve by 6 percentage points by FY2031 (compared to FY2021)
Human capital investment and human asset development	Aim to improve engagement in order to maximize the abilities of human assets and achieve management strategies and goals. <ul style="list-style-type: none"> Improve motivation to contribute to the organization Improve job satisfaction Evaluation system that provides a sense of satisfaction 	No activity plan or target had been set for the FYE March 2024.		<ul style="list-style-type: none"> Established "Human Assets Development Policy" and "Internal Environment Development Policy" in April 2023 Promoted the six initiatives of the "Internal Environment Development Policy" 	★★★	<ul style="list-style-type: none"> Establish Human Resources Strategy Structure to promote investment in human capital and human resource development Work on reforming human resources system aimed at improving employee engagement
Sustainable raw materials procurement	Procure raw materials that take into account human rights, working conditions, the natural environment, resource conservation and compliance, and to continue to be a company that is trusted by all stakeholders.	<ul style="list-style-type: none"> Establish CSR Procurement Standards for selecting suppliers regarding CSR, including human rights, working environment, compliance, and environmental conservation, and select suppliers and procure items based on a fair and impartial evaluation Conduct a CSR questionnaire survey with suppliers to understand their actual conditions 		<ul style="list-style-type: none"> Implemented timely and appropriate selection of suppliers and procurement items based on the CSR Procurement Standards Conducted a CSR questionnaire survey with suppliers, and received responses from approximately 80% of them 	★★★	<ul style="list-style-type: none"> Continue to select suppliers and procurement items based on the CSR Procurement Standards Recognize the strengths and weaknesses of suppliers obtained from the CSR questionnaire survey, and provide feedback on the survey results internally to contribute to the co-creation of value with suppliers.
Ensuring compliance	Comply with not only relevant laws, regulations, and ordinances, but also internal rules and codes of ethics, and strive to act in a fair and transparent manner. <ul style="list-style-type: none"> Compliance awareness and education 	<ul style="list-style-type: none"> Comply with laws, regulations, ordinances, internal rules, code of ethics, etc., and strive to act in a fair and transparent manner Implementation of compliance training Implementation of compliance audits 		<ul style="list-style-type: none"> Compliance training was carried out for new employees, as well as those in their third and fourth years at the company, with all participants having completed the training Additionally, a compliance mini-test was carried out for all employees The results of an external survey on compliance showed that compliance awareness was in a good state 	★★★	<ul style="list-style-type: none"> Compliance training is scheduled to be conducted for new employees, as well as those in their third and fourth years of employment An internal compliance audit is scheduled to be conducted to check compliance status The content of compliance training will be reviewed based on the results of the compliance audit
Information security measures	Strive to prevent damage and improve operational efficiency in the digital society. <ul style="list-style-type: none"> Strengthen defense and resilience against cyber attacks 	<ul style="list-style-type: none"> Strive to prevent damage and improve operational efficiency in the digital society. Improvement of information security infrastructure Improvement of incident countermeasures Improvement of security measures in line with DX promotion 		<ul style="list-style-type: none"> The following measures were taken to prevent damage and improve operational efficiency in the digital society. <ul style="list-style-type: none"> Raising awareness by developing regulations related to information security Establishing a CSIRT to efficiently implement incident countermeasures Implementing employee education on information security measures There were no major incidents in the FYE March 2024 	★★★	<ul style="list-style-type: none"> The following measures will be implemented to prevent damage and improve operational efficiency in the digital society. <ul style="list-style-type: none"> Continue to improve information security regulations Conduct training to confirm the effectiveness of CSIRT Promote the development of security measures and employee education in line with DX promotion
Risk management, Pandemic and BCP measures	Identify risks that require management action and take measures to avoid risks and reduce their impact. <ul style="list-style-type: none"> Periodic risk assessment and response to major risks Risk management for the entire Group Formulate BCP (Business Continuity Plan); risk analysis and business continuity measures 	<ul style="list-style-type: none"> Take measures to avoid management risks and reduce their impact, while promoting the transformation into a resilient company. Risk management for the entire Group Review and implement business continuity measures 		<ul style="list-style-type: none"> Risk management is carried out under the direction of the executive officer in charge of each organization, with two categories of risk: priority risk and ongoing risk Evacuation drills are carried out in preparation for disasters at manufacturing sites, head offices and branch offices 	★★★	<ul style="list-style-type: none"> Establish an effective risk management system that comprehensively and strategically identifies risks and opportunities across the company and maximizes corporate value. Consider BCP that assumes various risks, including not only natural disasters but also cyber attacks.
Stakeholder communication	Engage in activities aimed at coexistence with shareholders, customers, employees, suppliers, and neighboring communities. <ul style="list-style-type: none"> Actively participate in community contribution activities Enhance information disclosure to IR and SR 	<ul style="list-style-type: none"> Continue to engage in activities that contribute to harmonious coexistence with the local community. Active participation in local greening and beautification activities Briefings for institutional investors (twice a year) and briefings for individual investors (once a year) 		<ul style="list-style-type: none"> Actively participated in local environmental beautification activities (Tokai Production Plant, Tokyo Production Plant, UKIMA CHEMICALS & COLOR MFG. CO., LTD. etc.) Expressed support for the realization of a "Zero Carbon City" promoted by Iwata City, Shizuoka Prefecture For institutional investors: two meetings held regarding financial results and progress on the medium-term management plan For individual investors: one meeting held to explain performance, business activities, and management strategy 	★★★	<ul style="list-style-type: none"> Continue to engage in activities that contribute to harmonious coexistence with the local community. Active participation in local greening and beautification activities Briefings for institutional investors (twice a year) and briefings for individual investors (once a year)

About Dainichiseika

Strategy & Technology

CSR and ESG Initiatives

DATA



Environmental Management

E Environment

Promotion system

The environmental management of the Group is based on the Environmental Policy and is implemented by the EMS (Environmental Management System) of each execution division (manufacturing sites, branches, and offices) under the direction of the Representative Director and President.

The activities of each division are managed by the Environmental Committee and regularly reported to the Board of Directors for auditing and supervision, and the results are used for

continuous improvement activities.

In the FYE March 2024, there were no instances of punishment under environmental laws and regulations, either in Japan or overseas.

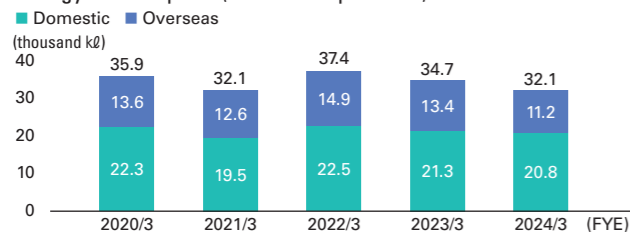
Please refer to this website for our "Environmental Policy."

<https://www.daicolor.co.jp/english/csr/csr/policy/index.html>

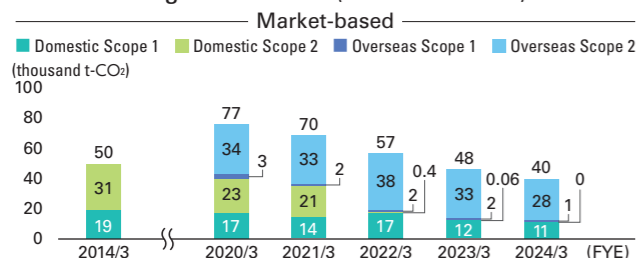


Environmental impact data

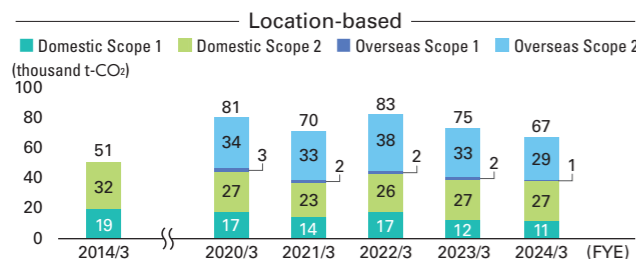
Energy consumption (crude oil equivalent)



Greenhouse gas emissions (thousand t-CO₂)

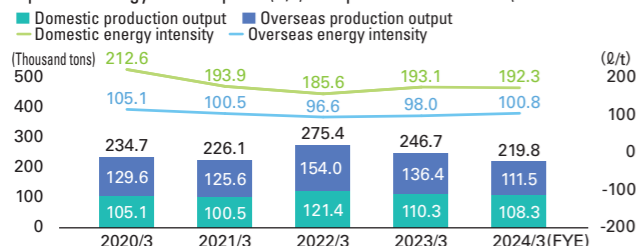


*Scope 2 emission factors are calculated according to GHG Protocol Market-based method.
*Data in FYE March 2014 is just subject to domestic bases due to lack of data in some overseas bases.

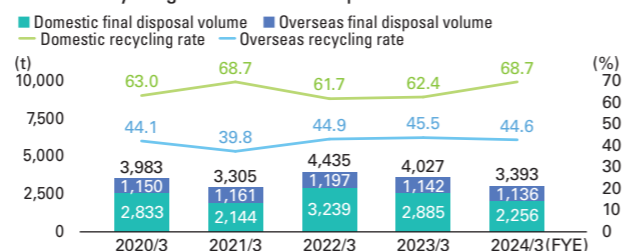


*Scope 2 emission factors are calculated according to GHG Protocol Location-based method.
*Data in FYE March 2014 is just subject to domestic bases due to lack of data in some overseas bases.

Specific energy consumption (l/t) and production volume (thousand tons)



Waste recycling rate and final disposal volume



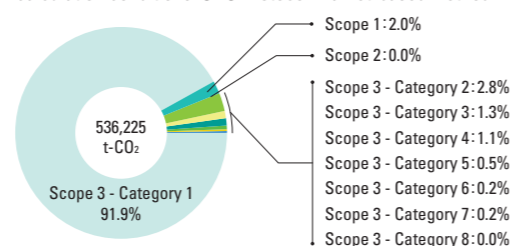
GHG supply chain emissions

Scope 1-2-3 Domestic Breakdown for FYE March 2024

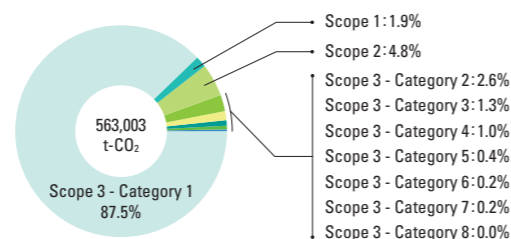
GHG supply chain emissions are calculated in accordance with the "Basic Guidelines for Calculating Greenhouse Gas Emissions through Supply Chains (ver. 2.6)" of the Ministry of the Environment and the GHS Protocol Guidelines of the World Resources Institute.

Supply chain emissions breakdown

Scope 2 calculation conditions: GHG Protocol Market-based method



Scope 2 calculation conditions: GHG Protocol Location-based method



Material balance of business activities

INPUT

Total material input (domestic) *

	FYE March 2023	FYE March 2024
Total amount	144,351 t	141,417 t
Resins	68,855 t	70,408 t
Solvents	23,385 t	23,105 t
Pigments	12,414 t	11,941 t
Additives	39,697 t	35,963 t

*Estimated values (The top 80% of purchased raw materials by weight are surveyed by item, and the remaining 20% are calculated based on the composition ratio of the top 80% by item)

Total energy (domestic / overseas) (crude oil equivalent)

	FYE March 2023	FYE March 2024
Total amount	34,674 kJ	32,075 kJ (93% vs. the previous year)
Breakdown Domestic	21,310 kJ	20,835 kJ
Overseas	13,364 kJ	11,240 kJ

Energy & fuel (domestic / overseas) (crude oil equivalent)

	FYE March 2023	FYE March 2024
Total amount	6,839 kJ	5,858 kJ (86% vs. the previous year)
Breakdown Domestic	5,789 kJ	5,414 kJ
Overseas	1,050 kJ	444 kJ
Domestic		
City gas	4,811 K Nm ³	4,503 K Nm ³
LPG	165 t	162 t
Heavy oil A	16 kJ	15 kJ
Kerosene	50 kJ	23 kJ
Diesel oil	5 kJ	3 kJ
Gasoline	112 kJ	115 kJ
Overseas		
City gas	329 K Nm ³	278 K Nm ³
LPG	22 t	18 t
Heavy oil A	0 kJ	0 kJ
Kerosene	20 kJ	21 kJ
Diesel oil	579 kJ	29 kJ
Gasoline	57 kJ	55 kJ

Energy & power (domestic / overseas)

	FYE March 2023	FYE March 2024
Total amount	111,053 K kWh	104,763 K kWh (94% vs. the previous year)
Breakdown Domestic	61,722 K kWh	61,323 K kWh
Overseas	49,331 K kWh	43,440 K kWh

Water consumption (domestic / overseas)

	FYE March 2023	FYE March 2024
Total amount	2,554 Km ³	2,471 Km ³ (97% vs. the previous year)
Breakdown Domestic	2,432 Km ³	2,364 Km ³
Overseas	122 Km ³	107 Km ³

ESG investment amount

	FYE March 2023	FYE March 2024
Total amount	¥351 million	¥482 million

Office activities

	FYE March 2024
Office electricity	1,067.1 kWh
Copy paper	286 t
Car fuel	
Gasoline	83 kJ
Diesel oil	0.4 kJ

OUTPUT

Products (domestic / overseas own-plant production)

	FYE March 2023	FYE March 2024
Total amount	246,736 t	219,825 t (89% vs. the previous year)
Breakdown Domestic	110,343 t	108,294 t
Overseas	136,393 t	111,531 t

Energy intensity (domestic / overseas) (crude oil equivalent)

	FYE March 2023	FYE March 2024
Total amount	193.1 l/t	192.3 l/t
Breakdown Domestic	193.1 l/t	192.3 l/t
Overseas	98.0 l/t	100.8 l/t

GHG emissions

(domestic / overseas energy-related CO₂ emissions)

Scope 2 calculation conditions: GHG Protocol Market-based method

	FYE March 2023	FYE March 2024
Total amount	47,527 t-CO ₂	40,107 t-CO ₂ (84% vs. the previous year)
Breakdown Domestic		
Scope 1	11,731 t-CO ₂	10,962 t-CO ₂ (93% vs. the previous year)
Scope 2	7 t-CO ₂	0 t-CO ₂ (-% vs. the previous year)
Subtotal	11,738 t-CO ₂	10,962 t-CO ₂ (93% vs. the previous year)
Overseas		
Scope 1	2,365 t-CO ₂	835 t-CO ₂ (35% vs. the previous year)
Scope 2	33,424 t-CO ₂	28,310 t-CO ₂ (85% vs. the previous year)
Subtotal	35,789 t-CO ₂	29,145 t-CO ₂ (81% vs. the previous year)

Scope 2 calculation conditions: GHG Protocol Location-based method

	FYE March 2023	FYE March 2024
Total amount	74,662 t-CO ₂	67,155 t-CO ₂ (90% vs. the previous year)
Breakdown Domestic		
Scope 1	11,731 t-CO ₂	10,962 t-CO ₂ (93% vs. the previous year)
Scope 2	27,142 t-CO ₂	26,789 t-CO ₂ (99% vs. the previous year)
Subtotal	38,873 t-CO ₂	37,751 t-CO ₂ (97% vs. the previous year)
Overseas		
Scope 1	2,365 t-CO ₂	835 t-CO ₂ (35% vs. the previous year)
Scope 2	33,424 t-CO ₂	28,569 t-CO ₂ (85% vs. the previous year)
Subtotal	35,789 t-CO ₂	29,404 t-CO ₂ (82% vs. the previous year)

GHG emissions intensity

(domestic / overseas energy-related CO₂)

Scope 2 calculation conditions: GHG Protocol Market-based method

	FYE March 2023	FYE March 2024
Per ton of production	0.193 t-CO ₂ /t	0.182 t-CO ₂ /t (94% vs. the previous year)
Per million yen of sales	0.39 t-CO ₂ /million yen	0.33 t-CO ₂ /million yen
Net income per million yen	23.68 t-CO ₂ /million yen	10.96 t-CO ₂ /million yen

Waste recycling rate and final disposal amount

	FYE March 2023	FYE March 2024
Total amount generated	10,723 t	10,285 t
Recycling amount	6,697 t	6,568 t
Recycling rate	62.5 %	63.9 %

Effluent volume (domestic / overseas)

	FYE March 2023	FYE March 2024
Total amount	2,506 Km ³	2,456 Km ³ (98% vs. the previous year)
Breakdown Domestic	2,397 Km ³	2,359 Km ³ (98% vs. the previous year)
Overseas	109 Km ³	97 Km ³ (88% vs. the previous year)





Initiatives for TCFD Recommendations

E Environment

The Group has positioned climate change response as an important management issue that is unavoidable for the realization of a sustainable society, and in 2021, we endorsed the TCFD¹ recommendations and in 2022, we participated in the CDP² climate change program. Taking this opportunity, we are actively sharing information internally about our response to climate change and the results of external evaluations, and working to raise awareness throughout the company. We will continue to strengthen our efforts to achieve Society 5.0 with Carbon Neutral in line with the 1.5°C scenario in the sixth report of the IPCC³.

Governance

The Group considers company-wide activities related to climate change risks and opportunities to be one of its most important management issues, and under the instruction of the Representative Director and President, the Group is working to address these issues through the CSR and ESG concepts and promotion system shown on P.39.

Risk management / opportunity analysis and strategy

CSR/ESG Promotion Group Headquarters considers the risks arising from climate change as transition risk, which refers to the strengthening of regulations and changes in the supply-demand structure due to revisions of laws and regulations and changes in industry trends, and physical risk, which refers to the strength-

ening of resilience to natural disasters and the deterioration of the labor environment due to global warming. Depending on the nature of these risks, each organization and related department, which is the execution division, is instructed to perform risk response operations. Under the direction of the Representative Director and President, we are conducting risk analysis based on the policies and requests of our supply chain partners, international research reports⁴, and the Ministry of the Environment's explanatory documents, in order to contribute to climate change countermeasures as a member of the supply chain. We are working to achieve the 1.5°C scenario to limit the rise in the average global temperature to less than 1.5°C, and to set new targets and transition plans for Society 5.0 with Carbon Neutral. Risks and opportunities from each scenario are prioritized based on their impact and likelihood of occurrence, and are incorporated into the Group's product development and business strategies, and we will continue to closely monitor various trends, regularly evaluate and review them, and disclose information.

1.5°C scenario assumption summary	4°C scenario assumption summary
Acceleration of tighter regulations to prevent global warming and changes in demand structure that contribute to global warming prevention. It is expected that in the future, the unit price of carbon tax will rise to the same level as in developed Western countries. Assumes that the impact of natural disasters will need to be more focused than at present.	Global warming becomes more serious, causing changes in demand structure and impacts on the working environment due to rising average temperatures. Business activities will be frequently affected by large-scale natural disasters.

Risk analysis and countermeasures

Risk classification	Assumed risks and financial impact	Measures to take	
1.5°C scenario	Transition Risk	● Increased financial burden due to introduction of carbon tax*	● Reducing GHG emissions and financial impact by procuring renewable energy at appropriate prices ● Ongoing energy conservation measures Estimated reduction in carbon tax: approx. ¥388 million (domestic Group)
		● Stricter regulations to reduce GHG emissions	
	Physical Risk	● Increased GHG reduction requirements from customers	● Moving to decarbonize raw materials
		● Difficulty in procuring raw materials derived from fossil resources	● Promptly deploying internal measures reflecting industry trends to enhance business activities
4°C scenario	Transition Risk	● Loss of business opportunities due to changes in the supply-demand structure	● Diversify raw material procurement regions and sources ● Inventory management to reduce impact on logistics
		● Impact of stagnation of business activities due to supply chain disruptions caused by natural disasters	● Making efficient capital investments that contribute to improving the work environment and production efficiency
	Physical Risk	● Deterioration of the work environment at manufacturing sites and resulting increase in capital expenditures	● Promptly disseminate industry and market trends internally and reflect them in product development and business planning
4°C scenario	Physical Risk	● Strengthens product development capabilities to respond to changes in the supply-demand structure	● Promoting facility renovation in accordance with hazard maps ● Decentralization of production sites ● Implementing measures to prevent the release of hazardous substances in the event of torrential flooding
		● Impact of stagnation in business activities due to damage to facilities caused by large-scale natural disasters ● Loss of product and raw material inventory due to flooding during torrential rains (estimated amount calculated but undisclosed)	● Preventing a decline in production efficiency by investing in equipment to reduce heat and human workload at manufacturing sites

* Internal implementation of carbon pricing (domestic Group)
Set unit price: ¥14,500 /t-CO₂
Impact: ¥970 million for CO₂ emitted by the Group
Maximum estimated amount: ¥8.16 billion for CO₂ emissions in the supply chain

Example of use: Business profitability analysis
Included in the amount of improvement effect when introducing energy-saving equipment to promote investment.

¹ TCFD: Task Force on Climate-related Financial Disclosures
² CDP (Carbon Disclosure Project): A non-profit organization that operates a global system for the disclosure of environmental information by companies and local governments
³ IPCC: Intergovernmental Panel on Climate Change

Opportunity analysis and strategy

Revenue opportunity classification	Anticipated opportunity	Strategy (development and sales promotion of the following products)	
1.5°C scenario	Increased demand for products contributing to decarbonization ● Promotion of EVs and self-driving vehicles ● Promotion of vehicle weight reduction ● Increased demand for power infrastructure	Expand sales of sustainable products: increase by ¥3 billion in the FYE March 2027 (compared to the FYE March 2024)	● Products for rechargeable batteries ● Wiring harness-related products for vehicles ● Products contributing to vehicle weight reduction ● Products for solar cells ● Polyurethane resins made from CO ₂
	Changing demand for a circular economy ● Accelerated recycling of plastic resources ● Increased demand for biomass-derived products		● Deinking inks for flexible packaging materials ● Resin powders made from biomass-derived raw materials ● Inks and adhesives made from biomass-derived raw materials
4°C scenario	Changes in lifestyles and supply-demand structure due to rising temperatures ● Changes in building specifications to cope with heat ● Increased demand for beverage containers		● Heat Shielding Paint for energy-saving air conditioning in buildings ● Ink-related products for flexible packaging for beverages
	Growing demand for products to expand projects of strengthening infrastructure in preparation for severe natural disasters ● Growing demand for renewal of power and telecommunications infrastructure ● Growing demand for building renovation projects		● Colorants for coating materials for high-speed, high-capacity communication lines ● Coloring materials for high weatherability coatings for building exteriors ● Colorants for high-strength and high-durability fibers

Indicators, targets, and progress

- Indicator (KPI): Greenhouse gas emissions from energy consumption at domestic sites (Scope 1 + Scope 2)
Target: 70% reduction in FYE March 2024 compared to FYE March 2014⁵
Progress: 78% reduction from FYE March 2014 in FYE March 2024
- Aim to increase sales of sustainable products (including climate change action) by 20% in FYE March 2024 vs. FYE March 2021.
Progress: Sales results for sustainable products for FYE March 2024 increased by 23% vs. FYE March 2021

■ Results of main energy-saving measures at manufacturing sites for the FYE March 2024

- Utilization of waste heat from boilers and reduction of heat loss: Annual effect equivalent to 92 KL (crude oil equivalent)
- Reduction of energy through rationalization of production processes: Annual effect equivalent to 37 KL (crude oil equivalent)
- Annual power generation from solar power generation facilities: just over 800 MWh per year



Solar power generation facilities are in operation at manufacturing bases in Japan, China and Thailand

Corresponding sustainable products

Climate change (global warming)

- ▶ Materials for rechargeable batteries and solar cells
- ▶ Resin products that contribute to vehicle weight reduction
- ▶ UV/EB inks and coating agents
- ▶ Materials made from CO₂
- ▶ Heat shielding coating agents for energy saving in buildings, and resin products for highinsulation windows

Circular economy support

- ▶ Biomass-derived products (inks, urethane resins, resin powders)
- ▶ Deinking inks for flexible packaging recycling
- ▶ Naturally-derived functional polymers (chitin and chitosan)

Other items for social contribution

- ▶ Adhesives for gas barrier flexible packaging materials, which help reduce food loss
- ▶ Materials for high-voltage transmission line sheathing, which help reinforce electric power infrastructure
- ▶ Colorants for coating materials for high-speed, high-capacity communication lines, which help strengthen communication infrastructure

Dealing with water risks and making effective use of water resources

Amid the growing severity of issues such as droughts and floods due to the effects of climate change both in Japan and overseas, the Group recognizes the understanding and management of water risks and the effective use of water resources as important issues. Water risks such as flooding and water quality regulations have a significant impact on the activities of our manufacturing bases, so we are working to identify and manage appropriate water risks at each base. At our domestic bases, we are conducting risk surveys by region based on hazard maps and other information provided by local governments. At our overseas bases, we are considering conducting interviews to understand the water risks in the river basin and to determine how to deal with and counter these risks. For bases that are considered to be at high risk of flooding, we are implementing BCP measures such as measures to prevent the leakage of chemical substances into the surrounding area, equipment-based measures to minimize flood damage, and the development of initial response manuals. We have identified manufacturing bases in regions (Shanghai, China; Vietnam; India) where water stress and

drought risk are assessed as "high" using the Aqueduct Water Risk Atlas⁶ as an evaluation tool. At these bases, we are also thoroughly implementing the recycling of water, and we are reporting and evaluating water usage, COD emissions, and water intensity of products. In addition, in order to protect water resources and prevent the risk of water pollution, manufacturing bases are recycling water for production and managing wastewater appropriately. Tokai Production Plant, which is one of our bases with particularly high water usage, has reduced its use of well water by approximately 7% compared to the FYE March 2023. Wastewater from manufacturing bases is purified to a level above the wastewater standards and released by appropriately operating treatment facilities such as wastewater treatment facilities that use the activated sludge method. In addition to the physical risk assessment, we plan to implement an impact assessment at manufacturing bases in the future, and reflect the results in our business strategy by taking necessary measures and dealing with the results.

⁴ IPCC: SSP1-1.9, IEA(International Energy Agency) World Energy Outlook:Net Zero Emission by 2050 Scenario
⁵ Calculated using the adjusted CO₂ emissions factor for an electric power company that procures electricity from 100% real renewable energy sources
⁶ Aqueduct Water Risk Atlas: Tool for assessing water risk by basin published by the World Resources Institute (WRI), an international environmental NGO



Preserving Biodiversity E Environment

The Group believes that it is necessary to plan our business in a way that enables sustainable growth by evaluating both the benefits we receive from nature and the impact we have on nature throughout the entire product lifecycle. Based on this idea, we are working to understand the impact of our business activities on the ecosystem throughout the product lifecycle from both a risk and opportunity perspective, based on the framework of TNFD^{*1}, and we are working to create value that contributes to the preservation of biodiversity and the realization of a sustainable society by leveraging our technology, while also working in collaboration with the TCFD initiative.

Governance

As part of our sustainability activities, we have established a governance system for initiatives related to the preservation of biodiversity.

Please refer to "Promotion system" in "Our Thinking on CSR and ESG" on P39

Strategy

The Group identifies changes in regulations and supply and demand structures due to factors such as revisions to laws and regulations concerning the preservation of biodiversity and changes in industry trends, and reflects risks and opportunities in its business plans.

Life cycle	Risks and opportunities	Initiatives of the Group
Raw material procurement	Risks There will be restrictions on the collection of plants and minerals in order to prevent the destruction of ecosystems and the extinction of rare species, and to preserve them.	● In accordance with our Purchasing Policy and CSR procurement standards, we will stop procuring raw materials from suppliers that have been confirmed to have a negative impact on the ecosystem.
	Opportunities The market value of products that help prevent the depletion of valuable resources will increase.	● Strive for the recycling of water and reducing the amount of water pumped and the amount of wastewater.
Product development	Risks Regulations on the management of wastewater from factories will be tightened in order to preserve aquatic ecosystems.	● Managing thoroughly the wastewater treatment facilities at our factories, and working to reduce the burden on the aquatic ecosystem while also striving for preservation. ● Promoting the recycling of waste plastic to prevent marine pollution, especially from waste plastic.
	Opportunities Regulations on the use of raw materials and materials containing hazardous substances that lead to air pollution will be tightened.	● Working to reduce and preserve the harmful substances (mainly volatile organic compounds) and greenhouse gases generated in the manufacturing process of our products.
Manufacturing and logistics	Risks The market value of environmentally friendly products that use less harmful substances will increase.	● Promoting the development and sale of products that can reduce the amount of harmful substances (mainly volatile organic compounds) and greenhouse gases emitted into the atmosphere by our customers. ● Promoting the development and sale of products that can reduce the amount of harmful substances discharged into water systems from our customers' factories.
	Opportunities There is a growing awareness and legal regulations to prevent water pollution caused by waste plastic.	● Promoting the development of biodegradable plastics for use in water systems.
Others	Risks The risk of the spread of soil contaminants that have occurred in the past on the premises of the Group	● At the business bases where soil contamination was confirmed, we immediately began taking measures to prevent the spread of contamination and started cleanup work after consulting with the local administration.
	Opportunities Participate in conservation efforts for the ecosystems in neighboring areas outside our facilities to increase social value.	● Working with the local community to promote activities to beautify the area around our offices, support greening, and preserve the water system.

Anticipated opportunities	Focused business (development and sales promotion of the following products)
The market value of environmentally friendly products that use less harmful substances in the atmosphere will increase.	● Water-based paints, inks, and non-toluene inks that use less volatile organic compounds ● UV coating agents and EB coating agents that can reduce volatile organic compound emissions and CO ₂ emissions associated with drying energy consumption during the drying stage of the coating process
The market value of environmentally friendly products that use less harmful substances in water systems will increase.	● A dye used in the spinning stage of chemical fibers to avoid environmental impacts on the water system caused by wastewater from the textile coloring process using chemical dyes
There is a growing awareness and legal regulations to prevent water pollution caused by waste plastic.	● Resin powder made from natural materials that are biodegradable and can be used in cosmetics, which can contribute to preventing marine pollution caused by microplastics

Risk management

In the Group, CSR/ESG Promotion Group Headquarters issues instructions to each organization and related department, which are the executive divisions, on how to handle risk depending on the type of risk. The results of identifying risks, the work involved in dealing with them, and the implementation status are reported to the Internal Control Environment Committee on a quarterly basis, and are also reported to the Board of Directors at least once a year, where they are supervised.



Circular Economy Promotion E Environment

We believe that the transition to a circular economy cannot be achieved by the Group alone, and that it is an issue that requires efforts to be made throughout the entire supply chain. We will work to promote a circular economy with the aim of "finding solutions and create new value for a sustainable society," as set out in our long-term vision.

Expanding sales of products that contribute to resource recycling

In recent years, there has been a growing movement to promote the use of recycled materials in plastic products starting in Europe, and discussions are also progressing in Japan regarding the standardization and market development of recycled materials. In addition to the sustainable products that we have been working on in the past, the Group is focusing on expanding sales of products that contribute to resource recycling by promoting

the development and commercialization of products that use recycled materials. Specifically, we are considering the development of label inks that are easy to deink and can be recycled, as well as products that use recycled carbon fiber. We are also holding meetings with our main suppliers to exchange opinions and information with the aim of building a circular economy system in the supply chain.

Waste reduction and recycling

We believe that it is important to reduce waste in the production process, such as improving yield to reduce manufacturing losses at each base and controlling the generation of defective products, and we are promoting the reduction and recycling of waste associated with our business activities. In the FYE March 2024, we reduced waste oil, sludge, waste plastics, etc., and achieved the following activity targets and medium-term targets. By reducing the amount of waste generated, we have also been able to reduce the amount of waste that requires final disposal, and we will continue to promote waste reduction and recycling in the future.

- Activity target 1
Target: Recycling rate: Improve by 1 point from the actual results for the FYE March 2023
Result: 62.4% for the FYE March 2023, → 68.7% for the FYE March 2024 (an improvement of +6.3 points)
- Activity target 2
Target: Final waste disposal amount: Reduce by 1% compared to the actual results for the FYE March 2023
Results: 2,885 tons for the FYE March 2023, → 2,256 tons for the FYE March 2024 (a 22% reduction)
- Medium-term targets
Target: Solvent recycling rate of 99.9% or more in the FYE March 2024
Results: 100% in the FYE March 2024

Reducing the amount of waste plastic generated and recycling it

In April 2022, the Plastic Resource Circulation Act came into force in Japan, requiring businesses that generate waste to take steps to reduce the amount of waste they generate and to recycle it. As a business that generates a large amount of industrial waste from products that use plastic, the Group is working to reduce the amount of waste plastic generated and to recycle it. In the FYE March 2024, we achieved our medium-term target of a waste plastic recycling rate by taking a series of in-house initiatives, such as sorting and cleaning stretch film used to prevent cargo collapse during the transportation of products and raw materials, in order to reduce one-way plastic use.

- Medium-term targets
Target: Improve the waste plastic recycling rate by 3 points compared to the actual result for the FYE March 2021 (82.0%)
Results: 91.9% for the FYE March 2024 (improved by 9.9 points)
Amount of waste plastic generated: 1,972t
Amount recycled: 1,812t (domestic Group)

*1 TNFD: Taskforce on Nature-related Financial Disclosures



Management of Chemical Substances

E Environment

We are working with each committee to properly manage the chemical substances handled by the Group and to ensure their proper and safe use. We are also working to develop a system that enables us to promptly provide safety data on chemical substances.

Introduction of new chemical substance management system

For more efficient management of chemical substances

Chemical substance management is becoming increasingly important as regulations on chemical substances becomes stricter. In order to make these operations more accurate and efficient, the Group is establishing a new chemical substance management system.

The introduction of this new chemical substance management system will enable the Group to achieve centralized management, and will also enable us to provide information on the chemical substances contained in each product and the information linked to those chemical substances in a timely manner, in units of products or chemical substances, etc., in order to deal with various regulations.

Strengthening chemical substance management throughout the supply chain

To address legal and social chemical substance issues throughout the product lifecycle from manufacturing to disposal after use, the Group promotes chemical substance management through a variety of initiatives, including the development of internal systems to ensure compliance with domestic and international chemical substance-related laws and regulations, and the provision of information on product safety and applicable laws and regulations to our customers.

To reduce the environmental impact of our products, we have established a department dedicated to collecting accurate information on chemical substances found in the raw materials we use. At the same time, we collect information on enactment and revision of laws and regulations, ensure appropriate response, and provide information on chemical substances found in products to our customers. Through these activities, we strive to strengthen our chemical substance management and minimize risks throughout the supply chain.

In the FYE March 2024, there were no instances of legal violations or other punishments.

Toward better management of hazardous substances

Strengthening the system for chemical substance risk assessment

Recently, laws and regulations related to chemical substances

have been revised one after another in Japan. The Group is also working to comply with the revised Industrial Safety and Health Act.

The basic concept of the management of chemical substances is shifting toward reducing the risk of individual chemical substances. In response to this change, we are working to ensure that information on chemical substances found in raw materials is collected at the raw material adoption stage and to strengthen our hazard and toxicity checks, including checks of health and environment effects. In addition, we are working to maintain and strengthen our chemical substance management by conducting regular internal audits on chemical substances to check the management system and operational status related to chemical substance management, and requesting improvement measures as necessary.

Knowledge enhancement through education on chemical substance management

We provide education on chemical substance management to related departments and group companies to accurately respond to chemical substance laws and regulations.

In the FYE March 2024, we held an in-house seminar focusing on the management of chemical substances contained in products and an overview of the GHS, with the aim of improving knowledge levels and reaffirming the importance of chemical substance management, and a total of around 350 people participated, mainly from departments in charge of chemical substance management.

Compliance with laws and regulations in each country

In order to manufacture and export products, it is necessary to correctly understand the laws and regulations of each country and to take appropriate procedures and actions. In all countries and regions where we do business, the Group fulfills its social responsibilities as a company by understanding and complying with laws and industry standards, and by properly managing chemical substances in each country and region.

As a result, there were no violations of laws and regulations regarding registration and notification of chemical substances in Japan or overseas during the FYE March 2024.

Please refer to this website for our management of chemical substances.

<https://www.daicolor.co.jp/english/csr/management/index.html>



Customer Relations

S Social

Quality assurance

To ensure that our customers can use the Group's products with confidence, we are working to develop a company-wide quality assurance system that considers not only the performance of our products, but also all of our corporate activities up to the delivery of products and services to our customers as "quality."

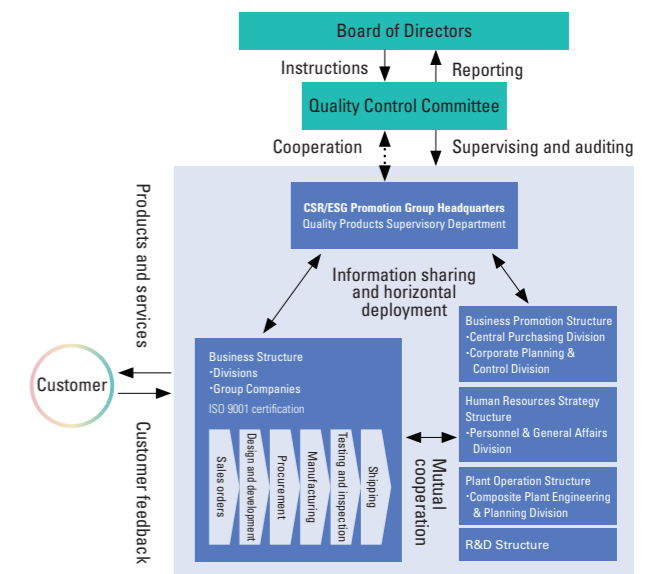
Approach to quality assurance

The Group, at every stage from product design through manufacturing and inspection to delivery of products to customers, comply with all laws and regulations, and recognize that maintaining and improving the reliability and safety of our products and services are a social requirement, and always place the highest priority on providing the quality demanded by customers.

The Group's products are used in a wide range of fields, including information and electronics, automobiles, books, industrial materials, stationery, and packaging, and the quality demanded by our customers varies. The Group aims to establish a system promising to provide products and services that satisfy our customers at all times and to establish a system that allows us to disclose appropriate product information.

Please refer to this website for our "Quality Policy." (Japanese Only)

<https://www.daicolor.co.jp/csr/social/quality/index.html>



Quality assurance system

The Group has acquired ISO 9001 certification, an international standard that stipulates a system for the continuous improvement of the quality of products and services provided to customers at the business units and group companies, and makes use of a Quality Management System (QMS hereinafter).

In 2013, we established a Quality Control Committee made up of quality management personnel from across the company, and we hold four general meetings a year to develop policies and share information. In 2019, we established the Quality Products Supervisory Department, which is responsible for the management and operation of the Group QMS. After examining the system, we began operating the Group QMS in the FYE March 2024, and we are working to maintain and improve the company-wide quality management system.

As a group-wide initiative, we are working to maintain and improve the quality of our products and to increase customer trust and satisfaction by implementing various training programs to improve quality assurance levels, reviewing the management systems of raw material suppliers and manufacturing subcontractors, promoting the activation of inter-organizational collaboration and communication, conducting mutual internal audits between departments, and implementing quality inspections by the Quality Products Supervisory Department.

Mechanisms for reflecting customer feedback

The Group strives to respond promptly and appropriately to customer complaints. On receiving quality complaints or information on problems, each division and group company investigates the corresponding causes and takes thorough measures to prevent their recurrence. The information obtained in the process is continuously applied to the development and improvement of products and services, leading to higher customer satisfaction. Information on quality and product safety and measures to prevent the recurrence of such problems is disseminated groupwide through the Quality Control Committee, an internal control system, to prevent the recurrence of similar quality problems.

Disclosure of product information

The Group verifies compliance with laws, regulations, and product information from the development stage of products, and provides customers with information on product performance and safety. In addition, we are working to build a system that prevents data input errors and falsification, and reviewing our daily management operations, in order to ensure the reliability and transparency of product inspections. Furthermore, we are working to disclose information on the hazardousness and dangers of our products by providing Safety Data Sheets (SDS). In the FYE March 2024, there were no violations related to product performance and safety.



Customer Relations S Social

Logistics

Since the establishment of the Japan Responsible Care Council (JRCC) in 1995, the Group have been a member of the JRCC and have been working to prevent accidents and disasters in logistics as well as to promote environmental initiatives.

Approach to safety and quality

The Group selects logistics partners in accordance with our safety and quality standards. We share necessary information with our logistics partners in a timely manner, and ensure that the information is linked to risk assessment and safety management on the front line.

Promotion system for safety and quality

We collaborate with logistics partners with whom we have 3PL^{*1} contracts, and promote centralized management by utilizing the core system SAP and WMS^{*2} introduced in October 2018. We work in collaboration with the operational departments that handle orders and shipping, and ensure that safety and quality are properly managed.

In terms of transportation safety, we hold regular quality subcommittee meetings with our logistics partners, and we are working to improve transportation quality by analyzing the causes of transportation accidents and setting annual targets. For offices and subcontractors with a high number of transportation accidents, we are implementing continuous improvements through on-site quality patrols.

Building a sustainable logistics system

We are working to build a sustainable logistics system based

on the principle that safety comes first in everything we do. In domestic transport, we are working to reduce the environmental impact by promoting modal shifts and improving loading efficiency, and reducing energy use and CO₂ emissions.



Activities to promote modal shifts in long-distance transport

Approaches to logistics problem in 2024

In response to logistics problem in 2024, we are working with our logistics partners to plan and implement a variety of improvement measures to reduce the amount of overtime work drivers have to do.

For example, we are working to reduce the amount of time drivers have to wait by switching the shipping operations from our own warehouses from "evening loading" to "next morning loading."

Classification	Initiatives	Contents
Environmental measures	Compliance with revised energy conservation law	● Formulate logistics strategies to curb CO ₂
	Promoting a modal shift	● Shift to transportation methods with less environmental impact
	Improvement in loading efficiency	● Lot-up of trunk line transport ● Reduction in low-loading flights by relaxing delivery conditions
Logistics problem in 2024	Review of business practices	● Review ancillary operations ● Reduce time spent waiting for cargo ● Receive appropriate freight rates
	Improving logistics efficiency	● Secure delivery lead times ● Moderate differences between busy and off-peak periods
	Behavioral change of shippers	● Raise management awareness ● Implement education on logistics
Logistics value enhancement	Efforts to optimize logistics costs	● Plan and implement logistics measures
	Efforts to improve logistics quality	● Hold quality subcommittee meetings with logistics partners
Compliance	Compliance with laws and regulations	● Comply with laws and regulations such as the Fire Service Act and the Trucking Business Act
	Thorough enforcement of yellow cards	● Implement emergency measures in the event of accidents

*1 3PL (Third-party Logistics): Comprehensive outsourcing of logistics operations
*2 WMS: Warehouse Management System



Employee Relations S Social

Concept of human capital

Relationship between management strategy and HR strategy

The Group is promoting HR strategy is linked to the management strategy. The measures and initiatives to realize the new medium-term management plan "TRANSFORMATION for TOMORROW" are as follows. In addition, indicators and targets for each theme will be reviewed as appropriate in light of the status of the project.

Towards the realization of HR strategy

The Group recognizes that in order to promote management strategies, it is essential to foster a thriving corporate culture that inspires innovation. For this reason, we recognize the need to increase opportunities for dialogue between management and employees, to share their expectations with each other and give them concrete form. It is essential that every employee understands and empathizes with management policies and strategies as their own, integrating them into their daily work goals.

As a result, achieving company goals and realizing the ideals of individual employees become one and the same, and we will promote HR strategies that are expected to improve engagement as employees of manufacturing companies.

In addition to helping each employee to deepen their self-understanding through their work, we also conduct mutual observation between instructors and colleagues in order to identify the strengths of each employee. Furthermore, by assigning work that makes the most of their strengths, we aim to improve the sense of self-efficacy of each employee, and also to improve the sense of efficacy of the organization as a whole, which is made up of employees. In addition, we will enhance internal and external training to develop managers.

With regard to the evaluation system, we will clearly define the roles required for each job level, set evaluation items and standards, and incorporate ideas such as evaluations that are convincing, lead to growth, and have a high level of psychological safety.

By ensuring that the aims of these measures are fully understood and implemented within the company, we are confident that we will be able to improve engagement and promote the development of human resources, and as a result, achieve innovation.

Please refer to this website for concept of human capital (Japanese Only)

<https://www.daicolor.co.jp/csr/social/human/index.html>



Human asset development and utilization

Approach to human asset development

Recognizing the importance of investing in human capital and intellectual property and developing human assets, the Group established the Human Assets Development Policy and Internal Environment Development Policy in April 2023.

Please refer to this website for the "Human Assets Development Policy" and the "Internal Environment Development Policy."

<https://www.daicolor.co.jp/english/csr/policy/index.html>



Human resources system

As part of our HR strategy in the new medium-term management plan, the Group aims to "foster a thriving corporate culture that inspires innovation." We are working to reform our systems to foster the ability of each and every employee to work towards their goals while feeling a sense of fulfillment in their work. To realize this goal, we operate a human resources system centered on a career path system that enables self-realization while respecting diverse work styles, a performance evaluation system based on goal management that serves as a tool for human assets development, and a wage system that appropriately reflects roles and contributions.

Student recruitment and selection strategy

The Group conducts recruitment activities with the aim of finding people who can think and act for themselves and can take an interest in and tackle any task. We use aptitude tests during the recruitment process to understand the characteristics and ideal image of students, and work to prevent mismatches after joining the company. Furthermore, by setting up opportunities for communication with employees before and after the selection process, we focus on ensuring that the company culture and climate are clearly conveyed, and that students can join the company with a concrete image of how they will be able to play an active role.

Active promotion of women, foreign nationals, and mid-career hires

In July 2022, the Group established the Human Rights Policy, and are to eliminate human rights violations in hiring and promotion, and provide equal opportunities to play an active role. The percentage of female employees among new graduates hired in the last three years increased to 36%. By expanding opportunities for female employees to be promoted to sales departments and production sites, where the number of female employees assigned has been low, and by reviewing the personnel system to ensure diversity in work styles, the number of female employees who are active over the long term is increasing year by year.

In addition, from the perspective of prioritizing the early occurrence of "human resource chemical reactions," we are actively



Employee Relations S Social

creating opportunities for recruitment without distinction of gender, nationality, or time of recruitment. Through appropriate use of on-the-job training and off-the-job training directly linked to the acquisition of skills for daily work, a highly convincing and accurate personnel evaluation system, and fair opportunities for promotion, we will gradually increase the ratio of women, foreign nationals, and mid-career hires in managerial positions above the section manager level from 13.3% in FYE March 2024 to 17% in FYE March 2031.

Percentage of female employees among newly hired graduates (domestic Group)

FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024
33%	26%	34%	40%	34%

Percentage of female employees (domestic Group)

FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024
17%	17%	18%	19%	20%

Ratio of female, foreign nationals, and mid-career hires in managerial positions*1 (domestic Group)

FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024	FYE March 2031 (target)
12.0%	11.0%	12.1%	12.0%	13.3%	17.0%

Award system

Once a year, the Group awards the president's prize to projects that have achieved significant results, made significant improvements, or were started by employees' own initiative, after careful consideration, in order to raise employee motivation. We also introduce the results within the company to raise motivation across the company.

Training system

The Group implements training programs tailored to the level of each employee. By accumulating training programs for each level, we are able to instill our corporate philosophy and compliance, improve employee skills, and enhance trust and a sense of responsibility with our stakeholders.

We are also strengthening training for managers so that we can achieve our HR strategy goals as early as possible. By combining this with a career path system and ensuring that employees understand the job level definitions and put them into practice, we are working to maximize the effectiveness of our training.

Major training results for the FYE March 2024 (domestic Group)

	Total number of trainees	Total training hours	Training cost (excluding tax)
Individual training	395 persons	3,718 hours	5,337,664 yen
Group harassment prevention course	533 persons	1,927 hours	7,140,526 yen
Subtotal	928 persons	5,645 hours	12,478,190 yen
Per employee		2.53 hours / persons	5,593 yen / persons

Comfortable work environment

The Group recognizes that promoting workplace development from the perspective of both job satisfaction and ease of work will lead to employee retention and success, productivity, and business performance improvement. Specifically, we are working to reaffirm the significance and importance of work through periodic interviews with supervisors, conducting hearings to prevent mismatches in initial assignments, and fulfilling transfer requests. We are creating an environment in which employees can easily seek advice, conduct mental health checkups, and manage leave accrual to create a workplace environment in which employees can work in a healthy manner, both mentally and physically.

Employee benefits

The Group has introduced a funded defined-benefit pension plan and a lump-sum retirement allowance provided by the company as retirement benefits.

Furthermore, we support employees' voluntary efforts in asset building by combining measures such as an employee-choice defined contribution pension plan, a property accumulation savings plan, and an employee stock ownership plan.

Employee engagement survey

As part of our stress checks, the Group regularly conducts employee engagement surveys. In our new medium-term management plan, we have set engagement scores as KPIs for our HR strategy. Based on the survey results, we will implement approaches tailored to each organization, with the aim of improving employee satisfaction and motivation.

Labor-management council

To maintain and improve sound labor-management relations, the Group holds labor-management council meetings on a regular basis to foster a relationship of trust based on dialogue (eight meetings were held in the FYE March 2024). At the labor-management council meetings, management information and workplace issues are shared, and working conditions are improved through active exchange of opinions.

The Group's labor union membership rate (union membership rate of employees with the right to join a labor union) is 99.8%.

Diversity & inclusion

VOICE

Even though I have reached retirement age, I still approach my work with a sense of responsibility and a sense of fulfillment



Belongs to the Technical R&D Department, Specialty Colors Division

After joining the company, I was assigned to the Specialty Colors Division, where I was in charge of color matching of liquid colorants for textiles for about seven years. After that, I gained experience in various departments such as production technology, quality assurance, and manufacturing management through job rotation, and I also worked on acquiring QMS (ISO 9001) and EMS (ISO 14001) certification.

Currently, I am involved in the creation of manufacturing instructions, which are documents that standardize things like blending, manufacturing process conditions, quality control conditions and standard values, and chemical substance management, as well as departmental EMS activities, and I am working to pass on my expertise to human assets involved and to train the next generation.

In 2020, technical KI² activities began, and an environment was established that made it easier than ever before to have casual discussions with mid-level and junior members. As we engaged in discussions, I felt that the issue was how to pass on the tacit knowledge that had been accumulated up to that point. I am trying to take stock of the accumulated knowledge in my own head and turn it into data, and at the same time, I am also trying to convey the process of the answers that I have come up with, in the hope that people will understand the essence of the work.

I try to talk to the younger and mid-level members as if we were on the same level. I want them to create good products and services by exchanging ideas on an equal footing. I want everyone to gain experience in designing products that are valued by customers and loved for a long time.

It is encouraging to have colleagues who can use their past experiences to work hard together with me, facing the same direction, and it also motivates me. I will continue to cherish each and every year and do my best to contribute to the organization.

It is encouraging to have colleagues who can use their past experiences to work hard together with me, facing the same direction, and it also motivates me. I will continue to cherish each and every year and do my best to contribute to the organization.

Support for diverse work styles

We believe that each employee's ideal work style changes depending on his or her lifestyle and life stage.

We respect the diverse work styles envisioned by our employees and have introduced following various systems to enable them to realize their ideal work styles.

Childcare and nursing care system

To enable employees to balance childcare and nursing care with work, we are working to improve the employment environment by making it easier to take childcare and nursing care leave, introducing reduced hour work and flextime systems, etc.

In the FYE March 2021, we extended the scope of the childcare flextime system until the child reaches the fourth grade of elementary school, and enable employees to work both shorter hours and flextime systems.

In addition, in the FYE March 2024, we established a system for male employees to take childcare leave in installments. We are also working to create a culture that encourages male employees to take childcare leave by sharing their experiences within the company.

In the FYE March 2024, 71.8% of male employees (non-consolidated) and 100% of female employees took childcare leave. A total of 77 employees took advantage of the reduced work hours and flextime systems, showing a steady increase in the number of male as well as female users of these systems.

Reemployment system after retirement

We have introduced a system to pass on (inherit) the skills and wisdom gained through years of work experience, utilize human assets, and support the life plans of employees approaching retirement age by providing them with one-year temporary employment contracts until they reach the age of 65 after their retirement at 62. In the FYE March 2024, the number of employees using the retirement reemployment system was 93.

In certain cases, employment may extend beyond the age of 65 based on the employee's wishes and workplace conditions.

Employment of people with disabilities

Dainichiseika's employment rate of persons with disabilities (non-consolidated) for the FYE March 2024 was 2.07%. We will continue to make efforts to achieve long-term employment for people with disabilities, taking their aptitudes into consideration.

*1 We do not set targets for women, foreign nationals, or mid-career hires because we believe that excellent employees should be promoted to management positions without preference for women, foreign nationals, or mid-career hires, and that setting numerical targets by attributes violates the equality of opportunity. We have set a mid-term target for the promotion of women, foreign nationals, and mid-career hires to managerial positions as a total figure and are monitoring the situation.

*2 A program that aims to increase productivity and creativity and revitalize organizational culture by changing the daily work of knowledge workers into a style that leverages teamwork and an open mind, allowing them to see the content and thought process of each other's work.



Health management

Concept of health management

The Group recognizes that enhancing human capital is an important issue for the sustainable improvement of corporate value, and we established a Health Management Policy in September 2023. Under this policy, the Representative Director and President will be responsible for promoting continuous and specific activities, and by having employees maximize their potential, we will contribute to society through our business activities, and by improving our business performance, we will return benefits to our employees' lives, and we will build a relationship where the Group, society, and employees are all in a WIN+WIN+WIN situation. In response to the effects and health issues identified in the FYE March 2024, we will formulate a more in-depth health management strategy in the FYE March 2025, and will work to achieve our goals by setting specific KPIs centered on physical health, mental health, and work-life balance, while strengthening our collaboration with health insurance associations and each of our bases.



Collaborate with the employee cafeteria to provide healthy meals

No-smoking day

Please refer to this website for health management. (Japanese Only)

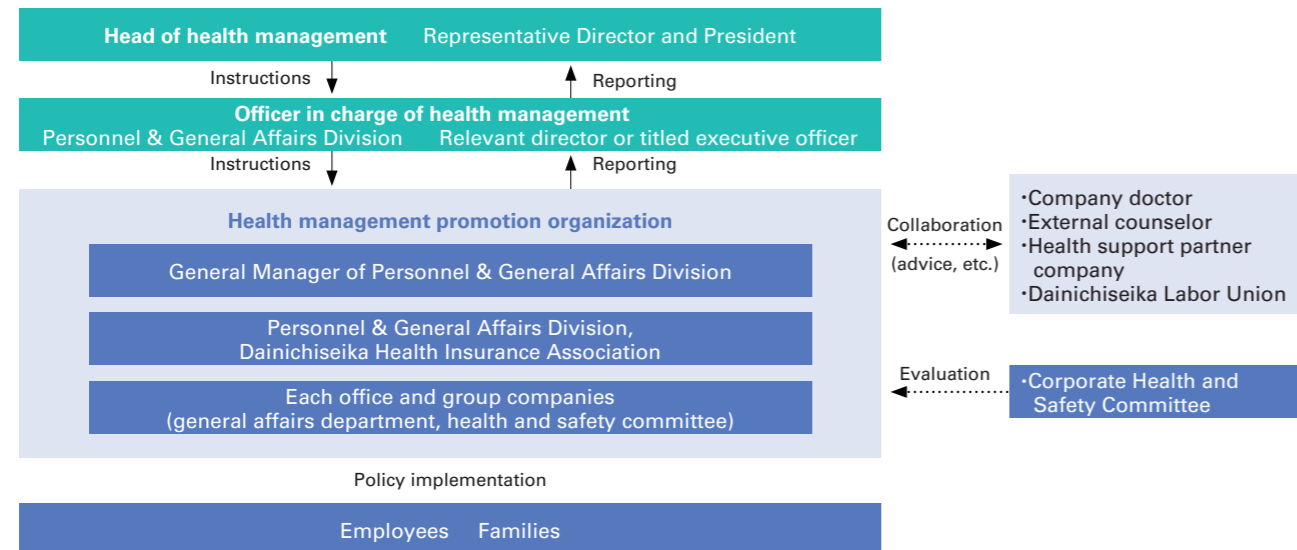
<https://www.daicolor.co.jp/csr/social/health/index.html>



Measures and roadmap for health management



Health management promotion system



Initiatives for promoting health

Initiatives	Items	Purpose (expected effect)	FYE March 2024		FYE March 2025	
			Results	Targets	Targets	Activities (measures)
Physical health	Rate of regular health checkups	Improving absenteeism (being able to come to work in good health)	100%	100% (Sustained)	Improving health awareness through the dissemination of health information ·Results of the health management understanding questionnaire ·Health management newsletter Promoting re-examinations for those with abnormal results Adding items to health checkups ·Adding items to health checkups related to the increasing number of injuries and illnesses, in consultation with the health insurance association	
	Rate of secondary health checkups		64.0%	100%		
	Rate of specific health checkups ^{*1}		81.1%	85% (5% improvement)		
	Rate of specific health guidance ^{*1}		64.8%	68% (5% improvement)		
	Rate of people with appropriate exercise habits ^{*2}		35.6%	37.3% (5% improvement)		Support for making exercise a habit ·Holding walking events using apps, etc
	Rate of people with appropriate eating habits ^{*2}		57.3%	60.1% (5% improvement)		Proposing healthy menus ·Providing healthy menus in the employee cafeteria
	Rate of people with appropriate drinking habits ^{*2}		83.0%	86.8% (National average for health insurance)		Health education ·Health seminars given by occupational physicians nationwide
	Rate of people with appropriate sleeping habits ^{*2}		62.6%	65.7% (5% improvement)		
Mental health	Smoking rate ^{*2}	Improving presenteeism (a state in which employees are able to work energetically without feeling any physical or mental discomfort)	29.7%	26.2% (National average for health insurance)	Promoting anti-smoking activities ·Setting a day for everyone to stop smoking, supporting people who want to quit smoking	
	Stress check response rate		93.6%	100%	Supporting self-analysis ·Education on how to analyze stress through self-analysis, etc.	
	Rate of people under high stress		7.5%	7.1% (5% improvement)		
	Work engagement		49.3	50 (Deviation value 50)	Support for improving the workplace environment ·Guidance and education for high-stress departments ·Continuation of harassment prevention course	
Work-life balance	Rate of high engagement	Improvement in work engagement (a state of innovation and vitality) Time can be secured for a healthy and fulfilling life A variety of work and lifestyles can be chosen	8.1%	8.5% (5% improvement)	Continuation and expansion of health nurse consultations Continuation and expansion of occupational physician consultations	
	Number of days of annual paid leave taken		14.7 days	15.4 days (5% improvement)		
	Rate of male employees taking childcare leave		75.0%	78.7% (5% improvement)		
	Rate of employees working more than 80 hours		0.6%	0 person (eradication)		

*1 Health Scoring Report 2022 figures for health insurance subscribers and their dependents

*2 Health Scoring Report 2022 figures for health insurance subscribers

Promoting mental health care

The Group is taking comprehensive measures to promote mental health, including activities to prevent mental illness and support a smooth recovery from leave of absence. We began voluntarily conducting stress checks in 2014, before the revision of the Industrial Safety and Health Act, and the response rate for the FYE March 2023 was 82%, rising to 93% for the FYE March 2024. In addition, the effects of ongoing harassment prevention course and ongoing reminders about the dangers of working overtime have also helped to reduce the percentage of employees suffering from high levels of stress, from 7.9% in the FYE March 2023 to 7.5% in the FYE March 2024. In the future, we will actively promote new measures to analyze the causes of high-stress workplaces and provide support for them.

Health & Productivity Management Outstanding Organization (Large Enterprise Category)

The Company has been certified as a 2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and the Japan Health Conference. We will continue to promote health management with the aim of further improving the health of our employees, as well as their motivation and productivity.





Employee Relations S Social

Occupational health and safety

The Group believes that all employees working in a safe and comfortable working environment will lead to improved productivity, maintenance and improvement of quality, and increased job satisfaction for employees. In addition to complying with relevant laws and ensuring safety, we are promoting autonomous management of occupational health and safety activities to promote health and enable employees to work for longer.

Promotion system

Under the direction of Representative Director and President and the director in charge of the Plant Operation Structure, the Health and Safety Committee at the Head Office and each production site share risks and countermeasures to improve occupational health and safety and disaster prevention. The status of these efforts is audited by the Internal Audits Division and the Corporate Health and Safety Committee.

Targeting zero accidents and zero occupational injuries

At the Group's production sites, we ensure risk assessment of chemical substances, evaluate the hazards and toxicity of each chemical substance handling process and ensure that all workers on site are aware of how to deal with risks to prevent

occupational accidents and incidents. Each workplace discusses the causes of and countermeasures against accidents and disasters by replacing them with their own workplaces to raise awareness of the parties involved and disseminate the discussions throughout the Company. We are also taking account of recent trends in workplace accidents and implementing company-wide preventative measures. We also provide education using virtual reality (VR) to simulate dangerous situations, and guidance on the correct posture when handling heavy objects.

Occupational accident incidents

In FYE March 2024, there were 7 lost time injuries with a frequency rate of 1.96 (4.15 in the previous year) and an intensity rate of 0.064 (0.031 in the previous year). There were no occupational illnesses or fatalities.

	The Group (domestic)			Manufacturing industry average			Chemical industry average		
	2022/3	2023/3	2024/3	2021	2022	2023	2021	2022	2023
Number of lost-time	4	15	7	—	—	—	—	—	—
Frequency rate	1.01	4.15	1.96	1.31	1.25	1.29	1.07	1.16	1.04
Intensity rate	0.038	0.031	0.064	0.06	0.08	0.08	0.02	0.06	0.03

Number of lost-time: Work-related accidents that force workers to be absent from the day after the accident. Frequency rate: The number of casualties due to occupational accidents per million total actual working hours, which indicates the frequency of accidents. Intensity rate: The number of days lost from work per 1,000 actual working hours, indicating the degree of severity of the accident. Manufacturing Industry: Average of companies with 100 or more employees. Chemical Industry: Average of companies with 100 or more employees. Data source: Ministry of Health, Labor and Welfare's Survey of Occupational Accident Trends (2021-2023)

Health and Safety Committee

The Health and Safety Committee, made up of members stipulated by the Industrial Safety and Health Act, is held once a month at each workplace to discuss and resolve issues related to safety and health. In addition, the Company-wide Health and Safety Committee, chaired by the officer in charge of the Plant Operation Structure, meets twice a year to exchange opinions with other business sites and discuss issues to be addressed on a company-wide basis, in an effort to create a comfortable work environment.

Safety and health patrols

Each workplace undertakes various patrols related to safety, health, and disaster prevention to prevent accidents and disasters by taking countermeasures to address issues pointed out. In the FYE March 2024, we conducted 12 company-wide safety and health patrols. Outside directors participated in these patrols, and opinions were exchanged on issues and improvements from a variety of perspectives, and these opinions were then rolled out across the Company, leading to the standardization and improvement of safety and health activities.



Company-wide safety and health patrols, including outside directors

VOICE

Promoting the creation of workplaces that are easy for everyone to work in

UKIMA CHEMICALS & COLOR MFG. CO., LTD. is promoting activities based on the four key objectives (1. Thorough safety measures, 2. Creating a comfortable workplace, 3. Maintaining and promoting health, 4. Promoting work-life balance) under the philosophy that "safety and health and disaster prevention take priority over everything else." We are working to improve the work environment by strengthening the 5S (sorting, straightening, sweeping, standardizing, and sustaining) through patrols and improving unsafe conditions, as well as taking measures to prevent heatstroke and health problems caused by organic solvents. In addition, we are working with occupational physicians to take measures while emphasizing a balance of health, and we are aiming to create a workplace that is easy for everyone to work in.



Belongs to the General Affairs Department, UKIMA CHEMICALS & COLOR MFG. CO., LTD.



Supplier Relations S Social

CSR procurement

A purchasing policy that is in step with the times

In order to provide the products and services that our customers want and to continue to be trusted by all of our stakeholders, we have revised and are implementing our Purchasing Policy in April 2019 to promote CSR initiatives throughout the supply chain. By adding CSR-related initiatives such as human rights, labor conditions, environmental preservation, and compliance to the supplier selection criteria, we are selecting suppliers and procurement items based on fair and impartial evaluations.

Establishment of CSR Procurement Standards

In April 2019, the Group established new CSR Procurement Standards at the same time as revising its Purchasing Policy. The standards clearly state the Group's requirements regarding CSR for suppliers, and together they promote sustainable procurement. We are open to new suppliers who wish to do business with us, and we select suppliers and procurement items based on fair and impartial evaluations, using product quality, safety, performance, price, delivery time, stable supply, and CSR initiatives such as human rights, working environment, compliance, and environmental preservation as supplier selection criteria.

In addition, the Group participated in the Declaration of Partnership Building¹ in March 2023. We will focus on "coexistence and co-prosperity throughout the supply chain and new partnerships that transcend scale and affiliation" and "compliance with promotion standards," and we will promote partnerships and coexistence and co-prosperity with each supplier and business operator that aims to create value.

Conduct CSR survey

To achieve sustainable procurement, the Group conducted a survey of its suppliers, using the CSR Procurement Self-Assessment Questionnaire (SAQ), and received responses from approximately 80% of suppliers. We provided feedback on the results of the questionnaire analysis and evaluation, and requested that suppliers make efforts to continuously improve their performance by taking corrective action. We will continue to implement monitoring activities and audits to expand our CSR initiatives throughout the supply chain, and strive to improve the satisfaction of all the Group's customers.

Prevention of child labor and forced labor

The Group supports and respects international norms on human rights, such as the International Bill of Human Rights, which sets forth the principles of respect for fundamental human rights, the ILO Declaration on Fundamental Principles and Rights at Work, established by International Labor Organization (ILO), the Guiding Principles on Business and Human Rights, and the

Ten Principles of the UN Global Compact, established by the United Nations, and has established its Human Rights Policy based on the CSR and ESG Basic Policy.

In the "CSR Procurement Standards," we are committed to respecting fundamental human rights, eliminating discrimination, forced labor, and child labor, and improving the working environment.

- (Excerpt below from the CSR Procurement Standards)
- 1) Respect basic human rights; eliminate discrimination, forced labor, and child labor; and make efforts to improve the labor environment.
 - 3) Prohibition of forced labor and child labor
Never force labor through threats, restraints, or other means. Furthermore, never use child² labor at any stage of the manufacturing process.
 - 4) Ensuring a (safe and healthy) work environment
Comply with laws on labor, safety, and health; ensure a safe, healthy, and comfortable work environment for all persons involved in the company's business activities; and make efforts to maintain and improve such an environment.

Responsible mineral procurement

In December 2020, the CSR Procurement Standards were revised to include "Responsible Mineral Procurement."

- (Excerpt below from the CSR Procurement Standards)
8. Engage in the responsible procurement of minerals.
 - 1) Never use conflict minerals that cause the infringement on human rights, environmental destruction, and other conflicts and become the source of funding for armed groups.
 - 2) Make efforts to procure minerals from conflict-free smelters selected by organizations such as the RMI (Responsible Minerals Initiative).
 - 3) If, in the unlikely event that the use of conflict-minerals financing armed groups comes to light, make prompt efforts to remedy such a situation.

The survey was conducted using the Conflict Minerals Reporting Template (CMRT) for tin, tantalum, tungsten, and gold, and the Extended Minerals Reporting Template (EMRT) for cobalt and mica, both templates of which are found in the Responsible Minerals Initiative (RMI) template.

In consideration of current international trends surrounding the responsible procurement of minerals (such as ESG risks and the expansion of target minerals), we have added aluminum and copper to the substances surveyed from the FYE March 2024, and are conducting surveys on a total of 15 substances. The Group continues to implement responsible mineral procurement, which is becoming increasingly important in terms of global human rights issues, environmental due diligence, and climate change countermeasures.

¹ Declaration of Partnership Building: An initiative in which a representative of a company makes a declaration in the name of the client side to build new partnerships by promoting collaboration, coexistence and co-prosperity with suppliers in the supply chain and businesses that aim to create value.

² "Child" used in this provision is defined as anyone under the age of 15, or under the age for completing compulsory education, or under the highest of the lowest working ages stipulated by local laws and regulations.



Evaluation of the effectiveness of the Board of Directors

In order to improve the effectiveness of the Board of Directors, we conduct an analysis and evaluation of the effectiveness of the Board of Directors as a whole once a year.

Evaluation summary

Evaluation target	The Company's Board of Directors meetings (5 times in total) held between July and November 2023
Evaluators	The Company's Directors, Audit & Supervisory Board Member, and titled executive officers (16 people in total) *At the Company, titled executive officers also attend Board of Directors meetings as those responsible for business execution.
Evaluation method	Questionnaire (developed with advice from an external organization)
Evaluation items	(1) Board of Directors composition (appropriateness of members, careers, etc.) (2) Board of Directors role (appropriateness of discussions on management strategy and medium-term management plans, results analysis, performance evaluation, etc.) (3) Board of Directors operation (appropriateness of materials, appropriateness of items for discussion and reporting, time allocation for items for discussion and reporting, etc.) (4) Free-form comments (general evaluation)
Implementation period	Conducted in November each year, with results reported to the Board of Directors in December * An opportunity to review the performance of directors who have been in office for approximately six months is used to assess the overall performance of the directors, identify any issues, and address them in the execution of their duties during the second half of the year.

Results of the analysis and evaluation of the effectiveness of the Board of Directors for the FYE March 2024

- The effectiveness of the Company's Board of Directors was evaluated as being effective in light of its roles and responsibilities.
- The number, composition, and diversity of the Board of Directors are appropriate
 - The items to be deliberated, the number of deliberations, the time for deliberations, the items to be reported, the number of reports, the time for reports, and the allocation of time, etc., are generally appropriate, and the operation of the Board of Directors is well-balanced, with sufficient time being spent on important matters
 - In addition to the use of the meeting management system, the cooperation between the Board of Directors Secretariat and the departments in charge of the agenda items (in principle, the distribution of materials is one week before the meeting) has led to the enhancement of discussions, with the materials submitted for discussion being generally appropriate
 - Outside Directors and outside Audit & Supervisory Board Members have provided candid questions and advice from their respective specialist perspectives, leading to lively discussions

Issues to be addressed for the FYE March 2025

- Further enhancement of strategic and broad-ranging discussions (in particular, deepening and enhancing discussions with outside officers)
- Further enhancement of the analysis of the results of the medium-term management plan and the evaluation of business performance

Initiatives for the FYE March 2025

- Deepening of discussions at Board of Directors meetings through strengthening of cooperation between
- Increase the frequency and content of information provided to outside officers

Officer's remuneration

Based on recognition of the method for determining the basic policy regarding director remuneration as a key management matter, it is determined in the following way. The Operating Committee of Top Management, comprised of the Representative Director and President and directors at the rank of managing director or higher, reviews the design of the remuneration system, then they consult with the Nomination and Remuneration Committee, which consists of three or more directors, the majority of whom are independent outside Directors, and makes a resolution at the Board of Directors' meeting after receiving its

recommendation. Our basic policy is to pay director remuneration based on an appropriate level that takes into account their performance, professional abilities, duties, experience, and insight, and also takes into account consistency with the treatment of employees, and director remuneration excluding outside Directors consists of 1) basic remuneration (monetary remuneration) paid as a fixed amount every month, and 2) stock remuneration based on a restricted stock remuneration system, and remuneration for outside Directors consists of 1) basic remuneration only. In determining the details of individual mone-

tary and stock remuneration, the Representative Director and President makes proposals in accordance with the Remuneration Regulations for Directors and Corporate Auditors, which are subject to consultation and report by the Nomination and Remuneration Committee, and the Representative Director and President is entrusted with the decision by a resolution of the Board of Directors. The Board of Directors confirms that the consultation and report by the Nomination and Remuneration Committee are fully respected with respect to individual director remuneration, etc., and that the remuneration is in accordance with the executive remuneration rules resolved by the Board of Directors. In addition, as performance-linked remuneration, executive bonuses can be paid if annual performance improves and profits significantly exceed plans, will be proposed by the Representative Director and President, consulted and reported

by the Nomination and Remuneration Committee, and then submitted to the General Meeting of Shareholders.

The Company's basic policy regarding the remuneration of Audit & Supervisory Board Members is to pay them based on an appropriate level in consideration of their performance, duties, experience, and insight, and that is consistent with their treatment of employees, as well as the remuneration of directors. Specifically, basic remuneration is determined based on discussions among the Audit & Supervisory Board Members in accordance with the Remuneration Regulations for Directors and Corporate Auditors, and the amount of remuneration for each individual is determined based on discussions among the Audit & Supervisory Board Members. In addition, the Company may pay executive bonuses to Audit & Supervisory Board Members in the same manner as directors.

Total remuneration for each classification of officer, total remuneration by type of remuneration, and number of directors and officers covered by the plan (FYE March 2024)

Classification of officer	Total remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of directors and officers covered by the plan (persons)
		Basic remuneration	Bonus	Restricted stock remuneration	
Directors (Excluding outside Directors)	192	178	—	14	7
Audit & Supervisory Board Members (Excluding outside Audit & Supervisory Board Members)	32	32	—	—	3
Outside Officers	36	36	—	—	6

Cross-shareholdings and the exercise of voting rights

Cross-shareholdings and the exercise of voting rights in accordance with our Basic Policy on Cross-Shareholdings, we have decided to reduce the number of shares we hold in companies other than our business partners, with the aim of achieving sustainable growth and enhancing our long-term corporate value. Each fiscal year, the Board of Directors examines each individual stock from the perspective of the purpose of holding, the benefits and risks associated with holding, the cost of capital, etc., and determines whether or not to hold the stock.

In the FYE March 2024, we sold all of our holdings in seven stocks and partially sold our holdings in six stocks, after considering the status of transactions with the companies in which we hold shares, our management strategy, and other factors, and comparing and examining the dividend yield and earnings from transactions on the stocks we hold with our cost of capital.

In addition, the new medium-term management plan sets a target of reducing cross-shareholdings by at least 15% over the three-year period from the FYE March 2025 to the FYE March 2027.

Regarding the exercise of voting rights for shares held, we make appropriate decisions and exercise these rights in accordance with our Criteria for the Exercise of Voting Rights from the perspective of enhancing long-term corporate value and strengthening our relationship with the Company.

< Basic Policy on Cross-Shareholdings >

1. Purpose of holding

Dainichiseika Group acquires and holds shares in its business partners for purposes other than pure investment (so-called cross-shareholdings) in order to achieve sustainable growth and enhance long-term corporate value.

2. Verification of appropriateness of holding

At least once a year, Dainichiseika Group will conduct a quantitative evaluation of whether the dividend income and trading income, etc. of the company in which it holds shares is commensurate with Dainichiseika Group's cost of capital, etc., and will also conduct a qualitative evaluation of the status of transactions with the Company in which it holds shares and Dainichiseika Group's management strategy, etc., and Dainichiseika Group's Board of Directors will verify the appropriateness of holding the shares.

3. Holding and reduction

If the appropriateness of holding cross-shareholdings is verified and it is determined that Dainichiseika Group does not have a valid reason for holding them, they will be reduced.

<Criteria for Exercising Voting Rights>

1. Policy on exercising voting rights

The Company will exercise voting rights for listed shares held by the Company appropriately from the perspective of improving the Company's medium- to long-term corporate value and maintaining and developing good relationships with business partners.

2. Criteria for exercising voting rights

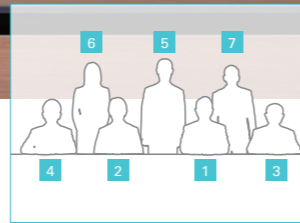
In addition to a close examination of each proposal, the decision to vote for or against each proposal will be made based on a comprehensive assessment of the Company's initiatives to enhance shareholder value, the state of corporate governance, and other factors.



List of directors and titled executive officers (as of June 27, 2024)

In accordance with the Group's corporate philosophy, vision, values, and code of conduct, we strive to maximize sustainable development and corporate value through fair business activities.

	1	2	3	4	5	6	7
Name	Koji Takahashi	Masahiko Aoba	Osamu Takeda	Taiyo Aoyagi	Yoshiaki Nakagawa	Akiko Nagahama	Susumu Kawase
Position	Representative Director and President Chief Information Security Officer Nomination and Remuneration Committee Member	Representative Executive Director Head of Plant Operation Structure Head of Human Resources Strategy Structure	Executive Managing Director Head of Business Structure	Director Head of R&D Structure	Outside Director Nomination and Remuneration Committee Chairperson	Outside Director Nomination and Remuneration Committee Member	Outside Director Nomination and Remuneration Committee Member



Skill matrix of directors and titled executive officers (as of June 27, 2024)

Name	Directors							Titled executive officers					
	Tatsuhiko Komada	Toshio Tani	Takahiro Shoda	Koji Takahashi	Masahiko Aoba	Osamu Takeda	Taiyo Aoyagi	Yoshiaki Nakagawa	Akiko Nagahama	Susumu Kawase	Tatsuhiko Komada	Toshio Tani	Takahiro Shoda
Knowledge/Experience/Skills and Fields expected													
Corporate management/ Business strategy/Leadership				●	●	●		●		●			●
CSR/ESG/Compliance				●				●	●	●	●		
Finance/Accounting/ Tax affairs				●							●		
IT/Information systems				●			●				●		
Personnel affairs/Labor affairs/ Human asset development					●			●	●			●	
Technological development/ Technological development management					●		●	●		●		●	
SCM/Logistics					●	●					●	●	
Industry and industry trends/ Marketing/New businesses						●	●			●			●
Supply/Manufacturing					●					●	●	●	●
Internationality/Diversity				●	●	●	●	●	●				●

*Skills that we recognize as being particularly important are written in red.

Details of each skill and reasons for selection

In light of social and management issues, the Group recognizes that the skills expected of directors by stakeholders are as follows, taking into account the composition and balance of the Board of Directors. In addition, the new three-year medium-term management plan announced in June 2024 sets out the following goals: "Secure a competitive advantage through technology initiatives," "Expand overseas business to strengthen business foundation," "Promote ESG-focused management to realize a sustainable society," "Promote HR strategy and DX," and "Implement capital-efficiency-oriented management." In order to

ensure that these measures are implemented, we have identified the following skills as being particularly important: "Corporate management/Business strategy/Leadership," "CSR/ESG/Compliance," "IT/Information systems," "Personnel affairs/Labor affairs/Human asset development," "Technological development/Technological development management," "Industry and industry trends/Marketing/New businesses," and "Internationality/Diversity." By taking into account the balance of skills possessed by directors and titled executive officers, we are ensuring the effectiveness of our medium-term management plan.

Skills	Reasons for selection
Corporate management/ Business strategy/ Leadership	In order to increase corporate value over the medium to long term, it is important to be able to identify risks and opportunities in corporate management in a timely manner and put them into action. We have therefore selected as necessary items the ability to solve problems based on a wealth of experience and knowledge for appropriate decision-making, and the leadership skills to reliably transform intentions into strength.
CSR/ESG/Compliance	In order to realize a sustainable society, we recognize that gaining the trust of stakeholders as a member of that society will increase the corporate value of the Group, and have selected skills related to CSR, ESG, and Compliance as necessary items.
Finance/Accounting/ Tax affairs	We consider the provision of timely and appropriate financial information and efficient management of capital to be important management issues, and have selected the skills related to ensuring the credibility of financial information, developing financial strategies based on accurate and appropriate analysis, and handling tax compliance as a risk as necessary items.
IT/Information systems	In an advanced information society, data analysis based on the accuracy and freshness of information and the secure and appropriate sharing of information assets have been selected as important skills based on the recognition that they are the foundation for improving operational efficiency and strategy formulation.
Personnel affairs/ Labor affairs/ Human asset development	The Group considers "human assets" to be its most important management resource. Based on the recognition that it is essential to improve the skills of each employee and to foster a corporate culture full of vitality in which innovation can flourish, we have selected skills related to personnel strategies, labor measures, and human resource development as necessary items.
Technological development/ Technological development management	Skills related to technology development, technology development management, and market development have been selected as necessary items to further deepen and develop the core technologies cultivated by the Group and to innovate in the areas defined as continuing development fields and new development fields.
SCM/Logistics	We have selected this as a necessary item because we recognize that rationalization of time and costs is an important issue while safely and appropriately operating the supply chain from procurement of raw materials to manufacturing, sales, and delivery of products.
Industry and industry trends/ Marketing/New businesses	We recognize that accurately understanding the Group's position in the market and selecting areas in which to focus and invest the strengths of the Group are important issues that directly affect revenue, and we have selected these as necessary items.
Supply/Manufacturing	As a manufacturing company, we have selected these as necessary items based on the recognition that environmental considerations, safety and efficiency of manufacturing sites, and maintenance and management of profitability, while fulfilling our responsibility to supply products in terms of safety, stability, and continuity, are essential conditions for continuously increasing our corporate value.
Internationality/Diversity	Based on the recognition of the need for balanced progress in business development overseas, in addition to the ability to gather information for regional strategies, management and compliance responses based on sufficient knowledge, experience, and understanding of different cultures are required, and skills related to internationality and diversity have been selected as necessary items.



Message from outside Directors (1)

Aiming to achieve sustainable growth and improve corporate value over the medium to long term by speeding up the development of new technology-driven products



Outside Director **Yoshiaki Nakagawa**

Intensive discussion on promoting HR strategy and DX from a strategic perspective

I have been an outside Director since June 2021. At the initial Board of Directors meetings, there were relatively many agenda items related to management issues arising from COVID-19, but over the past year, there have been more opportunities to discuss medium- to long-term growth strategies. As an outside Director, my main concern is sustainable growth and long-term improvement in corporate value. I hope that discussions across the organization will continue to expand from a strategic perspective.

At the Board of Directors meeting for the FYE March 2024, we discussed the formulation of the new medium-term management plan "TRANSFORMATION for TOMORROW," which has begun in the FYE March 2025, with the three pillars of basic strategy inherited from the previous medium-term management plan, as well as HR strategy and DX promotion as particularly important themes. In the new business environment of a shrinking workforce, it is essential to reform the personnel system with the premise of reducing the number of employees, and we must rebuild a new HR strategy that includes revamping the evaluation system and reskilling. In terms of DX promotion, I think that we also need to look at a system that promotes the sharing of intellectual and human assets across the company, by achieving operational efficiency through digitization and building a foundation for accumulating data.

The Board of Directors meetings are conducted in a friendly and warm atmosphere, and the agenda items and advance materials submitted are also excellent. We hope to continue to have more active and fulfilling discussions in the future.

Increasing the speed to "Secure a competitive advantage through technology initiatives"

As someone who has been entrusted by our shareholders, I have been raising questions about various management issues. HR strategy covers a wide range of themes, including measures

to deal with the era of human resource shortages, measures to share information so that employees can make the medium-term management plan their own, and strengthening education and training opportunities for section managers. In addition, I have been focusing particularly on measures to promote the basic strategy, "Secure a competitive advantage through technology initiatives." Dainichiseika's strength lies in its ability to create new value by combining three core technologies: pigment synthesis and surface treatment, formulation and dispersion processing, and polymer synthesis, with a focus on pigments and resins. We have a full range of technologies that can respond to customer needs. Based on this, we have proposed the creation of a system in which engineers accompany the process of bringing seeds born from research and development to market as new products, by strengthening the sharing of customer needs between the sales and R&D departments.

I am originally a member of the Ground Self-Defense Force. For about 10 years of my active service, I was a member of the research and development department of the Self-Defense Forces, and at the end I was in charge of the management of a research and development organization of about 800 people. I have been raising issues about organizational strategies to increase the speed of research and development at Dainichiseika, making use of that experience.

In addition, in the strategic issue to "Promote ESG-focused management," the most important thing is product development that contributes to the realization of a sustainable society. Representative examples include resin products that reduce CO₂ emissions, concentrate colorants that use pigments to color synthetic fibers when they are spun rather than using dyes that require wastewater treatment, and biodegradable powders derived from natural products used in cosmetics. I think it is extremely important to actively develop sustainable products like this.

Utilizing our strength of being able to make small adjustments, and becoming a company that leads the times

I think that the strength of Dainichiseika's organizational culture is its ability to respond flexibly to changing circumstances. We listen carefully to our customers' needs and ensure that they are reflected in our products. Through this agile business activity, we have fulfilled our responsibility as a B to B chemical manufacturer. The reason for this ability to make small adjustments is due to the history of Dainichiseika, which was founded with the aim of producing pigments in Japan. In order to popularize pigments, they developed their own pigment synthesis and surface treatment technology and formulation and dispersion processing technology, and introduced a wide range of products to society. Originally, pigments accounted for a very small proportion of the added value of our customers' products. In this extremely niche business area, they have responded to our customers' needs in detail and developed products with subtle differences in color and function. This was due to the business characteristics of producing a wide variety of products in small quantities, and involved a variety of innovations. And there is a historical fact that they have valued their human assets in order to maintain their competitive advantage of being able to make small adjustments. The Japanese chemical industry is approaching a period of major change. In the field of functional materials, it would not be surprising if M&A or industry reorganization were to occur at any time. In this environment, we at Dainichiseika are confident that we can create a new trend and become a company that can take the lead in this era.

Message from outside Directors (2)

Raising issues to ensure thorough risk management while promoting business with a sense of urgency



Outside Director (Attorney) **Akiko Nagahama**

Ensuring diversity is a common issue for Japan's traditional manufacturing industry

At Dainichiseika's Board of Directors meetings, we receive very detailed materials a week before the meeting. On the day of the meeting, we ask questions about any points that are unclear, and receive detailed explanations from the attendees and the director in charge. Depending on the topic, we are sometimes given extra time, which makes it easier to ask questions and express opinions, and I feel that the Board of Directors meetings are run in a very good atmosphere. Recently, there has also been more time for medium- to long-term discussions. One thing that has particularly left an impression on me since I took office is the discussion on reviewing decision-making authority. In order to increase the mobility of the business organization and improve operational productivity, we have clarified the criteria for submitting important matters to the Board of Directors, as well as appropriately distributing authority. As a result, I think that the speed of decision-making at the front line has increased, and the supervisory function for important matters has also been strengthened. In formulating the new medium-term management plan "TRANSFORMATION for TOMORROW" implemented in the FYE March 2024, we had frequent discussions, particularly regarding HR strategy. A bold personnel reform plan was proposed for personnel exchanges that transcend the boundaries of each department's expertise, and this is a point that should be watched in the future.

At the moment, I am the only woman on the Board of Directors at Dainichiseika. This is a common challenge for traditional Japanese manufacturing industries, but we should strengthen our efforts to recruit a diverse range of human assets, both within and outside the company, and not limited to women. In the past, I think that many women left the company when they reached a certain stage in their lives, such as when they got married or had children. However, times have changed and working styles have become more diverse. It is also possible to create an environment where people can play an active role regardless of gender

in manufacturing sites through DX promotion. By taking a step forward and implementing measures, issues will also become visible. It may take some time, but I think we should promote the securing of diversity.

Always being aware of compliance and legal risks

As an outside Director, I try to contribute to improving corporate value, and from my position as a lawyer, I have been particularly proactive in raising issues related to compliance and legal risks. In doing so, I always tried to ensure that, when problems arose, I did not just end up seeking liability, but instead had constructive discussions that led to improvements across the organization, such as investigating the causes and preventing recurrences. What was the cause of the problem, and what kind of system is needed to prevent it from happening again? It is important that a culture and system is firmly established within the organization that ensures that reports like this are made quickly and rationally. Even if it is a small problem, if it is reported quickly and dealt with appropriately, it will be the key to avoiding serious risks. In addition, legal risks change over time. It is also necessary to create opportunities to raise the awareness of managers who oversee the workplace and to improve employees' judgment regarding their reporting obligations. For example, if a malfunction occurs in equipment at a manufacturing base, in addition to the impact on product shipments, etc., it is important for Dainichiseika, a chemical manufacturer, to consider whether any action is required under environmental laws and regulations, and if action is required, whether the response process is reliably monitored and reported. It is also necessary to maintain a relationship of trust with the local community. I think it is necessary to be constantly aware of compliance-related risks alongside business activities.

The new medium-term management plan calls for the expansion of overseas business to strengthen business foundation. Since overseas business is operated under a legal system that differs from that of Japan, it is essential to conduct thorough research on the local situation with the cooperation of a legal partner.

The optimal balance between the speed of business promotion and risk management

Dainichiseika's functional materials are a field with great potential for development. For example, it is possible to take on the challenge of creating completely new and innovative materials, such as biodegradable powders for cosmetics, and this will also contribute to the promotion of ESG-focused management. In addition, the new medium-term management plan also calls for large-scale capital investment and growth investment. Up until now, we have carefully addressed customer needs and used our detailed responses to turn them into products, but we feel the need to respond to change with a sense of speed in the future, amid more dynamic change.

The mission of outside Directors is to contribute to improving corporate value. I would like them to promote the new medium-term management plan in an optimal balance, without slowing down management, but ensuring thorough compliance and risk management so that they do not trip up.



Message from outside Directors (3)

I think it is also necessary to shift the perspective from working hard for our customers to discussing our future direction.



Outside Director Susumu Kawase

Visited the site of research and development and exchange opinions frankly

It has been exactly two years since I was appointed as an outside Director in June 2022. The first thing that impressed me when I took up the post was the way all the employees greeted each other so cheerfully. It was a sign of respect for others, no matter who they were, and my first impression was that Dainichiseika, which nurtures people in this way, is definitely a good company.

My previous employer was a chemical manufacturer like Dainichiseika, and I mainly worked in research and development and in general management. I have also worked part-time at a university and held positions in chemical-related associations, so I tend to focus on technological development. Dainichiseika Group has "Secure a competitive advantage through technology initiatives" as a pillar of its long-term vision and medium-term management plan, so I was curious about what kind of research and development they were doing, so after becoming an outside Director, from October 2022, I visited the development site of the technology organization about I visited the R&D Structure once a month to see what kind of research was being carried out by young, mid-career and veteran researchers, and to find out how far they had progressed towards commercialization, and I also asked them about their development-related concerns as researchers, and I gave them advice based on my knowledge and experience. I also participated in the technical poster exhibition that was planned and held at the head office. Some of the young researchers are conducting quite unique research, and I feel that the future is looking promising. I also attended the social gathering several times, and we exchanged opinions frankly over dinner. I hope that my advice will be of some help to their research.

From the perspective of competitive advantage, it is important to make specific selection and concentration

While I don't deny the approach of conducting research broadly as "seeds" for future business development, from the perspective of competitive advantage, I think it would be good if the management side could consider the selection and concentration of which areas to focus on and invest in a little more. There is no doubt that the source of revenue is in the frontline, and I think that we should give it a little more concreteness from the perspective of the frontline. If we don't carry out accurate marketing research and then continue to have discussions that lead to the frontline, in other words, discussions that are specific enough to be developed as a business and lead to sales, then it could end up being just research. I also had the opportunity to participate in on-site patrols with the Corporate Health and Safety Committee. What I saw and felt at the manufacturing site was that each person was using their own ingenuity to improve work efficiency, and that there were easy-to-understand manuals with illustrations and photos. On the other hand, based on my experience at my previous workplace, I gave some frank advice on how to improve the safety awareness of the workers on site and how to improve their sense of responsibility towards their colleagues. I hope that I was able to contribute in some way to the safety of the frontline.

Going forward, discussions from a medium- to long-term perspective and personnel-related innovations will be necessary

The environment surrounding Dainichiseika is changing day by day, with COVID-19, the situation in Ukraine, and inflation. I think that what was right yesterday could easily become wrong today. In this kind of fluid environment, when I listen to opinions at meetings such as the Board of Directors, the Nomination and Remuneration Committee, and the Outside Director and Auditor Liaison Committee, I get the impression that many topics focus on the immediate execution of business, which is common in any company. However, there seems to be relatively little discussion from a medium- to long-term perspective. I think the attitude of the executives and employees who are sincerely and faithfully working hard to do their best for the customers is very good, so I think it is necessary to shift the discussion to the future direction from that perspective. Also, because we have a divisional system, there are inevitably times when a vertical, siloed way of thinking comes to the fore. I think we need to make further efforts in terms of human resources, such as implementing personnel rotations that cut across divisions. I also think that in order to raise employee motivation, we need to introduce some kind of mechanism, such as a reward system, even if it is only a small amount of money.

I think my role is to use the knowledge and experience I have built up so far to provide as many insights as possible to Dainichiseika. I think this applies to everything, not just research and development, but also company management. I hope that my advice will help to revitalize Dainichiseika.

The skills possessed by outside Directors contribute to management (FYE March 2024)

Outside Directors	Reasons for appointment
Yoshiaki Nakagawa	The Company has judged that given Yoshiaki Nakagawa's wealth of experience and broad insight, the product of engaging in organizational operation and management for several years as a Japan Ground Self Defense Force general officer coupled with the leverage of that experience in his service as an advisor to an operating company, he can be expected to provide useful advice on corporate activities of the Group, including its organizational operation and corporate governance, from an extensive and advance perspective, and requested that he be once again elected as an outside Director. Although he has served as an advisor to Komatsu Ltd. and is currently an advisor to DENKOSHA Corporation, there are no specific transactions between these companies and the Group.
Akiko Nagahama	The Company has judged that given Akiko Nagahama's specialized knowledge and experience as an attorney, particularly her strong familiarity with compliance and corporate legal affairs in general, she can be expected to contribute to the strengthening of legal risk management and corporate governance in the Group, and requested that she be once again elected as an outside Director.
Susumu Kawase	The Company has judged that given Susumu Kawase's wealth of experience and broad insight gained as a corporate manager he can be expected to facilitate the further strengthening and enhancement of the Company's management framework, including the strengthening of the supervisory functions of the Board of Directors. Since he has served as Managing Director, Head of R&D Center, Director, Executive Vice President and Business Manager of Plant at Soken Chemical & Engineering Co., Ltd. as well, he can also be expected to provide useful advice on the Group's corporate activities based on his knowledge and experience of technological development, production activities, etc. As such, the Company requested that he be once again elected as an outside Director.

Based on this, knowledge, experience, skills and fields expected of the outside Directors are as shown in the skills matrix for directors and titled executive officers on page 63. From the perspective of the composition and balance of knowledge, ex-

perience, skills and fields expected of the inside directors, we have determined that they are sufficient human assets to achieve the social and management issues expected of the Group.



Audit & Supervisory Board report

In order to ensure the sound and sustainable growth of the company and the appropriateness of the execution of duties by directors, the audit activities are based on the establishment of a high-quality governance system and internal control system that meets the expectations of society, in light of the Group's CSR compliance and ESG-focused policies. In addition, we will monitor and verify whether each system of the internal control system established based on the resolution of the Board of Directors is appropriately responding to risks that may cause significant damage to the company through daily audit activities.

Based on the above basic policy, the Audit & Supervisory Board has selected the following items as continuing and new important issues for the FYE March 2024.

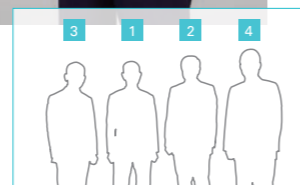
- **Monitoring and verifying the status of the development and operation of the internal control system**
 - **Strengthening information sharing with the accounting auditor and evaluating the appropriateness of reappointing the accounting auditor**
 - **Promoting collaboration through regular meetings with the Internal Audits Division, etc.**
 - **Confirming the progress and results of the main implementation themes of the Group**
- Reviewing the process of formulating the new medium-term management plan, based on a review of the previous medium-term management plan
- Monitoring and verifying the business environment of overseas subsidiaries
- Verifying safety management and labor management at production plant
- Responding to key audit matters (KAM), etc.

Overview of the Audit & Supervisory Board and main activities over the past year (FYE March 2024)

Chairperson	Yoshiro Gamo
Composition	Standing Audit & Supervisory Board Member: 2 persons Outside Audit & Supervisory Board Member: 2 persons Staff (concurrent): 2 persons
Number of times held	17
Main agenda items	<ul style="list-style-type: none"> ● Matters to be resolved: Audit policy and methods, audit plan, audit reports of Audit & Supervisory Board, agreement on the proposal for the appointment of substitute Audit & Supervisory Board Members, reappointment of Accounting Auditors, agreement on the Accounting Auditors' audit plan and audit fees, etc. ● Matters to be discussed: Details of requests for submission of written confirmation of directors' performance of their duties, draft agenda for regular meetings of Representative Directors, Audit & Supervisory Board Member discussions on key audit matters (KAM), etc. ● Matters to be reported: Monthly operational audit reports (including reports on important documents such as internal approval documents, reports on the content of meetings attended, and reports on the results of on-site inspections of offices and subsidiaries), explanations from the accounting department regarding matters related to subsidiaries, Internal Audits Division audit plans and audit results reports, understanding the current situation regarding occupational health and safety at each manufacturing site and checking the status of initiatives, etc.
Other activities	<ul style="list-style-type: none"> ● On-site inspections at offices, etc.: 27 cases ● Regular meetings with the Representative Director and President: 2 times ● Overview report on the "Audit & Supervisory Board Member Audit Implementation Plan" and "Key Issues" ● Issues that the company should address, the current situation and future initiatives ● The ideal state of the Group and initiatives to improve corporate value ● Regarding the new medium-term management plan <ul style="list-style-type: none"> -Checking progress and schedule -Informing all employees -Utilizing human capital and human assets



	1	2	3	4
Name	Yoshiro Gamo	Shuichi Murata	Hidemi Yamaguchi	Ichiro Wakabayashi
Position	Standing Audit & Supervisory Board Member	Standing Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member



Message from outside Audit & Supervisory Board Members

We are able to exchange opinions freely and openly through various meetings and regular meetings with the representative

As a certified public tax accountant and former national tax officer, I consider the accounting and tax affairs of the Dainichiseika Group to be one of the most important aspects of my duties as an outside Audit & Supervisory Board Member, and I hope to be able to accurately convey financial information to the shareholders, investors and other people involved with the Dainichiseika Group. In addition, I also serve as an outside Audit & Supervisory Board Member or Audit & Supervisory Committee Member at other companies, and I have had the opportunity to visit various offices and production sites, and have also had many opportunities to exchange opinions with managers and employees, so I believe that I am also able to look at the decision-making and work processes of the Dainichiseika Group objectively. As a result, I sometimes have to give some pretty harsh opinions. As a manufacturing company, we are considering whether we can further streamline production process, without being confined by the boundaries of business divisions or

offices. We are also exploring whether we can provide more opportunities for employees to demonstrate their abilities through increased personnel mobility. Management that is closely aligned with the frontline is, in our view, a crucial element for enhancing employee engagement. This may be an uncomfortable topic for the company's directors to hear, but I have been providing input not only on accounting and taxation matters, but also on overall management, through meetings with the Board of Directors, the Audit & Supervisory Board, the Accounting Auditor, and regular discussions with the representative director. I believe that we have been able to engage in open and constructive exchanges of views. By steadily repeating these things, I hope to contribute to the medium- to long-term growth of Dainichiseika Group.

Outside Audit & Supervisory Board Member **Hidemi Yamaguchi**
(Left)



By offering frank opinions from an external perspective, I would like to contribute to governance and medium- to long-term growth

Having worked for a long time in a chemical trading company, I have experience in managing domestic and overseas corporate groups, so I think it is easy for me to understand the corporate activities of the Dainichiseika Group, which manufactures and sells a wide range of chemical products. In addition, as I also serve as an outside Director at a chemical manufacturer in a concurrent position, I think I have a deep understanding of the business content and issues faced by chemical manufacturers, so I think this makes it much easier for me to express my opinions as an outside Audit & Supervisory Board Member. In addition to sharing information at the Board of Directors, the Audit & Supervisory Board, and the meeting with Accounting Auditors, I also attend meetings of the Outside Director and Auditor Liaison Committee, where I exchange opinions with other outside officers who have diverse experience, knowledge, skills, and know-how. In order to create a meaningful management plan, for ex-

ample, I think that the gap between the plan and actual results of the previous medium-term management plan should be fully analyzed, and the new medium-term management plan should be formulated after fully considering how to close that gap. In implementing the management plan, I think that rather than top-down communication, people on the front line should be assigned to the task, and the plan should be implemented with a strong commitment to achieving the plan's goals. These may seem like obvious points, but I hope that by offering my frank opinions from an external perspective, I can make a significant contribution to the governance and medium- to long-term growth of the Dainichiseika Group.

Outside Audit & Supervisory Board Member **Ichiro Wakabayashi**
(Right)



Compliance G Governance

The Group believes that compliance goes beyond mere compliance with laws, regulations, and internal rules and means, in the broad sense, meeting and contributing to the needs of society and stakeholders through good-faith and equitable corporate activities that comply with social norms and ethical standards. Under the direction of the Representative Director and President and in cooperation with a committee chaired by the director in charge of the CSR/ESG Promote Group Headquarters, the committee conducts promotional activities to develop and maintain a compliance adherence system.

Promotion activities

The CSR/ESG Promote Group Headquarters plays a central role in company-wide promotion activities, focusing on awareness-raising and education.

- The main activities are as follows:
- A compliance message is sent out from the top every month
- To raise awareness among all employees, we regularly distribute Compliance Letters and Compliance Mini Tests that address problems of compliance in their daily lives
- Compliance training for new employees
- Regular surveys on compliance
- Harassment prevention course for management-level employees
- As a mechanism for easy consultation to maintain a favorable work environment, all locations have one Harassment Counselor for each gender
- Training for local employees of overseas group subsidiaries to raise compliance awareness

In consideration of effectiveness and efficiency, we utilize face-to-face group training as well as video training through e-learning. In addition to these awareness-raising and training programs, we conduct periodic compliance audits in the form of questionnaires for all departments.



TAI CHIN CHEMICAL INDUSTRY CO., LTD. compliance training

Compliance with Antitrust and Subcontracting Laws

We strive to ensure fair trade by stipulating compliance with the Antimonopoly Law in the Code of Conduct for Officers and Employees and by providing training based on the Action Guidelines for Compliance with the Antimonopoly Law. We have also participated in the Declaration for the Establishment of Partnerships, and regularly hold seminars on the Subcontract Act for employees in production, purchasing and other departments, as well as e-learning, while also promoting attendance at external seminars. No violations of the Antimonopoly Act or the Subcontract Act arose during the FYE March 2024.

Prevention of corruption and bribery

In light of the global expansion of our business and the tightening of regulations on bribery around the world, we have been promoting enlightenment of the Group employees through the formulation of our Basic Anti-Bribery Policy and Anti-Bribery Regulations and the distribution of our Anti-Bribery Handbook in order to comply with anti-bribery regulations. In addition, we provide education on anti-corruption as part of our e-learning compliance training for employees in their post-employment milestone year. As a result of these efforts, no corruption, bribery or disciplinary action occurred in Dainichiseika Group in the FYE March 2024.

Internal reporting system

The Corporate Ethics Hotline has been established by the CSR/ESG Promote Group Headquarters, Audit & Supervisory Board Member, and a law firm as a third-party contact for the purpose of early detection and correction of any violation or potential violation of laws, regulations, internal policies, or rules in the course of the corporate activities of the Group. The hotline accepts consultations and opinions from officers and employees via a dedicated telephone number and e-mail address, and the personal information of the person consulting and the content of the consultation are strictly managed to ensure that the person consulting will not be treated unfairly. Six internal reporting cases (5 labor-related and 1 business improvement-related) arose in the FYE March 2024. Both cases were related to labor issues and involved no serious violations of laws, regulations, or company rules.

Tax compliance

The Group complies with the tax-related laws and regulations of each country and region, and strives to pay the appropriate amount of tax. Although tax planning that benefits cash flow is implemented, we do not engage in any activities that are intended to avoid taxation, such as profit shifting to lightly taxed countries. For international transactions, we prepare transfer pricing documents in accordance with the laws and regulations of each country, based on arm's length pricing in accordance with the OECD transfer pricing guidelines, and allocate profits appropriately. We conduct a thorough review of tax risks in advance and seek to mitigate tax risks by providing expert advice and guidance as necessary. There were no statutory violations regarding tax matters for the FYE March 2024.



Risk Management G Governance

The Group aims to contribute to the achievement of management goals and the improvement of corporate value by comprehensively and strategically identifying and evaluating various risks, prioritizing them, and efficiently addressing them. Under the direction of the Representative Director and President, we have established a system in which the directors in charge of each organization and the various internal control committees identify risks and implement countermeasures.

Risk management system

The Group has established the Risk Management Regulations and is responding to various risks in the management organization and departments. Risks that may be anticipated in the course of business activities are identified through regular internal investigations and risk management meetings held by management, and risks that should be addressed are prioritized. Matters that need to be addressed are directed by the directors and executive officers of each organization to the business execution departments, and progress is managed. The status of risk response is reported regularly to the CSR/ESG Promote Group Headquarters, and is supervised by the Board of Directors and the Audit & Supervisory Board. In addition, committees have been established to deal with risk management across the entire company, including health and safety, security and disaster prevention, environmental protection, and chemical substance management. These committees are responsible for formulating policies for reducing risk and supervising business execution.

Potential risks in business activities

Business operations and management strategy	<ul style="list-style-type: none"> •Risks related to business planning and operations •Risks related to business strategy and development •Risks related to overseas business activities
Operations	<ul style="list-style-type: none"> •Risks related to sales and marketing •Risks related to technology and product development •Risks related to production and product supply •Risks related to purchasing and procurement •Risks related to human resources and labor •Risks related to finance and fund procurement •Risks related to information systems •Risks related to facilities and equipment
Compliance	<ul style="list-style-type: none"> •Risks related to financial reporting •Risks related to export operations •Risks related to environmental pollution •Risks related to chemical substance management •Risks related to health and safety •Risks related to information security •Risks related to violations of various laws and regulations
Crisis management	<ul style="list-style-type: none"> •Risks related to natural disasters •Risks related to large-scale accidents and crimes

BCP measures

In order to be able to respond quickly to management crises such as large-scale disasters, the Group has established a crisis management system at our head office and has also set up a disaster response system at each of our business locations. In

addition to natural disasters and fires, we also consider cyber attacks and the risk of procuring raw materials and fuel, and we are considering the necessary measures to continue our business as a BCP (business continuity plan), and we are promoting the development of alternative systems for our main businesses and product supply, taking into account the balance with profitability.

Information security

The majority of the confidential information handled by the Group is managed using information systems. If data is tampered with, lost, or leaked due to cyber attacks or unauthorized access, or if systems are shut down due to disasters or other problems, there is a possibility that business activities will be suspended or other negative effects will occur. In order to reduce these risks, we are working on information security measures such as network monitoring, virus countermeasures, and account management, as well as appropriate data preservation such as backups, information security education for employees, and the development of a system to respond to security incidents. In the FYE March 2024, no incidents of leakage of corporate or personal information arose.

Management system

The Group has established the Information Security Management Regulations based on the Information Security Policy. We have clarified responsibilities and roles by appointing Information Security Managers to oversee the Information Security Implementation Managers in each department and business site that carries out the work, and by appointing a Chief Information Security Officer to oversee the entire Group. In the FYE March 2024, we established a system for forming a CSIRT (computer security incident response team) within the Company.

Initiatives

The Group has established a specialized department to promote DX. In addition to strengthening our information security management system, we are also working on information security measures such as appropriate access rights management for information systems and malware countermeasures for information equipment. We are working to improve productivity and reduce the risk of information leaks by promoting education and improving the environment so that executives and employees can handle information appropriately, while considering the balance between the use of IT and information security measures for the various areas for improvement identified in security assessments.



Dialogue with Stakeholders G Governance

Stakeholders of the Group

The Group has established a “Basic Policy on Corporate Governance,” which states that we “cooperate as appropriate with our stakeholders, including our shareholders, employees, customers, suppliers, reditors, the local community, and a variety of others.” Through various dialogues with our stakeholders, we listen to their opinions and appropriately reflect them in our business activities in order to earn the trust of the many people with whom the Group interacts.

Stakeholders	Dialogue opportunities	Communication tools
Customers	<ul style="list-style-type: none"> Sales activities Various exhibitions Consultation services, such as websites Quality assurance support 	<ul style="list-style-type: none"> Product brochures Company introduction video PR magazines Integrated Report News releases Release of appropriate publicity to the media Website
Employees	<ul style="list-style-type: none"> Group intranet Message from the President at the beginning of the year and on the anniversary of the company's founding Labor-management council Company social gathering Training by job level Periodic personal interviews (twice a year) Internal reporting Harassment consultation desk 	<ul style="list-style-type: none"> Company introduction video PR magazines Integrated Report News releases Employee surveys Website
Suppliers	<ul style="list-style-type: none"> Communication through individual transactions Various exhibitions Joint research through open innovation 	<ul style="list-style-type: none"> Questionnaire survey on the status of CSR promotion Conflict Minerals Reporting Template Feedback sheet PR magazines Extended Minerals Reporting Template Website Integrated Report
Shareholders and investors	<ul style="list-style-type: none"> General meeting of shareholders Financial results briefing (2nd quarter, fiscal year end) Individual meetings Visits to institutional investors Teleconference 	<ul style="list-style-type: none"> Consolidated Financial Results Quarterly report Annual Securities Report Timely disclosure Notice of convocation of general meeting of shareholders Shareholder newsletters (Interim report) Corporate Governance Report News releases Company introduction video PR magazines Integrated Report Website
Society (community, government, school)	<ul style="list-style-type: none"> Industry-university cooperative projects Interaction at community events Service activities in the neighboring communities Dispatch of lecturers for lectures and educational opportunities School visit Acceptance of work experience <p>*When the Group provides support for political activities, we comply with the laws and regulations of each country, and we also take into consideration our social position in light of our corporate philosophy. When making political donations in Japan, we strictly adhere to internal procedures, such as examining the content in advance in accordance with the Political Funds Control Law and internal rules on job authority.</p>	<ul style="list-style-type: none"> Company introduction video PR magazines Integrated Report News releases Newspaper Magazines Website



Please refer to this website for our PR magazine "People, Something New, Future." (Japanese Only)

https://www.daicolor.co.jp/csr/newsletter/newsletter_Vol3.pdf

TOPICS Initiatives for respecting human rights

Respect for human rights

The Group supports and respects international norms regarding human rights, such as the International Bill of Human Rights, which sets out the principle of respect for fundamental human rights; the ILO Declaration on Fundamental Principles and Rights at Work, established by the International Labour Organization (ILO); the United Nations Guiding Principles on Business and Human Rights and the 10 Principles of the UN Global Compact, we will support and respect international norms related to human rights, and we will promote initiatives related to respect for human rights by establishing a Human Rights Policy based on our CSR and ESG Basic Policy.

The Group recognizes that human rights are a compliance issue that must be given the highest priority, and that in order for society to achieve sustainable development, it is necessary to respect the human rights of not only the Group's employees and local residents, but also of all those involved in business activities throughout the supply chain, from the procurement of raw materials to the disposal of products.

In order to prevent risks and negative impacts related to human rights, we are working to educate our employees

about respecting human rights, and we have also presented our CSR Procurement Guidelines to our suppliers, which outline human rights respect standards, and we are asking them to take action accordingly.

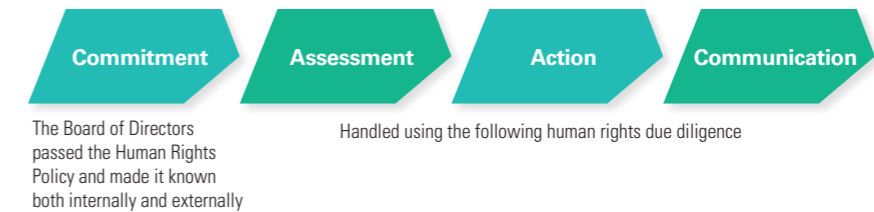
In accordance with the Guiding Principles on Business and Human Rights, the Group's has established a human rights due diligence system. The CSR/ESG Promote Group Headquarters is taking the lead in identifying the negative impacts of human rights risks related to the Group's business activities, and working to prevent and mitigate them. If a negative impact on human rights is identified, we will work to provide relief, and after confirming the effectiveness of the relief, we will develop measures to prevent a recurrence.

The status of initiatives related to respect for human rights is reported to the Board of Directors and the Audit & Supervisory Board as part of compliance initiatives as appropriate, and information is disclosed as necessary.

Please refer to this website for our Human Rights Policy.

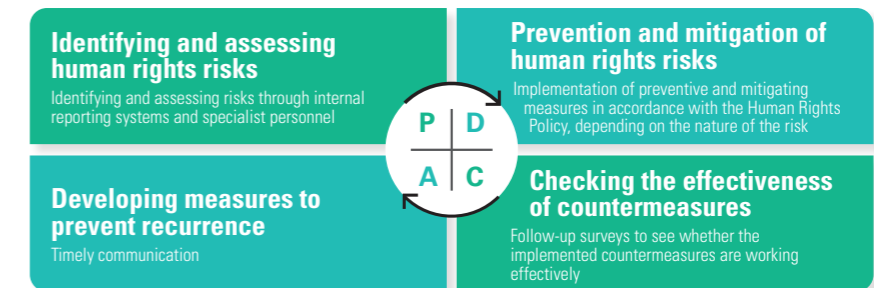
<https://www.daicolor.co.jp/english/csr/policy/index.html>

Process



Human rights due diligence

The Group has established a human rights due diligence system to identify any negative impact on human rights related to its business activities and to prevent and mitigate such impact.





Dialogue with Shareholders and Investors

G Governance

Promotion structure

The Group believes that constructive dialogue with shareholders and investors contributes to both shareholder and corporate value enhancement and utilizes their feedback in management. As part of our internal structure, the director in charge of IR plays a central role. Through joint efforts among all relevant divisions, we share information and promote dialogue, with the Public Relations Division serving as the point of contact. In addition,

we have actively promoted IR activities, including company briefings and individual interviews. Through direct dialogue with shareholders and investors, we will promote understanding of the Group's business and strive to be a corporate group that is trusted by and has a long-lasting relationship with our shareholders and investors.

IR calendar



Dialogue results for the FYE March 2024

To provide institutional investors and sell-side analysts with a better understanding of the Group's business activities and ESG management initiatives, we held financial results briefings in June and December for the FYE March 2024, to explain the progress of our medium-term management plan, technology development strategy, sustainable product sales expansion strategy, and overseas strategy, respectively. We held our first compa-

ny information session for individual investors in January. We aim to continue enhancing opportunities for dialogue and to disclose information in a timely, appropriate, and equitable manner.

Please refer to this website for the contents of the dialogue and feedback received. (Japanese Only)

<https://www.daicolor.co.jp/ir/stock/conversation/index.html>



Company briefing / Financial results briefing

Date	Type	Our company representative	Number of participating institutional investors, etc.
June 2023	Financial results briefing	Representative Director and President, Executive Officer in charge of Finance & Accounting Division, etc.	Domestic investors: 3 companies Securities companies: 6 companies Others: 13 companies
December 2023	Financial results briefing	Executive Officer in charge of Finance & Accounting Division, Head of Finance & Accounting Division, etc.	Domestic investors: 3 companies Securities companies: 6 companies Others: 12 companies
January 2024	Individual investor briefing	Executive Officer in charge of Finance & Accounting Division, Head of Finance & Accounting Division, etc.	Individual investors: 51 people

Meetings with individual institutional investors

Date	Number of meetings (total)	Our company representative	Number of participating institutional investors (total)
From April 2023 to March 2024	27 times	Representative Director and President, Executive Officer in charge of Finance & Accounting Division, Head of Finance & Accounting Division, etc.	Overseas investors: 4 companies Domestic investors: 21 companies Securities companies: 2 companies

Non-Financial Data

Environment

Sales of sustainable products (billions of yen) (domestic Group)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
	28.05	34.10	33.28	34.58

Recycling rate of waste solvents (%) (domestic Group)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
	99.78	99.99	99.95	100.00

Recycling rate of waste plastic (%) (domestic Group)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
	82.0	85.0	85.2	91.9

PRTR (including VOCs) emissions (air, water, soil) (t) (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
	206.7	168.4	178.8	152.3	142.5

Water consumption (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
Groundwater (thousand m ³)	2,127.1	2,065.0	2,264.7	2,057.9	2,013.5
Water supply (thousand m ³)	140.2	137.3	136.4	135.3	141.1
Industrial water (thousand m ³)	285.2	305.0	277.7	239.2	209.1

COD (water pollution load) (t) (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
	8.7	6.6	5.4	6.4	5.6

CFC leakage (CO₂ equivalent) (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
t-CO ₂	143	595	247	308	509
%	14.3	416.1	41.5	124.7	165.2

*including CFC substitutes

Nitrogen oxide (NO_x)/Sulfur oxide (SO_x) emissions (air pollutants) (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
NO _x (t)	15.9	9.5	13.0	6.1	6.6
SO _x (t)	0.9	0.7	0.8	0.2	0.2

Non-Financial Data

Targets and results of major waste management initiatives

Initiatives:	Improve yields and reduce generation of nonconforming products in manufacturing processes, and reduce sludge generation in wastewater treatment
Targets:	Increase recycling rate by 1 percentage point from the previous year, and reduce final disposal by 1% from the previous year
Results:	Increased recycling rate by 6 percentage point from the previous year, and reduced final disposal by 22% from the previous year

Environmental Management System (EMS) initiatives

- Reducing waste generation by improving manufacturing processes to increase yields
- Reducing waste generation by suppressing the generation of defective products
- Promoting recycling through waste separation and collection

Total waste (hazardous + non-hazardous) (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
Amount generated (t)	10,001	8,417	10,169	8,626	8,235
Amount discharged from factories (t)	10,001	8,417	10,169	8,626	8,235
Amount recycled (t)	6,299	5,785	6,279	5,379	5,654
Final disposal amount (t)	2,883	2,144	3,239	2,885	2,256
Effective utilization rate (%)	63.0	68.7	61.7	62.4	68.7

Social

Number of fatalities and injuries due to occupational accidents (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
Number of fatalities due to work-related accidents (persons)	0	0	0	0	0
Number of injured due to non-lost workday accidents (persons)	28	16	27	18	19
Number of injured due to lost-workday accidents (persons)	5	2	4	15	7
Total (persons)	33	18	31	33	26
Total Recordable Injury Rate <TRIR> (persons/million hours)	9.55	4.87	7.82	9.13	7.3

Number of process accidents/process accident rate (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
Number of accidents (cases)	3	1	5	5	2
Accident rate (cases/200,000 hours)	0.17	0.06	0.37	0.28	0.11

Number of lost-workday accidents/Incident intensity rate/Incidence of lost-workday accidents (domestic Group)

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3
Number of lost workdays (cases)	5	2	4	15	7
Intensity rate (%)	0.003	0.001	0.038	0.031	0.064
Incidence of lost-workdays (person/million hours)	1.45	0.61	1.01	4.15	1.96

Human resource data

	117th Period: 2020/3	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	
Total number of employees (persons) ^{*1}	Male	1,225	1,230	1,180	1,178	1,145
	Female	238	253	263	273	292
	Overall	1,463	1,483	1,443	1,451	1,437
Average age (years) ^{*1}	Male	43.5	43.0	42.4	42.9	42.6
	Female	35.9	35.6	35.8	36.1	36.3
	Overall	42.3	41.8	41.2	41.6	41.3
Average years of service (years) ^{*1}	Male	19.8	19.2	18.6	19.0	18.6
	Female	12.4	12.2	12.2	12.6	12.5
	Overall	18.6	18.0	17.4	17.8	17.4
New graduate hires (persons) ^{*1}	Male	54	63	42	40 ^{*3}	56
	Female	27	22	22	27 ^{*3}	29
	Overall	81	85	64	67 ^{*3}	85
Percentage of female employees among new graduate hires (%) ^{*2}	33	26	34	40 ^{*3}	34	
Percentage of female employees (%) ^{*2 *4}	17	17	18	19	20	
Retention rate for new graduate hires after three years (%) ^{*2}	Male	96	93	91	84 ^{*3}	95
	Female	94	92	100	100 ^{*3}	96
	Overall	95	93	94	88 ^{*3}	95
Percentage of mid-career hires (%)	Male	36	34	34	39	37
	Female	41	21	12	10	27
	Overall	38	31	28	30	34
Number of employees who retired (for personal reasons excluding those who retired at retirement age) (persons) ^{*2 *5}	Male	44	37	32	41	48
	Female	9	10	7	12	13
	Overall	53	47	39	53	61
Turnover rate due to voluntary resignation (%) ^{*2 *5}	Male	2	2	2	2	3
	Female	3	3	2	3	3
	Overall	2	2	2	2	3
Total number of employees granted the right to take childcare leave (persons) ^{*2 *4 *6}	Male	37	49	56	52	48
	Female	18	12	11	10	14
	Overall	55	61	67	62	62
Total number of employees who took childcare leave (persons) ^{*2 *4 *7}	Male	1	6	17	33	36
	Female	18	12	11	10	14
	Overall	19	18	28	43	50
Total number of employees who returned to work from childcare leave during the reporting period (persons) ^{*2 *4 *8}	Male	—	6	15	30	34
	Female	14	17	14	9	13
	Overall	14	23	29	39	47
Total number of employees enrolled in the company at the end of 12 months after returning to work from childcare leave (persons) ^{*2 *4 *9}	Male	—	—	6	16	28
	Female	13	12	16	14	9
	Overall	13	12	22	30	37
Percentage of employees returning to work after childcare leave (%) ^{*2 *4 *10}	Male	—	100.0	100.0	100.0	100.0
	Female	100.0	100.0	100.0	100.0	100.0
	Overall	100.0	100.0	100.0	100.0	100.0
Retention rate for employees after parental leave (%) ^{*2 *4 *11}	Male	—	—	100.0	93.8	93.3
	Female	100.0	85.7	94.1	100.0	100.0
	Overall	100.0	85.7	95.7	96.7	94.9
Number of employees using shortened working hours for childcare (persons) ^{*2 *4 *12}	Male	8	10	15	21	23
	Female	34	49	47	40	54
	Overall	42	59	62	61	77
Ratio of female, non-Japanese, and mid-career hires in management positions (%) ^{*2}	12.0	11.0	12.1	12.0	13.3	
Average annual salary (yen) ^{*1}	7,533,598	7,123,158	7,073,496	7,363,199	7,056,324	
Difference in wages between male and female workers (%) ^{*1 *13}	All workers	66.6	68.1	69.0	69.8	71.8
	Full-time employees	68.7	69.9	70.5	70.9	71.8
	Part-time and fixed-term employees	60.1	60.8	60.1	63.7	66.1
Percentage of all employees covered by collective bargaining agreements (union membership rate) (%) ^{*14}	99.6	98.5	99.4	99.6	99.8	
Comparison of standard entry-level salaries to regional minimum wages (comparison to minimum wages) (%) ^{*2 *15}	Tokyo	—	151.7	—	—	146.2
	Osaka	—	159.0	—	—	152.9
	Aichi	—	165.0	—	—	158.4
	Shiga	—	175.5	—	—	168.2
	Ibaraki	—	178.6	—	—	170.7
	Shizuoka	—	172.3	—	—	165.3
	Saitama	—	164.8	—	—	158.2
	Chiba	—	165.3	—	—	158.5
Kumamoto	—	—	—	—	— ^{*16}	
Fukuoka	—	164.4	—	—	157.3	

*1 Non-consolidated *2 Domestic Group *3 As of April 1, 2024 *4 All forms of employment *5 Full-time employees only *6 For males, the number of employees whose child was born within the fiscal year; for females, the number of employees whose maternity leave ended within the fiscal year *7 For men, only the first time is included, and for women, the number of employees whose maternity leave ends and whose childcare leave starts within the relevant fiscal year is included. *8 Number of employees for whom the day after the end of childcare leave is within the current fiscal year *9 Number of employees enrolled 12 months after "Total number of employees who returned to work from childcare leave during the reporting period" in the previous fiscal year *10 Return-to-work ratio: Total number of employees whose childcare leave was completed during the fiscal year and who have returned to work the day after that *11 Retention ratio: Percentage of employees who returned to work after childcare leave in the year before the reporting year and were still employed at the end of the reporting year *12 Employees who worked shorter hours for the purpose of using childcare or who used the childcare flex system for a period of time during the relevant fiscal year *13 Calculated as the ratio of average monthly wage of women to average monthly wage of men. Fixed wages including basic wages, premium wages for overtime and holiday work, and bonuses are included; retirement and commuting allowances are excluded *14 Percentage of employees who are members of labor unions among those who have the right to join *15 University graduate. Calculated based on the minimum wage for each prefecture, 20 days per month, and 7.5 hours of work. Complying with the legal minimum wage, a unified compensation system is applied between genders with the same qualifications and job level. Includes a life plan allowance of 25,000 yen *16 No starting salary is set because no new graduates were hired

Ten-Year Summary of Key Management Indicators

(Consolidated)

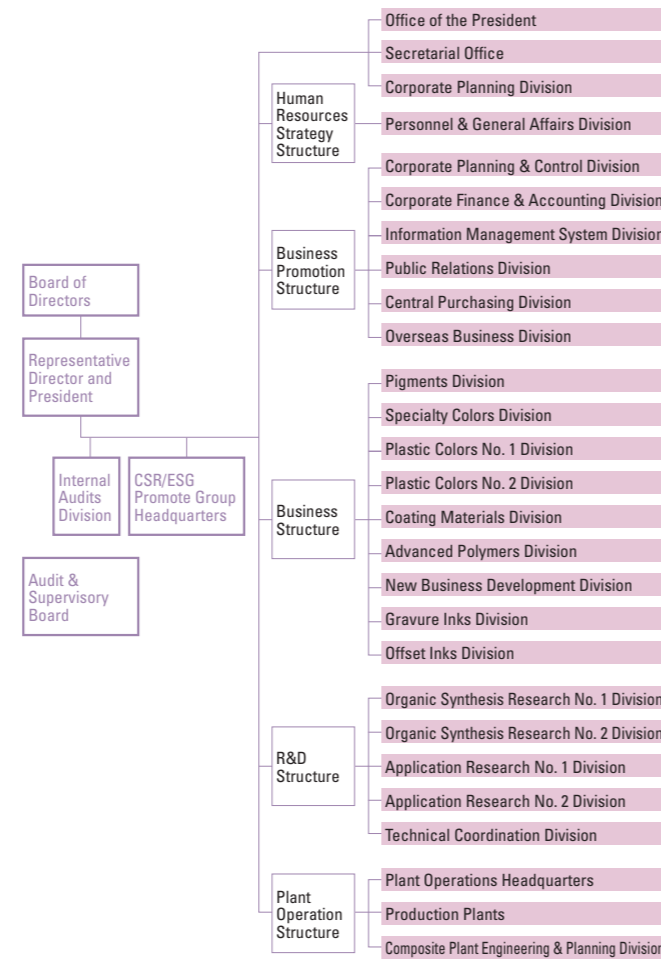
	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020	FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024
Profit and Loss										
Net sales* ¹ (millions of yen)	162,999	160,770	157,185	167,446	170,394	155,108	138,491	121,933	122,005	119,824
Operating income (millions of yen)	9,265	9,954	11,982	13,079	8,718	4,850	4,920	7,446	2,635	4,550
Ordinary income (millions of yen)	10,017	10,379	12,204	13,774	9,264	5,582	5,613	8,315	3,373	5,003
Net income attributable to owners of the parent (millions of yen)	5,662	3,946	9,950	8,361	3,876	3,977	6,343	6,166	2,007	3,660
Comprehensive income (millions of yen)	12,166	(376)	13,519	10,177	658	1,267	9,165	8,210	5,343	9,239
Financial Position										
Total assets (millions of yen)	177,458	173,744	188,248	200,948	190,701	187,296	197,717	196,709	192,765	194,852
Net assets (millions of yen)	77,184	76,093	88,439	97,026	96,055	95,675	103,660	110,487	114,301	119,166
Equity ratio (%)	42.2	42.3	45.9	47.3	49.3	50.1	51.5	55.1	58.1	59.9
Cash Flows										
Cash flows from operating activities (millions of yen)	5,673	6,246	12,981	11,953	266	12,829	11,522	7,579	3,002	9,020
Cash flows from investing activities (millions of yen)	(2,555)	(2,720)	(2,732)	(8,624)	(6,925)	(3,552)	(3,769)	(6,643)	(2,195)	(1,445)
Cash flows from financing activities (millions of yen)	(3,937)	(6,180)	(3,520)	(4,810)	(1,183)	(3,026)	(358)	(11,424)	(3,836)	(10,209)
Cash and cash equivalents at end of period (millions of yen)	26,181	24,380	31,117	29,683	21,419	27,636	34,438	24,879	23,103	21,425
Per Share Information*²										
Net assets per share (yen)	807.57	791.43	4,650.77	5,114.07	5,068.65	5,052.36	5,516.08	5,868.51	6,060.11	6,804.81
Net income per share (yen)	60.99	42.51	535.98	450.33	208.81	214.24	341.95	333.70	108.58	207.95
Dividend per share (yen)	65.00	70.00	77.50	85.00	85.00	77.50	45.00	80.00	80.00	110
Price earnings ratio (PER) (multiples)	10.1	10.6	7.0	9.7	14.5	11.0	7.2	6.2	16.4	14.4
Price-to-book ratio (PBR) (multiples)	0.76	0.56	0.80	0.85	0.59	0.46	0.44	0.35	0.29	0.44
Dividend payout ratio (%)	21.3	32.9	14.5	18.9	40.7	36.2	13.2	24.0	73.7	52.9
Other Indicators										
Return on equity (ROE) (%)	8.1	5.3	12.5	9.2	4.1	4.2	6.5	5.9	1.8	3.2
Return on Assets (ROA) (%)	5.8	5.9	6.7	7.1	4.7	3.0	2.9	4.2	1.7	2.6
Number of employees (persons)	3,722	3,698	3,888	3,943	3,904	3,871	3,809	3,750	3,666	3,634

*1 Effective from the FYE March 2022, the Company has adopted the Accounting Standard for Revenue Recognition.
*2 Adjusted for the effect of reverse stock split.

Company Profile

Company name	Dainichiseika Color & Chemicals Mfg.Co., Ltd.
Head Office	1-7-6 Nihonbashi Bakuro-cho, Chuo-ku, Tokyo 103-8383, Japan
Content of business	Manufacturing and sales of: - inorganic, organic, and prepared pigments - colorants for plastics and textiles - printing inks, coating agents, and related equipment - synthetic leather materials and other polyurethane - polymers derived from natural substances - functional materials and CCM systems
Founded	October 16, 1931
Representative	Koji Takahashi, Representative Director and President
Capital	10,039 million yen (Tokyo Stock Exchange, Prime Market)
Number of employees	Dainichiseika:1,437 Including subsidiaries:3,634 (As of March 31, 2024)

Organizational schematic



Group Network

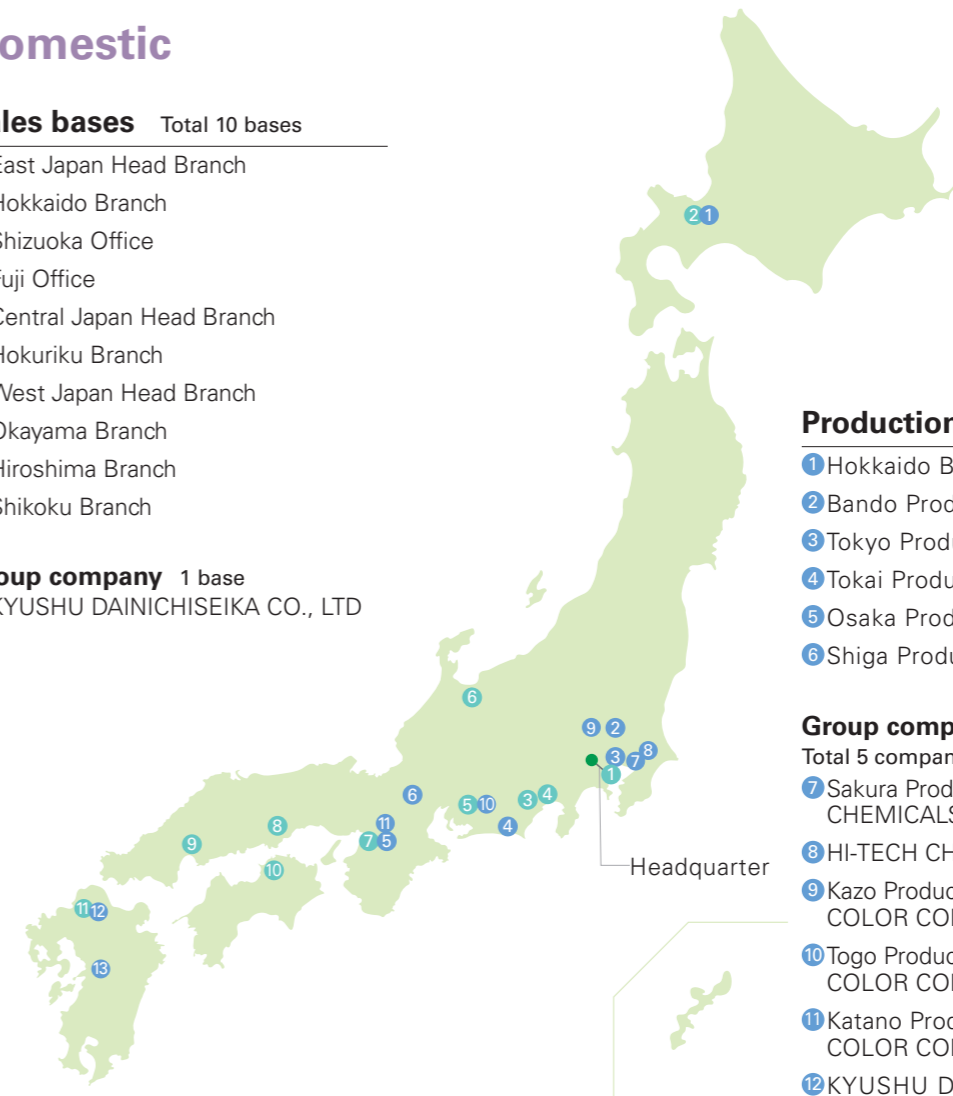
Domestic

Sales bases Total 10 bases

- 1 East Japan Head Branch
- 2 Hokkaido Branch
- 3 Shizuoka Office
- 4 Fuji Office
- 5 Central Japan Head Branch
- 6 Hokuriku Branch
- 7 West Japan Head Branch
- 8 Okayama Branch
- 9 Hiroshima Branch
- 10 Shikoku Branch

Group company 1 base

- 11 KYUSHU DAINICHISEIKA CO., LTD



Production bases Total 6 bases

- 1 Hokkaido Branch
- 2 Bando Production Plant
- 3 Tokyo Production Plant
- 4 Tokai Production Plant
- 5 Osaka Production Plant
- 6 Shiga Production Plant

Group companies

Total 5 companies (7 bases)

- 7 Sakura Production Plant, UKIMA CHEMICALS & COLOR MFG. CO., LTD
- 8 HI-TECH CHEM CO., LTD
- 9 Kazo Production Plant, DAINICHI COLOR COMPOSITE CO., LTD
- 10 Togo Production Plant, DAINICHI COLOR COMPOSITE CO., LTD
- 11 Katano Production Plant, DAINICHI COLOR COMPOSITE CO., LTD
- 12 KYUSHU DAINICHISEIKA CO., LTD.
- 13 KYUSHU KAKO CO., LTD.

Basic Stock Information

Listed market	Tokyo Stock Exchange, Prime Market
Stock code	4116
Industrial classification	Chemical
Trading unit of shares	100 shares
Total number of authorized shares	50,000,000 shares
Total number of shares issued	18,613,110 shares (Treasury stock 1,456,394 shares)
Number of shareholders	4,577 (as of March 31, 2024)

Settlement date	One year from April 1 of each year to March 31 of the following year
Ordinary general meeting of shareholders	June, every year
Record date for shareholder determination	March 31, every year
Method of public notice	The Company uses electronic public notices. (The Company's website is https://www.daicolor.co.jp/english/ir/index.html) In the event that we are unable to make electronic public notices due to an accident or other unavoidable circumstances, public notices will be posted in the Nikkei.

Overseas Group companies

Asia Total 13 bases

- DAINICHISEIKA(HK)LTD.
- DAINICHISEIKA(HK)COLOURING CO., LTD.
- DAINICHISEIKA(SHENZHEN) TRADING LTD.
- DONGGUAN DAINICHI CHEMICAL MANUFACTORY CO., LTD.
- DAICOLOR SHANGHAI MFG. CO., LTD.
- SHANGHAI MITSUI PLASTIC COMPOUNDS LTD.

- TAI CHIN CHEMICAL INDUSTRY CO., LTD.
- AEOLIAN CORPORATION
- SAMBO FINE CHEMICALS MFG. CO., LTD.
- P.T. HI-TECH INK INDONESIA
- DAINICHI COLOR(VIETNAM) CO., LTD.
- DAINICHI COLOR(THAILAND) LTD.
- DAINICHI COLOR INDIA PRIVATE LTD.

America 1 base

- HI-TECH COLOR, INC.

Europe Total 2 bases

- DAICOLOR ITALY S.R.L.
- PLALLOY MTD B.V.