

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/>

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

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



Communication Tools

Product Information
2023-2024



Contact for Inquiries

Dainichiseika Color & Chemicals Mfg. Co., Ltd. Public Relations Division

1-7-6 Nihonbashi Bakurocho, Chuo-ku, Tokyo 103-8383, Japan Tel.+81-3-3662-1638 Fax. +81-3-3669-3924

A Chemical Manufacturer That Offers Color and Brings Ideas to Life



Dainichiseika Group is committed to solving problems and creating new value for a sustainable society through colors that enriches our lives and functions that enhance the power of materials. Due to the nature of the company as a manufacturer of color and functional materials, you may not see the Dainichiseika brand on products in the market. Nevertheless our products are found in and are incorporated into a wide range of products around the world, including automobiles, smartphones, food packaging, and apparel, adding value through the color and functionality they provide.

Dainichiseika All Around You

Pigments and prepared pigments


- Paints and printing inks
- Toner and inks for inkjet printers
- LCD color filters
- Construction materials, daily necessities, paper products, etc.

Mass colorants for synthetic fibers and textile printing agents

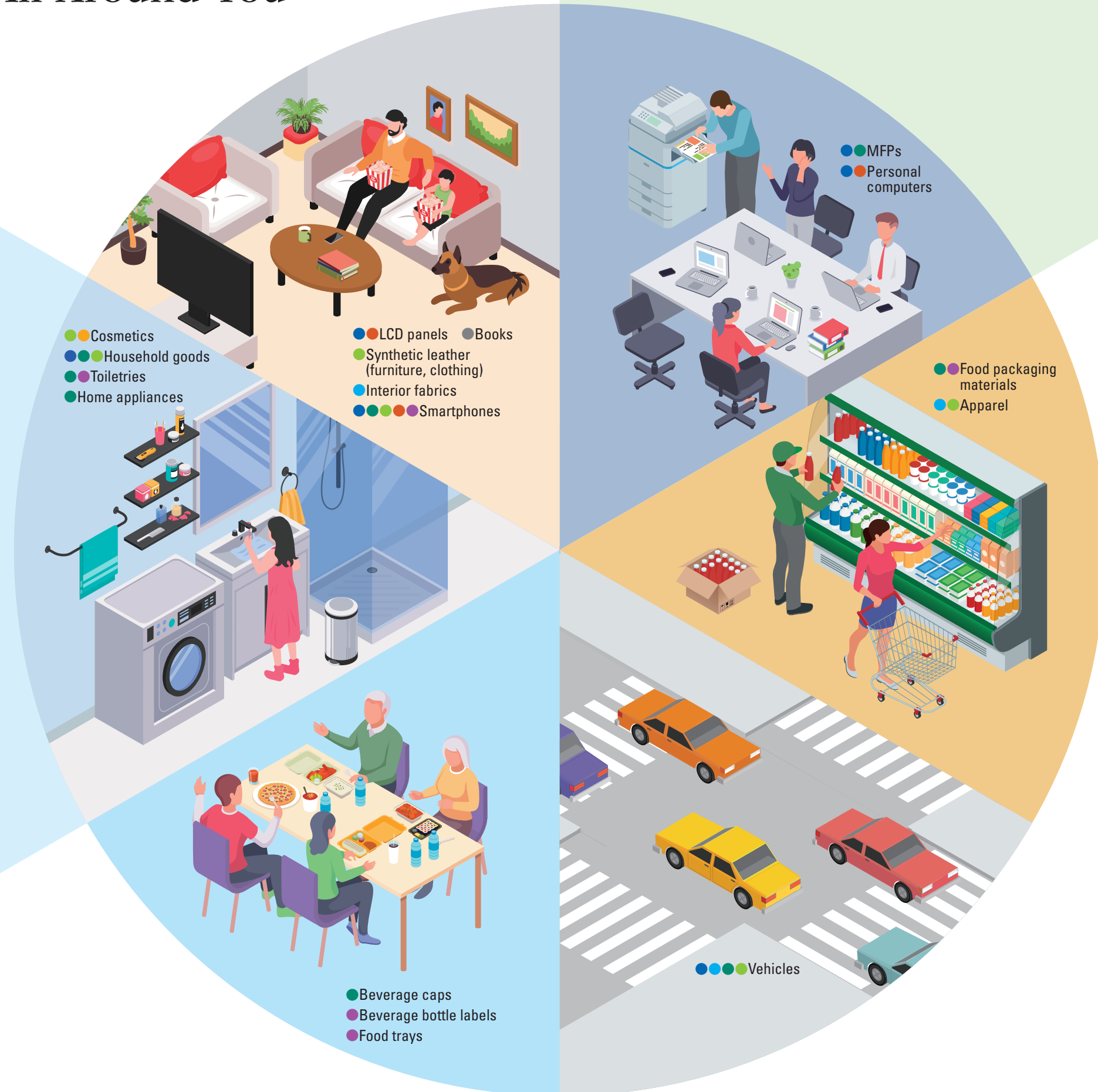

- Vehicles and industrial materials
- Interior fabrics
- Apparel products
- Paper, etc.

Colorants and functional agents for plastics (Masterbatches and compounds)


- Vehicles
- Home appliances, daily necessities, and outdoor goods
- Industrial materials, agricultural materials, and construction materials
- Food packaging, toiletries, etc.

Urethane resins


- Synthetic leather (furniture, clothing)
- Vehicle interior materials, construction materials, and daily necessities
- Electric wires, cables, and belts
- Cosmetics, etc.



Naturally-derived functional polymers


- Cosmetics
- Wastewater purification, water treatment, etc.

Coating agents


- LCD panels
- PCs and office equipments
- Decorative films, etc.

Gravure inks / flexographic inks


- Packaging materials for food and daily necessities
- Food trays
- Beverage bottle labels
- Industrial and construction materials
- Cardboard and packaging materials
- Toiletries, etc.

Offset inks


- Advertisements and books
- Packaging, etc.

► Corporate Philosophy

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

► Precept

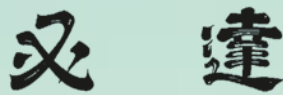
Man is interesting,
then customers as well as companies are constituted of such men.
All the economic principles and the management theories are based upon
human behavior pattern.
Have an interest in people.

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

Dainichiseika Group has published an Environmental Report since the fiscal year ended March 31, 2006, seeking to enhance the content disclosed in the form of a Social & Environmental Report and a Corporate Report to meet the needs of the times. From the current fiscal year, we have renewed the report as the Integrated Report, reporting on Dainichiseika Group's strategies and performance from both financial and non-financial perspectives. We have also added topics and special feature pages to make it easier to understand Dainichiseika Group's businesses and their growth potential. Following deliberations at the Board of Directors meeting, this report is disclosed in booklets and electronic data.

Scope of reporting

Addresses the entire Dainichiseika Group.

Reporting period

April 1, 2022 - March 31, 2023

* Also addresses certain activities outside this period.

Issued

Previous: September 2022 Current: September 2023

Next: September 2024 To be determined

Reference guidelines

- JSA
[ISO 26000:2010 Guidance on social responsibility]
- Ministry of Economy, Trade and Industry (METI)
[Guidance on Integrated Disclosure and Dialogue for Value Creation]
- GRI Standard (Sustainability Reporting Guideline)

■ External Evaluation

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 CDP2022 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 (JAFCA)

JAPAN POLYETHYLENE PRODUCTS INDUSTRIAL FEDERATION

Japan PET Tray Association

Japan Printing Ink Makers Association

CONTENTS

About Dainichiseika

Dainichiseika All around You — 03

Corporate Philosophy / Precept / Our Business Creed — 05

At a Glance — 07

TOP MESSAGE — 09

Progress to Date — 13

Corporate Value — 15

Strategy & Technology

Achieving Our Long-Term Vision and Basic Strategies — 17

CFO MESSAGE — 19

Medium-Term Management Plan — 21

Financial and Non-Financial Highlights — 23

Technologies Behind Our Products — 27

Research and Development — 28

Special Feature Contributing to the Environment through Products — 29

Segment Information, Strategy and Performance — 31

CSR and ESG Initiatives

Our Thinking on CSR and ESG — 37

CSR and ESG Materiality — 38

E Environment

Environmental Management — 41

Transition Plan on Climate Change and Addressing TCFD Recommendations — 43

Management of Chemical Substances — 45

S Society

Stakeholders — 46

Customer Relations — 47

Employee Relations — 48

Supplier Relations — 53

G Governance

Corporate Governance — 54

Compliance — 55

Risk Management — 56

Board Members — 57

Dialogue with Shareholders and Investors — 60

DATA

Company Profile / Basic Stock Information — 61

Group Network — 62

Ten-Year Summary of Key Management Indicators — 63

Segment Overview

Color & Functional Products

— Pigments and pigment-processed products —

We provide high value-added products for various fields of applications by controlling particle shape and surface properties via Pigment Synthesis Technology, and provide colorants based on Dispersion Processing Technology for textiles and plastics to various industries in Japan and overseas. We're also engaged in developing and commercializing various functional materials through the multifaceted application of Dainichiseika Group's technologies.



Polymer & Coating Material

— Synthetic resins and specialty coatings —

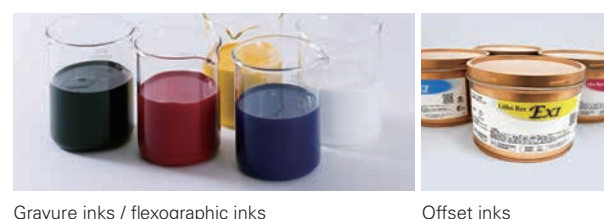
Based on Polymer Synthesis Technology, we are working to develop and commercialize resins, including solvent-free and water-urethane resins that apply proprietary technologies, and biomass urethane resins that, based on partnerships with raw material manufacturers, address social and environmental problems. We're also developing and commercializing materials using materials derived from natural products. We provide various coating agents based on Dispersion Processing Technology to various industries.



Graphic & Printing Materials

— Inks for packaging and advertising publications —

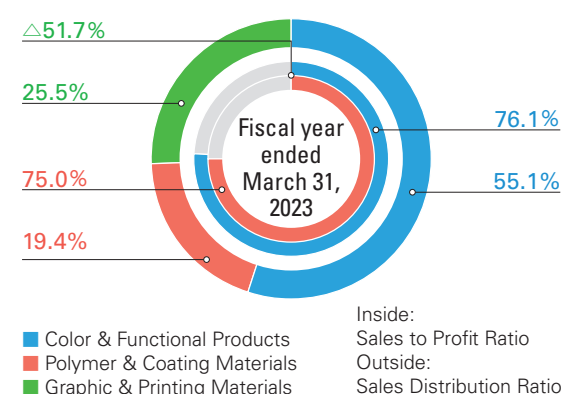
We provide general-purpose printing inks based on Formulation and Dispersion Processing Technology and are developing and commercializing specialty inks and coatings that draw on our proprietary formulation and other technologies.



Net Sales / Operating Profit by Segment (Fiscal year ended March 31, 2023)

	Net Sales (millions of yen)	Operating Profit (millions of yen)
Color & Functional Products	67,208	2,005
Polymer & Coating Materials	23,649	1,976
Graphic & Printing Materials	31,071	△1,362
Total	122,005	2,635

Sales and Operating Income Composition Ratio



Global Network

In addition to 12 sales offices and 14 production and technical service bases in Japan, we have 17 sales and production bases in 11 countries and regions overseas.





We will contribute to the realization of a sustainable society through innovations that leverage our technological capabilities.

President & Representative Director of Dainichiseika, Japan

Koji Takahashi



The key issues are to innovate in ways that do not depend on existing products and to continuously increase profitability in four strategic markets

— Can you provide a review of the fiscal year ended March 31, 2023, give your perceptions of the business environment, and describe progress on the current mid-term management plan?

In the fiscal year ended March 31, 2023, net sales grew slightly, while operating income declined. The main reasons for this were, first of all, a decrease in automobile production in Dainichiseika's core field of products for transportation equipment, and prolonged inventory adjustments in products for LCDs. As a countermeasure, we reviewed our selling prices and secured an increase in revenue due in part to the weak yen. But we failed to completely offset the steep and persisting high costs for raw materials like resins and solvents, even with the price review, and operating income declined. Entering the fiscal year ending March 31, 2024, LCDs in particular are on a recovery track. There's no doubt that the profit/loss situation bottomed out in the fiscal year ended March 31, 2023. But due to the Ukraine situation, it will take some time for the market to recover fully. It's become difficult to achieve the mid-term man-

agement plan announced in August 2021. In response, we've been working since this past summer on the next medium-term management plan, fully taking into account the items that we've not achieved and the points that we need to reflect on. The most important pillar of the next medium-term management plan is to innovate without relying solely on existing product lines. At the same time, I believe we need to accompany customers who are trying to realize innovation and co-create value.

— The fiscal year ending March 2024 is the final year of the mid-term management plan. What will be your main focus for the coming period?

In our ongoing mid-term management plan, we set two missions embodied in the Where we want to be in ten years goal. The first is to continue contributing to society in niche markets by leveraging our technological capabilities. The second is to solve problems and create new value to realize a sustainable society. As a basic strategy for achieving these goals, we've set forth three

pillars for capital efficiency-oriented management: securing a competitive advantage through technology-led initiatives, promoting ESG-oriented management, and expanding our worldwide business. On this basis, Dainichiseika has established four strategic markets, including "Mobility" and "Packaging" as markets for continued development by leveraging the strengths of our existing product lines. The two new markets expected to grow significantly in the future are "IT & Electronics Functional Materials" and "Life Science & Personal Care." Especially in newly developing

markets, it's impossible to gain traction without innovations. Our most important task in the final year of the plan is to continuously increase profitability in these four strategic markets. We also need to work to improve our P/B ratio and capital efficiency, which have posed challenges. We plan to incorporate measures to boldly transform our existing financial base, such as by reducing our equity capital and eliminating cross shareholdings, into our next mid-term management plan.



Promoting technology-driven competitive advantage in four strategic markets and achieving significant research results in the areas of eco and cutting-edge technologies

— What are the main initiatives and topics for the fiscal year ended March 31, 2023 in your four strategic markets?

Let me focus on the new products introduced in the fiscal year ended March 31, 2023. First, in the newly developed market of IT and Electronics Functional Materials, we've achieved open innovations through joint research in partnership with universities. Several projects have already been adopted. In the area of lithium secondary battery materials, we've developed products that extend the service life of batteries. In addition, we've developed a highly heat-resistant polyurethane adhesive that realizes flexible electronic circuit boards, thus contributing to the miniaturization and improved design of electronic devices, as well as enables to design attractive electronic devices such as foldable smartphones and VR goggles.

In the Life Science and Personal Care area, we're exhibiting at trade shows and conducting sample work on biodegradable and highly functional cellulose powder for cosmetics as a natural material-based product for use in cosmetics. This revolutionary product will help address the problem of microplastics, which cause marine pollution, while providing a pleasant tactile sensation comparable to conventional products. The cosmetics market is significantly influenced by developments in Western Europe. We postponed our capital investment plans due to the postponement of the implementation of a law regulating non-biodegradable materials in particulates used in cosmetics. But this is a very large market, and we're excited. In the Mobility area, which we positioned as a market for continued development, we're in the process of introducing to the market high-solids PUD (waterborne polyurethane dispersion), a water-based version of polyurethane used in automobile interiors. This reduces environmental impact while providing texture, durability, environmental friendliness, and other high functionality that has been difficult to achieve with water-based products.

In the Packaging area, the adoption of environmentally friendly products like biomass inks and water-based inks is progressing. ESG products now account for 60% of Dainichiseika's gravure inks. In all these areas, our research and development efforts are based on the basic strategy of our medium-term management plan, which is to secure competitive advantages through technology leadership. We believe we are making steady progress toward achieving further innovation.

— As you look ahead to the next mid-term management plan, what do you think of Dainichiseika's strengths, which represent the foundations of the plan?

Dainichiseika's first strength is that we've established and deepened three core technologies centered on pigments and resins: "Pigment Synthesis and Surface Treatment Technology," "Formulation and Dispersion Processing Technology" and "Polymer Synthesis Technology." Since we have a strong market share in the main products created by these technologies, we're able to meet customer needs as quickly as possible, respond to them in a meticulous manner, and build relationships of trust with our customers. I believe this is the source of Dainichiseika's competitiveness.



In this context, I'd like to emphasize our production site capabilities. As a chemical manufacturer, production sites are crucial to the incorporation of ideas into products. Dainichiseika's business cycle revolves around this core production site strength, along with our three core technologies and capacity to respond to customer needs. As a company with production sites, it's essential to address environmental issues and local communities. Dainichiseika's strength lies in our cumulative knowledge and expertise, including knowledge and expertise in these areas. In particular, as we accelerate our worldwide business, we believe the strength of our production sites will become an extremely valuable intangible competitive edge. It's quite likely that innovations that have never been seen before will emerge from these areas.

In considering innovation, we feel that customer

needs have been expanding rapidly in recent years, especially in the areas of new technology creation in decarbonization, automated driving, and electric vehicles, in other words, eco and cutting-edge technologies, and this area is now unavoidable. I have just introduced the topics of our research results for the fiscal year ended March 31, 2023, all of which are new products related to eco and cutting-edge technologies. We plan to further strengthen these efforts in the future.

In research and development, the Sakura Technology Innovation Center plays a central role in promoting exchange with raw material manufacturers and customers and joint research with universities, thereby accelerating open innovation. New connections are being created, including requests for tours from different industries. We're very much looking forward to the future.

generating hit products.

In this sense, we're focusing on India. I visited India after the coronavirus pandemic, and the growth potential of the Indian market is remarkable. In India, we plan to actively develop polymer products like urethane products in the segment of synthetic resins and specialty coatings. In the long run, we will consider local production.

In the segment of pigments and secondary processed pigment products, we're seeking to aggressively expand sales and local production, mainly in the European and U.S. markets, and promote the full-scale launch of functional materials in the life science field. In the ASEAN, Chinese, and Indian markets, we will expand sales

of fluorine masterbatches for electric wire and textile masterbatches.

In the Packaging and Advertising / Publishing Inks segment, we will focus on expanding production bases, targeting the Asian market, where continued high economic growth is expected.

In addition, our product range in the mobility sector in the U.S. will undoubtedly grow.

New product development in Japan based on innovation and the expansion of worldwide business must be addressed as two wheels of a cart. We believe that our overseas strategy will surely be one of the pillars of our next medium-term management plan.

Developing products that contribute to the realization of a decarbonized and recycling-oriented society and actively promoting the development of new products and the expansion of worldwide business as two wheels of a cart

—The second pillar of the medium-term management plan is to promote ESG-oriented management to realize a sustainable society. How will you balance social contributions and profitability?

First, as a basic premise, I believe promoting ESG-oriented management is an essential social mission for a company and key to its survival. As mentioned earlier, we're already in a situation where customers will not accept our products unless they're eco-friendly. As a chemical manufacturer, Dainichiseika will switch to a product line that can contribute to the realization of a decarbonized and recycling-oriented society, while avoiding cannibalization with conventional products.

For example, in our decarbonization business, we provide materials for the electrification of automobiles. These include separators and electrodes for the lithium-ion batteries used in electric vehicles, colorants and connectors for wiring and wiring harness coating mate-

rials in automobiles, where demand is increasing due to electrification, and light and strong plastic compounds that help reduce vehicle weight and improve fuel efficiency. We're also developing a number of ESG-contributing products.

In addition, to enhance electric power infrastructure related to the use of natural energy, we provide compounds for sheathing materials for power cables. This is another promising product, as demand is increasing for power transmission networks from renewable energy power generation facilities built in suburban areas to urban areas.

As for products that contribute to both a decarbonized and recycling-oriented society, we're promoting the development of biomass-related products such as biomass inks and biomass polyurethane synthesized from biomass-derived raw materials.

In addition to these efforts by Dainichiseika Group, for example, the recycling of plastics and the switch to electricity from renewable energy sources need to be addressed by the industry and society as a whole.

—I would like to ask you about the expansion of your worldwide business: While recovery from the COVID-19 pandemic progressed in the fiscal year ended March 31, 2023, we continued to face difficult times, including the lockdown in Shanghai and the production adjustment of automobiles due to the shortage of semiconductors.

In addition to an energetic technology-driven approach in our four strategic markets, we must vigorously promote the expansion of our worldwide business. In addition, we need an worldwide business capable of reliably

Creating a fault-tolerant organizational culture and promoting digital management and communications to generate innovation

—Enhancing human capital is key to achieving our long-term vision. What do you see as vital to securing and developing human assets?

As mentioned earlier, the current medium-term management plan has four pillars: management targeting capital efficiency; securing a competitive advantage through technological leadership; promoting ESG-oriented management; and expanding our worldwide business. For the next mid-term management plan, we intend to add a fifth pillar: HR Strategy and DX.

My first concern is to create a fault-tolerant organizational culture that encourages innovation. We won't achieve groundbreaking innovations and superior performance unless we create a culture that tolerates failure. The second is to introduce mechanisms that make it possible to share tacit knowledge. A culture that encourages superiors and subordinates to share information and learn from each other, not one characterized by rigid hierarchies, has become essential.

Of course, making technical employees active and expanding their numbers are crucial to securing technology-driven competitive advantages. Beyond that, to expand worldwide business, we have to strengthen management and sales capabilities at our overseas bases. To ensure productivity in response to a shrinking workforce, we have to create a flexible culture that embraces diversity of age, gender, and nationality.

I believe this approach to real-world human capital challenges, combined with my own awareness of the issues, will help us create a new strategic human resource system.

With regard to DX, we intend to promote digitization of management and communication. DX initiatives are central to the new HR system, and a digital approach to communication is essential for any organization seeking to boost innovation. To give a recent example, we're currently soliciting new Dainichiseika brand messages from all of our employees. By visualizing everything from the

application to the selection process, we are able to work together to thoroughly consider what the ideal company image should be, which is an extremely fast and smooth process.

In addition to these digital tools, we may also need to create opportunities for employee interactions, like beer parties at each plant. We want to strengthen employee engagement and create an organizational climate that encourages employees to pursue even greater goals.

—Lastly, what do you think Dainichiseika needs to do to maintain its status as an excellent company?

Since becoming president, I've insisted we need to cherish the strengths cultivated over the more than 90 years since our founding while demonstrating the flexibility needed to continue changing, free of rigid adherence to past practices. It's important to strike an effective balance between the two.

At the same time, we need to continue to address the themes of responsible raw materials procurement, reduction in CO₂ emissions at the production stage, consideration of human rights throughout the supply chain, efforts to improve the working environment in general, and especially at logistics sites, and strengthening of corporate governance. That's why I bring up compliance and governance at every opportunity.

We're committed to transparency and the open disclosure of management information to investors and other stakeholders, and engage in robust dialogue. We believe it's important for management and each stakeholder to head in the same direction and to work side by side. We ask for your support in these endeavors.



Progress to Date

Yoshihiro Takahashi, founder of Dainichiseika, believed that “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.”

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

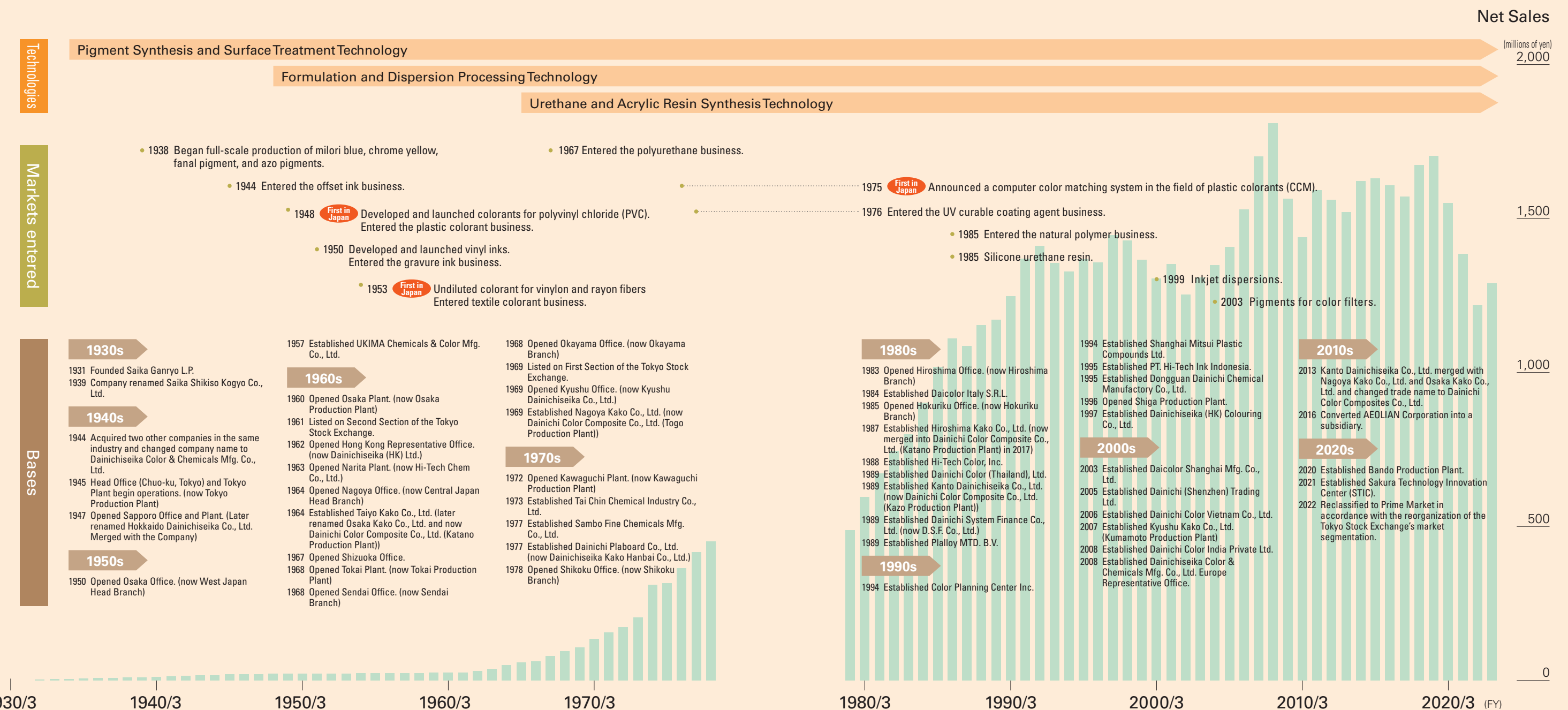
Dainichiseika’s logo, established in 1951, is based on the motif of an amphibious “pelican” and “the earth.” It represents the desire of our founder and employees to be like the king of waterfowls, carrying beautiful colors, walking all over Japan and spreading its wings to the world.

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

After World War II, Dainichiseika made a fresh start and set synthetic resin colorants, textile 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 Factory) 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 17 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.



Corporate Value

Value creation process

In 1931, Dainichiseika was founded with aspirations to produce pigments domestically, which at the time were imported, and to apply its advanced technological capabilities to bring Japanese colors to the world. Since then, we've expanded our business domain from colorants to functional materials and from Japan to overseas to meet the needs of society, and as a chem-

ical manufacturer who offers color and brings ideas to life, we're working with our customers in numerous markets and domains in Japan and overseas to address social and environmental issues to realize a sustainable society and achieve sustainable growth.

Social issues in response to which Dainichiseika will take initiatives:

- Preventing global warming
- Promoting resource recycling
- Strengthening social infrastructure
- Reducing environmental impact
- Protecting the water environment
- Promoting agriculture and reducing food loss

Capital of Dainichiseika

Financial Capital

- Total assets 192,765 million yen
- Net assets 114,301 million yen
- Capital stock 10,039 million yen, etc.

Manufacturing capital

- Number of production sites 14 in Japan
..... 12 in overseas
- Capital Expenditures 4,245 million yen

Intellectual capital

- R&D investment 2,972 million yen
- R&D bases 6 in Japan
- Three core technologies
 - ① Pigment Synthesis and Surface Treatment Technology
 - ② Formulation and Dispersion Processing Technology
 - ③ Polymer Synthesis Technology

Human Capital

- Number of employees 3,666 on a consolidated basis in Japan
- Training hours 1.48 hours/person
- Training cost 4,119 yen/person, etc.

Natural capital

- Total energy (crude oil equivalent) 34,674kℓ
- Energy and electricity 111,053K kWh
- Water consumption 2,554Km³, etc.

Social capital

- Relationships with local communities Active participation in the local community, environmental beautification activities, participation in local learning programs such as work experience, etc.
- Cooperation with industry and academia Partnerships and joint efforts with more than 10 universities including Kyoto University

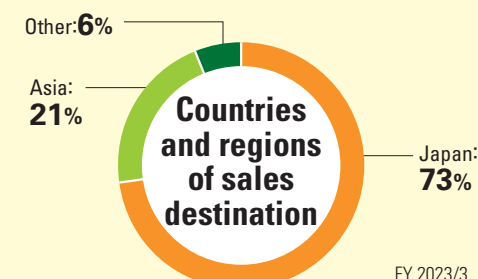
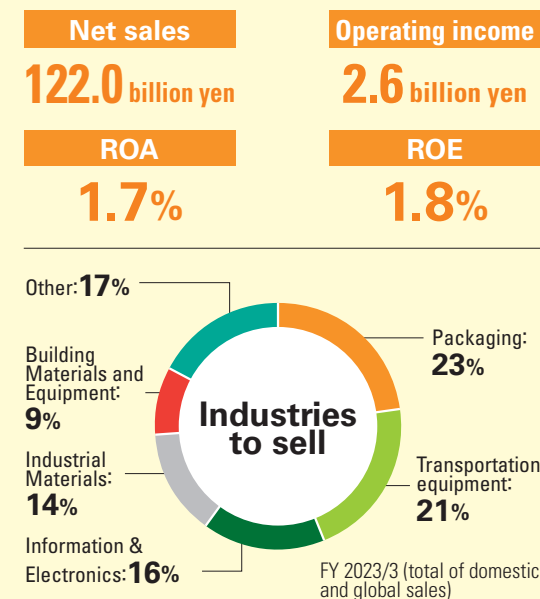


Basic Strategies

Capital efficiency-oriented management

- Secure a competitive advantage through technology-initiative.
- Promote ESG-focused management that aims to realize a sustainable society.
- Reinforce our business base by expanding worldwide business (increasing global sales)

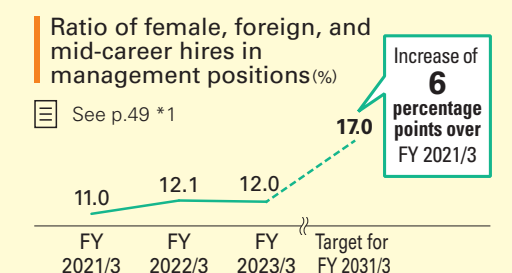
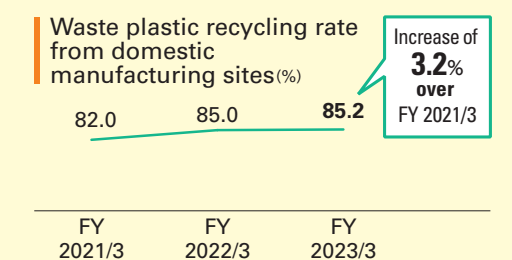
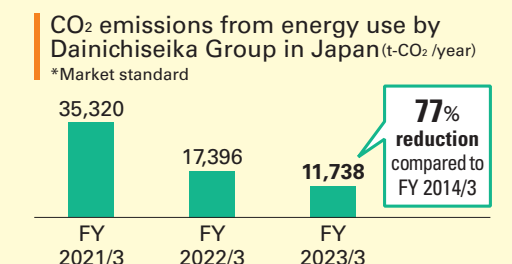
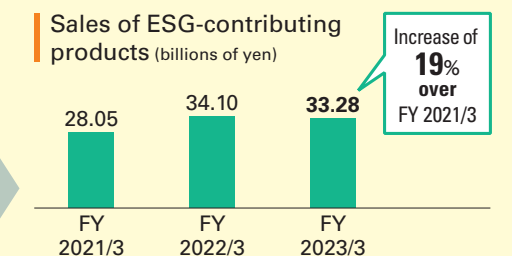
Results for the fiscal year ended March 31, 2023



Our Mission

Continue to contribute to society in niche markets by leveraging our technological capabilities.
Work to solve problems and create new value to realize a sustainable society.

Toward the realization of a sustainable society



Toward new value creation

- Improve capital efficiency (Achievement of ROE and ROA targets)
ROE and ROA targets: ROE over 9%, ROA over 5%
- Improving profitability
- Realizing an excellent company
- Optimizing domestic/overseas ratio

Achieving Our Long-Term Vision and Basic Strategies

Where we want to be in ten years

With the release of our medium-term management plan in August 2021, Dainichiseika Group has incorporated two missions and four basic strategies into a mission entitled “Where we want to be in ten years (2031).”

We’re seeking to enhance our corporate value by continuing to contribute to society through niche markets, leveraging Dainichiseika Group’s technological strengths and approaching the drive to achieve a sustainable society as an opportunity to create new value.

We’re also seeking to achieve sustainable growth through capital efficiency-oriented management based on the three pillars of our basic strategy: Technology-Driven, ESG-Focused, and Worldwide Business Expansion.

Where we want to be in ten years

Our mission

- ✓ Continue contributing to society in niche markets by leveraging our technological capabilities.
- ✓ Work to solve problems and create new value to realize a sustainable society.

Basic strategies

- ✓ Implement capital efficiency-oriented management.
- ✓ Secure a competitive advantage through technology initiatives.
- ✓ Promote ESG-focused management to realize a sustainable society.
- ✓ Strengthen our business base by expanding the worldwide business (boosting global sales).

Roadmap

We have developed a roadmap for the realization of our long-term vision, divided into three phases. The first three years after its formulation (the period of the current medium-term management plan) have been positioned as a period for planting the seeds for growth. We have steadily recovered from the COVID-19 pandemic and laid the foundations for existing businesses, technologies, and overseas development.

By the end of the five years after the formulation of the road-

map, we will build a profit structure that will form the basis for growth, achieve results in new businesses, and develop our overseas market strategy.

Through this process of seeding and growth, we will reap the fruits of our efforts in ten years, and by improving capital efficiency and profitability, and optimizing the ratio of domestic to overseas operations, we aim to realize our vision of becoming an excellent company.

Growth Scenarios and Ten-Year Positioning



After three years

- Recovery from the COVID-19 pandemic
- Steady promotion of existing businesses
- Strengthening technological development (New business centering on ESG)
- Overseas market development (North America, EU, India)

After five years

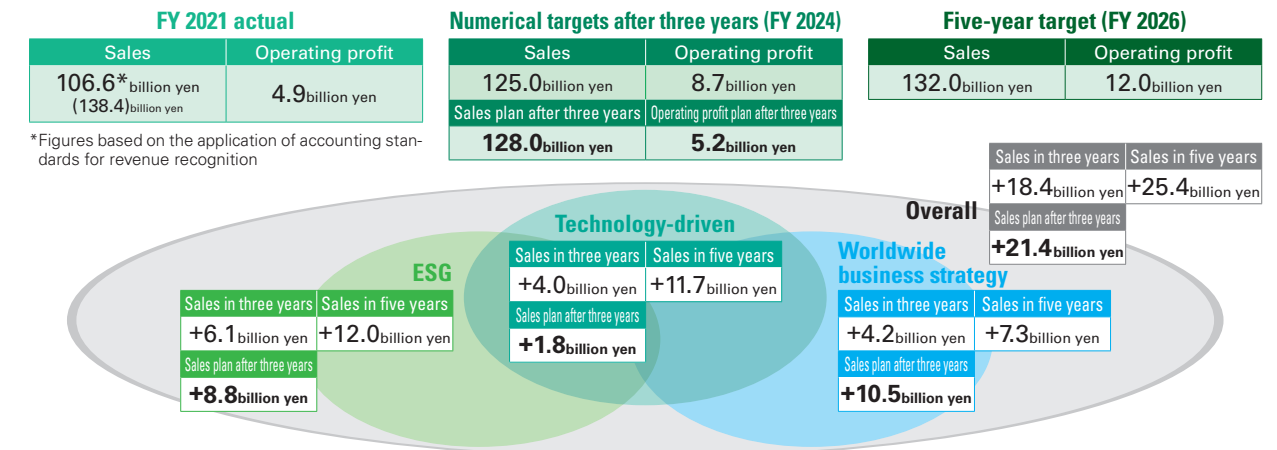
- Establishment of profitable structure with high capital efficiency
- Accelerating new business performance
- Overseas market strategy (capital alliance, M&A)

After ten years

- ✓ Improve capital efficiency (Achieve ROE and ROA targets)
- ✓ Improve profitability
- ✓ Realizing an excellent company
- ✓ Optimize domestic/overseas ratio

Strategic direction

As part of our strategy for growth, we’ve set three-year and five-year numerical targets for the three pillars of Technology-Driven, ESG-Focused, and Worldwide Business Expansion, and have been developing businesses that leverage the characteristics of Dainichiseika Group.



Technology-Driven

We have sought to develop technologies and products and expand sales with a focus on four target areas. Although the prolonged impact of infectious diseases and shrinking demand caused by the Ukraine crisis have stalled the adoption of some newly developed products, we’re making steady progress in technological development of environmentally-friendly products that are in high demand by society, such as water-based urethane and natural material-based cellulose powder for high-performance cosmetics.

ESG Focused

The adoption of environmentally-friendly products, which Dainichiseika Group positions as ESG contribution products, is progressing, and we are already on track to achieve a 19% increase in sales compared to our target of a 20% increase in sales for the fiscal year ended March 31, 2021, which we set for the fiscal year ending March 31, 2024.

Worldwide Business Expansion

In addition to launching high value-added products targeting developed countries, we’re expanding sales of products that have earned a good reputation in Japan in high-growth GDP markets. Although our business was affected by the decrease in demand due to behavioral regulations in China and Indonesia and the automobile production adjustment due to the shortage of semiconductors, investment and demand are expected to grow in the future, such as the expansion of a plant (in Thailand) to meet the increasing demand for automotive electrical components and food packaging materials, and the increased adoption of water-based surface treatment agents (in China).

Medium-term capital investment plan

Medium-term investment plan

We plan to make capital investments totaling 15 billion yen over the three-year period from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024.

Of this amount, approximately 60%, or 9.1 billion yen, will be allocated as strategic investment for developing and commercializing environmentally-friendly products utilizing Dainichiseika Group’s technologies, expanding manufacturing facilities to meet increased demand, and developing technology development bases to support Dainichiseika Group’s technology-oriented approach. In addition, approximately 40%, or 5.9 billion yen, will be allocated as ordinary investments targeting the renewal of facilities at manufacturing plants and other maintenance necessary for the stable operation of the business. In addition, we plan to allocate 5.9 billion yen, or about 40% of the total amount, to sustainable investments.

Status in the Fiscal Year ended March 31, 2023

While postponing investments in businesses and base development whose contributions to profits have been pushed back due to changes in economic conditions and customers’ business plans, we’ve responded to changes in demand by promptly planning additional capital investments that will contribute to improved profitability, and prioritizing highly effective capital investments based on the economic situation.

Meanwhile, the Indonesia plant capacity expansion is now complete and is raising production in response to strong demand for food wrapping materials. In addition, the Sakura Technology Innovation Center has begun operations in an open environment based on the theme of collaborative creation—not just collaborative creation among business units, but interactions with customers and raw material manufacturers. The goal is to accelerate open innovation within the Group.

We will promote active dialogue with our shareholders and investors to help them understand Dainichiseika's technological strengths and business strategies.

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

Tatsuhiko Komada



Aiming to improve capital efficiency by both securing profits in strategic business areas that leverage our strengths and implementing our capital policy

— Please tell us about your career to date and how you plan to apply that experience to your work as CFO.

I came from a technical field. After transferring from the engineering department of a business division to the production department, I was involved in implementing the core system. After that, I was in charge of overseeing the stable operation of the core system and promoting data utilization. Currently, as CFO, in addition to planning and executing financial strategies based on appropriate fund procurement, drawing on my knowledge of the manufacturing industry, I have the key responsibility of communicating my thinking with people inside and outside the company in my own words.



— As your basic mid- to long-term strategy, your goal is to achieve ROE of 9% or more and ROA of 5% or more. How do you intend to achieve management that emphasizes capital efficiency?

Capital efficiency is determined by the relationship between the denominator (capital) and the numerator (profit). We plan to analyze and study measures to improve the efficiency of the denominator during this fiscal year in preparation for disclosure of measures to improve PBR, and announce them in the next mid-term management plan. We plan to further improve capital efficiency through both profit generation in our business and capital policy.

The only way to increase numerator figures is to grow our business. For this reason, the current medium-term management plan sets forth four strategic business fields that leverage Dainichiseika's three core technologies, and promotes technology-led efforts to secure a competitive advantage, develop and expand sales of ESG-contributing products, and expand our worldwide business.

Dainichiseika has established a body that meets monthly to ascertain management information for each business unit and, as necessary, collaborate with related divisions and report to management. I believe that the role of the CFO is to serve as a link between the field and management.

As for Dainichiseika's financial position, its DE ratio was 0.28 as of March 31, 2023, which we consider to be sufficiently healthy. However, there is sometimes a trade-off between financial soundness and capital efficiency, so we keep both in mind when making decisions.

Aggressive investments in growth areas and worldwide businesses to promote the three pillars of the mid-term management plan

— What investments will you make in each business segment to secure a technology-driven competitive advantage?

Our major policy is aggressive investment in growth areas. In our current medium-term management plan, we planned to invest 15 billion yen in capital expenditures over three years. Of this amount, we've decided to build a new technology research center to consolidate the R&D functions of the entire company and production facilities for biodegradable fine particles used in natural material-based cosmetics in the next mid-term business plan.

The reason for the former was to refine internal discussions on how to define the scope of technologies to be integrated into the center. For the latter production facility, the reason was the delay in the enactment of laws in Western Europe, the main battleground for cosmetics. On the other hand, we made additional investments for projects that were expected to be commercialized earlier than anticipated and for markets that we would enter together with our clients. Normal investments, like facility renewals, have also increased from the initial plan.

— In order to realise the mid-term management plan, worldwide business will become more important in the future. As CFO, what is your outlook for worldwide business?

Dainichiseika was originally founded as an importer of foreign pigments and was the first company in Japan to mass produce pigments. We have been expanding our business overseas since the 1960s, and have actively promoted overseas production of colorants and inks using pigments. In addition to the European and U.S. markets, we will accelerate business development in Southeast Asia and India, where populations and GDP are increasing.

In the most recent fiscal year ended March 31, 2023, sales significantly exceeded the mid-term management plan, partly due to a review of selling prices and the depreciation of the yen, although volume was lower than the previous year due to the Shanghai lockdown and automobile production adjustments caused by the shortage of semiconductors. In particular, shipments of colorants and compounds for fluoropolymers were favorable for high-performance colorants and functional products in the information and electronics fields. In ASEAN, sales of resin compounds expanded in the areas of EVs and food packaging materials.

We plan to continue strengthening overseas development in business fields where we can take advantage of our strengths in technologies and products cultivated in Japan and in production responsiveness.

— Can you balance ESG-oriented management and profitability as stated in your mid-term management plan?

In fact, around 90% of the development themes that Dainichiseika is working on with customers as a BtoB manufacturer are already ESG-related products. For example, many results have been achieved with biomass inks, water-based inks and resins, and materials for rechargeable batteries.

Dainichiseika's technological strengths are utilized to develop products of the quality demanded by our customers, and provided through our production site capabilities. This is the source of our ability to create high value-added materials that meet the needs of our customers, society, and the environment. I believe it is the way to both emphasize ESG and ensure profitability.

Promote active dialogue with shareholders and investors to better understand Dainichiseika

— The fiscal year ending March 2024 will be the last year of your medium-term management plan. What is your policy?

In the fiscal year ending March 2024, the final year of our medium-term management plan, we expect orders to increase from the second half of the year as inventory adjustments in the supply chain come to an end. In addition, we plan to pass on to our customers, with their understanding, the cost increases in raw material and energy costs that have continued for the past two years.

Although the external environment will affect our earnings, the most important thing is to steadily implement the basic strategies set forth in our medium-term management plan. Of these, we believe accelerating overseas expansion, on which we were unable to make progress due to COVID-19, is a key issue for this fiscal year. In addition, as a BtoB manufacturer, we will continue to develop and produce products of the quality demanded by our customers and continue to provide products that contribute to society.

— Finally, what is your message to shareholders and investors?

For my part, I think it is necessary to give a deeper explanation of Dainichiseika's current situation to shareholders and investors. In general, the chemical industry is an equipment industry with enormous production facilities. ROE and ROA are low. We need to disclose and explain the status of capital investment and earnings security, including the characteristics of the industry.

Although Dainichiseika is a BtoB manufacturer and therefore not well known to the public, its products are used in many everyday things encountered by consumers. We intend to be more proactive in our investor relations activities and to hold briefings for individual investors during the fiscal year ending March 31, 2024.

We hope you will look forward to Dainichiseika's business activities as we maintain our stable dividend policy.

Medium-Term Management Plan

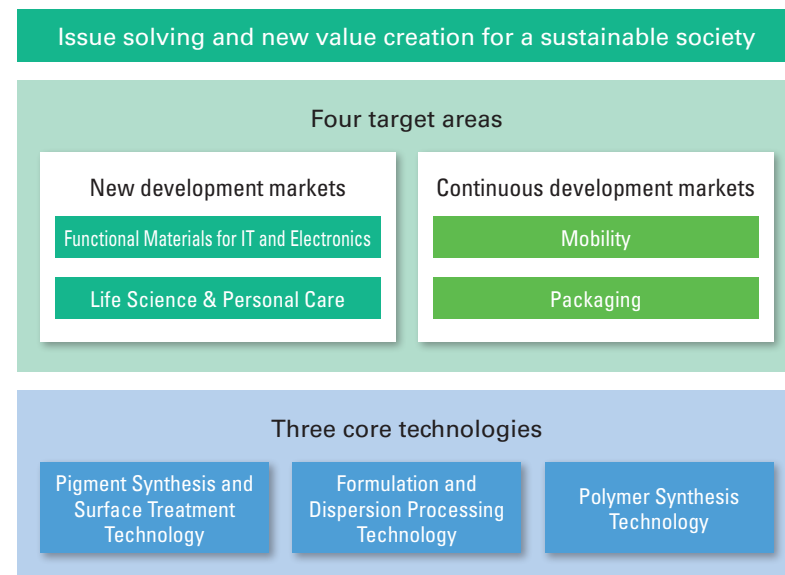
Results & review

Technologies Secure competitive advantages through technology-initiative

Approach under the medium-term management plan

We will deepen three core technologies of ours and focus our development efforts on the Mobility and Packaging areas and markets, which we have been continuously addressing, and the Functional Materials for IT & Electronics and Life Science & Personal Care areas and markets, which we are newly addressing, with actively investing funds and human resources to build a “technology oriented” system to secure competitive advantages through technology-initiative.

Target areas and markets corresponding to core technologies



TOPICS for the current term

- ▶ **Functional Materials for IT and Electronics**
With respect to secondary battery materials, conductive materials, thermally conductive materials, functional polymers, and high-value-added pigments and dispersions, we strengthened open innovation and industry-academia joint efforts, steadily introduced new technologies, and improved our basic technological capabilities.
- ▶ **Life Science & Personal Care**
We are working to improve the performance of biodegradable microparticles and to establish a cost reduction method. We have begun performance evaluations of mushroom-derived chitosan and natural product-derived biodegradable resin based on sample work.
- ▶ **Mobility**
With respect to urethane, acrylics, silicone polymers, and lightweight and high-strength resin compounds, we've established a mass production system for items for which product design with enhanced environmental friendliness has been completed. We've begun sample work for high-strength resin compounds that incorporate recycled materials.
- ▶ **Packaging**
The adoption of environmentally-friendly products like biomass ink and water-based ink increased, and ESG products accounted for 60% of gravure inks.

Future outlook

- ▶ **Functional Materials for IT and Electronics**
We will establish production technology for acquired items and promote R&D for further performance.
- ▶ **Life Science & Personal Care**
We plan to establish a pilot-scale production system and promote R&D to continuously introduce items that meet market needs.
- ▶ **Mobility**
We will promote development of applications and introduction of new production facilities with the aim of actualizing, boosting production, and expanding sales of products with enhanced environmental friendliness and products using recycled materials.
- ▶ **Packaging**
We will accelerate the development of new inks, with a focus on environmentally-friendly products.

ESG Promote ESG-focused management to establish a sustainable society

Approach under the medium-term management plan

We recognize that ESG initiatives remain a critical issue for the entire supply chain surrounding Dainichiseika Group. We will promote the development and sales promotion of ESG-contributing products, address climate change, promote resource recycling, biodiversity conservation, deepen our commitment to corporate governance, and further promote social contributions throughout the life cycle of our products, from the raw material procurement phase to the final disposal of products incorporating Dainichiseika's products.

*For more information on ESG initiatives, please refer to P37 - P60.

TOPICS for the current term

- ▶ **Initiatives for environmental issues**
 - We actively promoted the development of secondary battery materials, electrically conductive materials, thermal conductive materials, and biomass-derived products from the perspectives of preventing global warming, promoting resource recycling, protecting water resources, and reducing food loss.
 - We further decarbonized our operations by switching to electricity derived from renewable energy sources, replacing the gas cogeneration system that had been in operation at the Tokai Production Plant.
 - We have started to calculate and disclose Scope 3 categories 1-8 for our domestic group companies.
 - We accelerated our response to the shift of raw materials for plastic products to biomass, while curbing waste plastic emissions and promoting recycling.
- ▶ **Initiatives for social issues**
 - Relations with customers: We have conducted appropriate management of chemical substances, quality control, responsible raw material procurement, and sustainable logistics operations.
 - Relations with employees: We have enhanced our personnel system in terms of improving work-life balance and furthering activities of women, foreign nationals and mid-career hires.
 - Relations with local communities: We have placed the safety and security of our production bases in the vicinity as our top priority, conducting disaster prevention activities, giving greater consideration to the local ecosystem, reducing our environmental impact, and striving to preserve the natural environment.
- ▶ **Corporate governance initiatives**
 - To ensure thorough compliance, we've continued to communicate messages from management, receive feedback from employees, and worked to improve the internal environment so that each and every employee can view and act on management strategies as their own personal goals.

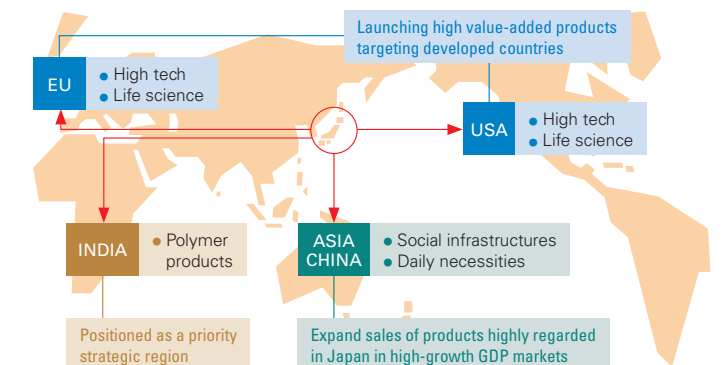
Overseas strategy Strengthen our business base by expanding worldwide business; boosting global sales

Approach under the medium-term management plan

We will continue to promote local production for local consumption based on the recognition that the source of Dainichiseika 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. In addition, targeting growth markets, we will study market entry through local production of specific products and expand our overseas bases for such purpose.

TOPICS for the current term

- ▶ **Promoting local production for local consumption and expanding overseas bases**
We promoted sales expansion activities in response to requests for local production of environmentally-friendly urethane resin products and other environmentally-friendly products that have been strengthened by the COVID-19 pandemic, and also promoted activities with a view to local production of products for which demand can be anticipated.
- ▶ **Creating new businesses**
We established a stable supply system for new businesses in the engineering plastics business and built a stable supply system to meet increasing demand for digital printing in the commercial printing field in Europe and other regions.



The medium-term management plan and its progress are summarized in the Company's presentation materials and financial results presentation materials, which are available on Dainichiseika's website.

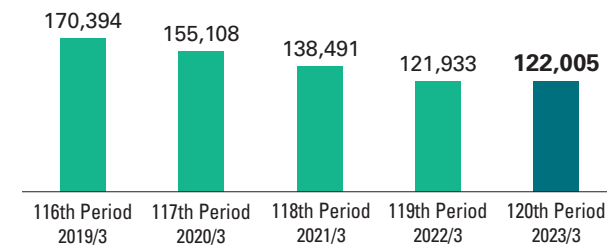
<https://www.daicolor.co.jp/english/ir/index.html>



Financial and Non-Financial Highlights

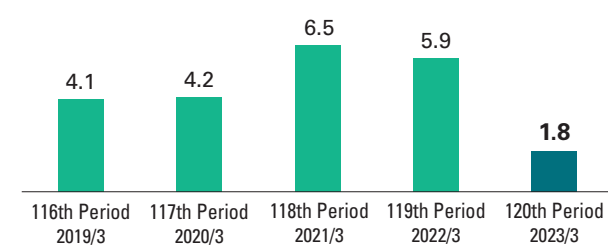
Consolidated financial highlights

Net sales (millions of yen)

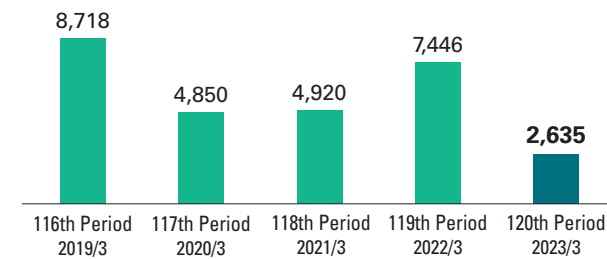


*Adoption of the Accounting Standard for Revenue Recognition from the fiscal year ended March 31, 2022

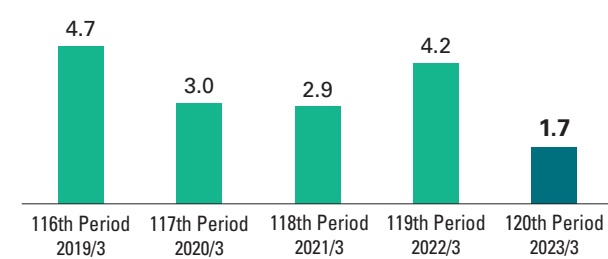
Rate of return on equity (%)



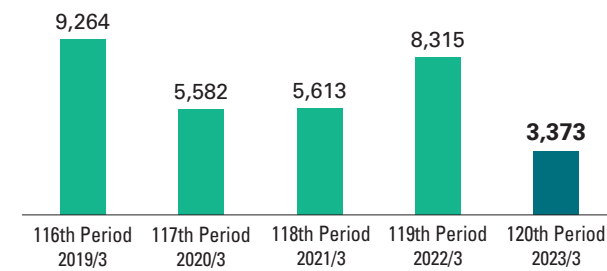
Operating profit (millions of yen)



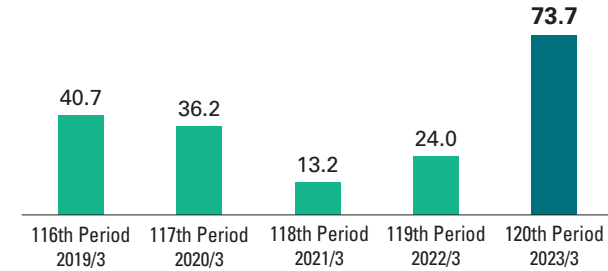
Ordinary profit to total assets (%)



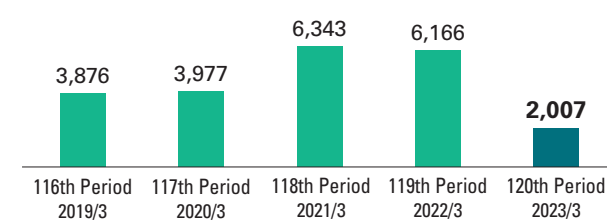
Ordinary profit (millions of yen)



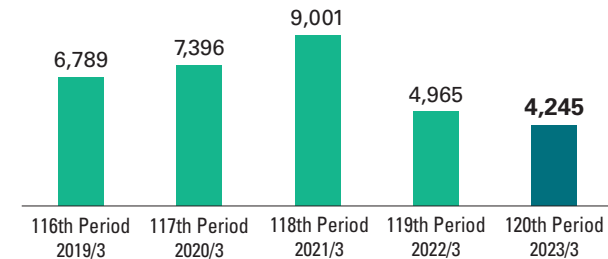
Payout ratio (%)



Profit attributable to owners of the parent (millions of yen)



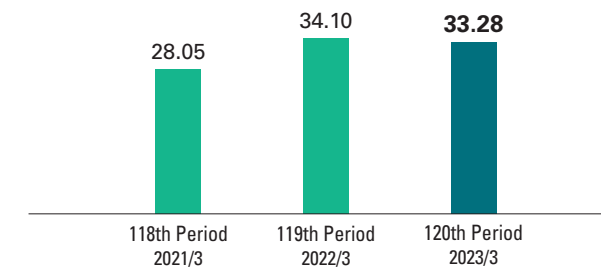
Capital expenditures (millions of yen)



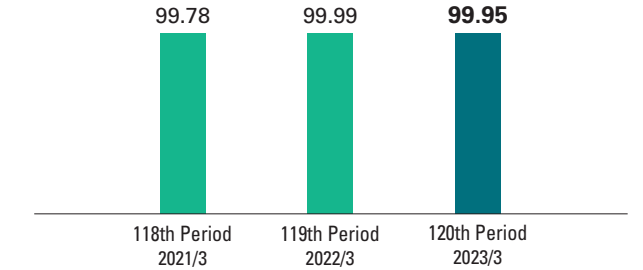
Consolidated non-financial highlights

Environment

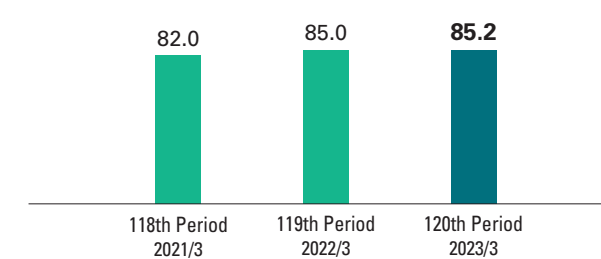
Sales of ESG contributing products (billions of yen)



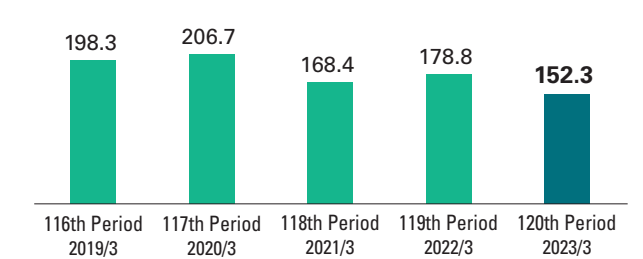
Recycling rate of waste solvents (%)



Recycling rate of waste plastic (%)



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



Water consumption

	116th period 2019/3	117th period 2020/3	118th period 2021/3	119th period 2022/3	120th period 2023/3
Groundwater (thousand m³)	2,021.4	2,127.1	2,065.0	2,264.7	2,057.9
Water supply (thousand m³)	147.2	140.2	137.3	136.4	135.3
Industrial water (thousand m³)	268.0	285.2	305.0	277.7	239.2

COD (water pollution load)

	116th period 2019/3	117th period 2020/3	118th period 2021/3	119th period 2022/3	120th period 2023/3
COD (t)	20.1	8.7	6.6	5.4	6.4

CFC leakage (CO₂ equivalent)

	116th period 2019/3	117th period 2020/3	118th period 2021/3	119th period 2022/3	120th period 2023/3
t-CO ₂	998	143	595	247	308
%	—	14.3	416.1	41.5	124.7

*including CFC substitutes

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

	116th period 2019/3	117th period 2020/3	118th period 2021/3	119th period 2022/3	120th period 2023/3
NO _x (t)	7.7	15.9	9.5	13.0	6.1
Sox(t)	0.9	0.9	0.7	0.8	0.2

Financial and Non-Financial Highlights

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:	Recycling rate up 0.7 percentage points from the previous year; final disposal volume down 11% (89.0%) 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

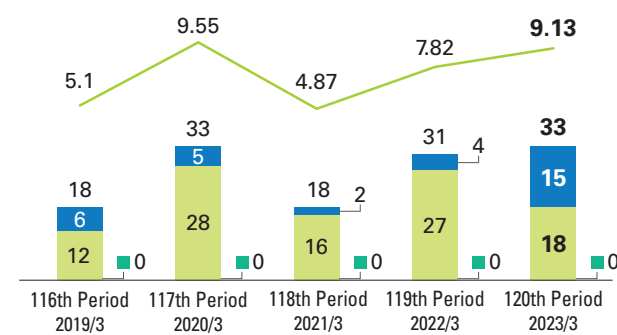
Total waste (hazardous + non-hazardous)

	116th period 2019/3	117th period 2020/3	118th period 2021/3	119th period 2022/3	120th period 2023/3
Amount generated (t)	10,590	10,001	8,417	10,169	8,626
Amount discharged from factories (t)	10,590	10,001	8,417	10,169	8,626
Recycled amount (t)	6,688	6,299	5,785	6,279	5,379
Amount landfilled (t)	3,049	2,833	2,144	3,239	2,885
Effective utilization rate (%)	63.2	63.0	68.7	61.7	62.4

Society

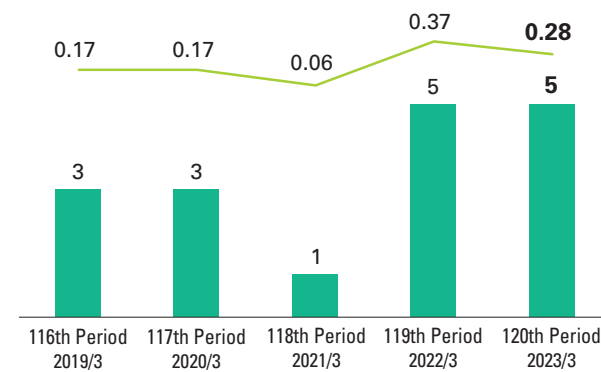
Number of fatalities and injuries due to occupational accidents (domestic group)

- Number of fatalities due to work-related accidents (persons)
- Number injured due to non-lost workday accidents (persons)
- Number injured due to lost-workday accidents (persons)
- Total Recordable Injury Rate <TRIR> (persons/million hours)



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

- Number of accidents (cases)
- Accident rate (cases/200,000 hours)



Number of lost-workday accidents/Incident intensity rate/Incidence of lost-workday accidents

	116th period 2019/3	117th period 2020/3	118th period 2021/3	119th period 2022/3	120th period 2023/3
Number of lost workdays (cases)	6	5	2	4	15
Intensity rate (%)	0.034	0.003	0.001	0.038	0.031
Incidence of lost-workdays (person/million hours)	1.70	1.45	0.61	1.01	4.15

Human resource data

	116th period Fiscal Year Ended Mar. 2019	117th period Fiscal Year Ended Mar. 2020	118th period Fiscal Year Ended Mar. 2021	119th period Fiscal Year Ended Mar. 2022	120th period Fiscal Year Ended Mar. 2023
Total number of employees (persons) *1	Male	1,219	1,225	1,230	1,180
	Female	220	238	253	263
	Overall	1,439	1,463	1,483	1,443
Average age (years) *1	Male	43.6	43.5	43.0	42.4
	Female	35.9	35.9	35.6	35.8
	Overall	42.4	42.3	41.8	41.2
Average years of service (years) *1	Male	19.9	19.8	19.2	18.6
	Female	12.6	12.4	12.2	12.2
	Overall	18.8	18.6	18.0	17.4
New graduate hires (persons) *2	Male	44	54	63	42
	Female	13	27	22	22
	Overall	57	81	85	64
Percentage of female employees among new graduate hires (%) *2		23	33	26	34
Percentage of female employees (%) *2 *4		16	17	17	18
Retention rate for new graduate hires after three years (%) *2	Male	98	96	93	91
	Female	100	94	92	100
	Overall	99	95	93	94
Percentage of mid-career hires (%)	Male	48	36	34	34
	Female	44	41	21	12
	Overall	47	38	31	28
Number of employees who retired (for personal reasons excluding those who retired at retirement age) (persons) *2 *5	Male	33	44	37	32
	Female	11	9	10	7
	Overall	44	53	47	39
Turnover rate due to voluntary resignation (%) *2 *5	Male	2	2	2	2
	Female	3	3	3	2
	Overall	2	2	2	2
Total number of employees granted the right to take childcare leave (persons) *2 *4 *6	Male	63	37	49	56
	Female	12	18	12	11
	Overall	75	55	61	67
Total number of employees who took childcare leave (persons) *2 *4 *7	Male	—	1	6	17
	Female	12	18	12	11
	Overall	12	19	18	28
Total number of employees who returned to work from childcare leave during the reporting period (persons) *2 *4 *8	Male	—	—	6	16
	Female	13	14	17	14
	Overall	13	14	23	30
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
	Female	12	13	12	16
	Overall	12	13	12	22
Percentage of employees returning to work after childcare leave (%) *2 *4 *10	Male	—	—	100.0	100.0
	Female	100.0	100.0	100.0	100.0
	Overall	100.0	100.0	100.0	100.0
Retention rate for employees after parental leave (%) *2 *4 *11	Male	—	—	—	100.0
	Female	100.0	100.0	85.7	94.1
	Overall	100.0	100.0	85.7	95.7
Number of employees using shortened working hours for childcare (persons) *2 *4 *12	Male	8	8	10	15
	Female	36	34	49	47
	Overall	44	42	59	62
Ratio of female, non-Japanese, and mid-career hires in management positions (%) *2		12.5	12.0	11.0	12.1
Average annual salary (yen) *1		7,768,405	7,533,598	7,123,158	7,073,496
Difference in wages between male and female workers (%) *1 *13	All workers	67.6	66.6	68.1	69.0
	Full-time employees	71.3	68.7	69.9	70.5
	Part-time and fixed-term employees	59.1	60.1	60.8	60.1
Percentage of all employees covered by collective bargaining agreements (union membership rate) (%) *14		99.0	99.6	98.5	99.4
Comparison of standard entry-level salaries to regional minimum wages (comparison to minimum wages) (%) *2 *15	Tokyo			151.7	
	Osaka			159.0	
	Aichi			165.0	
	Shiga			175.5	
	Ibaraki			178.6	
	Shizuoka			172.3	
	Saitama			164.8	
	Chiba			165.3	
	Kumamoto			—*16	
	Fukuoka			164.4	

*1 Non-consolidated *2 Domestic Group *3 As of April 1, 2023 *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 male employees, only the first acquisition is counted; for female employees, the number of employees whose childcare leave started on the day after the maternity leave ended within the fiscal year *8 Number of employees whose childcare leave ended on the day after the childcare leave ended within the 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 since the following day *11 Retention rate = total number of employees enrolled in the company at the end of 12 months after returning to work from childcare leave ÷ total number of employees who returned to work from childcare leave during the reporting period. Date of completion of parental leave falls within the previous year and total number of employees enrolled after 12 months. *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 graduates. Minimum wage is calculated based on the Tokyo minimum wage (1,072 yen/hour) as of March 2023, assuming an 8-hour workday and 20 days per month. The legal minimum wage is observed, and a gender-uniform remuneration system is applied for the same qualifications and job level. Including life plan allowance of 25,000 yen *16 No starting salary is set because no new graduates were hired.

Technologies Behind Our Products

3 Core Technologies

Our technology 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, and then to the acquisition of the technology to synthesize the synthetic resins themselves that form the base of such dispersions. Our technological strength lies in its ability to create colorants and functional materials that are unique to our group and that carefully meet the needs of our customers through the interplay of these three technologies as a comprehensive capability.

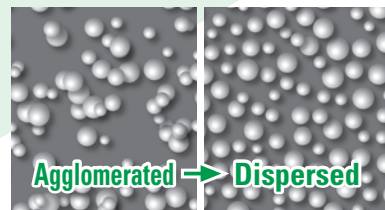
Pigment Synthesis and Surface Treatment Technology

Pigment synthesis is a technical field that makes comprehensive use of knowledge of physical chemistry and interfacial chemistry, with centering in coloration theory of chemical substances and chemical bonds. In addition to improving dispersibility and coloration from the perspective of coloring, we also have the technology to chemically treat pigment surfaces to add special functions, like pigments for color filters in LCD panels.



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 know-how. We have a wide range of dispersion processing technologies for all types of materials. We apply this Dispersion Processing Technology not just to coloring but also to imparting functions such as electrical conductivity, flame retardance and strength to provide materials with added functionality.



Polymer Synthesis Technology

We have extensive knowledge of raw materials such as urethane resins, imide resins, acrylic resins, and natural product-derived 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.



Voice

To secure a competitive advantage through technology-initiative



Representative Senior Executive Director, Head of R&D Structure
Yoshitaka Koshira

efficiency of new business and product development, we will consolidate company-wide technologies, select priority themes, and concentrate resources (human, material, financial, and information) to promote development.

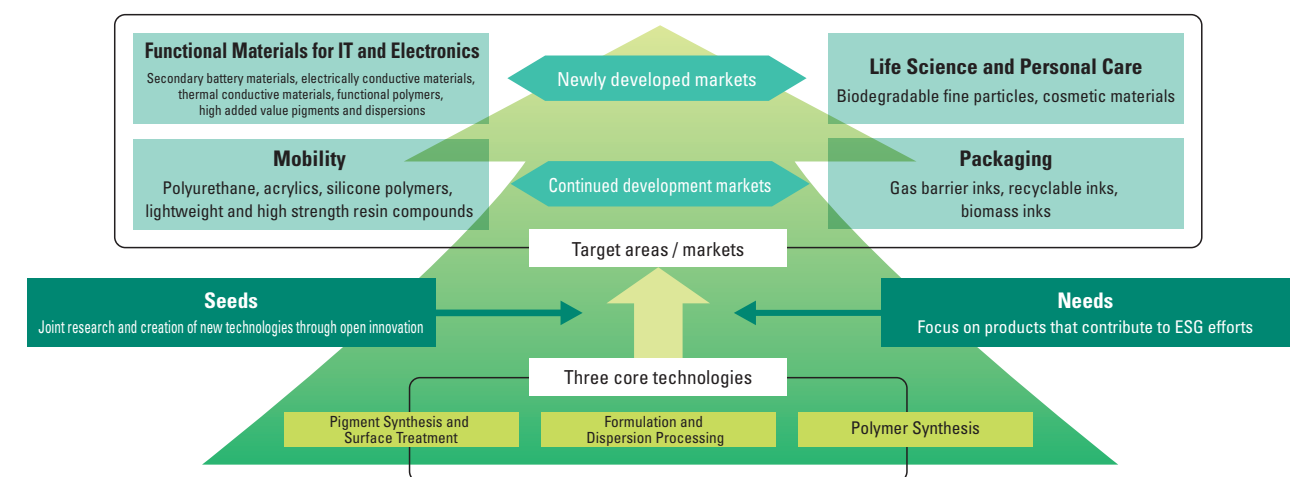
Dainichiseika Group has returned to the basics of creating new value and contributing to society for our sustainable growth, and is actively working to become a chemical manufacturer that proposes solutions to customers' problems by strengthening its business foundation to respond quickly to the changing economic environment. In formulating the measures of the medium-term management plan announced in August 2021, we've placed the highest priority on contributing to social needs (ESG) and have reorganized our four existing focus areas (environment, energy, personal care, and IT & electronics), and are focusing our product development efforts on the following two new development areas: (1) Functional Materials for IT and Electronics and (2) Life Science & Personal Care, and two ongoing development areas: (3) Mobility and (4) Packaging. The R&D organization of Dainichiseika Group consists of the Synthesis Research Division 1, Synthesis Research Division 2, Dispersion Research Division 1, and Dispersion Research Division 2, which are corporate research divisions, the Technologies Management Division, which is a staff division, and the Technologies Management Department of each business division. In order to speed up and improve the

Research and Development

We aim to contribute to a sustainable society by building on our three core technologies to target four developing markets.

By analyzing three core technologies of Dainichiseika Group's from the perspectives of "seeds" and "needs," and by aggressively investing funds and human resources in four target areas and markets with potential for development and growth, our goal is to secure a technology-driven competitive advantage.

Roadmap realized by deepening our three core technologies



New business creation and open innovation

We are focusing on research and development of battery materials and biomass resins with the aim of creating new businesses that solve issues faced by the functional materials field for IT and electronics and the mobility field. We're also pursuing research and development of new tribological materials for sliding and mechanical components using open innovation methods. This includes promoting the development of functional materials through living radical polymerization in collaboration with external research institutions and establishing an industrial manufacturing method for concentrated polymer brushes (CPB) through joint research with domestic and foreign universities.



Discussion at open innovation center

Participation in various exhibitions

We have resumed our participation at exhibitions, previously curtailed due to COVID, to provide opportunities for customers to experience new products and developments of Dainichiseika Group. Through these exhibitions, we're also striving to win appreciation for Dainichiseika Group products and to identify and understand new needs.

In the fiscal year ended March 31, 2023, Dainichiseika Group had booths at the New Functional Materials Expo and the Tokyo International Packaging Exhibition, where both engineers in research and development and sales representatives participated and listened to the real voices of customers.



TOKYO PACK 2022
- Tokyo International Packaging Exhibition 2022 -

Activities to create new development themes

Dainichiseika Group is committed to a two-front approach to technological management through deepening and exploring new technological fields while deepening its three core technologies.

In the activities to create new development themes, teams consisting of members of various ages, who were self-recommended by applicants, formulated themes from the perspective of integrating growth markets, external technologies, and core technologies of Dainichiseika Group. Each theme is tested and verified by the activity teams. Following evaluations based on in-house presentations, new development themes are adopted. We will continue our activities to study and develop technologies that help mitigate climate change (achieve decarbonization) and that bring us closer to a circular economy (recycling-oriented society). Both are associated with high market demand.



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.



Contributing to the Environment through Products <ESG Contribution Products>

Dainichiseika is developing environmentally-friendly products as ESG contribution products. These include water-based products, biodegradable particulates, biomass-derived products, and resins made from CO₂ that help bring us closer to a zero carbon society. We also contribute to customer efficiency improvements by developing products that reduce energy consumption and waste. By eschewing use of conflict minerals, we seek to contribute to ESG not just within Dainichiseika Group, but throughout the supply chain.

Biodegradable fine particles for cosmetics (RUBLALEAF® KCX)

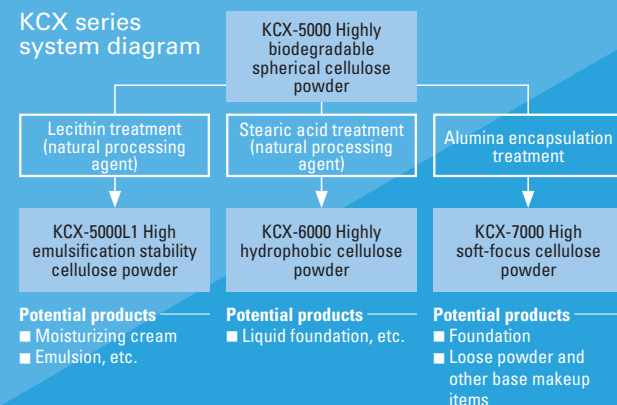
● Background of development

In 2019, the European Chemicals Agency (ECHA) published a draft regulation on microplastic beads in the EU region. This has generated demand for alternatives to synthetic resin beads. The Pigments Division, which has a proven track record in industrial resin beads (RUBCOULEUR), began development of a biodegradable natural material-based beads (RUBLALEAF® KCX).

● Product features

Dainichiseika's technology has improved the sphericity and surface smoothness of cellulose powder (beads), which is difficult to shape and process. The product has a smooth and moist feel to the touch. Various grades are available for various applications, such as surface-treated products and products containing different materials.

KCX series system diagram



● Voice of development engineers



From left: Abe, Takagamo, and Eguchi, Pigments Division

Abe: Developing biodegradable beads for cosmetics, which are mainly made of natural materials, was a great challenge, because its design orientation differs significantly from that of petroleum-based resin beads, which use a variety of materials to achieve specific physical properties. And the shift to natural materials makes it hard to respond to user demands on a case-by-case basis.

Eguchi: Limitations involving materials and manufacturing methods pose special challenges with regard to beads made of natural materials and used for cosmetics. We want to develop products that meet the functions demanded by users to differentiate our products from those of other companies.

Water-based flexographic inks

● Background of development

Dainichiseika launched water-based flexographic inks in 2004. Gravure inks had dominated the market in Japan from that time. Productivity and print reproducibility were important considerations. Water-based flexographic inks, which were in the technological development stage, showed promising. With growth in environmental awareness, the technology for water-based flexographic inks has improved dramatically over the past decade, and is now equivalent to that of gravure inks. The switch from gravure inks to water-based flexographic inks is steadily progressing, as evidenced by the achievement of VOC content of 2-3% or less, which was quite a challenge from an environmental standpoint.

● Product features

Flexographic inks work well with paper and films such as stickers and labels that are not very smooth, and have excellent print reproducibility.

[Gravure inks]



Comparison of printing on beverage labels
(Actual label enlarged approximately seven-fold)

[Water-based flexographic inks]



● Voice of development engineers



From left: Tanaka, Shirasugi, and Yoshida, Gravure Inks Division

Yoshida: Our customers appreciate the wide range of colors we can express and our superior technology for reproducing ideal colors. We plan to continue developing inks with excellent printing suitability that cannot be found anywhere else.

Shirasugi: We've entered a transition period from solvent to water-based printing and from gravure to flexographic printing. Even if we resolve one problem, other problems will come up. But we aren't bound by conventional wisdom. If an idea comes to mind, it's important to try it out without hesitation.

Tanaka: The market for water-based flexographic inks isn't mature yet. So we're struggling to keep up with the level of production, which is rising day by day, but we're very happy when our products are adopted.

Potential products

- Food packages (e.g., confectionery paper packages)
- Beverage labels
- Sanitary products (e.g. diapers)

Durable water-based polyurethane resins

● Background of development

The impact of volatile organic compound (VOC) emissions on the environment and other factors has emerged as a key issue. Regulations governing solvents are being tightened, primarily in Europe and China, accelerating the shift to water-based and solvent-free products. However, the polyurethane (PU) used in synthetic leather for vehicles is primarily solvent-based, which is superior in terms of performance and cost, and water-based PU has not been able to meet market demands. In response to industry reluctance to adopt water-based PU, launched developments intended to achieve breakthroughs.

● Product features

(1) Non-yellowing grade

While maintaining the excellent lightfastness of conventional PU, the heat discoloration resistance, NOx gas discoloration resistance, and chemical resistance have been improved, which had been considered an issue compared to solvent-based PU.

(2) Yellowing-resistant grade

This water-based PU achieves excellent chemical resistance comparable to that of Dainichiseika's solvent-based PU. Lightfastness, once a weakness, is now a key strength.



Chemical resistance test:
Chemicals are applied, heated for 24 hours, then wiped off.

Reproduces high functionality difficult to achieve with water-based PU.

	Texture(softness)	Durability	Environmentally-friendly
Solvent-based PU	○	○	×
Conventional water-based PU	×	×	○
Developed water-based PU	○	○	○

● Voice of development engineers



From left: Suzuki, Hoshiyama, Sekizawa, and Matsuoka, Advanced Polymers Division

Matsuoka: It was hard to achieve the required performance while dispersing and stabilizing urethane resin in water due to the properties of urethane resin, which isn't compatible with water. Through trial and error in material selection, ratio, and formulation, we were able to achieve satisfactory performance.

Suzuki: We want to continue to design marketable products with a good balance of performance, productivity, and cost. We will also be conscious of creating products that contribute to the reduction of supply chain emissions, which will become more important in the future.

Potential products

- Automobile interiors
- Furniture and fabrics

Highly heat-resistant polyurethane adhesives

● Background of development

As electronic devices become more sophisticated and compact, like smartphones, televisions, next-generation high-speed 5G and 6G communications, and self-driving cars, the materials used in electronic devices are also required to have higher performance. Dainichiseika is approaching issues that could not be solved with epoxy resins, which are commonly used in adhesives for electronic device substrates, based on the characteristic flexibility of urethane resins, and aims to contribute to improving the convenience of the information society.

● Product features

The introduction of functional groups*1 by a reaction different from that of conventional urethane resins has overcome the weakness of urethane resins, namely, low heat resistance. The optimal structure for high heat-resistant adhesives was selected and commercialized using Dainichiseika's expertise in designing urethane resins.

- Strong adhesive strength
- The flexibility of the urethane resin is maintained, while achieving high heat resistance, formerly a weakness.
- Provides the flexibility required to fit tight spaces within electronic devices, which are growing smaller and smaller.
- Combines softness with the high durability required of electronic components.



● Voice of development engineers



From left: Iino, Miwa, Yaguchi, and Takahashi, Advanced Polymers Division

Iino: We're struggling to keep up with the fast pace of development in this field due to model changes and other factors, but we have a small team that is able to respond in a timely manner. I would like to contribute to the realization of a highly convenient society by developing new products that do not exist in the world.

Miwa: We challenged the electronics field, where we'd never used urethane resin, and established our own testing methods and approaches one by one while still exploring. I think it is a big step forward for us that we were able to achieve heat resistance in urethane equivalent to that of epoxy resin.

Potential products

- Smartphones and other electronic devices
- Smartwatches, VR glasses, smart glasses, high-speed high-capacity communications
- Next-generation automobiles (flying cars, self-driving)

*1 Atomic groups and bonding patterns that characterize the unique properties and reactions of organic compounds are called functional groups. The carboxyl group, which reacts with epoxy in a curing reaction, can be used in combination with epoxy resins to achieve flexibility while maintaining the inherent properties of epoxy, like heat resistance.

Segment Information, Strategy and Performance

Color & Functional Products

— Pigments and pigment-processed products —



Business description

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

Pigments

Inorganic and organic pigments ^{*2} and prepared pigments ^{*3} used in a wide range of applications, including paints, printing inks, and information displays and recording materials.

Specialty Colors

Colorants for a wide range of industrial applications, including mass colorants for synthetic fibers prior to spinning, pigment textile printing agents^{*4}, colorants for paper manufacturing, and colorants for construction materials.

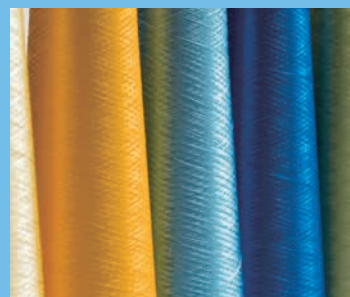
Plastics and Colorants

Colorants and functional materials used for various resins such as polyvinyl chloride resins, commodity resins, and engineering plastics.

► Main products



Pigments and prepared pigments



Mass colorants for synthetic fibers and textile printing agents



Colorants and functional agents for plastics
— MASTERBATCHES



Colorants and functional agents for plastics
— COMPOUNDS

Segment strategy

Review of the Fiscal Year Ended March 31, 2023

Sales of pigments and dispersions for the information and electronics industries continued to recover for office equipment applications, but sales for display applications were weak due to inventory adjustments of LCD panels and a decline in demand from people staying at home. Sales of compounds and colorants for the consumer electronics OA equipment and vehicle industries were weak in Japan due to sluggish automobile production caused by semiconductor shortages and other factors, but global sales were strong in Southeast Asia and India.

Risks and opportunities

- **Risks**
 - Decrease in demand for plastics due to prevention of marine pollution and transition to a recycling-oriented society
 - Rising raw material prices, higher energy and transportation costs
- **Opportunities**
 - New demand for biomass plastics, biodegradable plastics, and recycling-related businesses
 - Increased demand in Asian countries with high GDP growth
 - Diffusion of electric vehicles
 - Growth of semiconductor market

Business overview

In pigment products, we're developing high-grade products like pigments for color filters, inkjet inks, and color toners, and at the same time, we're working to develop pigment dispersions and masterbatches by combining elemental technologies through collaboration among our technical divisions. We will also continue to focus on the development and improvement of environmentally-friendly products to address social issues, like cosmetic materials derived from natural products and inorganic composite materials with high thermal conductivity and heat dissipation functions as thermal control materials for electronic components.

In the area of secondary processed pigment products, in response to diversifying needs, we're actively designing processed pigment products in pellet, liquid, and powder forms to meet various applications, and at the same time, we're working to expand sales to a wide range of industries, including textile, information, and electronics applications, by developing products focusing not just on color but also on functionality. In addition, to respond to increasingly sophisticated plastic materials and composite materials, we will develop tailor-made products and new processing technologies, and promote the development of products that meet new demands, like environmental contribution, nanomaterials, and super engineering plastics represented by fluoropolymers.

Initiatives

In this segment, we provide high value-added products for various applications by highly controlling particle shape and surface properties via Pigment Synthesis Technology, as well as colorants for synthetic resins and various compound processing technologies using Dispersion Processing Technology in various industrial fields in Japan and overseas. We're also engaged in developing and commercializing functional materials by deploy-

ing the technologies of Dainichiseika Group in a multifaceted manner. Backed by these technologies, Dainichiseika Group's strength lies in its ability to propose and provide high value-added products in a variety of industrial fields by establishing a system that allows us to accurately and meticulously identify customer needs and promptly expand production and sales.

Business results

	Results for the fiscal year ended March 31, 2021	Results for the fiscal year ended March 31, 2022	Results for the fiscal year ended March 31, 2023	Forecast for fiscal year ending March 31, 2024
Net sales* (billions of yen)	91.5	70.2	67.2	70.5 (+4.9%)
Operating profit (billions of yen)	1.5	4.9	2.0	2.9 (+44.6%)

* Effective from the fiscal year ended March 31, 2022, the "Accounting Standard for Revenue Recognition" has been applied.

^{*1} Resin compound: A molding material in which additives such as pigments and reinforcing agents are kneaded into plastic.

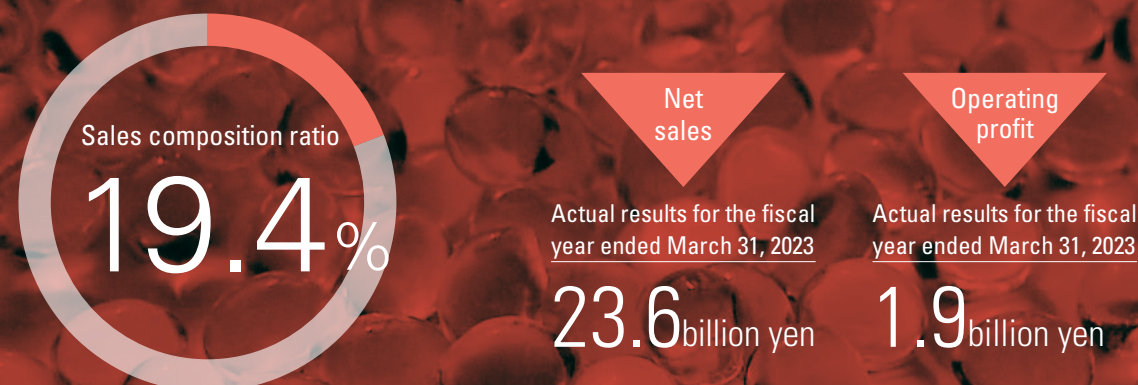
^{*2} Inorganic/organic pigments: Pigments, which are the elements of color, include inorganic pigments made of inorganic materials such as metals and organic pigments made of organic materials.

^{*3} Prepared pigments: Since pigments are insoluble in water or oil or hard to be soluble, dispersion processing requires a dispersion technology that takes advantage of the characteristics of pigments. Prepared pigments are products created by such dispersion technology.

^{*4} Mass colorants and textile printing agents: Mass colorants are colorants adding color to resin before spinning. Textile printing agents are materials used for printing on cloth.

Polymer & Coating Materials

— Synthetic resins and specialty coatings —



Business description

This segment is primarily engaged in the manufacture and sale of synthetic resins and specialty coating agents^{*1}, urethane resins, and polymers derived from natural products.

Fine polymers

Urethane resins and colorants used for synthetic leather and molded products, special coating agents and adhesives that impart functionality, and imide resins representing heat-resistant resins.

Chemical biology

Chitosan ^{*2} made from crab shells and other natural polymers with active ingredients extracted from various marine organisms and natural products.

Coatings

UV- and electron-beam curable coatings and design/functional coating agents used in the information/electronics, automotive, and interior construction materials fields.

► Main products



Urethane resins



Natural product polymers



Coating agents

^{*1} UV- and electron beam curable coating agent: An ink or coating agent that undergoes a chemical reaction under the energy of ultraviolet or electron beams, instantly changing from a liquid to a solid.

Segment strategy

Review of the Fiscal Year Ended March 31, 2023

Sales of urethane resins were generally sluggish in the automobile industry and in the clothing and accessories industry due to inventory adjustments by major customers. Sales of coating agents for LCDs in the information and electronics industries remained sluggish due to a decline in demand from people staying at home and other factors.

Risks and opportunities

- **Risks**
 - Tightening of environmental regulations and increasing social demands (de-plasticization, recycling, solvent-free and water-based products, CO₂ emission regulations)
 - Rising raw material prices, rising energy and transportation costs
- **Opportunities**
 - Increasing demand for ESG-contributing products, like biomass synthetic resin raw materials and water-based and solventless products, in response to rising global environmental awareness
 - Expanding demand in Asian countries with high GDP growth
 - Market expansion of heat-resistant resins due to the miniaturization and higher functionality of electronic devices
 - Expanding demand for coating agents due to the progress of mono-materialization

Business overview

In the area of synthetic resin products, we're developing a series of products centered on urethane synthesis technology, and we provide synthetic leather, urethane for moisture permeable and waterproof materials, surface treatment agents and colorants for vehicle interiors, urethane adhesives, thermoplastic polyurethane elastomers (TPU), urethane-silicone copolymer resins, and heat-resistant polyurethane adhesives. In recent years, we've been focusing on the development of solvent-free and water-based urethane resins, which are ESG-contributing products, against the backdrop of increasing environmental awareness. In addition, we're developing and launching a new environmentally-friendly urethane resin material that uses CO₂ as a raw material (HPU).

In the area of coating agent products, we're developing and improving UV/electron beam curable coating agents that contribute to energy saving in the manufacturing process based on our compounding technology for the IT and electronics functional materials fields, like flat panel displays and touch panels, and the interior building materials field, like flooring materials and fixtures.

Initiatives

We are working on developing and commercializing our mainstay urethane resins, centered on resin synthesis technology. In particular, we will focus on developing ESG-contributing products centered on water-based and biomass products against the backdrop of growing global environmental awareness, and expanding sales of high heat-resistant polyurethane adhesives for flexible substrates used in electronic devices, which are becoming smaller and more sophisticated. These products will be used to expand business in the growing overseas market, with three

bases around the world (Japan, North America, and China) at the core, and lead to growth.

Based on our accumulated compounding and dispersion processing technologies, we provide coating agents to various industrial fields in Japan and abroad. We're also good at developing original and customized products utilizing our technology, and we will propose and provide highly unique products that meet the needs of our customers through our technology, know-how, and the development of domestic and overseas bases.

Business results

	Results for the fiscal year ended March 31, 2021	Results for the fiscal year ended March 31, 2022	Results for the fiscal year ended March 31, 2023	Forecast for fiscal year ending March 31, 2024
Net sales* (billions of yen)	19.7	23.6	23.6	25.0 (+5.7%)
Operating profit (billions of yen)	2.6	3.3	1.9	2.7 (+36.6%)

* Effective from the fiscal year ended March 31, 2022, the "Accounting Standard for Revenue Recognition" has been applied.

^{*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. Dainichiseika also manufactures allergen-free chitosan isolated from mushrooms.

Graphic & Printing Materials

— Inks for packaging and advertising publications —



Business description

This segment develops, manufactures, and sells a wide range of gravure inks and offset inks for various applications, with a focus on packaging and advertising publication inks.

Gravure inks

Gravure printing inks, coatings, and flexographic inks that can be used for printing on a variety of substrates.

Offset inks

Offset printing inks and special inks used for paper media such as newspaper inserts, flyers, books, and packaging materials.

► Main products



Gravure inks / flexographic inks



Offset inks

Segment strategy

Review of the Fiscal Year Ended March 31, 2023

In gravure inks for the packaging industry, sales in Japan remained strong for beverage label applications and other applications. Overseas, sales increased significantly due to the calming of the COVID-19 pandemic at an Indonesian subsidiary. Sales of offset inks remained sluggish due to declining demand.

Risks and opportunities

- Risks**
 - De-plasticization as part of a recycling-oriented society, simplification of packaging, and reduction of packaging and container volume in response to food loss issues.
 - Soaring raw material prices and rising transportation costs
- Opportunities**
 - Increased demand for environmentally-friendly products like biomass inks and water-based flexographic inks
 - Increased demand for packaging due to population growth in emerging countries

Business overview

In gravure ink products, we provide inks and coatings for the packaging field as well as for construction and industrial material applications. As products that contribute to reducing environmental impact, we've launched water-based flexographic inks that reduce VOC emissions, water-based gravure inks, biomass inks that replace petrochemical materials with plant-derived materials, inks that do not use toluene or MEK, and alkaline desorption inks that contribute to a recycling-oriented society. We're also developing products using urethane resin (HPU), which is made from CO₂. We will continue to focus on efforts to realize a low-carbon society.

In the area of offset ink products, we primarily provide commercial offset inks, but we are also working to expand and develop distinctive product lineups for special paper printing applications, like varnishes with antibacterial and antiviral functions and metallic inks with excellent design properties, which are in growing demand in the market.

Initiatives

We are developing and commercializing special gravure inks and coatings with excellent printability based on our dispersion processing technologies. Based on our network and knowledge cultivated through partnerships with a wide range of industries, we can offer integrated proposals for inks, coatings, adhesives,

and other materials for diverse applications, including food packaging materials, construction materials, and industrial materials. As the domestic market is reaching maturity, we will focus on the information/electronics and industrial materials fields, where growth is expected, using our coating processing technology.

Business results

	Results for the fiscal year ended March 31, 2021	Results for the fiscal year ended March 31, 2022	Results for the fiscal year ended March 31, 2023	Forecast for fiscal year ending March 31, 2024
Net sales* (billions of yen)	26.9	28.0	31.0	32.5 (+4.6%)
Operating profit (billions of yen)	0.6	△0.8	△1.3	△0.4 (-)

* Effective from the fiscal year ended March 31, 2022, the "Accounting Standard for Revenue Recognition" has been applied.

Our Thinking on CSR and ESG

The world's interest in sustainability has grown rapidly in recent years. As a chemical manufacturer, we believe that the key to sustainable growth lies in working to solve today's social issues such as climate change and biodiversity loss, while identifying business opportunities and creating new value that focus on these issues. Based on this belief, Dainichiseika Group regards as key management issues our efforts to develop human assets capable of grasping global changes and active problem-solving and to strengthen engagement by improving the internal environment.

CSR and ESG Basic Policy

(Adopted July 13, 2022) This CSR and ESG Basic Policy applies to the entire Dainichiseika Group, including Dainichiseika, Japan

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  P.47 ■ Purchasing Policy ■ Information Security Policy
- Health and Safety Policy ■ Human Rights Policy ■ Multi-stakeholder Policy
- Human Asset Development Policy  P.48 ■ Internal Environmental Improvement Policy  P.48



Please refer to this website for the respective policies of Dainichiseika Group. (Japanese Only)

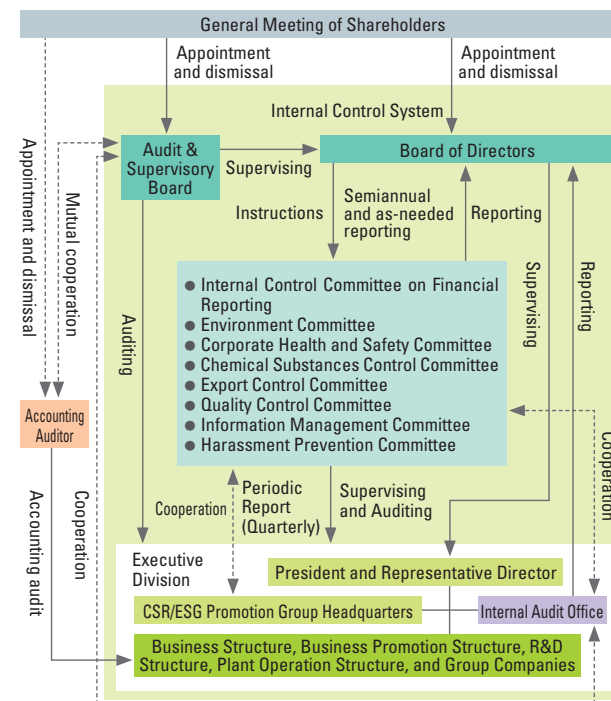
<https://www.daicolor.co.jp/csr/policy/index.html>



Promotion structure

Dainichiseika Group has established an internal control system to ensure the soundness and efficiency of our business activities, address social issues, and create value throughout the lifecycle of Dainichiseika Group products as a chemical manufacturer. For CSR and ESG-related initiatives, measures are formulated by the CSR/ESG Promotion Division under the direction of the President. Deployment activities are assigned to each execution mechanism. The activities of each execution mechanism are supervised and audited by eight committees chaired by directors and executive officers, with regular liaison meetings among these committees. The results of activities are reported from each committee to the Internal Audit Office and the Board of Directors for evaluation and supervision from various perspectives, including the suitability of each activity from a sustainability perspective, effective management of management resources, and consistency with business strategies.

In addition, we operate a system to incorporate performance on climate change and other ESG issues into our personnel performance evaluation system and reflect this performance in evaluations. For the fiscal year ended March 31, 2023, the weighting of ESG issues was set at 10% (for management positions).

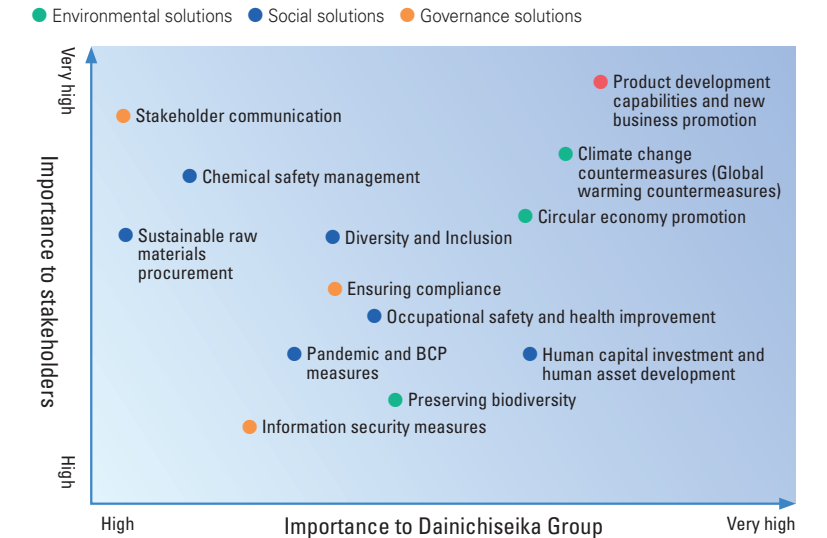


CSR and ESG Materiality



















Materiality identification process

- STEP 1**
Issue Extraction
Issues are extracted from the previous year's activity 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, and priorities are evaluated both from the perspective of stakeholders who have a high impact on each issue and from the perspective of Dainichiseika Group's business.
- STEP 3**
Validation
Under the direction of the 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 issue.

Materiality matrix



Description of the main materialities and related SDGs

	Materiality	Reasons for selection, activity policy	Relevant SDGs
E Environmental	Product development capability / New business promotion (Eco-friendly products)	In order to realize a sustainable society, we will contribute to society through our business and make company-wide efforts based on the recognition that both society and the environment, as well as Dainichiseika Group, need to achieve sustainable growth.	   
	Climate change countermeasures (Global warming countermeasures)	We recognize that the impact of climate change on the global environment is a critical social issue and are actively addressing it.  Please refer to P.43 for "Approach to TCFD Recommendations."	 
	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.	 
	Preserving biodiversity	In addition to efforts to combat climate change and promote a circular economy, we will work to minimize the environmental impact of our business activities throughout the entire product life cycle and strive to protect and restore the ecosystem.	
S Social	Occupational safety and health improvement	We will work to minimize risks to the environment and human health from raw materials handled by Dainichiseika Group, as well as risks such as fire in our operations, over their lifecycle.	 
	Chemical safety management	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 Dainichiseika Group can play an active role.	 
	Diversity and inclusion	We promote human capital investment and human asset development based on an understanding of the current state of skills and human capital required to realize management strategies. We will also strive to create an internal environment that creates a virtuous cycle of increased engagement by deepening the linkage between management strategy and personal goals, and by enabling employees to actively engage in their work and receive appropriate evaluations.	 
	Human capital investment and human asset development		
G Corporate 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.	
	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.	



CSR and ESG Materiality

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

























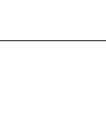
Under the direction of the President, the CSR/ESG Promotion Group Headquarters and each implementing unit analyze risks and opportunities and set main issues. The status of these initia-

tives is reported to the Board of Directors on a quarterly basis. Based on the results, the following issues are set. For the fiscal year ended March 31, 2023, we have added biodiversity preser-

vation as a major issue. From the perspective of both risk and opportunity, in line with the TNFD framework, we will promote both management activities that reduce emissions of chemical

substances with the potential to be detrimental to the environment and product development that reduces the environmental impact of Daiichiseika Group products at the stage of use.

Excellent: ★★★, good: ★★☆, passing: ★☆☆, failing: ☆☆☆

Materiality	Main issues	Activity plan and targets for FY ended March 2023	Corresponding SDGs	Activity results for FY ended March 2023	Evaluation	Mid-term or FY ending March, 2024 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 societyReduction of greenhouse gas emissions from business activitiesRisk countermeasures against natural disasters	<ul style="list-style-type: none">Promote development of products that contribute to ESG and energy savingTarget: 1% reduction in energy consumption per unit of production from the previous yearSystematic introduction of energy-saving equipmentIntroduction of renewable energyStudy on energy saving in production processes	 	<ul style="list-style-type: none">Number of registrations of ESG contributing products increased and net sales increased by 19% compared to FY2021Domestic Group CO₂ emissions (Scope 1 + Scope 2) 77% reduction from FY2014Specific energy consumption: 4% increase (domestic group)Partial postponement of energy-saving equipment installation due to unsuitable investment conditionsInstallation of solar panelsImproved efficiency in production processesIn-house carbon pricing in operationConverting in-house gas-generated electricity to electricity from renewable energy sourcesTo reduce the amount of leaked CFCs, air conditioning equipment was upgraded to use environmentally friendly refrigerants	★★☆☆	<ul style="list-style-type: none">Promote development and sales of ESG-contributing products (including non-climate change related products) Target: Increase sales by 20% in FY2024 compared to FY2021Reduce GHG emissions by procuring electricity from 100% Substantially Renewable Energy Target: Reduce domestic Group GHG emissions (Scope 1 + Scope 2) by 70% in FY2024 compared to FY2014Continuously promote efficient use of energy in accordance with the Energy Conservation Act Target: 1% reduction in energy consumption per unit of production from the previous yearInternal implementation of carbon pricing <div>☰ P.43</div>
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 recyclingPromote reduction and recycling of waste generated by business activitiesAs 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">Promote development of products that contribute to ESG and resource recyclingImprove waste recycling rate Target: 1 point improvement from the previous yearReduce final waste disposal volume Target: 1% reduction from the previous year	      	<ul style="list-style-type: none">Increased use of biomass-derived raw materials in product linesIndustrial waste generation decreased 13% from previous year due to lower production volumeRecycling rate improved by 0.2 percentage points from previous yearFinal waste disposal volume decreased by 9.2% year-on-yearPromoted sorting of waste plastic at domestic group companies Waste plastic generated: 2,095 tons Recycled: 1,785 tonsRecycling rate improved by 3.2 percentage points from the fiscal year ended March 31, 2021, to 85.2%Recycling rate for waste solvents in the domestic group remained almost unchanged at 99.95%	★★☆☆	<ul style="list-style-type: none">Reduce the amount of waste plastic and solvents disposed of; maintain and improve recycling rate Target: As medium-term targets for recycling rates of waste plastic and solvents, (1) Improve recycling rate for waste plastic by 3 percentage points in FY2024 compared to FY2021 (2) Improve the processes to achieve 99.9% recycling rate of waste solvents by FY2024, and study on introduction of recycling facilities
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 and water and proper operation of abatement facilitiesPromote the development and marketing of products that reduce pollution of air and water	This item was not set as a materiality issue for FY2023.	   	This item was not set as a materiality issue in FY2023.		<ul style="list-style-type: none">Promote efficient use of water resources. Target: 1% reduction in water consumption per unit of production from the previous yearReduce the ecological impact of potentially harmful chemicals. Reduce the volume of wastewater and properly operate and manage wastewater treatment facilities. Target: Reduce emissions of PRTR substances by 1% from previous year
Chemical safety management	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 systemStrengthen management of hazardous chemicals in products	<ul style="list-style-type: none">Management of chemical substances through the introduction of a new chemical substance management system Development and appropriate maintenance of the systemTo strengthen management of hazardous chemical substances in products · Implementation of measures to comply with the partial revision of the enforcement order of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. · Conduct internal audits on management of environmentally controlled substanceImplementation of enlightening employees on chemical substance management	 	<ul style="list-style-type: none">Promote the introduction of a new chemical substance management systemImplemented measures to comply with the partial revision of the enforcement order of Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.Information sharing regarding the partial revision of the enforcement order of the Law concerning Pollutant Release and Transfer RegisterConducted internal audits on the management of environment-related controlled substancesImplemented employee education using the Chemical Risk Forum	★★☆☆	<ul style="list-style-type: none">Promoting the Introduction of a New Chemical Substance Management SystemTo strengthen management of hazardous chemical substances in products · 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 controlledImplementing employee training on chemical substance management <div>☰ P.45</div>
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 operationAppropriate supplier management	<ul style="list-style-type: none">Implementation of company-wide unified operation of QMS and mutual internal auditsImplemented appropriate purchasing management by revising Off-Quality NoticeImplemented education on quality (basic training, training to cultivate internal auditor)	 	<ul style="list-style-type: none">Preparation of QMS company-wide unified manual · Conducted internal audits of related departmentsRevised and implemented Off-Quality NoticeImplemented basic quality training and training to cultivate internal auditors (online)	★★☆☆	<ul style="list-style-type: none">Deployment of QMS company-wide unified manual throughout the company and preparation for its operationVerification of effectiveness of corrective actions for past complaintsConfirmation of QMS operation in divisions and affiliated companies Thoroughly standardizing work, analyzing of quality control data, checking outsourcing management, etc. <div>☰ P.47</div>
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 safetyReduce the number of occupational accidents	<ul style="list-style-type: none">Implement and disseminate chemical substance risk assessmentsStrengthening fail-safe operation of rotating machinery equipmentThoroughly enforce equipment maintenance and operating procedures	  	<ul style="list-style-type: none">Examined and implemented safety measures for equipment to prevent small fires and injuriesImplemented improvements to some rotating machineryConducted risk assessment of chemical substances and confirmed exposure prevention measures	★★☆☆	<ul style="list-style-type: none">Propose improvement measures through company-wide health and safety patrols and horizontally expand the measures throughout the companyRaise awareness of on-site managers and personnelImplementing compliance with revised laws and regulations <div>☰ P.51</div>
Diversity and 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 diversityIncrease the ratio of women, foreign nationals, and mid-career hires in managerial positions toward management that makes the most of diversity	Review personnel systems and promote diversity in work styles so that women and foreign nationals can play an active role over the long term. <ul style="list-style-type: none">Ratio of female new graduate hires: 30% or morePaid leave utilization rate of 70% or moreUtilization of on-the-job training and off-the-job training directly related to the acquisition of daily work skills	  	<ul style="list-style-type: none">Female percentage of new graduates: 40% (Domestic Group)Annual utilization rate of paid leave: 70% (Domestic Group)Male percentage taking childcare leave: 70% (Non-consolidated)Promoted opportunities to promote female employees to manufacturing and sales positions to which relatively few female employees were previously assignedImplemented a personnel system with transparent evaluation system and fair opportunities for promotion	★★★	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 Survey of current situation and exchange of opinions on how to improve issuesPaid leave utilization rate of 70% or more Survey of current situation and interviews with workplaces facing challengesRatio of female, foreign nationals, and mid-career hires in management positions: Improve by 6 percentage points by FY2031 (compared to FY2021) <div>☰ P.49</div>
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">Implementation of compliance trainingImplementation of compliance auditsDisseminate compliance messages from the president		<ul style="list-style-type: none">Conducted compliance training for employees at the time of hiring then at milestone yearsConducting compliance audits of working departments and workplaces through questionnaires to ensure that there are no compliance violationsThe president himself sends and receives a monthly compliance message in both directions for thorough internal awareness	★★☆☆	Comply with laws, regulations, ordinances, internal rules, code of ethics, etc., and strive to act in a fair and transparent manner. <ul style="list-style-type: none">Implementation of compliance trainingImplementation of compliance auditsCompliance awareness and education <div>☰ P.55</div>
Information security measures	Prevent damage and improve operational efficiency in the digital society <ul style="list-style-type: none">Strengthen defense and resilience against cyber attacksPromote digitization to improve operational efficiency	<ul style="list-style-type: none">Continuation and improvement of information security management systemMaintenance of information security infrastructure, including network monitoring and virus countermeasuresMaintenance of incident countermeasures		<ul style="list-style-type: none">Continue information security management system and provide information security education for employeesImplemented network monitoring and virus countermeasures, etc.Early detection of unauthorized access events and implementation of countermeasures	★★☆☆	Continue efforts to prevent damage and improve operational efficiency in the digital society. <ul style="list-style-type: none">Improvement of information security infrastructureImprovement of incident countermeasuresImprovement of security measures in line with DX promotion <div>☰ P.56</div>
Community	Activities for coexistence with neighboring communities <ul style="list-style-type: none">Active participation in community contribution activities	<ul style="list-style-type: none">Participation in neighborhood greening and beautification activitiesContribution to neighborhood council activities		<ul style="list-style-type: none">Many municipalities were not active due to the COVID-19, but voluntary beautification and other activities were carried out	★★☆☆	Continue to engage in activities aimed at coexistence with neighboring communities <ul style="list-style-type: none">Actively participate in neighborhood greening and beautification activities
Risk management	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 risksFormulate BCP (Business Continuity Plan)	<ul style="list-style-type: none">Risk management of the entire groupReview of BCP and actually addressed		<ul style="list-style-type: none">Conducted risk surveys for actual working divisions of the entire group, and establish a system to examine efficient countermeasures against major risks in consideration of prioritiesActual business continuity measures, including infection control and procurement activities in the COVID-19	★★☆☆	Continue to take measures to avoid management risks and reduce their impact, and promote transformation into a resilient company <ul style="list-style-type: none">Risk management for the entire groupReview and implement business continuity measures <div>☰ P.56</div>

E Environmental Management

Promotion system

The environmental management of Dainichiseika 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 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 fiscal year ended March 31, 2023, there were no instances of punishment under environmental laws and regulations, either in Japan or overseas.



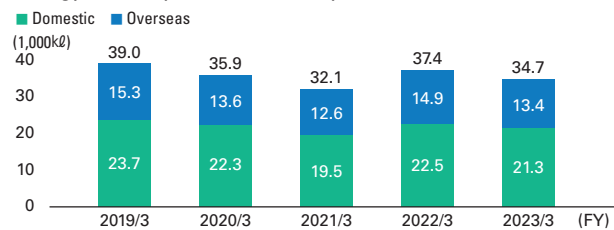
Please refer to this website for our "Environmental Policy."

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

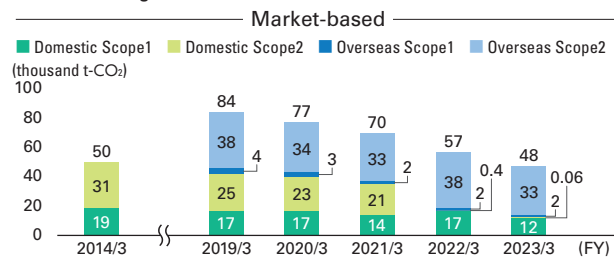


Environmental impact data

Energy consumption (crude oil equivalent)

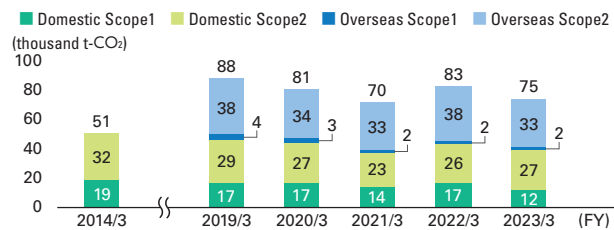


Greenhouse gas emissions (thousand t-CO₂)



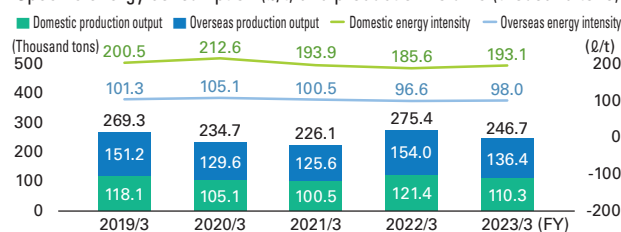
*Scope 2 emission factors are calculated according to GHG Protocol Market-based method.
*Data in FY2014 is just subject to domestic bases due to lack of data in some overseas bases.

Location-based

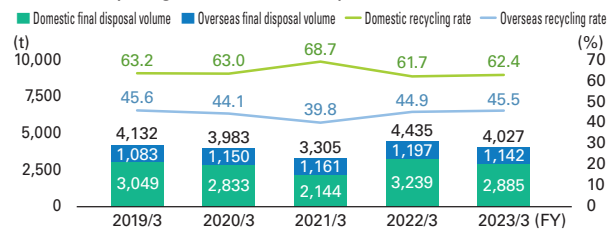


*Scope 2 emission factors are calculated according to GHG Protocol Location-based method.
*Data in FY2014 is just subject to domestic bases due to lack of data in some overseas bases.

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



Waste recycling rate and final disposal volume



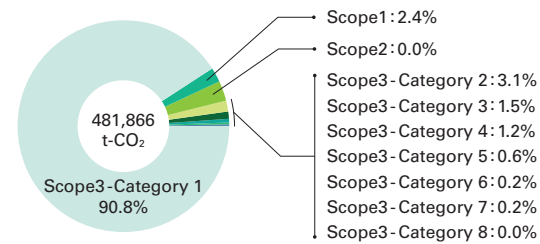
GHG supply chain emissions

Scope 1-2-3 Domestic Breakdown for FY2023

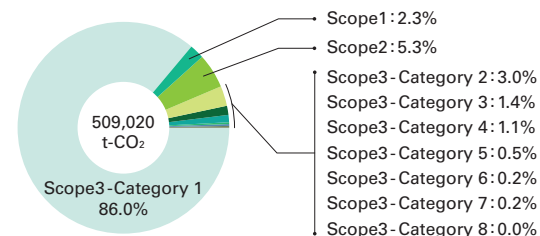
GHG supply chain emissions are calculated in accordance with the "Basic Guidelines for Calculating Greenhouse Gas Emissions through Supply Chains (ver. 2.4)" of the Ministry of the Environment and the GHS Protocol Guidelines of the World Resources Institute.

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 (Japan) *

	FY 2022	FY 2023
Total amount	170,763 t	144,351 t
Resins	83,674 t	68,855 t
Solvents	27,322 t	23,385 t
Pigments	14,344 t	12,414 t
Additives	45,423 t	39,697 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)

	FY 2022	FY 2023
Total amount	37,418 kℓ	34,674 kℓ
Breakdown		
Domestic	22,536 kℓ	21,310 kℓ
Overseas	14,882 kℓ	13,364 kℓ

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

	FY 2022	FY 2023
Total amount	9,335 kℓ	6,839 kℓ
Breakdown		
Domestic	8,367 kℓ	5,789 kℓ
Overseas	968 kℓ	1,050 kℓ
City gas	7,150 K Nm ³	4,811 K Nm ³
LPG	112 t	165 t
Heavy oil A	79 kℓ	16 kℓ
Kerosene	32 kℓ	50 kℓ
Diesel oil	3 kℓ	5 kℓ
Gasoline	109 kℓ	112 kℓ
City gas	244 K Nm ³	329 K Nm ³
LPG	27 t	22 t
Heavy oil A	0 kℓ	0 kℓ
Kerosene	22 kℓ	20 kℓ
Diesel oil	610 kℓ	579 kℓ
Gasoline	59 kℓ	57 kℓ

Energy & power (domestic / overseas)

	FY 2022	FY 2023
Total amount	111,462 K kWh	111,053 K kWh
Breakdown		
Domestic	56,330 K kWh	61,722 K kWh
Overseas	55,132 K kWh	49,331 K kWh

Water consumption (domestic / overseas)

	FY 2022	FY 2023
Total amount	2,801 Km ³	2,554 Km ³
Breakdown		
Domestic	2,679 Km ³	2,432 Km ³
Overseas	123 Km ³	122 Km ³

ESG investment amount

	FY 2022	FY 2023
Total amount	848million yen	351million yen

OUTPUT

Products (domestic / overseas own-plant production)

	FY 2022	FY 2023
Total amount	275,363 t	246,736 t
Breakdown		
Domestic	121,390 t	110,343 t
Overseas	153,973 t	136,393 t

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

	FY 2022	FY 2023
Total amount	185.6 ℓ/t	193.1 ℓ/t
Breakdown		
Domestic	185.6 ℓ/t	193.1 ℓ/t
Overseas	96.6 ℓ/t	98.0 ℓ/t

GHG emissions (domestic / overseas energy-related CO₂ emissions)

Scope 2 calculation conditions: GHG Protocol Market-based method

	FY 2022	FY 2023
Total amount	57,657 t-CO ₂	47,527 t-CO ₂
Breakdown		
Domestic	16,944 t-CO ₂	11,731 t-CO ₂
Overseas	452 t-CO ₂	7 t-CO ₂
Subtotal	17,396 t-CO ₂	11,738 t-CO ₂
Scope 1	2,267 t-CO ₂	2,365 t-CO ₂
Scope 2	37,561 t-CO ₂	33,424 t-CO ₂
Subtotal	39,827 t-CO ₂	35,789 t-CO ₂

Scope 2 calculation conditions: GHG Protocol Location-based method

	FY 2022	FY 2023
Total amount	82,724 t-CO ₂	74,662 t-CO ₂
Breakdown		
Domestic	16,944 t-CO ₂	11,731 t-CO ₂
Overseas	25,518 t-CO ₂	27,142 t-CO ₂
Subtotal	42,462 t-CO ₂	38,873 t-CO ₂
Scope 1	2,267 t-CO ₂	2,365 t-CO ₂
Scope 2	37,561 t-CO ₂	33,424 t-CO ₂
Subtotal	39,827 t-CO ₂	35,789 t-CO ₂

GHG emissions intensity (domestic / overseas energy-related CO₂ emissions)

Scope 2 calculation conditions: GHG Protocol Market-based method

	FY 2022	FY 2023
Per ton of production	0.21 t-CO ₂ /t	0.193 t-CO ₂ /t
Per million yen of sales	0.47 t-CO ₂ /million yen	0.39 t-CO ₂ /million yen
Net income per million yen	9.35 t-CO ₂ /million yen	23.68 t-CO ₂ /million yen

Waste recycling rate and final disposal amount

	FY 2022	FY 2023
Total amount generated	12,349 t	10,723 t
Recycling rate	59.1 %	62.5 %
Final disposal	4,440 t	4,027 t

Effluent volume (domestic / overseas)

	FY 2022	FY 2023
Total amount	2,766 Km ³	2,506 Km ³
Breakdown		
Domestic	2,656 Km ³	2,397 Km ³
Overseas	110 Km ³	109 Km ³

E Transition Plan on Climate Change and Addressing TCFD Recommendations

Dainichiseika Group is committed to companywide efforts based on the recognition that addressing climate change is a key issue—an issue with direct consequences for the sustainable growth of the company and society. To undertake this initiative efficiently and effectively, we have endorsed the TCFD ^{*1} recommendations in November 2021. We also participate in the CDP ^{*2} climate change program to strengthen our internal structures. For the fiscal year ended March 31, 2023, we formulated a transition plan to achieve carbon neutrality by 2050 based on the 1.5°C scenario of the 6th IPCC ^{*3} report.

Governance

Dainichiseika 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 management, the Group is working to address these issues through the CSR and ESG concepts and promotion system shown on P37.

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 strengthening 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 President and CEO, we are also undertaking risk analysis based on the IPCC Fifth Assessment Report, the IPCC Sixth Assessment Report, and the commentary on the IPCC Assessment Report by the Ministry of the Environment. Our goal is to contribute to climate change countermeasures as a member of the supply chain. We are working on risk assumptions and analysis based on a 2°C scenario to limit the rise in global average temperature to less than 2°C, and then to achieve a 1.5°C scenario to limit the increase to less than 1.5°C, and to set new targets and transition plans toward carbon neutrality in 2050.

Risks and opportunities from each scenario are prioritized based on their impact and likelihood of occurrence, and are incorporated into Dainichiseika Group's product development and business strategies, and we will continue to closely monitor various trends, regularly evaluate and review them, and disclose information.

2°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. 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 classification		Assumed risks and financial impact	Measures to take
2C scenario	Transition Risk	● Increased financial burden due to introduction of carbon tax (estimated cost increase of approx. 300 million yen*)	● Reducing GHG emissions and financial impact by procuring renewable energy at appropriate prices ● Ongoing energy conservation measures
		● Stricter regulations to reduce GHG emissions	
		● Increased GHG reduction requirements from customers	● Moving to decarbonize raw materials
		● Difficulty in procuring raw materials derived from fossil resources	
		● Loss of business opportunities due to changes in the supply-demand structure	
Physical Risk	● Impact of stagnation of business activities due to supply chain disruptions caused by natural disasters	● Diversify raw material procurement regions and sources ● Inventory management to reduce impact on logistics	
	● Deterioration of the work environment at manufacturing sites and resulting increase in capital expenditures	● Making efficient capital investments that contribute to improving the work environment and production efficiency	
4C scenario	Transition Risk	● Strengthen product development capabilities to respond to changes in the supply-demand structure	● Promptly disseminate industry and market trends internally and reflect them in product development and business planning
	Physical Risk	● 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)	● 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
		● Increased capital investment to improve the deteriorating work environment at manufacturing sites	● Preventing a decline in production efficiency by investing in equipment to reduce heat and human workload at manufacturing sites

*Internal implementation of carbon pricing (for domestic Dainichiseika Group)
Set unit price: 8,000 yen/t-CO₂
Impact: 311 million yen for CO₂ emitted by our domestic group
Maximum estimated amount: 2 billion yen 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.

Risk classification	Assumed risks and financial impact	Measures to take (development and sales promotion of the following products)
2°C scenario	Increased demand for products contributing to decarbonization <ul style="list-style-type: none"> Promotion of EVs and self-driving vehicles Promotion of vehicle weight reduction Increased demand for power infrastructure 	8.8 billion yen increase in sales of ESG contribution products <ul style="list-style-type: none"> Products for rechargeable batteries Wiring harness-related products for vehicles Products contributing to vehicle weight reduction Products for solar cells Polyurethane resins made from CO₂
	Changing demand for a circular economy <ul style="list-style-type: none"> Accelerated recycling of plastic resources Increased demand for biomass-derived products 	<ul style="list-style-type: none"> Deinking inks for flexible packaging materials Resin beads 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 <ul style="list-style-type: none"> Changes in building specifications to cope with heat Increased demand for beverage containers 	<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Growing demand for renewal of power and telecommunications infrastructure Growing demand for building renovation projects 	<ul style="list-style-type: none"> 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

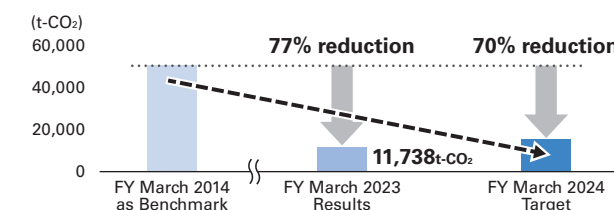
Indicators, targets, and progress

■ Indicator (KPI): Greenhouse gas emissions from energy consumption at domestic sites (Scope 1 + Scope 2)
Target: 70% reduction in FY March 2024 compared to FY March 2014 ^{*4}
Progress: 77% reduction from FY March 2014 in FY March 2023

■ Aim to increase sales of products that contribute to ESG (including climate change action) by 20% in FY March 2024 vs. FY March 2021.
Progress: Sales results for ESG-contributing products (P.29) for FY March 2023 increased by 19% vs. FY March 2021

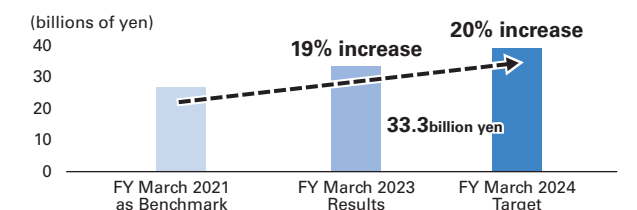
CO₂ emissions of Dainichiseika Group in Japan (domestic Scope 1 + Scope 2)

*Calculated using the emission factor after adjustment by type of power purchase contract.



*GHG supply chain emissions FY2023 Scope 1, 2, and 3 data are shown in "Environmental Management" on P41

Sales of ESG contributing products



Water risk response and effective use of water resources

To prepare for flood damage, which has increased in recent years, we assume risks at our manufacturing and sales bases based on hazard maps and other information provided by local governments. For facilities at high risk, we have implemented facility countermeasures, preparation of first-response manuals, and other BCP measures.

In addition, to protect water resources and safeguard against water pollution, our manufacturing sites recycle the water used for production and perform appropriate wastewater management. At Tokai Production Plant, one of our most water-intensive

sites, we have reduced the amount of water pumped from wells by approximately 5% from the previous fiscal year. We purify wastewater discharged from our manufacturing sites beyond mandatory effluent standards through the effective use of treatment facilities, including wastewater treatment facilities based on the activated sludge method. We thoroughly recycle the water used at our manufacturing bases (Shanghai, China; Vietnam; India) located in regions where water stress and drought risks are high or higher, according to the Aqueduct Water Risk Atlas.^{*5}

Corresponding ESG contribution 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 coatings for energy saving in buildings, and resin products for high-insulation windows

Circular economy support

- ▶ Biomass-derived products (inks, urethane resins, resin powders)
- ▶ Deinking inks for flexible packaging recycling
- ▶ Natural 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

*1 TCFD: Task Force on Climate-related Financial Disclosures

*2 CDP: Carbon Disclosure Project. An international NGO that conducts research and evaluation of climate change measures throughout corporate supply chains.

*3 IPCC: Intergovernmental Panel on Climate Change

*4 Calculated using the adjusted CO₂ emissions factor for an electric power company that procures electricity from 100% real renewable energy sources

*5 Aqueduct Water Risk Atlas: Tool for assessing water risk by basin published by the World Resources Institute (WRI), an international environmental NGO

E Management of Chemical Substances

We are working with each committee to properly manage the chemical substances handled by Dainichiseika 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, Dainichiseika Group is establishing a new chemical substance management system.

This new system will make it possible to quickly search for information on the chemical substances found in each product and the information associated with chemical substances on a product-by-product and chemical substance-by-substance basis. This, in turn, will make it possible to provide information in compliance with various regulations more accurately and in a more timely manner than ever before. In addition, centralized management achieved through a unified system will allow all concerned parties within Dainichiseika Group to quickly collect and respond to all necessary information. In conjunction with the introduction of the new chemical substance management system, we will review our operations to improve operational efficiency still further.

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, Dainichiseika 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 fiscal year ended March 31, 2023, there were no instances of legal violations or other punishments.

Please refer to this website for our "Chemical Substance Management."

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



Toward better management of hazardous substances

Strengthening the management of information on chemical substances found in raw materials

Recently, laws and regulations related to chemical substances have been revised one after another in Japan. Dainichiseika Group has also taken actions in accordance with the revision of the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Workplace and Promotion of Their Management. In addition, we are also working to comply with the revision of the Industrial Safety and Health Act.

The basic concept of the comprehensive 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

In terms of chemical management education, we provide education to related divisions and group companies to accurately respond to chemical substance laws and regulations.

In the fiscal year ended March 31, 2023, we held in-house seminars on domestic laws and regulations on chemical substance management and regulations on food contact materials to improve staff knowledge level and prepared an environment that allows staff to learn about the latest legal and regulatory trends.

More efficient operations and more appropriate management of chemical substances

In order to manufacture and export chemical substances, it is essential to have a good understanding of the systems of each country where we operate and deal with them. Therefore, we comply with the laws and industry standards of all countries and regions where we do business, and we are working to properly manage chemical substances in order to fulfill our social responsibility as a company.

As a result, there were no violations of laws and regulations regarding registration and notification of chemical substances in Japan or overseas during the fiscal year ended March 31, 2023.

S Stakeholders

Dainichiseika 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, creditors, 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 Dainichiseika Group interacts.

Period covered: April 1, 2022 - March 31, 2023

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 Corporate 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 Corporate report News releases Employee surveys Website
Business partners	<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 Feedback sheet Conflict Minerals Reporting Template Extended Minerals Reporting Template PR magazines Corporate report Website
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"> Brief Report of 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 Corporate 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 	<ul style="list-style-type: none"> Company introduction video PR magazines Corporate report News releases Newspaper Magazines Website

TOPICS

In July 2022, Dainichiseika Group established a Human Rights Policy based on its CSR and ESG Basic Policy. The Group is committed to dialogue and consultations with stakeholders to recognize and improve the effectiveness of its human rights efforts. In addition, in light of the growing importance of value co-creation with diverse stakeholders, we articulated a Declaration of Partnership Building in our Multi-Stakeholder Policy established in March 2023.



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

https://www.daicolor.co.jp/csr/newsletter/newsletter_Vol2.pdf





Customer Relations

Quality assurance

To ensure that our customers can use Dainichiseika 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

Dainichiseika 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.

Dainichiseika 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. Dainichiseika 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.

Quality Policy

To provide the products and services satisfying our customers demand, Dainichiseika has established a quality policy, the fulfillment of which will build its trust and contribute to society.

1. We provide the products and services satisfying our customers demand.
2. We comply with all statutory and regulatory requirements.
3. Our managers and all employees aim to improve product quality.
4. We continue to promote the activity that improves product quality.

Quality assurance system

Dainichiseika 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 that are the executive units for product manufacturing and sales, and makes use of a Quality Management System (QMS hereinafter).

In recent years, there has been a growing awareness of the need for an organization to develop a group-wide quality assurance system. In 2013, we established the Quality Control Committee, a company-wide organization, and in 2019, the Corporate Quality Assurance Department, which is responsible for the management and operation of the Group QMS, to maintain and improve the quality control system throughout the company.

As a groupwide effort, we conduct various training programs to improve the level of quality assurance, review the management system of raw material suppliers and contract manufacturers, promote active cooperation and communication among organizations, undertake mutual internal audits among departments, and implement audit quality inspections by the Corporate Quality Assurance Department of the entire company to improve customer trust and satisfaction.

Ensuring safety

Dainichiseika Group makes every effort to ensure thoroughgoing compliance with applicable laws, regulations, and internal rules regarding the display of information on product quality and safety. In accordance with our QMS, we check laws and regulations and product information from the development stage.

No quality or product safety violations arose during the fiscal year ended March 31, 2023.

Mechanisms for reflecting customer feedback

Dainichiseika 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 group-wide through the Quality Control Committee to prevent the recurrence of similar quality problems.



Employee Relations

Concept of human capital

Relationship between management strategy and human asset strategy

Dainichiseika Group promotes a human assets strategy is linked to the management strategy. The measures and initiatives to realize the Mid-term Management Plan (disclosed in August 2021) are as follows.

Indicators and targets for each theme will be reviewed as appropriate in light of the status of the project.

Management strategy: Secure competitive advantages through technology-initiative

Means of realization	Initiatives
• Strengthening recruitment of engineers • Training engineers • Promoting the acquisition of intellectual property and developing intellectual to meet market needs	• Creating attractive research themes • Implementing flexible management of compensation levels and systems • Strengthening the of R&D expenditures • Enhancing research facilities (industry-academia joint efforts) and work environment • Operating a personnel evaluation system centered on the demonstration of skills • Promoting information exchange within and outside the company, with engineers as the hub • Actively develop intellectual property strategies.

Management strategy: Strengthen business foundation for worldwide business expansion

Means of realization	Initiatives
• Strengthening the overseas sales force	• Strengthening the mid-career recruitment of foreign nationals and people with expatriate experience • Providing opportunities to improve overseas business skills • Creating corporate culture that recognizes diversity
• Strengthening the management capabilities of overseas subsidiaries (training)	• Accumulating and transferring overseas business skills and know-how

Management strategy: Ensuring productivity in response to a declining domestic workforce

Means of realization	Initiatives
• Securing human assets for growth • Passing on knowledge and skills by skilled workers	• Maintaining and improving a corporate culture that eliminates prejudice against age, gender, nationality, and religion • Promoting mid-career hires who can be effective immediately • Drawing on veteran employees to pass on skills • Promoting labor productivity improvement and a shift away from "gentrification" through the use of IoT and DX. • Promoting the acquisition of skills necessary for new ways of working: reskilling
• Preventing workplace accidents at manufacturing sites	• Training on-site leaders • Strengthening the management of occupational health and safety

Human asset development and utilization

Dainichiseika Group recognizes that the corporate values demanded by society are changing with the changing times, and is committed to ESG management with an awareness of sustainability to enhance corporate value and create new value.

Creating new value requires new ideas, and "people power" is essential for this. Recognizing that people are the assets of a company that create value, Dainichiseika Group describes people not as "human resources" but as "human assets" and is committed to drawing out people's strengths and developing people. By having all employees share the same goals, we will create a virtuous cycle between the growth of Dainichiseika Group and the growth of our human assets, thereby increasing engagement.

Approach to human asset development

Recognizing the importance of investing in human capital and intellectual property and developing human assets to achieve the goals of the Medium-Term Management Plan, Dainichiseika Group established the Human Assets Development Policy and Internal Environment Development Policy in April 2023.

Human Assets Development Policy

The Dainichiseika Group understands that the growth of a company is based on its people, and the growth of its people is based on the company, and that the relationship between the two is one of mutual improvement. For this reason, we consider the development of "human assets," our assets, to be essential for improving corporate value and one of our important management issues.

Based on the corporate philosophy of "Have an interest in people", "Have an interest in something new", and "Have an interest in the future", the Dainichiseika Group respects the diversity of its employees and their views on work, while sharing a vision in which the company and its employees mutually enhance each other and steadily refine each other to achieve the vision of what they want to be.

Internal Environment Development Policy

The Dainichiseika Group is committed to the following internal environmental improvements to realize our human assets development policy and to become an attractive company, so that each and every employee can fully demonstrate his or her abilities to achieve our companywide goals.

- We support the attitude of self-learning regardless of generation.
- We will undertake appropriate evaluations of and dialogue with our employees regarding their achievements.
- We are committed to creating opportunities for knowledge and cultural exchange within and outside the company.
- We are committed to promoting a personnel system that encourages employees to achieve and contribute to the company.
- We are committed to promoting a personnel system that respects diversity and values and makes the most of our human assets.
- We are committed to promoting a workplace environment and human resource management system that will enable employees to work for a long time.



Employee Relations

About the personnel system

Dainichiseika Group promotes the creation of a workplace where each and every employee can realize their full potential and experience growth.

To realize this goal, we operate a personnel system centered on a career path system that enables self-realization while respecting diverse work styles, a personnel evaluation system that can be used as a tool for human assets development based on goal management, and a wage system that appropriately reflects roles and contributions.

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

In July 2022, Dainichiseika 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 32%. By expanding opportunities for female employees to be promoted to 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.

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

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
23%	33%	26%	34%	40%

Percentage of female employees (domestic group)

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
16%	17%	17%	18%	19%

In addition, from the viewpoint of prioritizing the early onset of a “chemical reaction among human assets” by hiring a wide range of people with different experiences, backgrounds, skills, and attributes, we are reviewing our personnel system, including human assets development and internal environment improvement policies, and actively providing opportunities for hiring without distinction of gender, nationality, or time of hiring.

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 12.0% in FY March 2023 to 17% in FY March 2031.

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

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2031 (target figure)
12.5%	12.0%	11.0%	12.1%	12.0%	17%

Training system

Dainichiseika Group provide a training curriculum tailored to each employee's job level to maximize the effectiveness of training at each workplace. Through the accumulation of training for each level and on-site practice, we develop human assets capable of exercising leadership in the workplace, leading to the improvement of organizational capabilities.

Combined with the career path system, this ensures a sufficient transition period and an environment conducive to the training of successors.

Major training results for the year ended March 31, 2023 (Domestic Group)

	Total number of trainees	Total training hours	Training cost (excluding tax)
Individual training	195 persons	1,765 hours	2,311,303 yen
Group harassment training	486 persons	1,560 hours	6,923,340 yen
Subtotal	681 persons	3,325 hours	9,234,643 yen
Per employee		1.48 hours /person	4,119 yen /person

Comfortable work environment

Dainichiseika 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 will continue to create 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, and will continue to improve the environment to realize employee wellbeing.

Diversity & inclusion

Voice

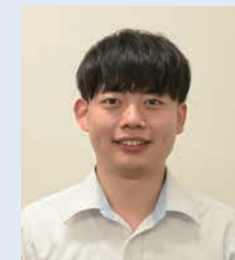
Aiming to create a more comfortable workplace through interactive communication

After graduating from the Department of Information Technology at a technical college, I wanted to be involved in the IT field at a business company, so I joined Dainichiseika, which is expanding its business in my home country of China.

I'm currently in charge of procurement of PCs used by employees, overseeing their installation, etc., and providing support services including PC peripherals. Since I had been in Japan for a long time, I was not worried about my Japanese, but when I joined the company, there were many things I didn't know, including business etiquette, corporate culture, and rules, and I didn't know how to behave. However, my supervisors and senior staff taught me everything from the rudimentary to the meticulous, and now, in my second year with the company, I've been able to build good relationships both inside and outside the company.

Whenever I'm confused about something or unsure of a decision, I try to seek advice from my supervisor or senior staff. I feel that the reason why we have this kind of relationship where we can easily consult with each other is because we have formed an open working environment through daily two-way proactive communication.

In the future, I would like to be involved in infrastructure-related security management at overseas locations like China. I would like to take on the challenge of system development.



Information Systems Division

QIAN ZHIREN

Joined the company in 2021

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 various systems to enable them to realize their ideal work styles.

Employment of people with disabilities

Dainichiseika's employment rate of persons with disabilities (non-consolidated) for the fiscal year ended March, 2023 was 2.54%. We will continue to make efforts to achieve long-term employment for people with disabilities, taking their aptitudes into consideration.

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 fiscal year ended March 31, 2021, we will extend 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 fiscal year ended March 31, 2023, 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 fiscal year ended March 31, 2023, 70% of male employees (non-consolidated) and 100% of female employees took childcare leave. A total of 61 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 fiscal year ended March 31, 2023, the number of employees using the retirement reemployment system was 82.

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

*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.

Creating a safe, comfortable, and productive workplace for longer working lives

In compliance with laws and regulations and based on the Responsible Care Code, Dainichiseika Group is engaged in continuous improvements to create a safe, comfortable, and productive workplace with the aim of eliminating industrial accidents, preventing accidents from occurring, and promoting health. We have also established a basic safety and health policy and strive to create a rewarding work environment for all employees.

Promotion system

The President and the director in charge of the Plant Operation Structure exercise leadership and share risks and countermeasures with the Safety and Health Committee at each production site to improve occupational safety and health and safety and disaster prevention. The status of these efforts is audited by the Internal Audits Division and the Company-wide Safety and Health Committee.

Targeting zero accidents and zero occupational injuries

At Dainichiseika Group production sites, we ensure risk assessment of chemical substances and evaluate the hazards and toxicity of each chemical substance handling process 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 striving to ensure accident-free and disaster-free operations by holding study sessions to prevent fires ignited by static electricity and providing simulated hazard experience training using virtual reality (VR) at some of our workplaces.

Occupational accident incidents

In FY2023, there were 15 lost time injuries with a frequency rate of 4.15 and an intensity rate of 0.031. There were no occupational illnesses or fatalities.

	Dainichiseika domestic group			Manufacturing industry			Chemical industry		
	2021/3	2022/3	2023/3	2020	2021	2022	2020	2021	2022
Number of lost-time	2	4	15	—	—	—	—	—	—
Frequency rate	0.61	1.01	4.15	1.21	1.31	1.25	0.93	1.07	1.16
Intensity rate	0.001	0.038	0.031	0.07	0.06	0.08	0.03	0.02	0.06

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 (2020-2022)

Safety and Health Committee

The Health and Safety Committee, consisting of experts from each business site, meets once a month to discuss issues to improve the workplace environment and to resolve problems raised by health and safety patrols. In addition, the Company-wide Safety and Health Committee, chaired by the director and executive 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. We conduct company-wide health and safety patrols once a year with the participation of outside directors and members of other business sites, and hor-



Health and safety patrols by outside directors

izontally disseminate the matters pointed out and opinions for improvement to equalize and improve health and safety activities.

Health promotion initiatives

In the periodic health checkups of our employees conducted every year, we conduct more extensive examinations than those required by law. We are striving to manage the health of our employees by introducing a system to centrally manage health checkups at all of our locations.

In addition, aiming to reduce mental health problems, we have been implementing stress checks for employees' mental health, as well as strengthening support for employees by providing counseling by a clinical psychologist on a regular basis. Furthermore, we are working to raise the mental health level of the entire organization and thereby revitalize the workplace and improve productivity by aggregating and analyzing individual results by groups of a certain size and providing feedback to workplaces with information that takes into consideration personal information.

Classification	Initiatives	Contents
Health promotion	Follow-up based on health checkup results	To prevent serious illnesses through early medical checkups, we actively recommend secondary medical checkups based on the results of health checkups.
Mental health	Implementation and follow-up for stress checks	Stress checks are performed at each site, regardless of the obligation to conduct them, for the purpose of preventing mental health problems. After implementation, we recommend that high-stress individuals be interviewed by a physician, and that follow-up interviews are also conducted by a clinical psychologist. With the aim of improving productivity by realizing a comfortable work environment, individual results are compiled and analyzed for each group of a certain size, and the information is fed back to the workplace in consideration of personal information.
Others	Efforts to prevent infectious diseases	We promote the prevention of infectious diseases through such measures as mass vaccination against influenza.
	Follow-up through the establishment of consultation service	Consultation services for mental health and harassment are available both inside and outside the company.

Logistics

Since the establishment of the Japan Responsible Care Council (JRCC) in 1995, we 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

Dainichiseika 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 have sufficient cooperation with divisions or offices to ensure appropriate operations related to safety and quality.

Building sustainable logistics

We strive to build sustainable logistics based on the principle of safety first.

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
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

Labor-management relations

Labor-management council

To maintain and improve sound labor-management relations, Dainichiseika 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 fiscal year ended March 31, 2023). At the labor-management council meetings, management information and workplace issues are shared, and working conditions are improved through active exchange of opinions.

Dainichiseika Group's labor union membership rate (union membership rate of employees with the right to join a labor union) is 99.6%.

Asset formation assistance

Dainichiseika 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.

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

S Supplier Relations

Approach to CSR procurement

Dainichiseika Group strives to resolve social issues through its supply chain with regard to human rights, labor environment, and environmental conservation. To provide the products and services our customers demand and to remain a company trusted by our stakeholders, we revised and implemented our Purchasing Policy in April 2019. The CSR Procurement Standards established based on these standards specify the CSR requirements of each supplier and promote sustainable procurement together.

We open our doors to new suppliers and select suppliers and procurement items based on fair and impartial evaluations of product quality, safety, performance, price, delivery time, stable supply, and CSR initiatives such as human rights, labor environment, compliance, and environmental conservation, among other criteria.

In March 2023, we endorsed the Declaration of Partnership Building by the Cabinet Office and the Small and Medium Enterprise Agency, among others. We will focus on coexistence and co-prosperity throughout the supply chain and new partnerships that transcend size and affiliation and compliance with promotion standards to promote cooperation and coexistence with suppliers and value-creating businesses.

Conduct CSR survey

To achieve sustainable procurement, Dainichiseika Group conducted a survey of its suppliers in the fiscal year ended March 31, 2023, using the CSR Procurement Self-Assessment Questionnaire (SAQ) created by the Supply Chain Subcommittee of the Global Compact Network Japan (GCNJ), and received responses from approximately 80% of suppliers. Through this initiative, we reconfirm the strengths and weaknesses of each supplier's CSR activities and request that the survey results be fed back to the supplier for corrective action to encourage them to continuously improve.

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 Dainichiseika Group customers.

Please refer to our website for "Purchasing Policy" and "CSR Procurement Standards". (Japanese Only)

<https://www.daicolor.co.jp/company/purchase/index.html>

Prevention of child labor and forced labor

Dainichiseika 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 discrimina-

tion, 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 child 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.

From the fiscal year ended March 31, 2022, eight substances, including natural mica, have been added to the list of surveyed substances, for a total of 13 substances.

G Corporate Governance

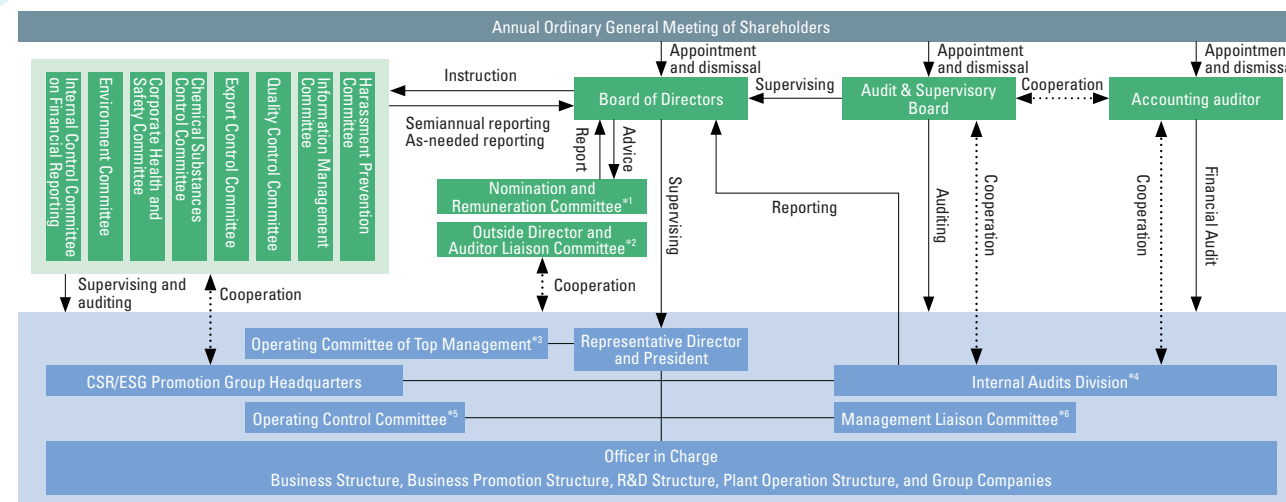
To win the trust of stakeholders, we must not merely comply with laws and regulations, but establish and continue to improve corporate governance that enables both higher-level checks and transparency. Recognizing ESG activities as active CSR activities, we are linking them to prompt and well-controlled decision-making and business execution through the accurate operation of the ESG promotion system.

Corporate governance system

At Dainichiseika Group, not only does the Board of Directors supervise the Representative Director and President, who plays a central role in business execution, and at the same time the Auditors and Audit & Supervisory Board supervise the Directors and Board of Directors, but eight independent committees supervise and audit the Representative Director and President and other departments in business execution in cooperation with the CSR and ESG Promotion Division.

The results are reported to the Representative Director and President and the Board of Directors twice a year on a regular basis, or as needed depending on the nature of the case, and at the same time, the Representative Director and President is given instructions on how to respond. In addition, the Internal Audits Division conducts audits of operations and reports the results to the Representative Director and President and the Board of Directors.

Corporate governance structure



*1 The Nomination and Remuneration Committee, with the aim of strengthening the fairness, transparency, and objectivity of its procedures, deliberates and reports mainly on decisions concerning the nomination and remuneration of directors and titled executive officers of the Company, based on consultations with the Representative Director and President or the directors. The Nomination and Remuneration Committee is composed of three or more directors by resolution of the Board of Directors, a majority of whom are outside directors, and the chairperson of the committee is selected from among the outside directors by mutual vote of the committee members.

*2 The Outside Director and Auditor Liaison Committee consists of Independent Outside Director and all Independent Audit & Supervisory Board Member, and serves as a forum for sharing information on the management and supervision of Dainichiseika Group, with a focus on matters to be discussed or reported at the Board of Directors, and for Independent Outside Director to exchange information from an independent standpoint.

*3 Operating Committee of Top Management: This committee is convened and chaired by the Representative Director and

President as occasion demands, and is held with the participation of the President & Representative Director, Directors at the managing director level and above, and other relevant parties involved in the deliberations as necessary.

*4 The Internal Audits Division, as an independent division of Internal Audit, is composed of staff members who are familiar with and have a high level of expertise in the business, and objectively verifies and evaluates the business from the viewpoint of legality and rationality.

*5 The Operating Control Committee is deliberating in an agile manner on Dainichiseika Group's medium-term management plans, budgets, and capital investments, and manages the profit and loss of business plans, flexibly convening the relevant directors and representatives of divisions or offices depending on the issue.

*6 The Management Liaison Committee informs the heads of each structure of the decision-making process and confirms the execution policy of each organizational unit with respect to the decision-making process, and receives reports on the status of business execution from each organizational unit to verify appropriateness.

Decision making and business execution system

Dainichiseika's Board of Directors consists of eight directors, three of whom are appointed from outside the company (one of whom is a woman) for a term of one year to strengthen the monitoring and supervision of decision-making from the perspective independent of management. Prior to the Board of Directors meeting, important matters identified through dialogue and information exchange with stakeholders, as well as matters related to the basic strategies of Dainichiseika Group, such as the formulation, progress reporting, and evaluation of the results of the medium-term management plan, etc., are fully deliberated by the Operating Committee of Top Management as necessary. Individual investment projects are verified in advance by the Operating Control Committee. Internal regulations have been established for the implementation of business operations

and to clarify the scope of responsibility according to job level and appropriately delegating authority to enable prompt decision-making.

Audit system

The Audit & Supervisory Board regularly exchanges information with the accounting auditor and Internal Audits Division to ensure the systematic and efficient implementation of the Auditing & Supervisory function.

Corporate auditors also attend Board of Directors and important internal meetings, seeking explanations and expressing their opinions as necessary. In addition, they inspect important approval documents, such as minutes and approval documents, to audit the execution of Directors' duties and ensure that Dainichiseika Group's operations are being conducted legally and appropriately.

*1 "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.

G Compliance

Dainichiseika 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 President and in cooperation with a committee chaired by the director in charge of the CSR/ESG Promotion Division, the committee conducts promotional activities to develop and maintain a compliance adherence system.

Promotion activities

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

The main activities are as follows;

- 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 and post-employment milestone years.
- Harassment training 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.



PLALLOY MTD B.V.
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.

In addition, in order to promote proper and fair subcontracting transactions and compliance with laws and regulations, the Company regularly holds briefing sessions on the Act against Delay in Payment of Subcontract Proceeds, Etc. to employees in charge of production, purchasing, and other divisions, and conducts e-learning education. In addition, we promote participation in external seminars sponsored by the Fair Trade Commission and the Small and Medium Enterprise Agency.

No violations of the Antimonopoly Law or the Subcontract Law arose during the fiscal year ended March 31, 2023.

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 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 fiscal year ended 31 March 2023.

Internal reporting system

The Corporate Ethics Hotline has been established by the CSR/ESG Promotion 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 Dainichiseika 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. Two internal reporting cases arose in the fiscal year ended March 31, 2023. Both cases were related to labor issues and involved no serious violations of laws, regulations, or company rules.

Tax compliance

Dainichiseika 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 (tax havens). 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 according to the business risks borne by the group companies and the functions and assets held by the group companies. We conduct a thorough review of tax risks in advance and seek to mitigate tax risks by providing expert advice and guidance as necessary.

G Risk Management

In order to manage group-wide risk issues across the board, Dainichiseika has organized the CSR/ESG Promotion Group Headquarters, headed by a director, to oversee overall risk. They identify risks that could significantly impact the group's management, assign management and oversight responsibilities, and work to ensure that risks are controlled and that countermeasures and responses are appropriately implemented as they emerge.

Risk management system

Dainichiseika Group has established Risk Management Regulations as internal rules. Each organizational unit in charge of business operations and management handles various risks. Risks assumed in the course of business activities are recognized by the Risk Management Committee based on regular internal surveys and interviews with management; risks better addressed as priority issues are identified and reported to the Board of Directors.

In addition, due to the nature of Dainichiseika Group's business of handling a wide variety of chemical substances and producing products, the committee promotes audits, supervision, and countermeasures as risks that should be addressed on an ongoing basis.

Potential risks in business activities

<Strategic risks>

1. Responding to changes in demand structure
2. Risks related to worldwide business activities
Risks related to political and geopolitical changes
3. Financial risks
Foreign exchange risk
Interest rate fluctuation risk

<Operational risk>

1. Risks related to purchasing
Raw material procurement risk, raw material and energy price fluctuation risk
2. Risks related to compliance
Chemical substance control risk, quality control risk
Product liability and indemnification risks
3. Information security risk
4. Risk of shortage of personnel and human assets

<Hazard risk>

1. Natural disasters, epidemics, etc.

BCP measures

Dainichiseika Group has established Crisis Management Regulations as internal regulations for responding to management crises, including large-scale disasters and the spread of infectious diseases, and has established a crisis management system and an initial disaster response system at its business sites. We are progressively developing alternative systems for major businesses and product supply, etc. However, based on lessons learned, such as the fact that circumstances do not always turn out as expected in the event of a large-scale disaster, we are developing business continuity measures through drills to ensure that we can respond quickly to various situations.

Approach to information security

Dainichiseika Group handles a wide range of information assets, including those related to our business partners, product formulations and manufacturing methods, company management, and personal information of officers and employees. Based on the Information Security Policy, we handle information assets with care and strive to raise awareness of information security through various training programs under an appropriate management system.

In the fiscal year ended March 31, 2023, no incidents of leakage of corporate or personal information arose within Dainichiseika Group.

Management system

Based on the Information Security Policy, Dainichiseika Group has established the Information Security Management Regulations and implements organizational measures, measures to be followed by officers and employees, and information security measures for information equipment.

As a management system to ensure the implementation of these measures, we have appointed a person in charge of Information Security Implementation for each division and business site that conducts the actual operations, an Information Security Manager to oversee the Information Security Implementation Manager, and a Chief Information Security Officer to oversee the entire Dainichiseika Group, thereby clarifying responsibilities and roles.

Initiatives

To transform our business, organization, operations, and processes, and to establish a competitive advantage in the future, Dainichiseika Group is promoting DX and implementing security measures, including appropriate access rights management, authentication and authorization for information systems, and computer virus countermeasures for information equipment.

In the fiscal year ended March 31, 2023, we conducted a security diagnosis through an outside professional business to objectively verify the adequacy of these efforts. As a result, we have recognized various areas for improvement and are working to improve productivity and reduce the risk of information leaks by promoting education and environmental improvements to ensure that executives and employees handle information appropriately based on sensitivity and by balancing the use of IT and information security measures.

G Board Members



List of directors, corporate auditors and titled executive officers (as of June 29, 2023)

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

1	Representative Director and President	Koji Takahashi	Office of the President, Secretarial Office, Internal Audits Division, and CSR/ESG Promotion Group Headquarters Administrator	Chief Information Security Officer
2	Representative Senior Executive Director	Yoshitaka Koshiro	Head of R&D Structure	
3	Managing Director	Masahiko Aoba	Head of Plant Operation Structure	Plant Operations Headquarters, Tokyo, Osaka, Tokai, Kawaguchi, and Bando Production Plants, Sakura Production Plant (UKIMA Chemicals & Color Mfg. Co., Ltd.), Composite Plant Engineering & Planning Division Administrator
4	Managing Director	Osamu Takeda	Head of Business Structure	Pigments Division, Coating Materials Division, Gravure Inks Division, Advanced Polymers Division, New Business Development Division, and Offset Inks Division Administrator
5	Director	Koji Sato	Head of Business Promotion Structure	Personnel & General Affairs Division, Public Relations Division, Central Purchasing Division, Overseas Business Division, East Japan Head Branch, Central Japan Head Branch, and West Japan Head Branch Administrator, IR Administrator
6	Outside Director	Yoshiaki Nakagawa		
7	Outside Director	Akiko Nagahama		
8	Outside Director	Susumu Kawase		
9	Audit & Supervisory Board Member (Standing)	Yoshiro Gamo		
10	Audit & Supervisory Board Member (Standing)	Shuichi Murata		
11	Outside Audit & Supervisory Board Member	Hidemi Yamaguchi		
12	Outside Audit & Supervisory Board Member	Ichiro Wakabayashi		
	Senior Managing Executive Officer	Tatsuhiko Komada	Sub-Head of Business Promotion Structure	Corporate Planning & Control Division, Corporate Finance & Accounting Division, Information Management System Division, Chief Financial Officer
	Managing Executive Officer	Taiyo Aoyagi	Sub-Head of R & D Structure	Organic Synthesis Research No. 1 Division, Organic Synthesis Research No. 2 Division, Application Research No. 1 Division, Application Research No. 2 Division, Technical Coordination Division
	Managing Executive Officer	Toshio Tani	Sub-Head of Plant Operation Structure	Narita Production Plant (Hi-Tech Chem Co., Ltd.), Kazo, Togo, Katano Production Plant (Dainichi Color Composite Co., Ltd.), Kyushu Production Plant (Kyusyu Dainichiseika Co., Ltd.), Kumamoto Production Plant (Kyushu Kako Co., Ltd.)
	Managing Executive Officer	Takahiro Shoda	Sub-Head of Business Structure	Specialty Colors Division, Plastic Colors No. 1 Division, Plastic Colors No. 2 Division

Skill matrix of directors and titled executive officers (as of June 29, 2023)

Name	Status	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
Koji Takahashi	Representative Director and President	●	●	●	●						●
Yoshitaka Koshiro	Representative Senior Executive Director	●	●				●			●	
Masahiko Aoba	Managing Director					●	●	●		●	●
Osamu Takeda	Managing Director	●						●	●		●
Koji Sato	Director	●		●	●	●					
Yoshiaki Nakagawa	Outside Director	●	●			●	●				●
Akiko Nagahama	Outside Director		●			●					●
Susumu Kawase	Outside Director	●	●				●		●	●	
Tatsuhiko Komada	Senior Managing Executive Officer		●	●	●			●		●	
Taiyo Aoyagi	Managing Executive Officer				●		●		●		●
Toshio Tani	Managing Executive Officer					●	●	●		●	
Takahiro Shoda	Managing Executive Officer	●							●	●	●



Board Members

Officer's remuneration

Based on recognition of the method for determining the basic policy regarding director remuneration as a key management matter, the Operating Committee of Top Management, comprised of the Representative Director and President and directors at the rank of managing director or higher, examines the design content of the remuneration system. The Company then consults 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 obtaining its report.

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. 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. Remuneration for outside directors consists of 1) Basic remuneration only. In determining the details of individual monetary 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. The policy 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 paid for the fiscal year ended March 31, 2023, total remuneration by type of remuneration, and number of directors and officers covered by the plan

Classification	Total remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of directors and corporate auditors subject to the plan (persons)
		Basic remuneration (fixed remuneration)	Bonus (monetary remuneration)	Stock remuneration (non-monetary remuneration)	
Directors (of which, outside directors)	213(23)	199(23)	—(—)	14(—)	9(4)
Audit & Supervisory Board Member (of which, outside corporate auditors)	45(13)	45(13)	—(—)	—(—)	4(2)
Total (of which, outside officers)	259(36)	244(36)	—(—)	14(—)	13(6)

* Includes one outside director who retired at the conclusion of the 119th Ordinary General Meeting of Shareholders held on June 29, 2022.



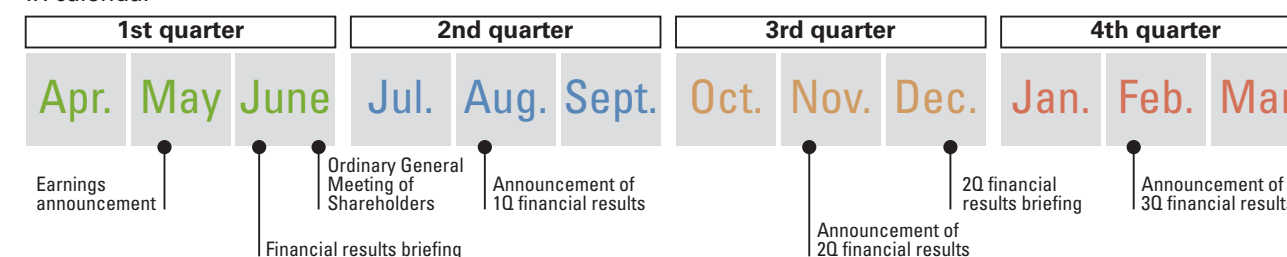
Dialogue with Shareholders and Investors

Promotion structure

Dainichiseika 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.

Since the announcement of the medium-term management plan in 2021, we have actively promoted IR activities, including company briefings and individual interviews. Through direct dialogue with shareholders and investors, we will promote understanding of Dainichiseika 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 fiscal year ended March 31, 2023

To provide institutional investors and sell-side analysts with a better understanding of Dainichiseika Group's business activities and ESG management initiatives, we held financial results briefings in June and December for the fiscal year ended March 31, 2023, to explain the progress of our

medium-term management plan, technology development strategy, ESG product sales expansion strategy, and overseas strategy, respectively. We aim to continue enhancing opportunities for dialogue and to disclose information in a timely, appropriate, and equitable manner.

Company briefing / Financial results briefing

Date	Type	Dainichiseika correspondents	Target	Number of participating institutional investors, etc.
June 2022	Financial results briefing	Representative Director and President, Executive Officer in charge of Accounting and Finance, etc.	Institutional investors, analysts, financial institutions, mass media	29 persons
December 2022	Financial results briefing	Representative Director and President, Executive Officer in charge of Accounting and Finance, etc.	Institutional investors, analysts, financial institutions, mass media	19 persons

Meetings with individual institutional investors

Holding period	Number of meetings (total)	Dainichiseika correspondents	Number of participating institutional investors (total)
From April 2022 to March 2023	13 times	Representative Director and President, Executive Officer in charge of Accounting and Finance Division, Head of Accounting and Finance Division, etc.	Overseas investors: 2 companies Domestic investors: 10 companies Securities companies: 1 company



Financial Results Briefing for the Fiscal Year Ended March 31, 2022

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>

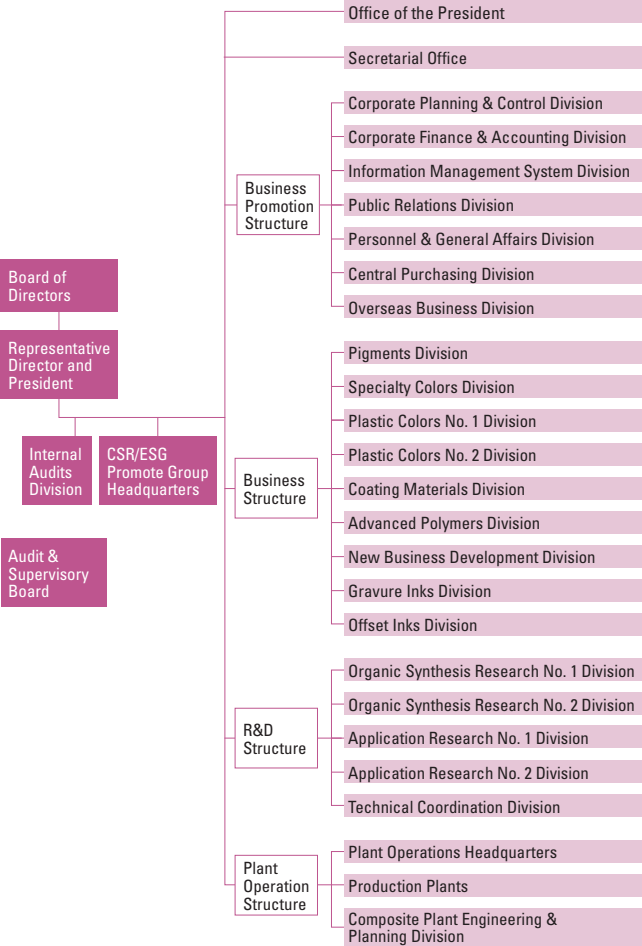


Company Profile

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 1,451 Including subsidiaries 3,666 (As of March 31, 2023)

Organizational schematic

As of June 29, 2023



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 122,030 shares)
Number of shareholders	5,059 (as of March 31, 2023)

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	Dainichiseika uses electronic public notices. (Dainichiseika'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.

Group Network

(As of June 29, 2023)

Domestic

Sales bases	Total 12 bases
East Japan Head Branch	Sales
Hokkaido Branch	Sales Production
Sendai Branch	Sales
Shizuoka Office	Sales
Fuji Office	Sales
Central Japan Head Branch	Sales
Hokuriku Branch	Sales
West Japan Head Branch	Sales
Okayama Branch	Sales
Hiroshima Branch	Sales
Shikoku Branch	Sales
Kyushu Branch (Kyusyu Dainichiseika Co., Ltd.)	Sales Production

Production and Technical Service Bases	Total 14 bases
Hokkaido Branch	Sales Production
Bando Production Plant	Production Engineering
Kawaguchi Production Plant	Production Engineering
Tokyo Production Plant	Production Engineering
Tokai Production Plant	Production Engineering
Osaka Production Plant	Production Engineering
Shiga Production Plant	Production Engineering
Sakura Production Plant (Sakura Production Plant, UKIMA Chemicals & Color Mfg. Co., Ltd.)	Production Engineering
Narita Production Plant (Hi-Tech Chem Co., Ltd.)	Production Engineering
Kazo Production Plant (Kazo Production Plant, Dainichi Color Composite Co., Ltd.)	Production Engineering
Togo Production Plant (Togo Production Plant, Dainichi Color Composite Co., Ltd.)	Production
Katano Production Plant (Katano Production Plant, Dainichi Color Composite Co., Ltd.)	Production
Kyushu Branch (Kyusyu Dainichiseika Co., Ltd.)	Sales Production
Kumamoto Production Plant (Kyushu Kako Co., Ltd.)	Production

Affiliated Companies

D.S.F Co., Ltd.	Other
Dainichiseika Kako Hanbai Co., Ltd.	Other
Color Planning Center Inc.	Other

Overseas

Asia	Total 13 bases
Dainichiseika(HK) Ltd.	Sales
Dainichiseika(HK) Colouring Co., Ltd.	Sales
Dainichiseika (Shenzhen) Trading Ltd.	Sales
Dongguan Dainichi Chemical Manufactory Co., Ltd.	Sales Production
Daicolor Shanghai Mfg. Co., Ltd.	Sales Production
Shanghai Mitsui Plastic Compounds Ltd.	Sales Production
Tai Chin Chemical Industry Co., Ltd.	Sales Production
AEOLIAN Corporation	Sales Production
Sambo Fine Chemicals Mfg. Co., Ltd.	Sales Production
PT. Hi-Tech Ink Indonesia	Sales Production
Dainichi Color Vietnam Co., Ltd.	Sales Production
Dainichi Color (Thailand) Ltd.	Sales Production
Dainichi Color India Private Ltd.	Sales Production
America	1 base
Hi-Tech Color, Inc.	Sales Production
Europe	Total 3 bases
Daicolor Italy S.R.L.	Sales
Plalloy MTD B.V.	Sales Production
Dainichiseika Color & Chemicals Mfg. Co., Ltd.	
Europe Representative Office	Other

Ten-Year Summary of Key Management Indicators

(Consolidated)

	Fiscal Year Ended March 31, 2014	Fiscal Year Ended March 31, 2015	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Profit and Loss										
Net sales*1 (millions of yen)	159,899	162,999	160,770	157,185	167,446	170,394	155,108	138,491	121,933	122,005
Operating income (millions of yen)	8,686	9,265	9,954	11,982	13,079	8,718	4,850	4,920	7,446	2,635
Ordinary income (millions of yen)	9,404	10,017	10,379	12,204	13,774	9,264	5,582	5,613	8,315	3,373
Net income attributable to owners of the parent (millions of yen)	6,015	5,662	3,946	9,950	8,361	3,876	3,977	6,343	6,166	2,007
Comprehensive income (millions of yen)	10,912	12,166	△376	13,519	10,177	658	1,267	9,165	8,210	5,343
Financial Position										
Total assets (millions of yen)	165,044	177,458	173,744	188,248	200,948	190,701	187,296	197,717	196,709	192,765
Net assets (millions of yen)	66,777	77,184	76,093	88,439	97,026	96,055	95,675	103,660	110,487	114,301
Equity ratio (%)	39.3	42.2	42.3	45.9	47.3	49.3	50.1	51.5	55.1	58.1
Cash Flows										
Cash flows from operating activities (millions of yen)	7,176	5,673	6,246	12,981	11,953	266	12,829	11,522	7,579	3,002
Cash flows from investing activities (millions of yen)	△6,243	△2,555	△2,720	△2,732	△8,624	△6,925	△3,552	△3,769	△6,643	△2,195
Cash flows from financing activities (millions of yen)	△3,357	△3,937	△6,180	△3,520	△4,810	△1,183	△3,026	△358	△11,424	△3,836
Cash and cash equivalents at end of period (millions of yen)	26,160	26,181	24,380	31,117	29,683	21,419	27,636	34,438	24,879	23,103
Per share information*2										
Net assets per share (yen)	699.49	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
Net income per share (yen)	64.79	60.99	42.51	535.98	450.33	208.81	214.24	341.95	333.70	108.58
Price earnings ratio (PER) (multiples)	7.4	10.1	10.6	7.0	9.7	14.5	11.0	7.2	6.2	16.4
Dividend per share (yen)	60.00	65.00	70.00	77.50	85.00	85.00	77.50	45.00	80.00	80.00
Dividend payout ratio (%)	18.5	21.3	32.9	14.5	18.9	40.7	36.2	13.2	24.0	73.7
Other Indicators										
Return on equity (ROE) (%)	9.9	8.1	5.3	12.5	9.2	4.1	4.2	6.5	5.9	1.8
Return on Assets (ROA) (%)	5.9	5.8	5.9	6.7	7.1	4.7	3.0	2.9	4.2	1.7
Number of employees (persons)	3,628	3,722	3,698	3,888	3,943	3,904	3,871	3,809	3,750	3,666

*1 Effective from the fiscal year ended March 31, 2022, the Company has adopted the Accounting Standard for Revenue Recognition.
*2 Adjusted for the effect of reverse stock split.