The 126th Business Term

Annual Securities Report

Fiscal year	From	January 1, 2023
	To	December 31, 2023

DIC Corporation

E00901

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
This is a translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

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(Note) Non-consolidated financial statements are included in the Japanese-language original.

[Cover]

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Part 1 Corporate Information

I. Overview of DIC Corporation ("the Company")

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

Fiscal Year		122nd	123rd	124th	125th	126th
Year end		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(Millions of yen)	768,568	701,223	855,379	1,054,201	1,038,736
Ordinary income	(Millions of yen)	41,302	36,452	43,758	39,946	9,216
Net income (loss) attributable to owners of parent	(Millions of yen)	23,500	13,233	4,365	17,610	(39,857)
Comprehensive income	(Millions of yen)	28,473	20,396	40,596	52,233	(11,609)
Net assets	(Millions of yen)	343,497	351,364	381,008	421,088	399,267
Total assets	(Millions of yen)	803,083	817,950	1,071,481	1,261,637	1,244,889
Shareholders' equity per share	(Yen)	3,304.34	3,364.92	3,654.61	4,088.60	3,844.70
Earnings (losses) per share (basic)	(Yen)	248.29	139.81	46.12	186.05	(421.06)
Earnings per share (diluted)	(Yen)	—	—	—	—	—
Shareholders' equity ratio to total assets	(%)	38.9	38.9	32.3	30.7	29.2
Return on Equity (ROE)	(%)	7.7	4.2	1.3	4.8	(10.6)
Price-earnings ratio	(Times)	12.2	18.6	62.8	12.5	—
Net cash provided by (used in) operating activities	(Millions of yen)	50,637	54,462	44,812	7,935	89,095
Net cash provided by (used in) investing activities	(Millions of yen)	(24,884)	(33,037)	(147,612)	(73,160)	(66,457)
Net cash provided by (used in) financing activities	(Millions of yen)	(26,799)	6,338	99,549	83,948	(2,920)
Cash and cash equivalents at end of the period	(Millions of yen)	16,690	41,354	37,572	62,560	84,642
Number of employees	(Persons)	20,513	20,242	22,474	22,743	22,255

(Notes)

1. Diluted earnings per share is not stated because there are no diluted shares.
2. Price-earnings ratio for 126th is not stated because loss per share was recorded.
3. The Company has introduced the Board Benefit Trust (BBT). The shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the number of shares issued as of the consolidated balance sheet date used for the calculation of equity per share includes the number of shares held by the trust. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings (losses) per share includes the number of shares held by the trust.

(2) Non-consolidated financial data, etc., of the Company

Fiscal Year		122nd	123rd	124th	125th	126th
Year end		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(Millions of yen)	219,849	195,403	231,550	246,495	239,771
Ordinary income	(Millions of yen)	12,660	7,093	23,966	13,720	1,729
Net income (loss)	(Millions of yen)	17,663	6,930	29,811	10,287	(3,338)
Capital stock	(Millions of yen)	96,557	96,557	96,557	96,557	96,557
Number of shares issued (common stock)	(Thousands of shares)	95,157	95,157	95,157	95,157	95,157
Net assets	(Millions of yen)	297,940	300,089	319,291	318,147	300,203
Total assets	(Millions of yen)	688,683	691,051	829,904	880,585	886,495
Shareholders’ equity per share	(Yen)	3,147.97	3,170.49	3,373.21	3,361.20	3,171.41
Cash dividends per share [Interim dividend per share]	(Yen)	100.00 [60.00]	100.00 [50.00]	100.00 [50.00]	100.00 [50.00]	80.00 [50.00]
Earnings (losses) per share (basic)	(Yen)	186.62	73.22	314.94	108.68	(35.26)
Earnings per share (diluted)	(Yen)	—	—	—	—	—
Shareholders’ equity ratio to total assets	(%)	43.3	43.4	38.5	36.1	33.9
ROE	(%)	6.0	2.3	9.6	3.2	(1.1)
Price-earnings ratio	(Times)	16.3	35.6	9.2	21.4	—
Dividend payout ratio	(%)	53.6	136.6	31.8	92.0	—
Number of employees	(Persons)	3,593	3,662	3,681	3,744	3,973
Total shareholder return	(%)	93.0	83.2	94.8	80.9	96.5
[Comparison index: TOPIX including dividends]	(%)	[118.1]	[126.8]	[143.0]	[139.5]	[178.9]
Highest stock price	(Yen)	3,635	3,130	3,380	3,100	2,820.5
Lowest stock price	(Yen)	2,534	1,833	2,492	2,206	2,245

(Notes)

1. Diluted earnings per share are not stated because there are no diluted shares.
2. Price-earnings ratio and dividend payout ratio for 126th are not stated because loss per share was recorded.
3. The Company has introduced the Board Benefit Trust (BBT) and the shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the number of shares issued as of the balance sheet date used for the calculation of equity per share includes the number of shares held by the trust. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings (loss) per share includes the number of shares held by the trust.
4. The highest and lowest share prices were recorded on the Tokyo Stock Exchange (Prime Market) on and after April 4, 2022, and prior to that, on the Tokyo Stock Exchange (1st Section).

2. History

Month/Year	Event
February 1908	Kawamura Ink Manufactory is established. (Changes company name to Kawamura Kijuro Shoten in 1912)
May 1932	Shanghai Branch opened.
February 1937	Incorporates Dainippon Printing Ink Manufacturing Co., Ltd.
March 1945	Head office (main plant) is relocated from Honjo to Itabashi (currently Tokyo Plant).
May 1950	Has initial public offering on the Tokyo Stock Exchange. (Assigned to the First Section of the exchange in 1961.)
February 1952	Japan Reichhold Chemicals Inc. (JRC) is established through a joint venture with Reichhold Chemicals, Inc., a U.S. manufacturer of synthetic resins, to manufacture and sell various types of synthetic resins.
July 1960	Establishes Thailand Wathana Industry as a joint venture and starts printing ink production in the suburbs of Bangkok in 1962.
November 1960	JRC goes public over the counter.
November 1961	JRC lists its shares on the Second Section of the Tokyo Stock Exchange.
October 1962	Absorbs JRC and changes company name to Dainippon Ink and Chemicals, Incorporated (DIC).
January 1968	DIC-Hercules is formed as a joint venture between DIC and Hercules Inc. of U.S. to operate paper making chemicals business. (In 1992, DIC purchased Hercules Inc.'s entire stake in DIC-Hercules and renamed it as Japan PMC Corporation. In 2003, Japan PMC merged with Seiko Chemical Industries Co., Ltd. to form SEIKO PMC CORPORATION, now a subsidiary of DIC.)
May 1968	Establishes Singapore Dainippon Ink.
October 1968	Develops production method for epoxy resins using an innovative home-grown technology that makes effective use of petroleum fractions.
May 1973	Develops high-performance, long-lasting nematic liquid crystals (LCs).
March 1974	Siam Chemical industry Co., Ltd. was formed as a joint venture in Thailand.
July 1974	Launches spirulina-based nutritional supplement.
March 1979	Acquires U.S. graphic arts materials manufacturer, Polychrome Corp.
October 1980	Introduced polyphenylene sulfide (PPS) compounds technology from Phillips Petroleum.
December 1986	In a bid to reinforce its global competitiveness, DIC acquires the graphic arts materials division of U.S. firm Sun Chemical.
September 1987	Acquires Reichhold Chemicals Inc. of the United States.
December 1996	Japan PMC (now SEIKO PMC) is listed on the Second Section of the Tokyo Stock Exchange.
December 1997	Establishes Kodak Porychrome Graphics (KPG), a joint venture with Eastman Kodak of United States, to operate printing material business.
December 1999	Acquires Coates, the printing inks division of France's TOTALFINA.
July 2003	Establishes DIC (China) Co., Ltd., a holding company for DIC Group companies in the People's Republic of China (PRC).
April 2005	Redeems capital interest in joint venture KPG.
September 2005	Sells stake in Reichhold.
April 2008	On the occasion of its 100-year anniversary, changes company name to DIC Corporation
October 2009	Establishes DIC Graphics Corporation, joint venture with Dai Nippon Printing Co., Ltd. (DNP) integrating DIC's domestic printing ink business and DNP's printing ink business.
January 2012	SEIKO PMC is listed on the First Section of the Tokyo Stock Exchange.
July 2012	Acquires Benda-Lutz Group and enters the effect pigment business on a full scale.
July 2015	Acquires Kingfisher Colours Limited and enters the cosmetic pigment business on a full scale.
January 2017	Enters capital and business alliance with Taiyo Holdings Co., Ltd.
June 2021	Acquires pigments business (Colors & Effects business) from BASF.
April 2022	Transitions from the First Section of the Tokyo Stock Exchange to the new Prime Market following the reorganization of the exchange's market segments.

3. Description of Business

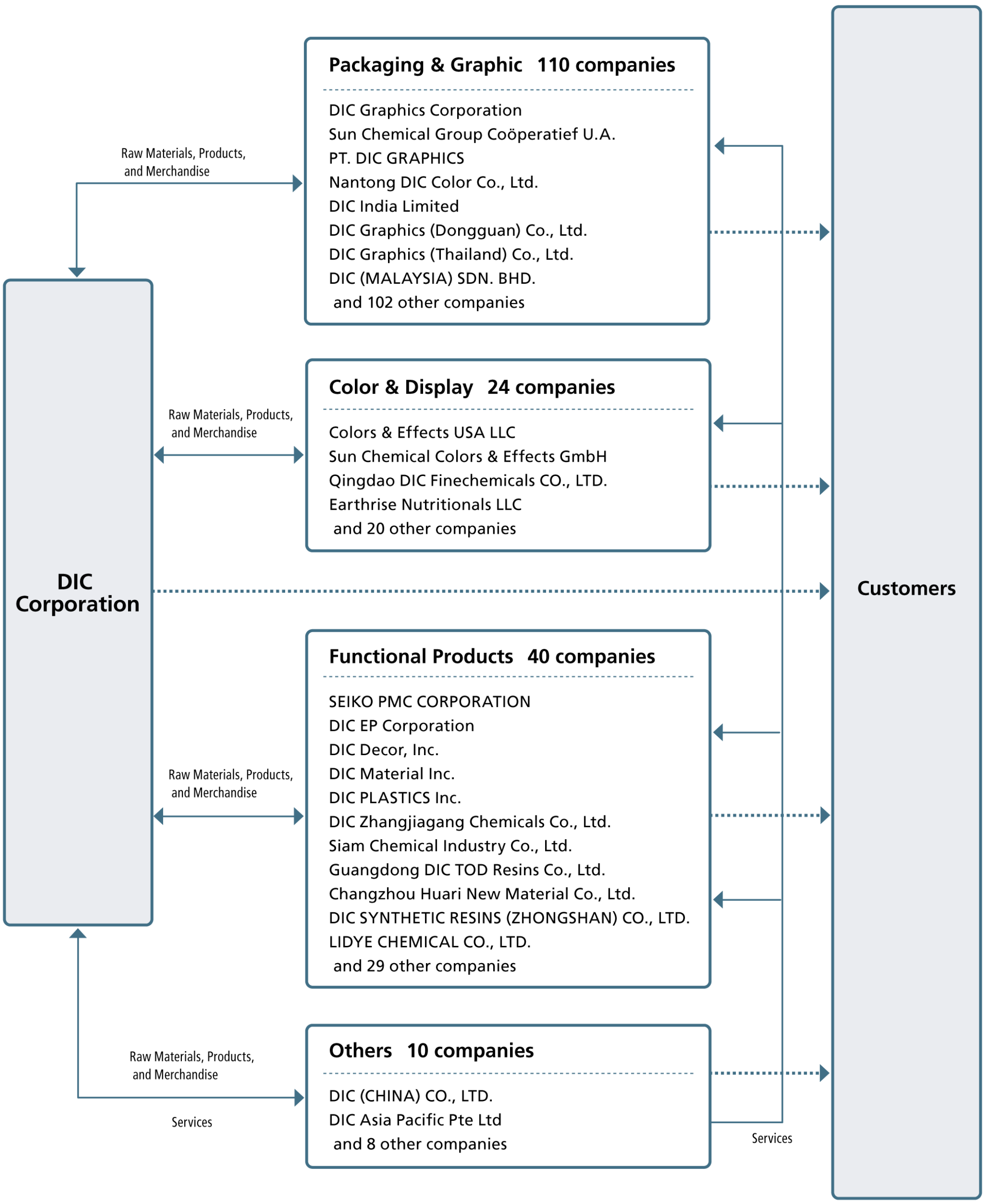
DIC Group ("the Group") consists of DIC Corporation, 166 subsidiaries and 18 affiliates.

The main businesses of DIC Group are as follows:

The following three segments are the same as those stated in "V. Financial Information 1. Consolidated Financial Statements. (1) Consolidated Financial Statements Notes."

Segment	Product Division	Principal Products
Packaging & Graphic	Printing Materials	Gravure inks, flexo inks, offset inks, news inks, jet inks, metal decorative inks, printing plates, security inks
	Packaging Materials	Polystyrene, packaging adhesives, multilayer films
Color & Display	Color Materials	Pigments for coatings, pigments for plastics, pigments for printing inks, pigments for specialty applications, pigments for color filters, pigments for cosmetics, health foods
	Display Materials	TFT liquid crystals, STN liquid crystals
Functional Products	Performance Materials	Synthetic resins for inks and coatings, molded products, adhesives and textiles (polyester resins, epoxy resins, polyurethane, acrylic resins, plasticizers, phenolic resins), papermaking chemicals, sulfur chemicals, fiber and textile colorants, metal carboxylates, surfactant for electronics equipment
	Composite Materials	PPS compounds, plastic colorants, industrial adhesive tapes, hollow-fiber membranes and modules, medical diagnostics products

The above is shown in the following structure.



4. Subsidiaries and Affiliates

(1) Consolidated subsidiaries

Name	Location	Capital Stock (Millions of yen)	Description of Business	Ownership of Voting Rights (%)	Details of Relationship
Packaging & Graphic					
DIC Graphics Corporation	Chuo-ku, Tokyo	500	Manufacture and sale of printing inks	66.6	The company purchases raw materials for printing ink from the Company. Interlocking directors, etc.: Yes Guaranteed liabilities: Yes
Sun Chemical Group Coöperatief U.A.	Weesp, Netherlands	— (Eur 2,469,852 thousand)	Investments and loans to Sun Chemical Group companies	100.0 (100.0)	Interlocking directors, etc.: Yes
Sun Chemical Corp.	New Jersey, U.S.A.	US $ 500,001 thousand	Manufacture and sale of printing inks and organic pigments	100.0 (100.0)	Interlocking directors, etc.: Yes
PT. DIC GRAPHICS	Jakarta, Indonesia	IDR 450,969 million	Manufacture and sale of printing inks and organic pigments	100.0 (100.0)	The company sells organic pigments to the Company. Interlocking directors, etc.: Yes
Nantong DIC Color Co., Ltd.	Nantong, PRC	RMB 401,244 thousand	Manufacture and sale of printing inks, ink intermediates, and organic pigments	100.0 (100.0)	The company purchases raw materials for printing ink from the Company. Interlocking directors, etc.: Yes
DIC India Limited	Kolkata, India	Rs 91,789 thousand	Manufacture and sale of printing inks	71.8 (71.8)	The company purchases raw materials for printing ink from the Company. Interlocking directors, etc.: Yes
DIC Graphics (Dongguan) Co., Ltd.	Dongguan PRC	RMB 126,000 thousand	Manufacture and sale of printing inks	100.0 (100.0)	Interlocking directors, etc.: Yes
DIC Graphics (Thailand) Co., Ltd.	Bangkok, Thailand	Baht 637,000 thousand	Manufacture and sale of printing inks, fiber and textile colorants, and plastic colorants	100.0 (100.0)	The company purchases raw materials for printing ink from the Company. Interlocking directors, etc.: Yes
DIC (MALAYSIA) SDN. BHD.	Selangor, Malaysia	MYR 57,436 thousand	Manufacture and sale of printing inks	100.0 (100.0)	The company purchases raw materials for printing ink from the Company. Interlocking directors, etc.: Yes
Other 93 companies					
Color & Display					
Colors & Effects USA LLC	New Jersey, U.S.A.	— (US$ 484,602 thousand)	Manufacture and sale of pigments and related products	100.0 (100.0)	Interlocking directors, etc.: Yes
Sun Chemical Colors & Effects GmbH	Ludwigshafen am Rhein, Germany	Eur 26 thousand	Manufacture and sale of pigments and related products	100.0 (100.0)	Interlocking directors, etc.: Yes
Qingdao DIC Finechemicals CO., LTD.	Qingdao, PRC	RMB 93,646 thousand	Manufacturing, sales of liquid crystal materials and R&D	100.0 (100.0)	Interlocking directors, etc.: Yes
Earthrise Nutritionals LLC	California, U.S.A.	US $ 16,700 thousand	Manufacture and sale of spirulina-related products	100.0 (100.0)	The company sells spirulina products to the Company. Interlocking directors, etc.: Yes Loans receivable: Yes
Other 18 companies					

Name	Location	Capital Stock (Millions of yen)	Description of Business	Ownership of Voting Rights (%)	Details of Relationship
Functional Products					
SEIKO PMC CORPORATION	Chuo-ku, Tokyo	2,000	Manufacture and sale of papermaking chemicals and products for printing ink and recording materials	54.5	The company sells raw materials for printing inks to the Company. Interlocking directors, etc.: Yes Loans receivable: Yes
DIC EP Corporation	Sodegaura-city, Chiba	100	Manufacture and sale of PPS neat polymers and large modules for water treatment	100.0	The company sells raw materials for PPS compounds and large membrane modules for water to the Company. Interlocking directors, etc.: Yes Loans receivable: Yes
DIC Decor, Inc.	Okegawa-city, Saitama	480	Manufacture and sale of decorative boards, interior housing products, coatings for building materials and decorative sheets	100.0	The company purchases coatings for building materials from the Company. Interlocking directors, etc.: Yes Guaranteed liabilities: Yes
DIC Material Inc.	Chuo-ku, Tokyo	450	Manufacture and sale of unsaturated polyester resins and vinyl ester resins	100.0	The company purchases raw materials for synthetic resins from the Company. Interlocking directors, etc.: Yes
DIC PLASTICS Inc.	Saitama-city, Saitama	100	Manufacture and sale of plastic molded products	100.0	Interlocking directors, etc.: Yes Guaranteed liabilities: Yes
DIC Zhangjiagang Chemicals Co., Ltd.	Zhangjiagang, PRC	RMB 206,686 thousand	Manufacture and sale of synthetic resins and PPS compounds	100.0 (100.0)	The company purchases raw materials for synthetic resins from the Company. Interlocking directors, etc.: Yes
Siam Chemical Industry Co., Ltd.	Bangkok, Thailand	Baht 130,000 thousand	Manufacture and sale of synthetic resins	100.0 (64.0)	The company purchases raw materials for synthetic resins from the Company. Interlocking directors, etc.: Yes
Guangdong DIC TOD Resins Co., Ltd.	Shaoguan, PRC	RMB 130,000 thousand	Manufacture and sale of synthetic resins	100.0 (100.0)	Interlocking directors, etc.: Yes
Changzhou Huari New Material Co., Ltd.	Changzhou, PRC	RMB 127,019 thousand	Manufacture and sale of synthetic resins	100.0 (100.0)	Interlocking directors, etc.: Yes
DIC SYNTHETIC RESINS (ZHONGSHAN) CO., LTD.	Zhongshan, PRC	RMB 135,498 thousand	Manufacture and sale of synthetic resins and metal carboxylate	100.0 (100.0)	The company purchases raw materials for synthetic resins from the Company. Interlocking directors, etc.: Yes
LIDYE CHEMICAL CO., LTD.	Taipei, Taiwan	NT $ 160,000 thousand	Manufacture and sale of synthetic resins	51.0	The company sells synthetic resins to the Company. Interlocking directors, etc.: Yes
Other 21 companies					
Others					
DIC INVESTMENTS JAPAN, LLC.	Chuo-ku, Tokyo	91	Investments and loans to group companies	100.0	Interlocking directors, etc.: Yes
DIC (CHINA) CO., LTD.	Shanghai, PRC	RMB 2,335,469 thousand	Investments and loans to group companies in China region	100.0	Interlocking directors, etc.: Yes
DIC Asia Pacific Pte Ltd	Singapore, Singapore	S $ 310,161 thousand	Investment, loans to group companies in Asia-Oceania region and manufacture and sale of The Company products	100.0	Interlocking directors, etc.: Yes
Other 7 companies					

(2) Equity-method affiliates

Name	Location	Capital Stock (Millions of yen)	Description of Business	Ownership of Voting Rights (%)	Details of Relationship
TAIYO HOLDINGS CO., LTD.	Hiki-gun, Saitama	9,903	Set TAIYO Group's broad strategic direction and manage its subsidiaries, R&D, etc.	20.1	Interlocking directors, etc.: Yes
SUNDIC Inc.	Chuo-ku, Tokyo	1,500	Manufacture and sale of plastic sheets	50.0	The company purchases raw materials for plastic sheets from the Company. Interlocking directors, etc.: Yes
Other 16 companies					

(Notes)

1. There are six companies that are defined as specified subsidiaries: Sun Chemical Group Coöperatief U.A., Sun Chemical Corp., DIC Asia Pacific Pte Ltd, DIC (CHINA) CO., LTD., Colors & Effects USA LLC, and DIC INVESTMENTS JAPAN, LLC.
2. The company that submits annual securities report: TAIYO HOLDINGS CO., LTD.
3. With respect to group companies for which capital stock or the amount corresponding to capital stock is zero, capital surplus (or an amount equivalent to capital surplus) is indicated in parentheses ( ) in the column of capital stock.
4. The figures in parentheses ( ) in the column of ownership of voting rights indicate the indirect ownership percentage.
5. There are no group companies with liabilities in excess of assets that have a material impact on the consolidated financial statements.
6. SEIKO PMC CORPORATION has acquired all of the shares in SEIKO PMC held by the Company from the Company through the share repurchase, and was no longer a consolidated subsidiary of the Company after the transaction.
7. Sun Chemical Group Coöperatief U.A.'s net sales (excluding intercompany sales among consolidated companies) account for more than 10% of consolidated net sales and its financial data is as follows. Sun Chemical Group Coöperatief U.A. is settled on a consolidated basis. The following major profit and loss information is also consolidated.

		(Millions of yen)
Sun Chemical Group Coöperatief U.A.	Net sales	542,861
	Ordinary loss	(4,787)
	Net loss	(40,382)
	Net assets	287,708
	Total assets	535,609

5. Employees

(1) Consolidated basis

As of December 31, 2023

Segment	Number of employees
Packaging & Graphic	10,320
Color & Display	4,309
Functional Products	5,623
Others	485
Corporate	1,518
Total	22,255

(2) Non-consolidated basis

As of December 31, 2023

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
3,973	44.7	19.5	7,537,761

Segment	Number of employees
Packaging & Graphic	451
Color & Display	361
Functional Products	1,643
Corporate	1,518
Total	3,973

(Note) Average annual salary includes extra wages and bonuses.

(3) Relationship with labor unions

Labor unions and management maintain amicable relationships based on mutual understanding, and there are no particular matters to disclose.

(4) Percentage of female employees in management positions, percentage of male employees taking childcare leave and gender pay gap

(a) Non-consolidated basis

Fiscal year ended December 31, 2023				
Percentage of female employees in management positions (%)[1]	Percentage of male employees taking childcare leave (%)[2]	Gender pay gap (%)[1]		
		All employees[3]	Regular employees[4]	Non–regular employees[5]
7.5	82.4	67.1	76.4	52.4

(Notes)

1. This percentage was calculated based on the provisions of Japan's Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. This percentage was calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) and represents the percentage of total employees that took childcare or caregiver leave as stipulated in Article 71-4 (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Health, Labour and Welfare (MHLW) Ordinance No. 25 of 1991).
3. While a high 28.0% of male employees were in management positions, this was true for only 6.6% of female employees. A high 28.4% of female employees are non-regular employees, while only 10.9% of male employees are non-regular employees. The resulting gender pay gap for all employees (pay for female employees as a percentage of that for male employees) was 67.1%. A comparison of pay by specific employment type and pay grade showed no significant difference in pay for male and female employees.
4. The gender pay gap in base salary for non-management regular employees was 101.3%.
5. Among non-regular employees, the percentage of male employees that are reemployed in management positions or employees with specialized expertise, i.e., doctors and lawyers, is high, while for female employees the percentage reemployed in part-time or support positions is high. As a consequence, the gender pay gap for non-regular employees is 52.4%.

(b) Consolidated basis

Fiscal year ended December 31, 2023					
Name	Percentage of female employees in management positions (%)[1]	Percentage of male employees taking childcare leave (%)	Gender pay gap (%)[1]		
			All employees	Regular employees	Non–regular employees
DIC Graphics Corporation	0.0	100.0[3]	72.6	72.4	88.3
SEIKO PMC CORPORATION	3.3	60.0[2]	71.1	75.1	66.4
KJ Chemicals Corporation	10.0	100.0[2]	—	—	—
DIC EP Corp.	8.3	—	—	—	—
DIC Kitanihon Polymer Co., Ltd.	—	100.0[2]	—	—	—
DIC Plastics, Inc.	—	100.0[2]	—	—	—
DIC Decor, Inc.	13.3	50.0[2]	—	—	—

(Notes)

1. This percentage was calculated based on the provisions of Japan's Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. This percentage was calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) and represents the percentage of total employees that took childcare leave as stipulated in Article 71-4 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (MHLW Ordinance No. 25 of 1991).
3. This percentage was calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) and represents the percentage of the total labor force that took childcare leave or other leave for childcare as stipulated in Article 71-4 (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (MHLW Ordinance No. 25 of 1991).

II. Business Overview

1. Basic Management Policy, Business Environment, and Challenges to be Addressed.

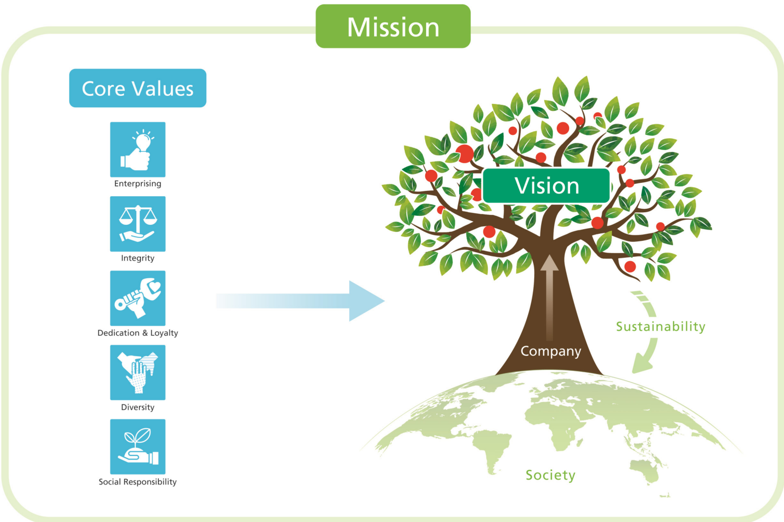
As all forward-looking statements in this document are based on judgments as of the end of the current fiscal year, achievement is not guaranteed.

(1) Basic management policy

The DIC Group’s basic management philosophy is based on the DIC Way, expressed in three elements: Our Mission, Vision, and Core Values.

Our Mission expresses our ultimate purpose as a company. Our Vision expresses the direction we must follow to realize our Mission. Our Core Values express the actions Group members strive to embody and serve as guidelines for the concrete daily actions needed to realize our Mission.

The DIC Way



Mission

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

Vision

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

Core Values

Enterprising, Integrity, Dedication & Loyalty, Diversity, and Social Responsibility.

(2) The Group’s business environment and challenges to be addressed

The Company has identified five priority business areas in which the Group will leverage its competitive strengths to contribute to a society that is green, digital and quality of life (QOL)-oriented. The Group is concentrating its allocation of management resources in these areas in line with the basic strategies of its DIC Vision 2030 long-term management plan, which places a priority on two central goals: “Build a business portfolio that contributes to sustainable prosperity for society” and “Help achieve sustainability for the global environment and for society.”

1. Basic Strategies of DIC Vision 2030

・Business portfolio transformation

(1) Identify and concentrate allocation of management resources in five priority business areas (sustainable energy, healthcare, smart living, color science and sustainable packaging)

(2) Five strategies to transform the business portfolio

① Reinforce management of human capital
② Make strategic investments
③ Enhance the technology platform
④ Establish a more robust global management configuration
⑤ Promote information technology (IT) and digital transformation (DX)

・Sustainability strategies

(1) Work to expand sustainable products
(2) Reduce CO2 emissions
(3) Respond to a circular economy

2. Revision of DIC Vision 2030

The Company has positioned the four years from fiscal year 2022 through fiscal year 2025 as Phase 1 of DIC Vision 2030, a period of foundation building to facilitate realization of the Company’s vision of itself for the future. During this phase, the Company has been exploring numerous possible new businesses by investing in multiple R&D themes and making acquisitions. While some of these efforts have thus far met with success, new businesses have not become profitable as quickly as envisaged for Phase 1 and results have therefore deviated from initial expectations because of the resulting dispersal of management resources and delays in selecting from among diverse themes. Furthermore, rapid changes in the business environment—including increasing geopolitical risks and rising inflation worldwide—subsequent to the formulation of DIC Vision 2030 have made the achievement of Phase 1 goals very challenging. In light of these factors, the Company took the decision to revise its targets for fiscal year 2025, the final year of Phase 1. Targets for fiscal year 2030, the final year of the plan, will be given careful consideration and will be disclosed at the formulation stage of Phase 2, which will begin in fiscal year 2026.

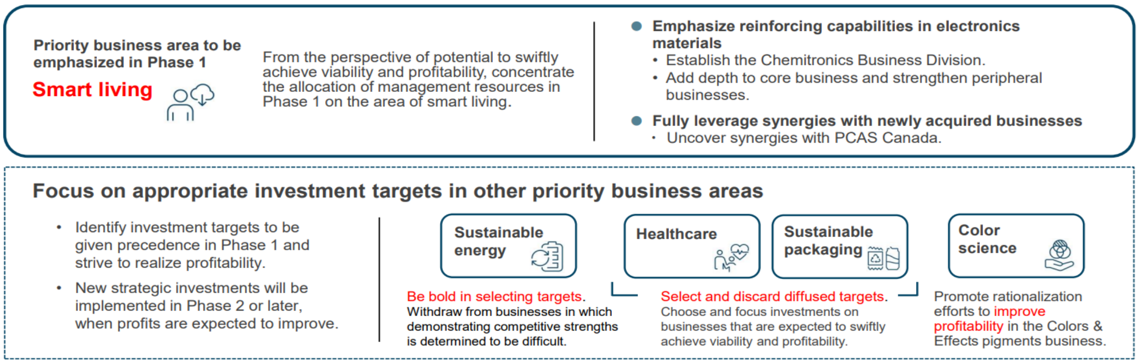
・New targets for fiscal year 2025 (final year of Phase 1)

(Billions of yen)	Original targets	Revised targets
Net sales	1,100	1,150
Operating income	80	40

The target for net sales is up, owing to successful moves to pass on rising raw materials costs by adjusting sales prices. The revised target for operating income is down significantly, as synergies with newly acquired businesses and the benefits of structural reforms are taking longer than expected and are now projected to manifest from fiscal year 2026 forward, prompting the Company to modify the target to a more realistic level. Efforts in fiscal year 2026 will center on achieving record-level operating income, and on a realizing a sound financial structure and bolstering returns to shareholders.

・Seek to generate profits promptly and reliably

Having reflected seriously on the dispersal of management resources and delay in selecting themes in recent years, and to ensure the efficient allocation of management resources, the Company has positioned smart living as the most important of the aforementioned five priority business areas and has resolved to concentrate its management resources in this area. The Company will strive to reinforce its capabilities in the area of electronics materials, as well as to fully leverage synergies with newly acquired PCAS Canada Inc., a manufacturer of materials used in semiconductor fabrication, with the aim of yielding swift and consistent results. In its remaining four priority business areas (sustainable energy, healthcare, color science and sustainable packaging) , the Company will focus on promptly realizing profitability for newly acquired businesses through further rationalization and the pursuit of synergies.



・Expand and add depth to the Chemitronics business

In line with its goal of concentrating its allocation of management resources in the electronics materials business, the Company has designated businesses centered on chemicals and materials for electronics applications “Chemitronics,” and in January 2024 the Company established the Chemitronics Business Division.

The new division has created integrated production, sales and R&D configurations and will take steps to expedite decision making with the objective of expanding its electronics materials business, a rapidly evolving field that demands swift responsiveness.

The division has also adopted a “Direct to Society” business creation mechanism, which seeks to create new businesses by envisaging future needs and providing solutions and value (materials, devices and services) directly to society, enabling it to focus management resources to help broaden its Chemitronics business portfolio.

Additionally, the Company will step up efforts to offer distinctive solutions in the semiconductor packaging field, notably in such areas as heat-resistant resins for power semiconductors and polymers for advanced semiconductor resists, as well as in the area of products for cutting-edge electronics components, including materials that can be easily joined and disassembled, low-dielectric resins for 5G/6G-compatible devices and bonding materials for next-generation batteries.

2. Approach to Sustainability and our Initiatives

This section outlines the Group's approach to sustainability and its related initiatives. Forward-looking statements herein reflect projections based on information available as of December 31, 2023, and are not guarantees of future performance.

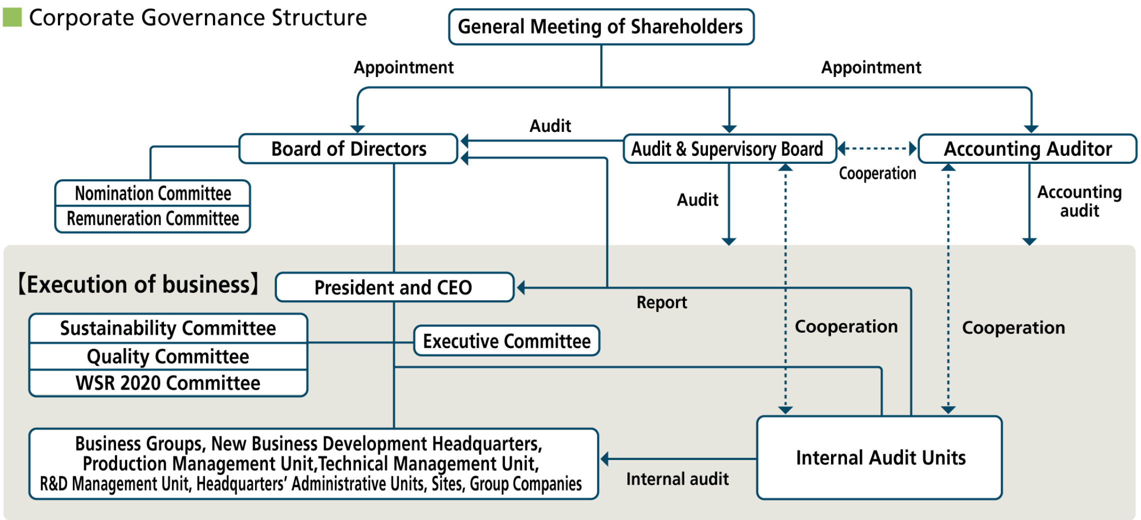
(1) Elements of Sustainability

1. Governance

The Group has established a basic sustainability policy (partially revised in March 2019), which outlines the Group's dedication to conducting its business while retaining a strong commitment to five key concepts: 1) preserving safety and health, 2) managing risks, 3) ensuring fair business practices and respect for diversity and human rights, 4) maintaining harmony with the environment and advancing its protection, and 5) creating value for society through innovation and contributing to ongoing economic growth. To this end, the Group has established the Sustainability Committee, which answers directly to the President and CEO and is responsible for formulating responses to key social imperatives. The committee is also tasked with deliberating on critical related matters, notably efforts to reinforce sustainability initiatives.

Sustainability Committee meetings are attended by committee members, that is, the President and CEO (Committee Chair), Executive Vice President, general managers/heads of the administrative units (including the Production Management Unit, Technical Management Unit, Corporate Strategy Unit, General Affairs and Legal Unit, Finance and Accounting Unit and ESG Unit), as well as the CEOs of overseas regional headquarters, presidents of the business groups and general managers of the product divisions. As part of the auditing process, one Audit & Supervisory Board member also participates. The committee meets four times annually and reports the results of its deliberations on all agenda items to the Board of Directors ensuring appropriate supervision.

The Sustainability Working Group was established as a subordinate entity of the Sustainability Committee. In accordance with the basic sustainability policy, the working group has established a sustainability framework comprising 13 key themes, which are categorized as basic themes, themes that demonstrate unique capabilities and themes that combine elements of the previous two classifications. Under this framework, the Group implements a broad range of global initiatives that take into account its responsibility to ensure proper product stewardship, as well as its position as a leading manufacturer of fine chemicals.
In line with its basic sustainability policy, the Group has formulated medium-term (fiscal years 2022–2025) policies and creates annual activity plans for each of its key sustainability themes. Individual business groups, product divisions, sites, and DIC Group companies in Japan and in other countries and territories are charged with pursuing effective sustainability programs by formulating their own activity plans based on the Group's plan. Reports on the results thereof, and on the challenges faced by divisions/ departments in charge, are given at meetings of the Sustainability Working Group, thereby guaranteeing experiences are reflected in sustainability activity plans for the subsequent fiscal year. This ensures that the Group's policies permeate individual organizations and labor forces, and that sustainability initiatives align with business targets.



2. Risk Management

In this age of unprecedented uncertainties caused by technological innovation, diversifying values, invasions and pandemics, effectively managing risks is crucial to increasing value.

The Group also identifies material issues, that is, issues with the potential to significantly affect its performance over the medium to long term. The Group strives to respond to these issues consistently and efficiently and to harness positive outcomes in conducting its operations. Material issues and related initiatives are disclosed in the DIC Report, published in 2023. The Group sees material issues related to climate change and maximizing the value of human capital as being of particular importance.

Material Issues and Related Initiatives

1 Transformation to a business portfolio that contributes to sustainable prosperity for society

Shift to a business portfolio focused on five priority business areas that deliver social value.

(Focus on the five priority business areas set forth in DIC Vision 2030.)
(For more information, please see pages 3–4, 7–8, 11–12 and 36–38.)

2 Contribution to the realization of carbon neutrality

Advance CO_2 emission reductions in the market and provide products and services that contribute to decarbonization.

(Work to reduce Scope 1 and 2 CO_2 emissions and to lower product carbon footprint.)
(For more information, please see pages 86–95 and 119–121.)

3 Creation of new businesses with the potential to become mainstays

Ensure a better future for people's lives and the environment and realize greater social benefits that enhance shareholder value.

(Identify areas at the intersection of ESH-related issues and social changes and the DIC Group's core competencies and foster new businesses.)
(For more information, please see pages 27 and 37–38.)

4 Promotion of efforts to maximize the value of human capital

Build a strategic human resources portfolio that maximizes the value of human capital through medium- to long-term efforts to foster human resources.

(Ensure mobility, improve engagement and organizational cohesiveness, and encourage ongoing efforts to increase diversity and reform work styles.)
(For more information, please see pages 10 and 98–118.)

5 Establishment of a more robust global management configuration

Accelerate global expansion in priority business areas.

(Advance global management governance, foster and strengthen management personnel, and create a global ERP system.)
(For more information, please see pages 17–27.)

6 Promotion of DX

Leverage digital technologies and data to provide new added value and strengthen the DIC Group's business structure.

(Innovate business processes, work styles and business models, and revamp the DIC Group's corporate culture and business structure.)
(For more information, please see pages 31 and 41–43.)

7 Response to a circular economy

Contribute to the realization of a waste-free society that does not depend on resource consumption as part of a greater global effort to address climate change.

(Foster products that help reduce CO_2 emissions in categories 1 and 12 of Scope 3, and advance chemical and material recycling.)
(For more information, please see pages 22, 39–41 and 68–72.)

8 Creation of a sustainable supply chain

Encourage responsible procurement that takes into account global human rights issues, as well as environmental issues such as climate change and water risk.

(Promote awareness of the current status of raw materials and appropriate responses to country risk and various supply disruption risks, and to issues regarding environmental soundness.)
(For more information, please see pages 43, 93–94, 111 and 119–121.)

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The Group strives to address changes in its operating environment and the diversification of risks in an appropriate and flexible manner. The Group also promotes initiatives aimed at promptly minimizing the impact of latent risks on its businesses should such risks manifest. The Group has established the Risk Management Working Group, a subordinate entity of the Sustainability Committee, as part of its effort to strengthen its comprehensive risk management framework.

While the Group is basing its risk management activities by each division and/or department deliberately and spontaneously, material risks are monitored by the Sustainability Committee and the Risk Management Working Group respectively, with administrative guidance given periodically by the Board of Directors. For more information on the Group's risk management, see "3. Business Risks" below.

(2) Sustainability Categories

1. Climate Change

① Strategy

The Group is promoting sustainable business strategies, acknowledging the importance of risks and opportunities associated with climate change. Because the impacts of climate change are likely to surface over the medium to long term, the Group will work to raise its awareness of foreseeable opportunities and risks from a medium- to long-term perspective and at the same time to formulate and execute effective strategies on an appropriate timeline, based on scenario analysis conducted in fiscal year 2020.

(a) Scenario analysis

Based on the International Energy Agency (IEA)'s World Energy Outlook (WEO) Sustainable Development Scenario (SDS) and Energy Technology Perspectives (ETP) 2017 2°C scenario and on the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5, the Group conducted scenario analysis for two scenarios using a time frame concluding in 2030. This yielded three key risk management perspectives.

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

•Should the Group be unable to respond to any sudden changes in demand resulting from the shift to a circular economy to advance decarbonization, there is a risk of a significant decline in profits generated by its businesses.

•Should climate-related disasters arising from the increasing seriousness or frequency of extreme weather events occur, resulting in product supplies becoming impossible or being delayed due to the suspension of operations at production facilities and the instability of raw materials supplies, there is a risk that it will cause a significant decline in profits generated by the Group businesses or threaten business continuity.

Risks and opportunities identified through the Company's scenario analysis are shown in the table below. Additionally, water-related risks in scenario analysis are disclosed by region (Integrated Report 2023 P71).

Results of Scenario Analysis

Opportunity Risk

	Implications for society and the business environment	Risk and opportunity assessment		DIC Group countermeasures
2°C scenario: Strengthening of policies and regulations	Introduction of carbon pricing (direct implications for manufacturing and the procurement of raw materials)	Possible direct impact on manufacturing costs: ¥5.03 billion* (Annual CO_2 emissions in fiscal year 2018: 617,964 tonnes) Reference: Possible impact on procurement costs: ¥11.8 billion (Annual CO_2 emissions (Scope 3, Category 1) in fiscal year 2018: 1,480,561 tonnes)	Risk Risk	• Take steps to maintain cost competitiveness, assuming global introduction. • Promote enhanced functionality to minimize the impact of carbon pricing in key businesses, including products for automotive, electronics and display applications and for healthcare, as well as pigments for cosmetics.
			Opportunity	• Use the DIC Sustainability Index to promote products that help reduce CO_2 emissions (i.e., are sustainable). • Capitalize on rising demand for PPS compounds underpinned by expanded automobile production and the shift to EVs.
2°C scenario: Changes in demand attributable to circular economy	Global movement to minimize use of one-way plastics and efforts by brand owners seeking to reduce packaging	Demand for some plastics (one-way plastics) will decrease, but increased demand for plastic alternatives will mean only a negligible impact on materials suitable for applications other than plastics.	Opportunity	• Promote core products as appropriate for use with both plastics and plastic-alternative materials; differentiate with barrier and other functions. • Foster businesses that respond to demand for materials that are biodegradable and/or use bioderived raw materials.
	Increase in production and sales of recycled plastics	While it is unclear what will happen vis-à-vis demand changes, a failure to launch commercial distribution will mean the loss of future market opportunities.	Risk	• Seek tie-ups with customers and step up exploration of chemicals and materials recycling.
			Opportunity	• Focus on adding value, including by advancing innovations in materials and formulations that enhance recyclability.
2°C scenario: Reduction of CO_2 emissions attributable to manufacturing	Introduction of energy-saving and renewable energy equipment	Annual investment in energy-saving and renewable energy equipment is estimated at ¥2.0 billion (direct impact on manufacturing costs). Ongoing efforts to reduce CO_2 emissions attributable to production will also be necessary.	Risk	• Continue investing in energy-saving and renewable energy equipment with the aim of achieving the target for reducing Scope 1 and 2 emissions by 30% from the fiscal year 2013 level by fiscal year 2030. • The reduction of CO_2 emissions is expected to reduce costs by an average of ¥2.31 billion annually between fiscal years 2013 and 2030 (estimated annual emissions reduction: 289,000 tonnes).
	Shift of focus to the achievement of net zero CO_2 emissions by fiscal year 2050	Efforts to reduce CO_2 emissions enough to keep the increase in global average temperature over the current century to 1.5°C from the pre-industrial level are already underway. There is an increased risk that this target will be imposed across entire supply chains.	Risk	• Consider the setting of a new science-based target conducive to keeping the increase in global average temperature to 1.5°C. • Apply internal carbon pricing system to increase investment in energy savings and improve CO_2 emissions reduction performance.
4°C scenario: Risk that supply chains will be interrupted due to an increase in climate-related disasters	Suspension of production at suppliers' facilities due to frequent climate-related disasters Suspension of supplies of plant-derived raw materials	• Stable procurement risks affect certain businesses, i.e., those dependent on raw materials procured overseas or monopolized by certain suppliers. • For most products, coordination among departments will facilitate the use of alternative raw materials.	Risk	• For key raw materials, promote two-company shared procurement in multiple regions and enhance BCP responses. • For key products, ensure ample inventories of raw materials and products.
4°C scenario: Risk that operations at production facilities will be interrupted due to an increase in climate-related disasters	Suspension of production at own facilities due to frequent climate-related disasters Depletion of groundwater resources	• Production sites are scattered across the globe, so impact on overall operations is limited. Certain products for which production is concentrated at certain facilities may be affected. • Countermeasures are required in areas where there are concerns that water-related risks will increase.	Risk	• Locate printing inks and other production facilities around the world to ensure complementary capabilities and cooperate with other companies to minimize the impact in the event port facilities are damaged due to storm surges or flooding. • Strengthen measures for sites located in coastal areas. Reinforce the effectiveness of BCPs by providing related training. • Implement measures to address water-related risks.
	Increases in non-life insurance fees	Insurance premiums may increase.	Risk	• Bolster profitability by reinforcing and expanding portfolio of sustainable products.
4°C scenario: Response to changes in lifestyles attributable to rising temperatures	Changes in lifestyles and consumption patterns attributable to rising temperatures and resulting changes in demand	• Demand for certain products may be affected by changing consumption patterns attributable to rising temperatures, but because demand sources are diverse the risk to overall business is low. • The potential for increases in new demand as a consequence of changes in lifestyles attributable to rising temperatures is high.	Risk Opportunity	• Rising temperatures present an opportunity in the form of increased demand for thermal barrier–related products. • Given that dietary preferences are also expected to change, capitalize on expanding demand from beverage manufacturers and for materials used in frozen foods. • Take advantage of higher demand in the health foods and life sciences fields attributable to increasing health consciousness.

* These figures are based on results in fiscal year 2018, the year the scenario analysis was conducted. As CO_2 emissions in fiscal year 2022 amounted to 720,444 tonnes, the impact of carbon pricing under the same conditions would be as much as ¥5.76 billion.

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② Metrics and targets

The Group has chosen Scope 1 and 2 CO2 emissions as key performance indicators (KPIs) for its efforts to manage climate change–related risks and opportunities, as shown in the table below. From the perspective of ensuring sustainability, in fiscal year 2021, the Group also set new long-term targets for the reduction of these emissions. The Group now aims to achieve carbon neutrality—net zero CO2 emissions—by fiscal year 2050 and will seek to reduce CO2 emissions by 50% from the fiscal year 2013 level by fiscal year 2030. In light of accelerated global efforts to decarbonize, the Group has also set new specific emissions reduction targets.

Scope 1 and 2 Emissions: Results and Targets

	Scope 1 (Tonnes of CO2)	Scope 2 (Tonnes of CO2)
Fiscal year 2013	921,386	
Fiscal year 2022	341,610	378,834
Fiscal year 2030	460,693	

2. Human Capital and Diversity

① Strategy

(a) Basic strategy

The Group has declared "reinforcing human capital management" as its basic strategy for human capital and diversity. Recognizing human resources as capital critical to the execution of its business strategies, the Group believes that assembling diverse human resources and empowering them to realize their full potential will be a key source of its competitiveness as a global organization going forward and is thus committed to respecting human rights and ensuring the safety of all employees, as well as to building systems for fostering the leaders of the future, as well as self-sufficient human resources, creating work environments that encourage job satisfaction and inspiring greater organizational cohesiveness.

(b) DIC Vision 2030 human resources strategy

The Group sees its top priority in the area of human capital management as being to secure, cultivate and deploy the human resources necessary to ensure it realizes business portfolio transformation, a basic strategy of the DIC Vision 2030 long-term management plan, which was launched in fiscal year 2022. Accordingly, the Group works to maximize the value of its human capital,which is to create new businesses and optimize the deployment of human resources, to reflect changes in key business areas. Guided by this strategy, efforts are underway to build a strategic human resources portfolio suitable for the Group in fiscal year 2030 by developing the next generation of leaders to guide it going forward, actively recruiting and fostering people from other industries and people with specialized abilities; promoting reskilling by, among others, introducing educational tools that support independent efforts to acquire expertise; and advancing innovation by encouraging enthusiasm about taking on challenges. Additionally, with the increased mobility of human resources, the Group is implementing a variety of measures to help each employee design their own career, including establishing an internal recruitment system and offering age-specific career training.

(c) Ensuring diverse human resources and supporting active participation

Guided by a basic philosophy that emphasizes respect for the differing values of individuals, regardless of identity or orientation, the Group seeks to recruit and promote career opportunities for diverse employees. The objective of these efforts is to nurture a corporate culture that continuously encourages creative thinking by securing a diverse labor force comprising people with wide-ranging values and experiences who understand and respect each other's differences. Such a corporate culture will underpin the Group's efforts to respond to dramatic changes in its operating environment and effectively execute its business strategies. Specific diversity-related measures at the Group include advancing career support for women, formulating department-specific training plans, strengthening networking initiatives and on-the-job training to enhance career opportunities for foreign nationals, revising its reemployment system to make better use of reemployed individuals, and employing global talent management.

(d) Creating positive workplace environments

The Group works to create workplace environments conducive to job satisfaction that enable employees to fully exercise their capabilities to help ensure achievement of the targets of DIC Vision 2030 and the sustainable improvement of corporate value. In fiscal year 2020, the Group launched Work Style Revolution (WSR) 2020, a project to develop new work styles with the aim of boosting job satisfaction and productivity through job satisfaction improvement reforms, workplace reforms and process reforms, thereby creating positive workplace environments that ensure psychological safety and help employees grow and realize their full potential. Specific measures include enhancing engagement with employees by conducting engagement surveys and enhancing organizational strength by implementing division/department-specific improvement plans, as well as by providing people management training for management-level employees and team building to bolster individual capabilities. In addition, in line with its Health Management Declaration, the Group also works actively to support the physical and mental health of its employees, as well as to create a work environment conducive to job satisfaction. Looking ahead, the Group will continue to promote imaginative and original health management measures, recognizing that the health of its employees is essential to the realization of sustainable growth.

② Metrics and targets

The Company has chosen a number of KPIs for its efforts to secure and foster human resources, including by ensuring diversity, and to create positive workplace environments, as shown in the table below. The Company is also working to improve employee engagement, viewing this as an issue requiring particular focus. Although a specific quantitative Group target has not been set for fiscal year 2024, the Company is prioritizing efforts to align Company and personal goals. Similarly, while a target has not been set for percentage of management positions occupied by women, the Group views this as an important indicator of diversity and has included related actual data for fiscal year 2023. In fiscal year 2023, percentage of female employees in management positions of the Group was 14.9% (calculation excludes certain group companies). The Company is working to increase female employees in management positions in Japan, where this is particularly a challenge.

KPI	Fiscal year 2023 Actual	Fiscal year 2025 Target
Percentage of executive positions occupied by foreign nationals or female employees	16.7%	20.0%
Percentage of employees identified through stress checks as having a high level of stress	11.4%	9.0%
Percentage of workdays lost due to mental health issues	0.5%	0.2%

3. Business Risks

The Group sets forth “Materiality” which are matters with the potential to negatively or positively affect its business performance over the medium to long term. These Materiality items are utilized in enhancing its business, with concrete and efficient handling. The Group continues taking decisive and efficient steps in response to these materiality issues pursuant to DIC Vision 2030,[1] launched in 2022, working to ensure that these efforts are beneficial to the management of its businesses. The Group also undertakes risk management initiatives with the aim of appropriately and flexibly addressing changes in its operating environment and the diversification of risks, and of swiftly minimizing damage, led by the Sustainability Committee, an advisory body, and its subordinate entity, the Risk Management Subcommittee. From a wide range of risks, the Group uses risk assessments to evaluate likelihood of occurrence and degree of potential impact and identify major risks to its performance. Risk owners are appointed to take measures against particularly the material risks. These efforts are monitored appropriately and reported on to the Sustainability Committee and the Board of Directors.

The key risks described below are recognized based on the material issues[2] identified by the Group, and the findings of a survey conducted by the Risk Management Working Group, and the potential impact of each risk, should it materialize, on the Group’s businesses and stakeholders are categorized into high, medium or low.[3]

Forward-looking statements herein are based on projections as of December 31, 2023, and the following risks do not cover all risks that could affect the Group.

(Notes)

1. For more information on DIC Vision 2030, please visit the respective page of the DIC global website (https://www.dic-global.com/en/ir/management/plan.html).
2. For more information on the Group’s materiality issues, please see the DIC Report integrated report (https://www.dic-global.com/en/csr/annual/).
3. Details of the items in the table, such as the possibility and timing of materialization of each risk, are as follows:

Likelihood (Potential for future manifestation as of December 31, 2023)

High: Highly likely

Medium: As likely as not

Low: Unlikely

Time Horizon (Expected timing of/period before risk is likely to manifest as of December 31, 2023)

Long term: Five years or more

Medium term: Three to four years

Short term: Within two years

Unknown: Cannot anticipate the timing of its emergence

Risk Type (Categorization by origin as of December 31, 2023**)**

1: Externally caused risks that are beyond the Group’s control

2: Corporate risks that can be managed through Group management–led countermeasures

3: Business-related risks that should be handled by the relevant divisions/departments

Alignment (Relationship with business strategies outlined in the DIC Vision 2030 long-term management plan)

A: Business portfolio transformation to achieve growth

B: Strengthening of management infrastructure underpinning global environmental, social and governance (ESG) management and safety management

C: Cash flow management

Other: No alignment with business strategies

(1) Risks, the manifestation of which is likely to have a significant impact

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with portfolio transformation Under its long-term management plan, DIC Vision 2030, the Group will concentrate management resources to transform its business portfolio, identifying five priority business areas that will help respond to related issues and contribute to sustainable prosperity for society. Should portfolio transformation be delayed, or ossification cause a slowing of growth or product life cycles that pushes down the profitability of mature businesses, the Group's operating results and/or financial position may be affected.	Medium	Short to long term	2, 3	A	Under its long-term management plan, DIC Vision 2030, the Group has designated five priority business areas, namely, sustainable energy, healthcare, smart living, color science and sustainable packaging, and is focusing efforts on achieving results collaboration between its business groups and the New Business Development Headquarters. In addition to setting criteria for downsizing or withdrawing from businesses with low profitability that do not align with DIC's business strategy and conducting regular reviews, the Board of Directors and the Executive Committee periodically check the progress of the business strategies set forth in DIC Vision 2030, take steps to update existing measures to reflect the business environment and implement additional measures. To ensure it achieves the goals set forth in its long-term management plan, the Group has positioned the first four years of the plan (fiscal years 2022–2025) as a period of foundation building and the subsequent five years (fiscal years 2026–2030) as the period for the plan's realization. Based on achievements and challenges to date, the Group will continue working to achieve the targets of DIC Vision 2030 by concentrating management resources on business development themes that can be expected to yield swift and consistent profits and promoting the efficient allocation of management resources.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks arising from the failure of acquisitions and capital alliances to proceed as expected With the aim of transforming its business portfolio, the Group is actively pursuing promising acquisitions and capital alliances. If the integration and cooperation efforts implemented by the Group are insufficient or do not proceed as anticipated, resulting in the failure to realize initially expected benefits, the Group's operating results and/or financial position may be affected.	Medium	Medium to long term	2, 3	A, C	The Group works to address risks by basing investment decisions on proprietary investment indicators, as well as by thorough in-house investigations and due diligence conducted in collaboration with external organizations, to identify and address risk factors in advance. The Group also promotes groupwide post-merger integration initiatives and implements actions aimed at realizing synergies. In addition, in the event of poor business performance after acquisitions, the Group will work together to speed up structural reforms and efficiency improvements to improve the income and expenditure structure.
Risks associated with political and geopolitical changes In the event of unexpected circumstances arising from drastic political or social changes or issues such as the revision of laws, regulations and international treaties, resulting cost increases, restrictions on product and/or raw materials imports and exports, the suspension of monetary remittances, or supply chain interruptions may affect the Group's operating results and/or financial position. For example, a sharp increase in costs due to the suspension of product and/or raw materials imports and exports and higher tariff rates attributable to friction between the United States and PRC; timely and expedient local responses and staffing restrictions necessitated by stricter travel restrictions; conflicts and political instability in the Middle East; chaos caused by Russia's invasion of Ukraine; increases in energy and natural resource prices resulting from fears of military action involving Taiwan; and turmoil in the area of logistics all have the potential to impact the Group's performance.	Medium	Unknown	1, 2	Other	In addition to overall management by DIC's corporate headquarters in Japan, regional headquarters' everyday management includes monitoring risks with the potential to impact the Group's ability to conduct business and function in each of the countries and territories in which it operates. The Group also works to address country risk for production and sales, establishing a business unit–led framework for formulating business continuity plans (BCPs), and a system for facilitating multiple-company purchasing. To analyze supply chain–related issues, the Group makes effective use of its global network to reduce risk. In addition, to protect management resources, notably its people, credit and assets, the Group is promoting information sharing, the planning of countermeasures, and education and training for the Group as a whole while collaborating as necessary with local sites around the world.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with disasters and accidents In the event of a large-scale disaster or a disaster or accident associated with its business activities that results in casualties or property damage, leading to the suspension of plant operations and/or business activities, the Group's operating results and/or financial position may be affected. In addition, the occurrence of a facility accident or disaster may harm the Group's reputation in the local community, as well as affect its business activities.	High	Short to long term	1, 2, 3	Other	Having prepared rules for managing major crises and manuals for specific risks (e.g., large-scale natural disasters, such as a major earthquake, typhoon or flood; a pandemic; a plant explosion; or fire or water damage) for use groupwide, the Group formulates BCPs for individual product divisions. The Group promotes exhaustive efforts to prevent accidents and disasters at its sites. Efforts include communicating management's views regarding safety, as well as formulating and disseminating policies, conducting regular audits and actively providing ongoing education and training. From the perspectives of preventing future accidents and disasters Groupwide, the Group analyzes the causes of accidents and disasters when they occur, formulates countermeasures, and shares information with other Group companies. As a countermeasure to the rapidly increasing frequency of natural disasters, the Group promotes continued investments aimed at improving earthquake and water resistance and the reinforcement of cooperation with other companies and subcontractors to ensure it is fully prepared for unforeseen circumstances. In the event of an emergency, dedicated communications tools, among others, are used to efficiently share information between and promote countermeasures at sites and corporate headquarters.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with the stagnation of innovation The Group believes that responding to environment, safety and health (ESH)-related environmental issues is extremely important and is working as one to develop products that contribute to a society that is increasingly green, digital and quality of life (“QOL”)-oriented. At the same time, the Group is striving to keep pace with the rapidly expanding use of digital technologies and the advance of DX. However, should the Group be unable to develop and launch products that respond to social imperatives, owing to the stagnation of innovation, its growth may slow.	Medium	Medium to long term	2, 3	A, B, C	The Group leverages its existing basic technologies, as well as new basic technologies in the areas of inorganic materials design and biomaterials design, to develop sustainable products for a variety of markets and needs, including next-generation packaging such as biomass packages that contribute to a green society, high-speed communications–compatible materials and functional inorganic materials that contribute to a digital society, and high-performance nutrition that contributes to a QOL-oriented society. Technical groups actively deploy materials informatics (MI) to improve the success rate of product development efforts and shorten the development stage. The Group also eagerly promotes open innovation, including through participation in a quantum computer–related consortium, to secure cutting-edge digital technologies. Production technology groups spearhead active efforts to promote DX and to enhance production technologies with the aim of creating smart factories

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with response to climate change–related operating environment and ESH-related changes In June 2021, the Group announced DIC NET ZERO 2050, setting a long-term target for the reduction of CO_2 emissions. The Group now aims to reduce CO_2 emissions by 50% from the fiscal year 2013 level by fiscal year 2030 and to achieve carbon neutrality by fiscal year 2050. The Group recognizes the following climate change–related risks as having the potential to have a significant negative impact on its performance in order to achieve the abovementioned goal: (1) Japan has resolved to launch a full-scale domestic emissions trading scheme (GX-ETS) in 2026 and to introduce fossil fuel levies in 2028. This raises concerns regarding increases in prices for raw materials, fuel and electric power. (2) Should drastic changes arise in society's expectations regarding the reduction of CO_2 emissions or in customer needs, there is a risk that profits generated by the Group's businesses may decline significantly and/or that the need to consider withdrawing from certain existing businesses or canceling new investment projects may arise. (3) Should the Group be unable to respond to any sudden changes in demand resulting from the shift to a circular economy to advance decarbonzation, there is a risk of a significant decline in profits generated by its businesses. (4) Should climate-related disasters arising from the increasing seriousness or frequency of extreme weather events occur and result in product supplies becoming impossible or being delayed due to the suspension of operations at production facilities and the instability of raw material supplies, there is a risk that it will cause a significant decline in profits generated by Group businesses or threaten business continuity. (5) As requirements for disclosure become increasingly stringent worldwide, failure to disclose may lead to reputational damage and the risks of greenwashing lawsuits.	Medium	Medium to long term	1, 2, 3	A, B	The Group works to reduce CO_2 emissions through aggressive environmental investments and energy conservation measures. The Group is also formulating a road map to realize the goals set forth in DIC NET ZERO 2050. In January 2023, the Group's target for the reduction of CO_2 emissions received official endorsement from the Science Based Targets initiative (SBTi). With the aim of achieving this target, the Group is planning and implementing environmental investments around the world. In Japan, the Group has been a participant in the GX League, an initiative led by the Ministry of Economy, Trade and Industry since September 2023. In preparation for the 2026 GX-ETS launch, the Group is considering moves to revamp its internal systems and lower its Scope 1 emissions. ・The provision of product carbon footprint data began in 2022 in Europe and the United States and in 2023 in Japan. This will clarify the CO_2 emissions of the Group products, enhancing its contribution to the achievement of carbon neutrality. ・The Group has formulated an internal definition for the "5Rs" (reuse, reduce, recycle, renew and redesign) with the objective of advancing the development of products and services that contribute to decarbonization, including by helping to realize a circular economy, thereby positioning it to respond accurately to changes in demand attributable to climate change. ・The Group is also formulating BCPs that include measures to ensure supplies of key raw materials and address extreme physical risks, as well as strengthening countermeasures against climate-related disasters for sites located in coastal areas. ・Alongside these efforts, the Group collects highly accurate information and shares information Groupwide, positioning it to respond to high-level disclosure requests in a timely and appropriate manner without being seen as greenwashing.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks arising from demands for the reduction of environmental impact The Group faces the risk that its production activities may have negative impacts on the environment, owing to, in particular, the discharge of air pollutants, water pollutants, industrial waste and waste plastics. Discharges of environmentally harmful substances are normally kept to a specified level, but there is a risk that the Group may be required to bear the cost of recovery and/or be liable to pay damages in the event that issues result in the discharge of greater than expected amounts of such substances. There is also a risk that it will be impossible to continue production if the Group fails to respond appropriately to stricter environmental regulations, changes in industry standards and changes in socioeconomic systems. Moreover, if the Group fails to respond to sudden changes in product performance requirements resulting from social changes, there is a possibility that risks to business continuity may manifest, causing profits generated by its businesses to decline and/or hindering business continuity.	Medium	Short to long term	1,2,3	A, B	The Group strives to reduce its environmental impact from the perspective of both production and business activities. Production activities: In addition to complying with various laws and regulations governing the reduction of environmental impact in the countries and territories where it has production sites, the Group sets specific reduction targets and regularly monitors environmental impact data with the aim of lowering its discharge of environmentally harmful substances. The Group has also prepared a manual for responding in the event of an emergency and has a system in place to minimize the release of environmentally hazardous substances. At the same time, the Group is actively investing in environment-friendly equipment and expediting its installation. Business activities: The Group strives to reduce the environmental impact of its products, while also expanding its lineup of products that help ensure a healthy global environment and address social imperatives. In particular, the Group is advancing efforts to respond to a circular economy by, among others, promoting the reuse and recycling of products through chemical and material recycling. The Group has also introduced the DIC Biodiversity Policy to guide its biodiversity initiatives, the goals of which include reducing environmental impact and maintaining healthy and balanced ecosystems.

(2) Risks, the manifestation of which is likely to have a moderate impact

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with compliance violations The Group conducts business activities around the world and is subject to various laws and regulations pertaining to commercial transactions, safety, the environment and chemical substances. Violations of laws and regulations may result in an order to suspend operations, fines and/or liability for damages, which may affect the Group's operating results and/or financial position.	Low	Unknown	2	A, B, Other	In addition to laws and regulations, the Group has established the DIC Group Code of Business Conduct as a set of compliance standards to be observed when conducting business. Whenever the occasion arises, DIC's president makes a point of communicating the importance of compliance, as well as the need to prioritize compliance over business, to all employees, including executives. The Group works to deepen employee awareness of the importance of compliance through training and e-learning employing actual case studies as examples. The Group has created a system that enables people with related questions to seek consultation and promotes the use of its whistle-blowing system, which facilitates the prompt discovery and correction of compliance violations through audits by departments independent of the department in charge. The Group takes the necessary steps to reduce compliance risk in all aspects of its operations. These include promoting awareness of amendments to laws and regulations, deploying stringent systems for managing information on chemical substances, advancing digital transformation ("DX") and measures to improve efficiency, and conducting stringent design reviews.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with securing of human resources To sustain growth, the Group recognizes the need to secure and retain the diverse individuals necessary to the management and execution of its businesses. With the labor market overall seeing an increasing need for people who are capable of playing an active role globally and possess a high level of expertise, and competition to recruit such human resources intensifying, taking steps to ensure effective recruiting, training and employee retention is an urgent challenge. Should the Group be unable to recruit, employ and foster talented human resources Groupwide on an ongoing basis, its ability to manage its businesses and devise an effective corporate organization may be affected.	High	Short to long term	2, 3	A, B	To recruit the necessary human resources in a timely manner, the Group provides multiple points of contact for new graduates, including internships, roundtable events with senior management and laboratory-specific presentations. For mid-career recruitment, the Group uses a variety of methods to attract diverse human resources, including going through human resources agencies and talent scouts. The Group advances branding initiatives, including enhancing the DIC Report integrated report and updating its recruitment website, while striving to appeal effectively to today's labor market. To encourage its broad range of employees to work together with a sense of solidarity, the Group is taking steps to improve employee engagement as well as to foster human resources. These include promoting diversity, introducing a multitrack personnel system, enhancing career support systems, strengthening talent management, expanding human resources development systems, improving support for mental health, formulating global succession and relocation plans, and implementing work style reform measures to realize flexible work arrangements.
Risks associated with interest rate fluctuations Interest-bearing debt is a source of financing for the Group. Accordingly, any sudden fluctuations in financial markets have the potential to affect the Group's business performance and/or financial position.	Medium	Short to medium term	1	C	The Group has adopted the net debt-to-equity (D/E) ratio to gauge financial soundness and is working to maintain/strengthen its financial position and reduce interest-bearing debt. The Group is also taking steps to avoid risks associated with future interest rate fluctuations and reduce its interest burden, including increasing the procurement of funds at fixed rates, while closely monitoring interest rate trends around the world.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with exchange rate fluctuations Because the Group conducts business activities around the world, foreign currency fluctuations impact the line items in the financial statements of overseas subsidiaries after translation into yen. Significant fluctuations thus have the potential to affect the Group's business performance and/or financial position. In addition, imports, exports and other transactions denominated in foreign currencies are susceptible to the impact of foreign currency fluctuations and may also impact the Group's business performance.	Medium	Short term	1,3	C, Other	Under the leadership of DIC's corporate headquarters in Japan, the Group has established regional foreign exchange risk management systems and works to better grasp the impact of foreign currency fluctuations in foreign exchange rates on its business performance and on overseas subsidiaries' foreign currency–denominated transactions. In addition, the Group takes measures to mitigate such risk, including using foreign currency forward contracts and other hedging instruments, as well as multicurrency financing and investments.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with product quality issues In the event a product or process is suspected of being defective, fraudulent or counterfeit, or should a serious complaint be received or a product liability issue arise, or the Company be obliged to recall products or found liable for damages, it may not only lead to the suspension of shipments or production but also affect the Group's operating results and/or financial position. Such incidents may also result in a loss of social credibility.	High	Unknown	2, 3	A, B	The Group's Quality Policy is "Contribute to the prosperity of customers and society by consistently providing reliable products." Every year, DIC's president reminds Group employees of the importance of quality assurance. Recognizing that, in the words of the director in charge of production, "safe operation and quality control are the foundation of everything we do," the Group seeks to ensure each employee feels a sense of ownership concerning quality and works to ensure the proper functioning of the Group's quality management system (QMS) and improve quality. The Group continues to build and expand its quality control configuration, with the Quality Committee, which answers directly to the president. The Group also works to build a robust quality control system, including by conducting annual quality audits with the general manager of the Quality Assurance Department in charge of implementation. With the goal of ensuring it is able to fulfill its responsibility to society in the event defects are found in products that have already shipped, in fiscal year 2021, the Group also abolished its rules for quality control, replacing them with new quality regulations, and revamped its organizational and procedural systems. With the aim of clarifying responsibility for quality-related activities for the Group, in January 2024, the quality assurance framework was revised from a centralized configuration to one that divides responsibilities among the production facility quality assurance groups, the Quality Assurance Department (which is responsible for quality governance) and the Quality Control Department.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks related to the creation of a sustainable supply chain for raw materials The Group works to ensure a sustainable supply chain, placing equal emphasis on quality, price and supply stability from both a short term and a medium- to long-term perspective. Should it become difficult to procure raw materials as a result of sharp increase in raw materials prices due to high international commodities' prices, fluctuations in the supply–demand balance caused by accidents or issues involving raw materials suppliers or by natural disasters, logistics disruptions arising from other issues, or the designation of additional substances for legal or regulatory restrictions, there is a risk this may affect the Group's operating results and/or financial position. In addition, from a medium- to long-term perspective, the procurement of raw materials from suppliers whose sustainability initiatives are insufficient may not only destabilize supplies, but also lead to a decline in the value of its entire supply chain and a resulting loss in the trust of customers. They may hinder the Group's ability to ensure business continuity.	Medium	Short to long term	1, 2, 3	A, B	The Group strives to ensure stable supplies of low-priced raw materials, including by promoting multiple company purchasing, entering into supply contracts and seeking alternative materials, with the aim of reducing both raw materials costs and procurement-related risks. From a medium- to long-term perspective, the Group compels suppliers to advance sustainability initiatives, including reducing their environmental impact and respecting human rights. The Group encourages such initiatives through surveys to ascertain the status thereof and subsequent follow-up with the goal of achieving sustainable procurement. Through such efforts to ensure the stability and soundness of raw materials supplies and quality, the Group is working to secure the trust of customers, as well as to secure its own profitability.
Risks associated with information security In the event of data loss or falsification resulting from cyber attacks, information leaks, business system interruptions or the failure or malfunction of facilities/equipment attributable to disasters or impediments, or the severance of international networks, there is a possibility that the Group's businesses will stagnate and/or business opportunities will be lost, and that this will affect the Group's operating results.	Medium	Unknown	2	B	The Group works continuously to address risks by strengthening the security functions of its information control infrastructure, improving BCPs (including disaster recovery, backup and systems-related measures), and upgrading and providing information security training assuming cyber attacks, information leaks and other issues. The Group works to minimize risks and impacts by formulating road maps for information security countermeasures based on risk assessments conducted by third parties.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with inadequate corporate governance The Group companies operate not only in Japan but also in the PRC, the Asia–Pacific region, North America, Central and South America, Europe, the Middle East and Africa, among others. Corporate governance that is inadequate, ineffective or unenforced may result in misconduct, embezzlement, creative accounting, or legal or regulatory violations, which may harm the Group's reputation and/or its social credibility.	Medium	Unknown	2	B, Other	The Group has established the DIC Group Code of Business Conduct, which sets forth compliance standards. The code has been translated into other key languages, creating a regulatory environment appropriate to guide correct decision making and conduct by employees around the world. All Group companies are endowed with the decision-making authority and rules necessary for corporate governance. The Group has established an internal control configuration encompassing companies in Japan, the PRC, the Asia–Pacific region, North America, Central and South America, Europe, the Middle East and Africa, and regularly conducts internal audits at almost all sites. The internal auditing department, Audit & Supervisory Board members and accounting auditors also work together closely to verify that Group companies comply with laws and regulations and that the Group's corporate governance system is functioning effectively. The results of internal audits are reported to the Board of Directors and the Audit & Supervisory Board. To prevent misconduct, the Group works to ensure that all Group employees are aware of its whistle-blowing system and to create an environment that precludes wrongdoing. By redefining its vision statement, as well as through measures such as the establishment of a commendation system for recognizing worthy examples of the DIC Group Code of Business Conduct in practice, the Group strives to advance global awareness and understanding of The DIC Way, which represents its fundamental management philosophy.

(3) Risks, the manifestation of which is likely to have a minimal impact

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks related to intellectual property The Group strives to secure intellectual property rights to protect new technologies and know-how acquired in the course of its business activities. At the same time, the Group takes appropriate measures to avoid infringing on the rights of other companies and conducts its operations in a manner that respects the legitimate intellectual property rights of third parties. Nonetheless, in the event of a dispute regarding intellectual property, arising from a difference in interpretation of rights or of opinion, this may result in the suspension of product development or sales, or the payment of compensation for damages, which may affect the Group's operating results. There is also a possibility that the Group's technological information and know-how may be leaked to a third party due to unforeseen circumstances, which may result in the distribution of counterfeit or similar products. This may cause a decline in the competitiveness of the Group's products and impact its profits. In addition, if a third party improperly uses the Group's logo or trademark and distributes similar or poor-quality products, it may affect the Group's operating results and/or damage its brand.	Low	Unknown	2, 3	A, Other	At each stage of product development, the Group conducts investigations to avoid infringements of third-party intellectual property rights, a process that is spearheaded by patent attorneys in the Intellectual Property Department and from domestic and international patent and legal firms. This ensures the Group's ability to offer products that respect the legitimate third-party intellectual property rights based on the judgment of these professionals. In the unlikely event that a dispute regarding intellectual property rights arises, a system is in place that allows internal and external patent attorneys and lawyers to collaborate as appropriate to ensure an effective response. In line with its Basic Policy on Information Security, the Group has established confidential information management regulations and promotes the stringent management of technical information. The Group has a system in place for the disclosure of technical information to external parties at, for example, presentations at academic conferences, and to prevent leaks of confidential information. In the event of unauthorized use of its logo or trademark, the Group monitors the relevant e-commerce site or conducts a search of trademark databases. If it is confirmed that that the Group's logo or trademark has been used illegally, or that a similar trademark has been used in a malicious manner, the Group responds to the offending e-commerce site to have its right to set up shop terminated and prevent the registration of similar trademarks.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Risks associated with water resources The Group seeks to ensure the effective use of water resources across its business activities. However, should water shortages and/or the deterioration of water quality at supply sources exceed expectations, production activities may be constrained and profitability may decline due to resulting increases in water prices.	Medium	Long term	2, 3	A, B	The Group monitors data on water withdrawn and discharged at each of its sites to ascertain the use of water resource use. In addition, production sites of the Group evaluate information on water resources and conduct risk assessments to determine the operational status of production facilities in their respective regions, and manage the status of countermeasures. By promoting the reuse and recycling of water, the Group is also striving to reduce the volume of water it uses.
Tax-related risks The Group conducts sales, production and other business activities, as well as internal transactions, in countries and territories around the world. The Group pays close attention to transfer price taxation and other international tax risks. However, should the Group be subjected to additional or double taxation due to differences in interpretations among tax authorities in different countries and territories, the Group's operating results and/or financial position may be affected.	Medium	Unknown	1, 2	Other	Under the leadership of DIC's corporate headquarters in Japan, the Group pays appropriate taxes in accordance with the tax laws of each of the countries and territories in which it operates and maintains required transfer pricing documentation. The Group has also formulated an official approach to tax with the aim of ensuring highly transparent tax management.

Details of Risks and Impact on Performance	Likelihood	Time Horizon	Risk Type	Alignment	DIC Group Countermeasures
Pandemic-related risks In the event of a pandemic, i.e., an infectious disease that has spread worldwide, shipments may decline due to the resulting stagnation of economic activity and falling demand. In addition, government calls for restrictions on business activities and/or the spread of infection among the Group employees may necessitate the closure of sales offices and R&D sites or the suspension of operations at production sites, temporarily making business continuity difficult. Both situations have the potential to affect the Group's operating results and/or financial position.	Low	Short term	1, 3	B	As a global organization, the Group has production, R&D and other operations around the world. The Group's multiple production sites and rigorous backup measures reduce risks associated with facility closures or the suspension of operations. The Group is also expanding and reinforcing its IT infrastructure and encouraging the use of telework arrangements, creating paperless work environments through the digitizing of information and a shift to electronic approval procedures, which enables employees to work at home or in other remote locations, thereby positioning it to continue operating smoothly even in the event of a pandemic. The Group is promoting the diversification of business risks by transforming its business portfolio in line with its long-term management plan, under which it aims to shift to a robust business structure that is less vulnerable to changes in the macroenvironment.

4. Management's Analysis of Financial Position, Operating Results and Cash Flows

Matters concerning the future in this document are based on judgments as of the end of the current fiscal year and are not guaranteed to be achieved.

(1) Summary of operating results

① Operating results

Operating results for the current fiscal year are as follows:

(Billions of yen)

	FY2022	FY2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	1,054.2	1,038.7	-1.5%	-5.1%
Operating income	39.7	17.9	-54.8%	-51.0%
Ordinary income	39.9	9.2	-76.9%	—
Net income attributable to owners of the parent	17.6	(39.9)	Loss	—
EBITDA *	85.5	30.8	-63.9%	—
¥/US$1.00 (Average rate)	130.59	140.51	7.6%	—
¥/EUR1.00 (Average rate)	137.71	151.98	10.4%	—

* EBITDA: Net income attributable to owners of the parent + Total income taxes + (Interest expenses - Interest income) + Depreciation and amortization+ Amortization of goodwill

In the fiscal year ended December 31, 2023, consolidated net sales edged down 1.5%, to ¥1,038.7 billion. Uncertainties persisted in the global economy, owing to such factors as the continued pursuit of inflation-curbing monetary policies in the United States and Europe, geopolitical risks attributable to the protracted crisis in Ukraine and a slowing economic recovery in PRC caused by a slumping real estate sector, among others, as a result of which demand for goods flagged in all regions and efforts to modify inventories were seen in various industry sectors. Against this backdrop, demand trends in core customer industries varied. In the area of digital materials, used principally in electrical and electronics equipment and in displays, demand picked up, underpinned by the completion of inventory adjustments by display manufacturers. The semiconductor market showed signs of bottoming out after a lengthy slump, but a full-scale demand revival remained elusive. In industrial materials*, used primarily in mobility solutions, an upturn in vehicle sales was seen worldwide, contributing to the resolution of surplus inventories of materials for use in automobiles across the supply chain, but demand recovery remained slow. Reflecting these trends, and notwithstanding efforts in all segments to pass on rising costs by adapting sales prices, conditions remained challenging in terms of sales volume, particularly in the Color & Display segment—which saw sagging shipments of pigments for coatings and for plastics, among others, a consequence of prolonged economic stagnation in Europe, a leading market for these products, and falling demand for consumer goods caused by rising prices in the United States—and in the Functional Products segment, where shipments of high-value-added digital materials and industrial materials declined overall.

Operating income fell 54.8%, to ¥17.9 billion. This sharp decrease was despite efforts in all segments to adjust sales prices, together with a gain in the Packaging & Graphic segment, and was largely a result of sinking shipments of pigments, mainly those for coatings and for plastics, in the Color & Display segment, and of high-value-added products, including those in the Functional Products segment. Another contributing factor was the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories, notably those of pigments for coatings and for plastics.

Ordinary income, at ¥9.2 billion, dropped 76.9%.

Net loss attributable to owners of the parent was ¥39.9 billion. This was due to a steep increase in extraordinary losses, owing primarily to a ¥19.7 billion impairment loss on goodwill recognized in the Color & Display segment in relation to the Colors & Effects pigments business, acquired in June 2021.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined 63.9%, to ¥30.8 billion.

*DIC uses the term "industrial materials" to describe products for use in mobility solutions, namely, automobiles, railroads and shipping, and for general industrial applications such as construction equipment and industrial machinery.

The results of each segment are as follows:

(Billions of yen)

Segment	Net sales				Operating income (loss)			
	FY2022	FY2023	Change (%)	Change (%) 〔Local currency basis〕	FY2022	FY2023	Change (%)	Change (%) 〔Local currency basis〕
Packaging & Graphic	533.0	541.9	1.7%	-1.9%	20.3	22.0	8.1%	11.4%
Color & Display	248.2	227.3	-8.4%	-14.1%	5.1	(8.9)	Loss	Loss
Functional Products	315.4	305.9	-3.0%	-5.0%	23.6	15.4	-34.6%	-36.4%
Others, Corporate and eliminations	(42.4)	(36.4)	―	―	(9.4)	(10.6)	―	―
Total	1,054.2	1,038.7	-1.5%	-5.1%	39.7	17.9	-54.8%	-51.0%

[Packaging & Graphic]

	FY2022	FY2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥533.0 billion	¥541.9 billion	1.7%	-1.9%
Operating income	¥20.3 billion	¥22.0 billion	8.1%	11.4%

Segment sales advanced 1.7%, to ¥541.9 billion. Shipments of packaging inks, used chiefly on packaging for food products, were up in the PRC, underpinned by efforts to cultivate new customers, but down overall as rising prices dampened demand for consumer goods in other regions. Nonetheless, sales of these products were essentially leveled; thanks to successful efforts to adapt sales prices worldwide. Sales of publication inks, which center on inks for commercial printing and news inks, decreased, despite moves to adjust sales prices in all regions, which lifted sales in Japan, as dwindling demand, among others, pushed shipments down in the Americas and Europe, as well as in Asia. Sales of jet inks, used in digital printing, were bolstered by the positive impact of a weak yen on sales denominated in other currencies, which countered the absence of a recovery in demand, especially from overseas customers, and a decline in shipments amid inventory adjustments and other measures implemented in response to rising prices and interest rates in the United States and Europe.

Segment operating income rose 8.1%, to ¥22.0 billion. In Japan, shipments of high-value-added jet inks deteriorated, although efforts to counter higher costs in the area of packaging inks and publication inks by adapting sales prices progressed. Operating income overseas was up overall, buttressed by increased shipments of packaging inks and publication inks in the PRC, which boosted results in Asia, together with moves to maintain sales prices for packaging inks and publication inks in the Americas and Europe.

[Color & Display]

	FY2022	FY2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥248.2 billion	¥227.3 billion	-8.4%	-14.1%
Operating income	¥5.1 billion	¥(8.9) billion	Loss	Loss

Segment sales declined 8.4%, to ¥227.3 billion. Shipments of pigments for coatings and for plastics, which account for a significant proportion of segment sales, were down overall. Factors behind this result included falling demand and ongoing moves by customers to curtail inventories, both consequences of slowing economic growth in Europe, a leading market for these products, and rising prices in the United States. Among high-value-added products, shipments of pigments for color filters, used in displays, were firm following the completion of inventory adjustments by display manufacturers. In pigments for cosmetics, sales were weak as shipments in the Americas and Europe were listless, hindered by rising prices, although demand in Asia rallied, bolstered by a delayed return to pre-COVID-19 lifestyles. In pigments for specialty applications, shipments of products for agricultural use tumbled, a consequence of inventory adjustments by customers, and shipments of pigments for use in building materials remained sluggish in Europe, a primary market for these products, owing to the protracted crisis in Ukraine.

The segment reported an operating loss of ¥8.9 billion. This was despite steady shipments of pigments for color filters and for cosmetics, and was attributable to a decrease in shipments of pigments for coatings and for plastics, particularly in Europe, combined with stagnant shipments of high-value-added pigments for specialty applications. The segment loss was also due to the temporary suspension of operations at certain production sites in the United States and Europe, a move aimed at paring inventories, notably those of pigments for coatings and for plastics.

[Functional Products]

	FY2022	FY2023	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥315.4 billion	¥305.9 billion	-3.0%	-5.0%
Operating income	¥23.6 billion	¥15.4 billion	-34.6%	-36.4%

Segment sales dipped 3.0%, to ¥305.9 billion. Sales of digital materials, used principally in electrical and electronics equipment and in displays, were down as shipments of epoxy resins—the foremost application for which is semiconductors—failed to fully recover, despite signs that the market had bottomed out. Sales of industrial-use adhesive tapes, used mainly in smartphones and other mobile devices, were boosted by steady efforts to lock in demand. Sales of industrial materials, used primarily in mobility solutions, rose. This was despite a slower-than-expected recovery in shipments of materials for use in automobiles as the resolution of surplus inventories across the supply chain progressed; thanks to the addition of the sales of Guangdong DIC TOD Resins Co., Ltd., a coating resins manufacturer in the PRC acquired in July 2022. Sales of polyphenylene sulfide (PPS) compounds advanced, despite shipments for use in automobiles remaining in recovery mode, bolstered by the positive impact of factors such as sales price adjustments.

Segment operating income fell 34.6%, to ¥15.4 billion. This substantial decrease was despite efforts to adapt sales prices for all products to pass on cost increases and reflected a decline in shipments of high-value-added products used in electrical and electronics equipment and in mobility solutions.

② Cash flow

[Net cash provided by (used in) operating activities] Current fiscal year ended December 31, 2023, ¥89.1 billion
(¥7.9 billion for the previous fiscal year ended December 31, 2022)

In the current fiscal year, loss before income taxes was ¥26.5 billion and depreciation and amortization was ¥50.8 billion. While ¥12.0 billion was paid for income tax, reduction of working capital provided ¥67.1 billion. As a result, net cash provided by operating activities amounted to ¥89.1 billion.

[Net cash provided by (used in) investing activities] Current fiscal year ended December 31, 2023, ¥(66.5) billion
(¥(73.2) billion for the previous fiscal year ended December 31, 2022)

In the current fiscal year, ¥58.1 billion was used for the purchase of property, plant and equipment and intangible assets and ¥14.1 billion was used for acquisition of subsidiary shares. As a result, net cash used in investment activities was ¥66.5 billion.

[Net cash provided by (used in) financing activities] Current fiscal year ended December 31, 2023, ¥(2.9) billion
(¥83.9 billion for the previous fiscal year ended December 31, 2022)

In the current fiscal year, despite increase of ¥13.0 billion through borrowings, etc., ¥9.5 billion dividend payments from surplus and ¥5.9 billion lease payments were made. As a result, net cash used in financing activities amounted to ¥2.9 billion.

(Changes in cash flow indicators)

		FY 2021	FY 2022	FY 2023
Equity ratio	(%)	32.3	30.7	29.2
Equity ratio at market value	(%)	25.6	17.5	21.1
Interest-bearing debt to cash flow ratio	(Years)	8.6	64.2	5.9
Interest coverage ratio	(Times)	20.5	9.3	2.2

(Notes) 1. The formula for each indicator is as follows:

Equity ratio (%): (Net assets - Non-controlling interests)/Total assets

Equity ratio at market value: Market capitalization (closing price at the end of the period x number of shares issued at the end of the period (after deducting Treasury shares))/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: (Operating income + Interest income + Dividends income) / Interest expenses

2. Indicators are calculated on a consolidated basis.
3. Interest-bearing debt includes loans payable, commercial papers, bonds payable and lease obligations reported in the consolidated balance sheet.
   Net cash provided by (used in) operating activities in the consolidated statement of cash flows is used for operating cash flow.
   For interest expenses, interest expenses in the consolidated statement of income are used.

③ Production, order received and sales performance

(a) Production

Production volume by segment during current fiscal year ended December 31, 2023, is as follows:

Segment	Amount (Millions of yen)	YoY (%)
Packaging & Graphic	490,510	93.8
Color & Display	209,668	86.0
Functional Products	303,408	96.5
Total reportable segments	1,003,586	92.8
Others	14	28.4
Total	1,003,600	92.8

(Note) Production volume is calculated using the average selling price during the fiscal year.

(b) Orders received

The Group does not have any applicable items as it mainly conducts expected production.

(c) Sales results

Sales results for current fiscal year ended December 31, 2023, by segment are as follows:

Segment	Amount (Millions of yen)	YoY (%)
Packaging & Graphic	541,942	101.7
Color & Display	194,094	92.8
Functional Products	302,096	97.0
Total reportable segments	1,038,132	98.5
Others	604	108.5
Total	1,038,736	98.5

(Note) Intersegment transactions are eliminated.

(2) Analysis of Financial Position and Operating Results from the Management's Perspective

① Analysis of operating results

Analysis of operating results is described in "(1) Summary of Operating Results ① Operating Results."

② Analysis of financial position

Total assets decreased ¥16.7 billion from the end of the previous fiscal year, to ¥1,244.9 billion, mainly due to a decrease in working capital. Total liabilities increased ¥5.1 billion from the previous fiscal year to ¥845.6 billion, mainly due to an increase in interest-bearing debt. In addition, net assets decreased ¥21.8 billion from the previous fiscal year to ¥399.3 billion, mainly due to the impact of net loss attributable to owners of the parent.

③ Capital resources and liquidity

(a) For an analysis of the Company's cash flows in the fiscal year ended December 31, 2023, please see "② Cash flow" in "(1) Summary of operating results."

(b) Financial strategy

In its long-term management plan, DIC Vision 2030, the DIC Group has selected net D/E ratio as a key indicator of financial health, setting forth a target of maintaining its net D/E ratio of at least 1.0 times. The net D/E ratio as of December 31, 2023, deteriorated from the end of the preceding fiscal year as a consequence of net loss mainly due to an impairment loss of goodwill related to Colors & Effects ("C&E") pigments business. However, the Company expects to improve its net D/E ratio to around 1.13 times as of December 31, 2024, through asset selling and working to reduce working capital with a focus on inventory reduction. The adjusted net D/E ratio, after recognition of hybrid equity credit attributes, is expected to be in the area of 0.97 times.

(c) Principal demands of funds

The principal applications of working capital are the purchase of raw materials, manufacturing costs and operating costs, including selling, general and administrative expenses. The principal applications of funds for investment include capital investment, purchase of shares or investments in capital of subsidiaries, and purchase of shares or investments of affiliates. For information on capital investment, please see "3. Plans for New Installation and Retirement of Facilities" in "III. Facilities"

(d) Fund raising

In response to demand for funds, the DIC Group secures funds by obtaining short-term loans from financial institutions and issuing commercial paper, as well as utilization of cash on hand for working capital, and procures long-term funds for capital investment, among others, through long-term borrowings and the issue of corporate bonds.

As of December 31, 2023, the Company's net interest-bearing debt was ¥441.4 billion, and the net D/E ratio was 1.21 times. Because the Company maintained a high level of cash on hand over the course of the period to mitigate the impact of financial market turmoil caused by COVID-19, cash and deposits at fiscal year-end amounted to ¥87.5 billion.

Notes:

1. Interest-bearing debt is calculated by adding together loans payable, commercial papers, bonds payable and lease obligations included in the consolidated balance sheet.
2. Net D/E ratio = Net interest-bearing debt / Shareholder's equity
3. Net interest-bearing debt = Interest-bearing debt – Cash and deposits

④ Significant accounting estimates and underlying assumptions

The DIC Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, it is necessary for the Company to make forward-looking estimates that impact the reported amounts of assets and liabilities, as well as income and expenses, and disclosure in the current fiscal year. Management makes rational judgments regarding these estimates, taking into account past results and various other factors, as of the end of the current fiscal year. However, these estimates are subject to uncertainties and as a result, actual results may differ.

For more information on estimates used in the preparation of the Company's consolidated financial statements, please see "(1) Consolidated Financial Statements [Notes] (Accounting Estimates)," within "1. Consolidated Financial Statements," in "V. Financial Information."

(3) Management policies • Management strategies, objective indicators for determining the status of achievement of management objectives, etc.

The achievement status of the DIC Vision 2030 long-term management plan for the current fiscal year is as follows:

(Billions of yen)	2023 Plan	2023 Actual	2024 Forecasts	2025 Initial Plan
Net sales	1,150.0	1,038.7	1,100.0	1,100.0
Operating income	43.0	17.9	30.0	80.0
Operating margin	3.7%	1.7%	2.7%	7.3%
Net income attributable to owners of the parent	20.0	(39.9)	10.0	45.0
EBITDA*	87.0	30.8	82.0	137.0
ROIC**	3.6%	1.5%	2.6%	6.0%
Net D /E ratio***	1.09	1.21	1.13	Less than 1 times

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

** ROIC = Net operating income after tax / (Net interest-bearing debt + Net assets)

*** Net D/E ratio = Net interest-bearing debt / Shareholder's equity

5. Material Business Agreements, etc.

On September 1, 2023, the Company entered into a definitive agreement with Invisible Holdings Co., Ltd. (“Tender Offeror”), all of the outstanding shares in which are owned by Invisible Holdings, L.P., all of the interests in which are held and managed by The Carlyle Group, under which agreement (i) the Tender Offeror will carry out a tender offer for common shares of SEIKO PMC CORPORATION (“SEIKO PMC”) (a consolidated subsidiary of the Company) listed on the Prime Market of Tokyo Stock Exchange, Inc. (“Tender Offer”); (ii) the Company will not tender the shares in SEIKO PMC held by the Company in the Tender Offer; (iii) SEIKO PMC will consolidate its common shares after the closing of the Tender Offer; and (iv) SEIKO PMC will repurchase all of the shares in SEIKO PMC held by the Company from the Company through the purchase of treasury stock, and the Tender Offeror will make SEIKO PMC its wholly-owned subsidiary.

The repurchasing was concluded on January 15, 2024.

The details are in “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, [Notes], (Significant Subsequent Events)”.

6. Research and Development Activities

In line with its vision statement, “We improve the human condition by safely delivering color and comfort for sustainable prosperity—Color & Comfort,” the DIC Group is combining its basic technologies, including existing technologies in the areas of optics and color, organic materials design, polymer design and dispersion, and new technologies in such areas as inorganic materials design and biomaterials design, to build a portfolio of next-generation products and new technologies to drive sustainable growth.

The Group’s R&D organization in Japan comprises the Technical Management Unit, which is responsible for product development and modification connected directly to businesses; DIC Graphics Corporation’s Technical Division; the R&D Management Unit, which is responsible for adding depth to existing technologies and fostering new basic technologies; and the New Business Development Headquarters, which is charged with creating strategic new businesses and commercializing business units’ next-generation products. Overseas, the Group’s R&D is conducted by the Sun Chemical Group’s research centers in the United States, the United Kingdom and Germany; Qingdao DIC Finechemicals Co., Ltd., in the PRC; Printing Inks Technical Center, Polymer Technical Center, Solid Compound Technical Center, Pigment Technical Center and Tape Technical Center in the PRC and the Asia–Pacific region; the 3D Printing Materials Laboratory–Korea; and an Algae Research Center in the United States. These facilities are working as one to promote the global development of products and technologies.

The DIC Group actively promotes the use of artificial intelligence (AI) and materials informatics (MI), as well as the training of AI specialists, through initiatives spearheaded by the Data Science Center. Efforts also focus on accelerating open innovation, including through corporate venture capital (CVC) and collaboration with other companies and academic institutions.

R&D costs for the fiscal year ended December 31, 2023, were ¥17,189 million yen. In addition, technology-related expenses for the Company and DIC Graphics for product improvement and customization were ¥14,981 million yen. Recent R&D highlights in the period under review are described below.

(1) Packaging & Graphic

In the area of printing inks, DIC launched a new highly sensitive ultraviolet (UV)-curable ink that is compatible with light-emitting diodes (LEDs) and delivers improved printability. New heat seal coatings included a water-based sealant for pharmaceutical press-through packaging (PTP) and a heat sealant that exhibits stable strength at low temperatures, commonly used for various containers such as polyvinyl chloride (PVC) container film. The Company also began rolling out an overprint varnish that delivers the same level of heat resistance as conventional products despite containing no nitrified cotton or formaldehyde.

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

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

(2) Color & Display

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

(3) Functional Products

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

(4) Other

With the objective of developing new basic technologies, in the area of biobased materials, the Company proceeded with planning and making preparations for the construction of a pilot plant for the development of naturally derived polyaspartic acid and a biodegradable polyaspartic acid–based waterborne superabsorbent polymer. The Company also commenced small-scale production of cultured Suizenji nori, a blue-green algae indigenous to Japan, to ensure a stable supply of SACRAN™ (scientific name: Aphanothece sacrum), which boasts five times the moisture-retention capacity of hyaluronic acid and is extracted from Suizenji nori. In the area of inorganic materials, in addition to thermally conductive alumina fillers, mass production samples of which began shipping in the fiscal year ended December 31, 2022, the Company saw progress in its efforts to develop piezoelectric fillers, dielectric control fillers and magnetic fillers. In components for lithium-ion secondary batteries, the Company commenced sample shipments of a waterborne anode binder that helps prolong battery life by, among others, suppressing expansion and ensuring low internal resistance.

III. Facilities

1. Overview of Capital Expenditures

In addition to placing a high priority on product development and research themes that promise long-term growth, the DIC Group invests in labor efficiency, rationalization, conservation and environmental safety.

Principal investments to update or expand existing facilities, by segment, were as follows:

Segment	Capital investment amount (Millions of yen)	Main content and purpose of facilities	financing method
Packaging & Graphic	19,289	Update of printing materials production facilities Investments to reinforce production facilities, particularly for packaging inks and other environment-friendly products, and to implement updates aimed at improving production efficiency.	Own funds and borrowings
Color & Display	11,433	Update of pigment production facilities Investments to update production facilities for pigments for coatings, functional pigments and other products to bolster production efficiency.	Own funds and borrowings
Functional Products	24,545	Expansion of synthetic resin production facilities Investments to reinforce production facilities for synthetic resins in high-growth markets and to expand production facilities for waterborne resins, for which demand is increasing as a result of growing awareness of the benefits of environment-friendly products.	Own funds and borrowings
Others and Corporate	1,067	Update of information systems Investments to shift to new information systems capable of supporting digital transformation (DX).	Own funds and borrowings
Total	56,335	—	—

(Note) Capital expenditures common to multiple segments are allocated to each segment.

2. Major Facilities

The major facilities of the DIC Group at the end of the current consolidated fiscal year are as follows:

(1) The Company

Site name (location)	Segment	Details of the facilities	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Furniture and fixtures	Land (Thousand m^2)	Construction in progress	Total	
Hokuriku Plant (Hakusan City, Ishikawa)	Functional Products	Synthetic resin production facilities, etc.	2,840	2,659	133	1,443 (144)	268	7,344	235
Chiba Plant (Ichihara City, Chiba)	Functional Products	Synthetic resin production facilities, etc.	7,829	6,140	967	2,005 (435)	275	17,214	728
Sakai Plant (Takaishi City, Osaka)	Functional Products	Synthetic resin production facilities, etc.	3,724	3,032	543	1,584 (199)	452	9,334	374
Kashima Plant (Kamisu City, Ibaraki)	Color & Display Functional Products	Organic pigment production facility, PPS polymer production facility, etc.	6,770	8,838	367	2,570 (603)	2,542	21,087	297
Saitama Plant (Kitaadachi-gun, Saitama)	Packaging & Graphics Color & Display Functional Products	Industrial tape production facilities, etc.	2,667	1,327	467	1,986 (103)	61	6,507	373
Research and Development Institute (Sakura City, Chiba)	Corporate	Research facilities, etc.	4,185	84	1,431	2,769 (259)	36	8,506	303
Head Office (Chuo-Ku, Tokyo)	Packaging & Graphics Color & Display Functional Products Others and Corporate	Other equipment	1,627	187	1,039	1,896 (99)	113	4,862	1,011

(Note) The head office includes land for the construction of factories, welfare facilities, and logistics facilities belonging to the head office.

(2) Status of domestic subsidiaries

Company name (principal location)	Segment	Details of the facilities	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Furniture and fixtures	Land (Thousand m^2)	Construction in progress	Total	
DIC Graphics Co., Ltd. Tokyo Plant and others (Itabashi-Ku, Tokyo, etc.)	Packaging & Graphics	Printing ink production facilities, etc.	1,049	2,358	189	677 (51)	8	4,281	632
Seiko PMC Co., Ltd. Mizushima Plant and others (Kurashiki City, Okayama Prefecture, and others)	Functional Products	Production facilities for papermaking chemicals, etc.	2,026	1,624	134	5,723 (146)	275	9,782	476
DIC Kitanihon Polymer Co., Ltd. Tohoku Plant and others (Katta-gun, Miyagi Prefecture)	Functional Products	Synthetic resin production facilities, etc.	1,182	1,193	64	694 (72)	5	3,138	96

(Note) The above book value is the book value on the consolidated balance sheet after adjusting the book value of each company.

(3) Status of overseas subsidiaries

Company name (headquarter location)	Segment	Details of the facilities	Book value (Millions of yen)						Number of employees
			Buildings	Machinery and equipment	Furniture and fixtures	Land (Thousand m^2)	Construction in progress	Total	
Innovation DIC Chimitroniques Inc. (Québec, Canada)	Functional Products	Production facilities of polymers used in photoresists for semiconductor photolithography, etc.	581	4,115	173	370 (26)	897	6,136	92
DIC Zhangjiagang Chemicals Co., Ltd. (Zhangjiagang, China)	Functional Products	Synthetic resin production facilities, etc.	1,281	2,158	461	133 (104)	65	4,098	223
DIC Graphics (Dongguan) Ltd. (Dongguan, China)	Packaging & Graphics	Packaging inks production facilities, etc.	—	214	55	941 (40)	3,660	4,870	82
Guangdong DIC TOD Resins Co., Ltd. (Shaoguan, China)	Functional Products	Synthetic resin production facilities, etc.	1,659	1,032	84	623 (135)	1,952	5,350	381
Siam Chemical Industry Co., Ltd. (Bangkok, Thailand)	Functional Products	Synthetic resin production facilities, etc.	399	1,320	208	800 (162)	426	3,153	350
PT. DIC GRAPHICS (Jakarta, Indonesia)	Packaging & Graphics Color & Display	Printing ink production facilities, etc.	1,946	1,538	131	824 (131)	53	4,493	689
Sun Chemical Group Cooperative U. A. (Weesp, Netherlands)	Packaging & Graphics Color & Display Functional Products Others	Printing ink production facilities, Pigment production facilities, etc.	68,616	73,869	7,788	20,241 (10,545)	11,863	182,378	10,152

(Notes) 1. The above book value is the book value on the consolidated balance sheet after adjusting the book value of each company.
2. Sun Chemical Group Cooperative U. A. figures shown represent the value upon the consolidation of its subsidiaries.

3. Plans for New Installation and Retirement of Facilities

The Group conducts a wide variety of businesses both in Japan and overseas, and plans for new construction, expansion, and rationalization of facilities are diverse. The capital investment plan for the following fiscal year was ¥63.1 billion, and the breakdown by segment is as follows:

Segment	Planned Amount as of December 31, 2023 (Millions of yen)	Main Content and Purpose of Facilities	Financing Method
Packaging & Graphics	20,900	New construction of production facilities for packaging inks overseas, etc.	Own funds and borrowings
Color & Display	12,200	Renewal of production facilities for functional pigments in Japan, etc.	Own funds and borrowings
Functional Products	25,100	Expansion of production facilities for synthetic resins overseas, etc.	Own funds and borrowings
Others and Corporate	4,900	Update of information systems, investments to rationalize production facilities, etc.	Own funds and borrowings
Total	63,100	—	—

(Notes) 1. Capital investment plans common to all segments are included in Other and Corporate.

2. There is no plan for the retirement or sale of important facilities, except for the regular retirement or sale related to updating facilities.

IV. Information on the Company

1. Information on the Company’s Shares

(1) Total Number of Shares, etc.

① [Number of shares authorized]

Type	Total number of shares authorized for issue
Common stock	150, 000,000
Total	150, 000,000

② [Number of shares issued]

Type	Number of shares issued (as of December 31, 2023)	Number of shares issued (as of March 28, 2024)	Financial instruments exchanges on which the Company is listed or authorized financial instruments firms	Description
Common stock	95,156,904	95,156,904	Tokyo Stock Exchange (Prime Market)	Unit number: 100 shares
Total	95,156,904	95,156,904	—	—

(2) Stock Acquisition Rights

① [Stock option system]

Not applicable.

② [Rights plan]

Not applicable.

③ [Other stock acquisition rights, etc.]

Not applicable.

(3) Exercise of Bonds with Moving Strike Warrants, etc.

Not applicable.

(4) Changes in Number of Shares Issued, Capital Stock, etc.

Date	Change in number of shares issued	Balance of number of shares issued	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
July 1, 2016	(856,412,144)	95,156,904	—	96,557	—	94,156

(Note) Following the approval of a proposal at the 118th Annual General Meeting of Shareholders, held on March 29, 2016, the Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as of the effective date.

(5) Shareholder Composition

As of December 31, 2023

	Status of shares (1 unit = 100 shares)								Number of shares less than one unit
	Japanese national and local governments	Japanese financial institutions	Japanese financial instruments firms	Other Japanese corporations	Foreign shareholders		Japanese individual investors and others	Total	
					Other than individual investors	Individual investors			
Number of shareholders	—	83	36	484	263	48	48,245	49,159	—
Number of shares owned (Units)	—	368,105	33,793	157,057	235,043	88	155,659	949,745	182,404
Percentage of shares owned (%)	—	38.76	3.56	16.54	24.75	0.01	16.39	100.00	—

(Notes) 1. The Company's 195,280 shares of treasury stock are included in "Japanese individual investors and others" (1,952 units) and "Number of shares less than one unit" (80 shares). The total number of shares of treasury stock—195,280—is the number of shares listed in the shareholder registry. As of December 31, 2023, the actual number of shares of treasury stock owned was 194,980.

2. The 302,700 shares held by the Board Benefit Trust (BBT) are included in "Japanese financial institutions" (3,027 units).

3. The 300 shares registered in the name of Japan Securities Depository Center, Inc. (JASDEC) are included in "Other Japanese corporations" (3 units).

(6) Major Shareholders

As of December 31, 2023

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	13,916,200	14.65
SHOEI INC.	16-2, Soto-Kanda 2-chome, Chiyoda-ku, Tokyo, Japan	12,694,386	13.37
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	6,785,318	7.15
OASIS JAPAN STRATEGIC FUND LTD. (Standing proxy: Citibank, N.A., Tokyo Branch)	Maples Corporate Services Ltd, PO Box 309, Ugland House South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (27-30, Shinjyuku 6-chome, Shinjyuku-ku, Tokyo, Japan)	4,767,905	5.02
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chuo-ku,Tokyo, Japan (8-12, Harumi 1-chome, Chuo-ku,Tokyo, Japan)	3,500,009	3.69
Bnymsanv as Agent/Clients Lux Ucits Non Treaty 1 (Standing proxy: MUFG Bank, Ltd.)	Vertigo Building - Polaris 2-4 Rue Eugena Ruppert L-2453 Luxembourg Grand Duchy of Luxembourg (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan)	3,112,200	3.28
Custody Bank of Japan, Ltd. (Trust Account 4)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	2,165,000	2.28
Aioi Nissay Dowa Insurance Co., Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	28-1, Ebisu 1-chome, Shibuya-ku,Tokyo, Japan (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan)	2,020,859	2.13
NIPPON LIFE INSURANCE COMPANY (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan)	1,900,075	2.00
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	1,243,908	1.31
Total	—	52,105,860	54.87

(Notes) 1. “Number of shares owned” includes the following shares held in association with fiduciary activities:

The Master Trust Bank of Japan, Ltd. (Trust Account):	Securities investment trust: 5,957,400	Pension trust: 801,800
Custody Bank of Japan, Ltd. (Trust Account):	Securities investment trust: 3,301,018	Pension trust: 293,300
Custody Bank of Japan, Ltd. (Trust Account 4):	Pension trust: 208,000	

2. In a report of possession of large volume (report of changes) provided by T. Rowe Price Japan, Inc., for public inspection on September 7, 2023, the following shares are attributed to T. Rowe Price Japan, Inc. and one joint holder, T. Rowe Price International Ltd., as of August 31, 2023. However, the actual number of shares held by these companies as of December 31, 2023 are not included in major shareholders above because the Company cannot confirm the number.

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
T. Rowe Price Japan, Inc.	GranTokyo South Tower, 9·2, Marunouchi 1·chome, Chiyoda·ku, Tokyo, JAPAN	1,537,800	1.62
T. Rowe Price International Ltd.	Warwick Court, 5 Paternoster Square, London, EC4M 7DX, UK	2,336,100	2.45
Total		3,873,900	4.07

3. In a report of possession of large volume (report of changes) provided by Sumitomo Mitsui Trust Bank, Limited, for public inspection on December 6, 2023, the following shares are attributed to Sumitomo Mitsui Trust Asset Management Co., Ltd. and one joint holder, Nikko Asset Management Co., Ltd., as of November 30, 2023. However, the actual number of shares held by these companies as of December 31, 2023 are not included in major shareholders above because the Company cannot confirm the number.

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shibakoen 1-chome, Minato-ku, Tokyo, Japan	4,796,200	5.04
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo, Japan	1,611,800	1.69
Total		6,408,000	6.73

4. In a report of possession of large volume provided by Oasis Management Company Ltd., for public inspection on December 28, 2023, the following shares are attributed to Oasis Management Company Ltd., as of December 21, 2023. However, the actual number of shares held by these companies as of December 31, 2023, is not included in major shareholders above because the Company cannot confirm the number.

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
Oasis Management Company Ltd.	Ugland House PO Box 309, Grand Cayman KY1-1104 Cayman Islands	6,563,759	6.90
Total		6,563,759	6.90

5. In a report of possession of large volume provided by Mitsubishi UFJ Financial Group, Inc., for public inspection on January 5, 2024, the following shares are attributed to MUFG Bank, Ltd. and three joint holders as of December 25, 2023. However, the actual number of shares held by these companies as of December 31, 2023, is not included in major shareholders above because the Company cannot confirm the number.

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	971,608	1.02
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	2,126,500	2.23
Mitsubishi UFJ Asset Management Co., Ltd.	9-1, Higashi-Shinbashi 1-chome, Minato-ku, Tokyo, Japan	950,900	1.00
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo, Japan	853,184	0.90
Total		4,902,192	5.15

6. In a report of possession of large volume (report of changes) provided by Nomura Securities Co., Ltd., for public inspection on January 9, 2024, the following shares are attributed to Nomura Securities Co., Ltd. and two joint holders as of December 29, 2023. However, the actual number of shares held by these companies as of December 31, 2023, is not included in major shareholders above because the Company cannot confirm the number.

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
Nomura Securities Co., Ltd.	13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	78,742	0.08
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	53,787	0.06
Nomura Asset Management Co., Ltd.	2-1, Toyosu 2-chome, Koto-ku, Tokyo Japan	3,680,600	3.87
Total		3,813,129	4.01

(7) Voting Rights

① [Issued shares]

As of December 31, 2023

Category	Number of shares		Number of voting rights (Units)	Description
Shares without voting rights	―		―	―
Shares with restricted voting rights (treasury stock, etc.)	―		―	―
Shares with restricted voting rights (other)	―		―	―
Shares with full voting rights (treasury stock, etc.)	Common stock	194,900	―	Shares less than one unit (100 shares)
Shares with full voting rights (other)	Common stock	94,779,600	947,796	Shares less than one unit (100 shares)
Shares less than one unit	Common stock	182,404	―	―
Number of issued shares	95,156,904		―	―
Voting rights of all shareholders	―		947,796	―

(Note) Shares of common stock in "Shares with full voting rights (other)" include 300 shares (constituting 3 units of voting rights) registered in the name of JASDEC and 302,700 shares held by the BBT (constituting 3,027 voting rights). The 3,027 voting rights for the shares held by the BBT are not exercised.

② [Treasury stock, etc.]

As of December 31, 2023

Name of shareholder	Address	Number of shares held under own name	Number of shares held under another name	Number of shares owned	Percentage of total issues shares (%)
(Shares of treasury stock) DIC Corporation	35-58, Sakashita 3-chome, Itabashi-ku, Tokyo, Japan	194,900	―	194,900	0.20
Total		194,900		194,900	0.20

(Notes) 1. In addition to the shares indicated above, there are 300 shares of treasury stock listed in the shareholder registry under the name of the Company that it does not actually own. These shares are included in "Shares with full voting rights (other)" in the table "① Issued shares" above.

2. The 302,700 shares of treasury stock held by the BBT are not included in shares of treasury stock above.

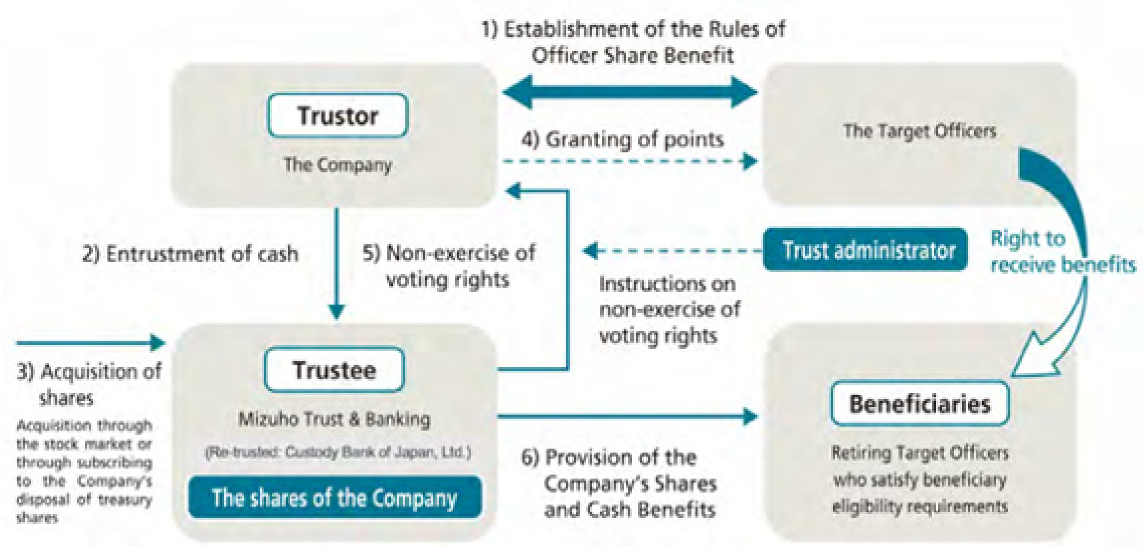
(8) Share Ownership by Directors/Other Officers and Employees

Following the approval of proposals at the 119th Annual General Meeting of Shareholders, held on March 29, 2017, and the 123rd Annual General Meeting of Shareholders, held on March 30, 2021, the Company introduced the Board Benefit Trust (BBT), a performance-based stock compensation plan for target officers, i.e., directors who serve concurrently as executive officers and executive officers.

1. Structure of the Plan

The BBT is a type of stock compensation plan. The trust acquires shares of the Company using cash entrusted to it by the Company. The trust provides target officers with shares or a cash equivalent as stipulated in the Rules of Officer Share Benefit. The purpose of the plan is to strengthen the target officers' awareness of the importance of contributing to the medium- to long-term improvement of operating results, as well as to the enhancement of corporate value, and of sharing the same objectives as shareholders by clarifying the link between remuneration for eligible individuals and the value of the Company's shares.

Structure of the Plan



① The Company established the Rules of Officer Share Benefit within the scope of the structure approved at the 119th Annual General Meeting of Shareholders and the 123rd Annual General Meeting of Shareholders.

② The Company entrusts cash within the scope of the approved proposals described in ①.

③ The trust acquires shares of the Company through the stock market or by subscribing to the Company's disposal of treasury shares using the cash entrusted as described in ②.

④ The Company grants points to the target officers in accordance with the Rules of Officer Share Benefit.

⑤ The BBT does not exercise the voting rights of the shares of the Company in the trust account in accordance with the instructions from the trust administrator independent of the Company.

⑥ The BBT provides those individuals who retire from office as a target officer and fulfill the beneficiary eligibility requirements stipulated in the Rules of Officer Share Benefit with shares of the Company commensurate with the number of points accumulated as of retirement. If, however, a target officer fulfills separate requirements stipulated in the Rules of Officer Share Benefit, the Company provides a cash equivalent of the amount that would be obtained if the shares of the Company were converted at market price for a certain proportion of the number of points accumulated as of retirement.

2. Total number of shares expected to be acquired by eligible parties (as of the end of the fiscal year ended December 31, 2023)

302,700

3. Scope of individuals eligible as beneficiaries of the plan

Individuals who retire from office as a target officer and fulfill the beneficiary eligibility requirements stipulated in the Rules of Officer Share Benefit.

2. Acquisition, etc., of Treasury Stock

[Class of shares] Acquisition of common stock under Article 155, Item 7, of the Companies Act of Japan

(1) Acquisition of treasury stock based on resolution at the annual general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock based on resolution of the Board of Directors

Not applicable.

(3) Acquisition of treasury stock not based on resolution at the annual general meeting of shareholders or of the Board of Directors

Category	Number of shares	Total value (Yen)
Treasury stock acquired during the fiscal year ended December 31, 2023	2,557	6,297,094
Treasury stock acquired during the current period for acquisition	252	701,704

(Note) Treasury stock acquired during the current period for acquisition does not include shares constituting less than one unit purchased between March 1, 2024, and the filing date of this report.

(4) Disposal and holding of acquired shares of treasury stock

Category	Fiscal year ended December 31, 2023		Current period for acquisition	
	Number of shares	Total value of shares disposed (Yen)	Number of shares	Total value of shares disposed (Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was disposed of	—	—	—	—
Acquired treasury stock for which transfer of shares was conducted in association with a merger, share exchange, share delivery or corporate separation	—	—	—	—
Other （Equity Benefit Trust to Contribution）	180,000	440,910,000	—	—
Shares of treasury stock held	194,980	—	195,232	—

(Note) Treasury stock held during the current period for acquisition does not include shares constituting less than one unit purchased between March 1, 2024, and the filing date of this report.

3. Dividend Policy

The Company's basic policy is to establish a stable management foundation while further enhancing returns to shareholders. The Company will also endeavor to bolster retained earnings as well as to ensure their effective use, with the aim of further reinforcing its corporate structure and enhancing future benefits to shareholders. For the three fiscal years from the 127th to the 129th, the Company set a minimum limit for annual dividends per share of 100 yen.

The Company's policy is to make an appropriation of retained earnings to pay dividends twice annually, an interim and a fiscal year-end dividend. The year-end dividend is determined by resolution at the annual general meeting of shareholders, while the interim dividend is approved by resolution of the Board of Directors, with the Company's Articles of Incorporation providing that an appropriation of surplus may be made for the payment of an interim dividend to shareholders of record as of June 30 of each year.

In line with the above policy, the following appropriations of surplus were made for the payment of cash dividends applicable to the fiscal year ended December 31, 2023:

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
Resolution of the Board of Directors (August 9, 2023)	4,739	50
Resolution at the annual general meeting of shareholders (March 28, 2024)	2,849	30

(Notes) 1. The total amount of dividends approved by resolution of the Board of Directors on August 9, 2023, includes dividends of ¥6 million for the Company's shares held by the Board Benefit Trust (BBT).

2. The total amount of dividends approved by resolution at the annual general meeting of shareholders held on March 28, 2024, includes dividends of ¥9 million for the Company's shares held by the BBT.

4. Corporate Governance

(1) Overview of corporate governance

1. Basic approach to corporate governance

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

2. Corporate governance organization

(1) Basic explanation regarding the organization of the Company

As a company with Audit & Supervisory Board Members, the Company has a Board of Directors and an Audit & Supervisory Board. The Company has also instituted an executive officer system and has established the Nomination Committee, Remuneration Committee, Executive Committee, Sustainability Committee, Quality Committee and Work Style Revolution (WSR) 2020 Committee.

(2) Rationale behind current corporate governance system

The Company has instituted an executive officer system, a move aimed at separating decision-making and implementation and thereby accelerating business execution and clarifying responsibilities. The Company has appointed four highly independent outside individuals to its Board of Directors, to reinforce its monitoring of business execution. The Company also has a Nomination Committee and a Remuneration Committee, which include four Outside Directors, to ensure objectivity in the nomination of, and in determining remuneration for, Directors and Executive Officers.
Four Audit & Supervisory Board Members, which include one attorney and one certified public accountant as outside members, conduct audits in liaison with the accounting auditors and the internal auditing department. This structure ensures the effective functioning of the Company's corporate governance system.
In April 2024, the Corporate Value Improvement Committee was established to explore the role of companies in society from a high-level, broad viewpoint and advise the Board of Directors from a third-party perspective regarding the improvement of corporate value over the long term.

(3) Corporate governance organization

① Board of Directors

From the perspective of making business decisions in a timely manner and reinforcing corporate governance, the Board of Directors consists of 10 Directors, three of whom are Outside Directors (two of whom are female). The Board of Directors typically meets once a month to make decisions on matters delegated to it under the Companies Act of Japan and on important business matters stated in the regulations for meetings of the Board of Directors, as well as to receive status reports on the execution of business operations and supervise the execution of the business.

As of the date of publication, Board members were: Representative Director and Chairman of the Board of Directors Kaoru Ino; Representative Director, President and CEO Takashi Ikeda; Representative Director and Executive Vice President Shuji Furuta; Director Yoshihisa Kawamura; Directors and Senior Managing Executive Officers Takeshi Asai and Masaya Nakafuji; and Outside Directors Kuniko Shoji, Masami Fujita, Shiro Saito and Donna Costa.

The Board of Directors met 15 times in the fiscal year ended December 31, 2023. Attendance at Board meetings was as follows:

Position	Name	Attendance rate at Board of Directors' meetings
Chairman of the Board of Directors	Masayuki Saito	100% (15/15)
Representative Director, President and CEO	Kaoru Ino	100% (15/15)
Representative Director, Executive Vice President	Toshifumi Tamaki	100% (15/15)
Director	Yoshihisa Kawamura	100% (15/15)
Director, Managing Executive Officer	Takeshi Asai	100% (15/15)
Director, Managing Executive Officer	Shuji Furuta	100% (15/15)
Outside Director	Kazuo Tsukahara	100% (4/4)
Outside Director	Yoshiaki Tamura	100% (15/15)
Outside Director	Kuniko Shoji	100% (15/15)
Outside Director	Masami Fujita	100% (11/11)

(Notes)

1. Positions listed were as of December 31, 2023.
2. Director Kazuo Tsukahara's term of office was expired at the Annual General Meeting of Shareholders held in March 2023. The total number of meetings indicated reflects meetings held and attended while in office.
3. Director Masami Fujita was elected at the Annual General Meeting of Shareholders held in March 2023. The total number of meetings indicated reflects meetings held and attended while in office.

② Nomination Committee

To ensure objectivity in the nomination of Directors, Audit & Supervisory Board Members and Executive Officers, among others, the Nomination Committee was established to provide recommendations to the Board of Directors regarding the appointment and dismissal of Directors, Audit & Supervisory Board Members and Executive Officers. In addition, the committee determines on proposals for the appointment and dismissal of officers, as well as deliberates on matters related to the CEO selection process and skill matrix. The committee meets as necessary and consists of six Directors, four of whom are independent Outside Directors, with an independent Outside Director serving as chair.

As of the date of publication, committee members were: Outside Director Masami Fujita (Committee Chair); Representative Director and Chairman of the Board of Directors Kaoru Ino; Representative Director, President and CEO Takashi Ikeda; and Outside Directors Kuniko Shoji, Shiro Saito and Donna Costa.

The Nomination Committee met four times in the fiscal year ended December 31, 2023. Attendance at committee meetings was as follows:

Position	Name	Attendance rate at Nomination Committee meetings
Outside Director	Yoshiaki Tamura	100% (4/4)
Chairman of the Board of Directors	Masayuki Saito	100% (4/4)
Representative Director, President and CEO	Kaoru Ino	100% (4/4)
Outside Director	Kuniko Shoji	100% (4/4)
Outside Director	Masami Fujita	100% (4/4)

(Note) Positions listed were as of December 31, 2023.

③ Remuneration Committee

To ensure objectivity in the determination of remuneration for Directors and Executive Officers, the Remuneration Committee was established and has been entrusted with responsibility for determining remuneration, among others, for Directors and Executive Officers. In addition to determining the amount of remuneration for officers, the committee also deliberates and determines matters related to policies and decision criteria for remuneration of directors and executive officers, and matters related to determining individual remuneration, etc. of directors and executive officers. The committee meets as necessary and consists of six Directors, four of whom are independent Outside Directors, with an independent Outside Director serving as chair.

As of the date of publication, committee members were: Outside Director Kuniko Shoji (Committee Chair); Representative Director and Chairman of the Board of Directors Kaoru Ino; Representative Director, President and CEO Takashi Ikeda; and Outside Directors Masami Fujita, Shiro Saito and Donna Costa.

The Remuneration Committee met three times in the fiscal year ended December 31, 2023. Attendance at committee meetings was as follows:

Position	Name	Attendance rate at Remuneration Committee meetings
Outside Director	Kuniko Shoji	100% (3/3)
Chairman of the Board of Directors	Masayuki Saito	100% (3/3)
Representative Director, President and CEO	Kaoru Ino	100% (3/3)
Outside Director	Yoshiaki Tamura	100% (3/3)
Outside Director	Masami Fujita	100% (3/3)

(Note) Positions listed were as of December 31, 2023.

④ Executive Committee

The Executive Committee was established as a body to advise on important matters related to the execution of the DIC Group’s business. The committee meets twice monthly in principle and consists of Executive Officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the Heads of the Units, and the General Managers of the Management Units and Product Divisions. As part of the auditing process, one Audit & Supervisory Board Member also attends Executive Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

As of the date of publication, committee members were: President and CEO Takashi Ikeda (Committee Chair); Executive Vice President Shuji Furuta; Senior Managing Executive Officers Masaya Nakafuji and Takeshi Asai; Managing Executive Officers Masamichi Sota, Kiyofumi Takano, Yoshinari Akiyama, Koji Asada, Toshiro Ariga and Yuji Kikuchi; and Executive Officers Yuji Morinaga, Tomoyuki Tanaka, Kuniko Torayama, Masaaki Kusaka, Takao Iribe, Yoshiharu Ootoshi and Hisashi Komoto.

⑤ Sustainability Committee

The Sustainability Committee, which functions as an advisory body, meets several times annually to formulate sustainability policies and activity plans, as well as to evaluate and promote sustainability initiatives. The committee consists of Executive Officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the Heads of Units, the General Managers of the Management Units and Product Divisions, and the Managing Directors of regional headquarters. As part of the auditing process, one Audit & Supervisory Board member also attends Sustainability Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

As of the date of publication, committee members were: President and CEO Takashi Ikeda (Committee Chair); Executive Officer Kuniko Torayama (Committee Vice Chair); Executive Vice President Shuji Furuta; Senior Managing Officers Masaya Nakafuji and Takeshi Asai; Managing Executive Officers Masamichi Sota, Kiyofumi Takano, Yoshinari Akiyama, Myron Petruch, Koji Asada, Toshiro Ariga and Yuji Kikuchi; Executive Officers Masahiro Kikuchi, Paul Koek, Yuji Morinaga, Tomoyuki Tanaka, Masaaki Kusaka, Takao Iribe, Yoshiharu Ootoshi and Hisashi Komoto; General Manager of the Display Materials Product Division Hirokazu Kigane; General Manager of the R&D Management Unit Nobuyuki Koike; General Manager of the Chemitronics Business Division Minoru Hara; and President and CEO of DIC Graphics Corporation Toshiyuki Kai.

⑥ Quality Committee

In addition to reporting on the status and progress of quality management, the Quality Committee functions as a deliberative body for the DIC Group's quality policy, principal initiatives and important issues. In principle, the committee meets once quarterly and consists of Executive Officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the Heads of the Units, and the General Managers of the Management Units and Product Divisions. As part of the auditing process, one Audit & Supervisory Board member also attends Quality Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

As of the date of publication, committee members were: President and CEO Takashi Ikeda (Committee Chair); Deputy General Manager of the Production Management Unit Hironobu Ito (Committee Vice Chair); Executive Vice President Shuji Furuta; Senior Managing Executive Officers Masaya Nakafuji and Takeshi Asai; Managing Executive Officers Masamichi Sota, Kiyofuji Takano, Yoshinari Akiyama, Toshio Ariga and Yuji Kikuchi; Executive Officers Yuji Morinaga, Tomoyuki Tanaka, Kuniko Torayama, Masaaki Kusaka, Yoshiharu Ootoshi and Hisashi Komoto; General Manager of the Display Materials Product Division Hirokazu Kigane; and General Manager of the Chemitronics Business Division Minoru Hara.

⑦ WSR 2020 Committee

The WSR 2020 Committee was established to deliberate work style reform–related measures and investment plans, among others, with the aim of enhancing Group employee job satisfaction and productivity. In principle, the committee meets once quarterly and consists of Executive Officers and others designated by the Board of Directors from among the President and CEO, the Executive Vice President, the Heads of the Units, and the General Managers of the Management Units and Product Divisions. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

As of the date of publication, committee members were: President and CEO Takashi Ikeda (Committee Chair); Executive Vice President Shuji Furuta (Committee Vice Chair); Senior Managing Executive Officers Masaya Nakafuji and Takeshi Asai; Managing Executive Officers Masamichi Sota, Kiyofumi Takano, Yoshinari Akiyama, Koji Asada, Toshio Ariga and Yuji Kikuchi; Executive Officers Yuji Morinaga, Tomoyuki Tanaka, Kuniko Torayama, Masaaki Kusaka, Takao Iribe, Yoshiharu Ootoshi and Hisashi Komoto; General Manager of the Display Materials Product Division Hirokazu Kigane; General Manager of the Chemitronics Business Division Minoru Hara; and General Manager of the R&D Management Unit Nobuyuki Koike.

⑧Audit & Supervisory Board

The Audit & Supervisory Board comprises four members, including two who are outside (one of whom is female). In principle, the Audit & Supervisory Board meets once monthly. Board activities include debating and determining auditing policies and auditing plans. Members also report on the results of audits conducted.

As of the date of publication, Board members were: Full-time Audit & Supervisory Board Members Hiroyuki Ninomiya (Board Chair) and Toshinobu Kitamura; and Outside Audit & Supervisory Board Members Keita Nagura and Keiko Kishigami.

3. Internal control and risk management systems

The Board of Directors has created a Policy on Internal Controls, in line with which it has prepared and operates a system of internal controls that includes systems relating to the management of risk.

I. Basic concepts regarding internal controls

In striving to conduct its operations in accordance with The DIC Way*, the DIC Group has prepared and operates a system of internal controls based on the Companies Act of Japan to ensure the appropriateness of its operations.

*The DIC Way was formulated to represent the DIC Group's fundamental management philosophy and includes the Group's mission: "We create enhanced value and utilize innovation to introduce socially responsible and sustainable products."

II. System of internal controls

1. Systems for ensuring that the performance of duties by Directors and employees of the DIC Group complies with laws, regulations and the Company's Articles of Incorporation

1) The Company shall prepare regulations for the Board of Directors and regulations for Ringi (approval by written circular) and shall clarify decision-making authority within the DIC Group.

2) The Company shall appoint Outside Directors and shall work to bolster monitoring functions with regard to management.

3) The Company shall work to set forth the DIC Group Code of Business Conduct as the standard regarding compliance, which Directors and employees should comply with, and to disseminate it.

4) The Company shall establish an internal auditing department and shall monitor the status of implementation and operation of internal control systems of the DIC Group on a periodic basis. Important issues discovered through such monitoring, as well as the status of improvements, are reported to President and CEO via internal audit reports and quarterly internal control meetings, with those matters of particularly important findings are reported to the Board of Directors. Additionally, by sending internal audit reports to the Executive Officers in charge of audited organization, the internal auditing department requests audited departments to implement corrective actions for the found issues, and confirms the status of remediation. The internal auditing department further cooperates by providing copies of the internal audit reports to and discussing the content thereof at monthly meetings with the Corporate Auditors. The internal auditing department also directly reports the results of internal audits to the Audit & Supervisory Board and the Board of Directors annually.

5) The Company shall, as part of its compliance activities, establish an internal notification system as a channel available for the employees of the DIC Group and set up multiple notification channels independent from channels used in the execution of business, thereby creating a structure that can quickly respond to domestic and international notifications. In addition, a system shall be put into place so that any person making a notification will not suffer any detriment.

6) The Company shall stand firmly against antisocial elements and shall collaborate with legal counsel and the police, among others, in making firm responses to unwarranted demands made on the DIC Group by such elements.

2. Systems for ensuring that the duties of Directors of the DIC Group are performed efficiently

1) In order to ensure the duties of Directors are performed properly and efficiently within the DIC Group, the Company shall establish regulations regarding company organization and authority.

2) In order to expedite the conduct of business and clarify responsibilities, the Company shall introduce an executive officer system. In addition to resolving important business affairs of the DIC Group in accordance with the Articles of Incorporation and regulations for the Board of Directors, the Board of Directors shall also supervise the status of Executive Officers' business conduct.

3) The Company shall formulate management plans and annual budgets based on management policies and management strategies of the DIC Group and, through dissemination of the same, ensure common goals are shared within the DIC Group. The Company shall make progress reports to the Board of Directors.

3. Systems for the preservation and management of information pertaining to the performance of duties by Directors

1) Information pertaining to the performance of duties by Directors, such as the minutes of meetings of the Board of Directors and Ringi documents, shall be recorded, retained and managed appropriately based on the regulations for document management.

2) The Company shall establish regulations for systems of information management and shall prepare a system for preventing leakage of confidential information of the DIC Group.

4. Regulations and other systems relating to management of the risk of loss to the DIC Group

1) The Company shall formulate a risk management policy and shall identify, assess, prioritize and address any risks that may have a significant impact on the management of the DIC Group.

2)The Company shall establish a risk management system for the DIC Group and ensure its effectiveness by repeating the plan–do–check–act (PDCA) cycle.

5. Other systems for ensuring proper operations of the DIC Group

1) The Company shall determine an administrative department for each subsidiary from the standpoints of business execution and management and shall supervise business affairs by dispatching a director to each subsidiary.

2) The Company shall clarify important matters, including those pertaining to subsidiaries, that must be approved by or reported to the Company.

6. Systems for ensuring that audits by Audit & Supervisory Board Members are conducted effectively

1) In addition to attending meetings of Board of Directors and other important meetings, Audit & Supervisory Board Members may inspect the contents of Ringi approvals at any time.

2) In addition to meeting with Representative Directors on a periodic basis to exchange information and opinions, Audit & Supervisory Board Members shall strive to foster close cooperation by holding liaison meetings on a periodic basis with the internal auditing department, the Accounting Auditor and the Audit & Supervisory Board Members of subsidiaries.

3) Directors and employees of the DIC Group shall report facts that could cause substantial damage to the Company and matters designated by the Audit & Supervisory Board as “Matters to Be Reported to Audit & Supervisory Board Members or the Audit & Supervisory Board” to Audit & Supervisory Board Members or the Audit & Supervisory Board.

4) The DIC Group shall not treat persons who report to Audit & Supervisory Board Members unfavorably because they have made a report.

5) The Company shall establish an Audit & Supervisory Board Members’ Office and shall assign dedicated personnel to assist Audit & Supervisory Board Members in their duties. Such personnel shall obey only the directions and orders of the Audit & Supervisory Board Members. Evaluations shall be conducted by Audit & Supervisory Board Members and matters such as personnel changes and disciplinary actions will require the prior consent of Audit & Supervisory Board Members.

6) The Company shall pay the costs and fees that Audit & Supervisory Board Members need to perform their duties.

4. Outline of liability limitation contracts

The Company concludes liability limitation contracts with all Outside Directors and Outside Audit & Supervisory Board Members. Under such a contract, if Outside Directors or Outside Audit & Supervisory Board Members neglect their duties and cause damages to the Company, they shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act of Japan, on the condition that they have acted in good faith and were not grossly negligent in performing their duties.

5. Outline of D&O liability insurance

The Company purchases directors’ and officers’ (D&O) liability insurance from an insurance company as stipulated in Article 430-3, Paragraph 1, of the Companies Act of Japan, for all Directors, Audit & Supervisory Board Members, Executive Officers and other individuals designated as important employees under the Companies Act (including those who have already retired) of the Company and its domestic subsidiaries (excluding listed companies), payable to the insured individuals. The insurance premiums of the insured persons are paid in full by the Company. This insurance covers damages, including legal expenses incurred by insured individuals in the event of a claim for damages arising from an act or acts committed in the course of performing their duties. This contract is renewed annually.

6. Number of Directors

The Company’s Articles of Incorporation stipulate that the Company must not have more than 14 Directors.

7. Required conditions for a resolution to elect a Director

The Company's Articles of Incorporation stipulate that a resolution for the election of a Director requires the presence of shareholders representing not less than one-third of the voting rights of all shareholders entitled to exercise voting rights and is adopted by a majority vote thereof. The Articles of Incorporation also stipulate that cumulative voting may not be used in the election of Directors.

8. Determination of interim dividends

To allow the expeditious distribution of profits to shareholders, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, pay an interim dividend each year.

9. Determination of the acquisition of treasury stock

Pursuant to the provision of Article 165, Paragraph 2, of the Companies Act of Japan, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, acquire treasury stock. This is to ensure the Company's ability to respond flexibly to changes in the operating environment.

10. Stipulations in the Articles of Incorporation exempting Directors and Audit & Supervisory Board Members from liability

Pursuant to the provision of Article 426, Paragraph 1, of the Companies Act of Japan, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, exempt Directors or Audit & Supervisory Board Members (including those who have already retired) who have neglected their duties from liability for damages to the extent allowable by laws and regulations. This is to ensure that Directors and Audit & Supervisory Board Members are able to adequately perform their expected duties.

11. Required conditions for special resolution of the general meetings of shareholders

Pursuant to the provision of Article 309, Paragraph 2, of the Companies Act of Japan, the Company's Articles of Incorporation stipulate that a special resolution of the general meetings of shareholders requires the presence of shareholders representing not less than one-third of the voting rights of all shareholders entitled to exercise voting rights and is adopted by at least a two-thirds vote thereof. This is to ensure the smooth functioning of the general meetings of shareholders.

(2) Executives

1. Directors and Audit & Supervisory Board Members

Male: 11, female: 3 (women account for 21.4% of the Company’s Directors and Audit & Supervisory Board Members)

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company’s shares held (Thousands)
Representative Director; Chairman of the Board of Directors	Kaoru Ino	September 15, 1957	April 1981	Joined the Company	See Note 3	23[8]
			April 2008	General Manager, Finance Dept.		
			April 2011	General Manager, Purchasing and Logistics Dept.		
			April 2012	Executive Officer; General Manager, Corporate Planning Dept.		
			January 2014	Executive Officer; In Charge of Corporate Strategy Div.; General Manager, Corporate Planning Dept.		
			January 2016	Managing Executive Officer; In Charge of Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art		
			March 2016	Director; Managing Executive Officer; In Charge of Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art		
			January 2018	Representative Director; President and CEO		
			January 2024–present	Chairman of the Board of Directors		
Representative Director; President and CEO	Takashi Ikeda	May 7, 1965	April 1990	Joined the Company	See Note 3	5[7]
			January 2019	General Manager, Functional Products Business Planning Dept.		
			January 2020	Executive Officer; General Manager, Composite Material Products Div.		
			January 2021	Executive Officer; President, Functional Products Business Group; General Manager, Composite Material Products Div.		
			January 2022	Managing Executive Officer; President, Functional Products Business Group; General Manager, Composite Material Products Div.		
			January 2024	President and CEO		
			March 2024–present	Representative Director; President and CEO		

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company's shares held (Thousands)
Representative Director; Executive Vice President; Assistant to President and CEO; Head of Corporate Strategy Unit; In Charge of Kawamura Memorial DIC Museum of Art	Shuji Furuta	June 11, 1964	April 1987	Joined the Company	See Note 3	7[7]
			January 2016	General Manager, Finance Dept.		
			January 2019	Executive Officer; Head of Finance and Accounting Unit		
			January 2020	Executive Officer; Head of Finance and Accounting Unit; CFO		
			March 2021	Director; Executive Officer; Head of Finance and Accounting Unit; CFO		
			January 2022	Director; Managing Executive Officer; Head of Finance and Accounting Unit; CFO		
			January 2024–present	Representative Director; Executive Vice President; Assistant to President and CEO; Head of Corporate Strategy Unit; In Charge of Kawamura Memorial DIC Museum of Art		
Director	Yoshihisa Kawamura	November 12, 1960	April 1984	Joined Mitsui & Co., Ltd.	See Note 3	85
			April 1991	Joined the Company		
			June 2004	Executive Officer; General Manager, Strategic Global Purchasing Div.		
			June 2007	Director; General Manager, Corporate Strategic Planning Dept.		
			April 2008	Director; Managing Executive Officer; President, Graphic Arts Business Operations		
			July 2011	Director; Managing Executive Officer; President, Neo-Graphic Arts Materials Business Operations		
			January 2014–present	Director		

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company's shares held (Thousands)
Director; Senior Managing Executive Officer; Head of Finance & Accounting Unit; CFO	Takeshi Asai	April 3, 1964	April 1988	Joined the Company	See Note 3	67
			May 2008	Director, Sun Chemical Corporation		
			October 2010	Managing Director, DIC Europe GmbH		
			January 2016	General Manager, Business Performance Control Dept.		
			January 2018	Executive Officer; General Manager, Corporate Planning Dept.; In Charge of Osaka Branch and Nagoya Branch		
			January 2021	Executive Officer; Head of Corporate Strategy Unit; In Charge of Kawamura Memorial DIC Museum of Art		
			March 2021	Director; Executive Officer; Head of Corporate Strategy Unit; In Charge of Kawamura Memorial DIC Museum of Art		
			January 2022	Director; Managing Executive Officer; Head of Corporate Strategy Unit; In Charge of Kawamura Memorial DIC Museum of Art		
			January 2024–present	Director; Senior Managing Executive Officer; Head of Finance & Accounting Unit; CFO		

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company’s shares held (Thousands)
Director; Senior Managing Executive Officer; Head of General Affairs and Legal Unit; In Charge of Risk management, Osaka Branch and Nagoya Branch	Masaya Nakafuji	December 20, 1961	April 1984	Joined The Fuji Bank, Limited (Currently, Mizuho Bank, Ltd.)	See Note 3	10[7]
			April 2011	Executive Officer and General Manager, Corporate Banking Department No. 11, Mizuho Corporate Bank, Ltd. (Currently, Mizuho Bank, Ltd.)		
			April 2013	Executive Officer and General Manager, Overseas Business Coordination Dept., the Company		
			January 2014	Executive Officer; General Manager, Corporate Business Administration Dept.; General Manager, Corporate Marketing Dept		
			January 2015	Executive Officer; General Manager, Corporate Planning Dept.		
			January 2018	Managing Executive Officer; Head of General Affairs and Legal Unit; Head of ESG Unit; In Charge of Diversity		
			January 2023	Senior Managing Executive Officer; Head of General Affairs and Legal Unit; In Charge of Risk management, Osaka Branch and Nagoya Branch		
			January 2024–present	Director; Senior Managing Executive Officer; Head of General Affairs and Legal Unit; In Charge of Risk management, Osaka Branch and Nagoya Branch		

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company’s shares held (Thousands)
Director[1]	Kuniko Shoji	January 8, 1954	April 1977	Joined Mochida Pharmaceutical Co., Ltd.	See Note 3	—
			July 1986	Joined Johnson & Johnson Medical K.K. (Currently, Johnson & Johnson K.K.)		
			September 2002	Joined Terumo Corporation		
			June 2004	Executive Officer, Terumo Corporation		
			June 2010	Director and Senior Executive Officer, Terumo Corporation		
			April 2017	Director and Advisor, Terumo Corporation		
			June 2017	Advisor, Terumo Corporation		
			March 2019–present	Outside Director, the Company		
Director[1]	Masami Fujita	September 22, 1956	April 1980	Joined Fujitsu Limited	See note 3	2
			June 2012	Representative Director and Vice President, Fujitsu Limited		
			April 2016	Representative Director and President, Fujitsu Marketing Limited (Currently, Fujitsu Japan Limited)		
			January 2019	Advisor, Fujitsu Marketing Limited (Currently, Fujitsu Japan Limited)		
			April 2019	Executive Vice President, SHINKO ELECTRIC INDUSTRIES CO., LTD.		
			June 2019	Representative Director and President, SHINKO ELECTRIC INDUSTRIES CO., LTD.		
			June 2021–present	Representative Director and Chairman, SHINKO ELECTRIC INDUSTRIES CO., LTD.		
			March 2023–present	Outside Director, the Company		

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company's shares held (Thousands)
Director[1]	Shiro Saito	May 1, 1957	April 1982	Joined TOSHIBA CORPORATION	See Note 3	—
			June 2014	Executive Officer and Corporate Vice President, TOSHIBA CORPORATION		
			September 2015	Executive Officer and Corporate Senior Vice President, TOSHIBA CORPORATION		
			June 2018	Executive Officer and Corporate Executive Vice President, TOSHIBA CORPORATION		
			April 2020–Present	Executive Fellow, TOSHIBA CORPORATION		
			March 2024–present	Outside Director, the Company		
Director[1]	Donna Costa	August 15, 1960	August 1987	Joined Cleary Gottlieb Steen & Hamilton LLP	See note 3	—
			February 1996	General Counsel, Mitsubishi Chemical America, Inc.		
			April 2015	President, Mitsubishi Chemical Holdings America, Inc. (Currently, Mitsubishi Chemical America, Inc.)		
			April 2017	President, Mitsubishi Chemical Holdings Europe GmbH (Currently, Mitsubishi Chemical Europe GmbH)		
			April 2017	Executive Officer, Mitsubishi Chemical Holdings Corporation (Currently, Mitsubishi Chemical Group Corporation)		
			October 2020	Director, Gelest, Inc.		
			March 2024–present	Outside Director, the Company		

Current position	Name	Date of birth	Brief personal history		Term of service	Number of the Company's shares held (Thousands)
Full-time Audit & Supervisory Board Member	Hiroyuki Ninomiya	July 8, 1959	April 1984	Joined the Company	See Note 4	5[8]
			April 2008	General Manager, Accounting Dept.		
			January 2016	Executive Officer; In Charge of Finance and Accounting Div.		
			January 2018	Executive Officer; Head of Finance and Accounting Unit		
			January 2019	Executive Officer; ESG Unit		
			March 2019–present	Audit & Supervisory Board Member		
Full-time Audit & Supervisory Board Member	Toshinobu Kitamura	October 24, 1964	April 1989	Joined the Company	See Note 5	2
			April 2009	General Manager, Information Systems Dept.		
			January 2020	Vice Chairman and CFO, DIC (China) Co., Ltd.		
			January 2023	General Manager, Packaging & Graphic Business Planning Dept.		
			January 2024	Manager, Internal Control Dept.		
			March 2024–present	Audit & Supervisory Board Member		
Audit & Supervisory Board Member[2]	Keita Nagura	January 11, 1971	April 1998–present	Registered as an attorney (Osaka Bar Association)	See Note 6	—
			April 1998–present	Joined Yodoyabashi Godo Law Office (Currently, Yodoyabashi & Yamagami Legal Professional Corporation)		
			February 2002–present	Changed registration as an attorney (Dai-Ichi Tokyo Bar Association)		
			March 2021–present	Outside Audit & Supervisory Board Member, the Company		
Audit & Supervisory Board Member[2]	Keiko Kishigami	January 28, 1957	October 1985	Joined Peat Marwick Minato (Currently, Ernst & Young ShinNihon LLC)	See Note 4	—
			August 1989	Registered as a certified public accountant		
			December 1997	Partner, Century Audit Corporation (Currently, Ernst & Young ShinNihon LLC)		
			May 2004	Representative Partner (Currently, Senior Partner), Ernst & Young ShinNihon (Currently, Ernst & Young ShinNihon LLC)		
			September 2018–present	Board Member, WWF Japan		
			March 2023–present	Outside Audit & Supervisory Board Member, the Company		
					Total	151

(Notes) 1. Kuniko Shoji, Masami Fujita, Shiro Saito and Donna Costa are the Company's Outside Directors.
2. Keita Nagura and Keiko Kishigami are Outside Audit & Supervisory Board Members of the Company.
3. March 28, 2024–Conclusion of the final annual general meeting of shareholders held in the subsequent fiscal year
4. March 29, 2023–Conclusion of the final annual general meeting of shareholders held in the subsequent four fiscal years
5. March 28, 2024–Conclusion of the final annual general meeting of shareholders held in the subsequent four fiscal years
6. March 30, 2021–Conclusion of the final annual general meeting of shareholders held in the subsequent four fiscal years
7. The number of the Company's shares held includes the number of those to be provided under the performance-based stock compensation plan, a certain portion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.
8. The number of the Company's shares held includes those shares to be provided under the performance-based stock compensation plan for years served as an executive officer, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.
9. As stipulated in Article 329, Paragraph 3, of the Companies Act, the Company has appointed one Alternate Audit & Supervisory Board Member in the event that the number of Outside Audit & Supervisory Board Members falls below the required level. The Alternate Audit & Supervisory Board Member is as follows:

Name	Date of birth	Brief personal history		Number of the Company's shares held (thousands)
Satoshi Hiyama	October 15, 1972	March 1998	Completed training courses of the Legal Training and Research Institute	—
		April 1998	Assistant Judge, Tokyo District Court	
		April 2000	Assigned to Civil Affairs Bureau, General Secretariat, Supreme Court	
		April 2002	Assistant Judge, Tokyo District Court	
		April 2003	Assistant Judge, Kokura Branch, Fukuoka District Court	
		August 2004	Joined Anderson Mori & Tomotsune	
		October 2006	Joined Sudoh & Takai Law Office	
		October 2015	Partner, Kikkawa Law Offices	
		July 2017	Partner, Kikkawa Sogo Law Offices	
		March 2018–present	Alternate Audit & Supervisory Board Member, the Company	
		May 2020–present	Representative Partner, Hiyama & Saga Law Offices	

2. Outside Directors and Outside Audit & Supervisory Board Members

(1) Number of Outside Directors and Audit & Supervisory Board Members and relationship between them and the Company

There are currently four Outside Directors and two Outside Audit & Supervisory Board Members.

Prior to March 2016, Outside Director, Masami Fujita, was a Representative Director and Vice President of Fujitsu Limited. He also served as a Representative Director and President of Fujitsu Marketing Limited (currently, Fujitsu Japan Limited) from April 2016 to December 2018. Although the Company had system use-related transactions with these two companies in the fiscal year ended December 31, 2023, these transactions accounted for less than 1% of annual consolidated net sales of these companies or the Company for the period.

In the fiscal year ended December 31, 2023, the Company purchased furniture and other items from Okamura Corporation, where Outside Audit & Supervisory Board Member Keiko Kishigami serves as an Outside Audit & Supervisory Board Member, as well as subcontracted work to Sony Group Corporation and sold products to, and purchased products from, Sumitomo Seika Chemicals Company, Limited, where Outside Audit & Supervisory Board Member Keiko Kishigami serves as an Outside Director. However, these transactions accounted for less than 1% of the annual consolidated net sales of these companies or the Company for the period.

Except as described above, there are no personal, capital, or business relationships, or other interests, between the Company and the Outside Directors or between the Company and the Outside Audit & Supervisory Board Members.

(2) Basic philosophy regarding the function/role of, and standards for, judging the independence of Outside Directors and Audit & Supervisory Board Members

The four Outside Directors have been involved in corporate management for many years, and thus have extensive experience and insight in this area, which they can be expected to leverage to help strengthen management of the Company. In addition to attending meetings of the Board of Directors, the three Outside Directors serve as members of the Nomination Committee and the Remuneration Committee, enabling them to supervise management from an independent point of view, thereby helping to reinforce the Company's corporate governance.

Outside Audit & Supervisory Board Member, Keita Nagura, is an attorney in the area of corporate legal affairs and has accumulated a wealth of specialized knowledge and experience. Outside Audit & Supervisory Board Member Keiko Kishigami is qualified as a certified public accountant, has engaged in the audit of companies for many years, and has extensive expertise in finance and accounting. As such, they are able to perform their duties from an expert, multifaceted and independent perspective, thereby helping to reinforce the Company's auditing function.

The Company has established standards for evaluating the independence of individuals appointed to the position of Outside Director or Outside Audit & Supervisory Board Member, which are shown below. The Company's Outside Directors and Outside Audit & Supervisory Board Members are individuals who, based on these standards, are unlikely to have conflicts of interest with ordinary shareholders and who comply with criteria for the independence of Directors/Audit & Supervisory Board Members set by the Tokyo Stock Exchange.

Independence Standards for Independent Outside Officers

The Company does not recognize individuals with the connections listed below as being independent in the appointment of Outside Officers:

1. Individuals who are executives of the Company or of one of its consolidated subsidiaries (collectively, the "DIC Group") at present or have been in the preceding 10 years.
2. Individuals to whom any of the following items has applied in the preceding three years:
   ① A principal business partner of the DIC Group (a business partner with which transactions in a single fiscal year exceed 3% of the DIC Group's consolidated net sales in that year) or an executive of a business partner to which this description applies.
   ② An individual for which the DIC Group is a principal business partner (a business partner with which transactions in a single fiscal year exceed 3% of the partner's consolidated net sales in that year) or an executive of an entity to which this description applies.
   ③ A shareholder who holds 5% or more of the voting rights of the Company or an executive of a said shareholder to which this description applies.
   ④ A principal lender to the DIC Group (a lender from which loans in a single fiscal year exceed 3% of the DIC Group's total assets in that year) or an executive of a said lender to which this description applies.
   ⑤ An individual who has received contributions from the DIC Group in a year that exceed more than 10 million yen or an individual who belongs to an entity to which this description applies.
   ⑥ An accountant who serves as an accounting auditor or accounting advisor for the DIC Group or an individual who is an employee, partner or associate of an audit firm to which this description applies.
   ⑦ Any individual to whom item ⑥ does not apply, but has received remuneration from the DIC Group that exceeds 10 million yen in a year, excluding remuneration received as a director or corporate officer of the DIC Group, as a provider of professional services, such as consulting, accounting or legal services, or an individual of an organization that received remuneration in excess of 3% of its consolidated net sales in a fiscal year as compensation for professional services.
   ⑧ An executive of another company, in the event that an executive of the Company is appointed to an outside officer position at that company.
3. Spouses and relatives within the second degree of kinship of individuals listed in 1 or 2 above.
4. An individual whose term as an outside officer of the Company exceeds eight years.

(3) Mutual cooperation in the supervision and implementation of audits by Outside Directors, Audit & Supervisory Board Members and audits conducted by the internal auditing department, Audit & Supervisory Board Members and accounting auditors, and relationships between these audits and the internal control department

Outside Directors regularly receive reports from management and the internal control department on important matters related to the Board of Directors' agenda and management of the Company, and express their own opinions, as necessary. Outside Audit & Supervisory Board Members regularly receive reports from the accounting auditors and the internal auditing department and express their own opinions as necessary. Outside Audit & Supervisory Board Members also attend regular quarterly meetings between Audit & Supervisory Board Members and top management, and receive reports from the individual in charge of the internal control department, and express their own opinions, as necessary. In addition, Outside Audit & Supervisory Board Members receive reports on the results of audits conducted by other Audit & Supervisory Board Members and interviews with the internal control department and work to share information.

(3) Audits

1. Audit & Supervisory Board Members' audits

(1) Organization and personnel

The Audit & Supervisory Board has two full-time auditors and two outside members. All four Audit & Supervisory Board Members have extensive experience and expertise in finance and accounting. Full-time Audit & Supervisory Board Member, Hiroyuki Ninomiya, oversaw corporate accounts at the Company and Group companies for many years and previously served as General Manager of the Accounting Dept. and Head of the Finance and Accounting Unit. Full-time Audit & Supervisory Board Member, Toshinobu Kitamura, was in charge of finance and accounting for the Company and Group companies for many years. Outside Audit & Supervisory Board Member, Keita Nagura, provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act and as an attorney has broad experience in the field of corporate law. Outside Audit & Supervisory Board Member, Keiko Kishigami, is a certified public accountant with extensive experience in corporate auditing.

The Company has also established an Audit & Supervisory Board Members' Office to which it assigns dedicated personnel to assist the members in their duties.

Attendance at Audit & Supervisory Board meetings and Board of Directors' meetings by Audit & Supervisory Board Members in the fiscal year ended December 31, 2023, was as follows:

Position	Name	Attendance rate	
		Audit & Supervisory Board meetings	Board of Directors' meetings
Full-time Audit & Supervisory Board Member	Akihiro Ikushima	100% (16/16)	100% (15/15)
Full-time Audit & Supervisory Board Member	Hiroyuki Ninomiya	100% (16/16)	100% (15/15)
Outside Audit & Supervisory Board Member	Keita Nagura	100% (16/16)	100% (15/15)
Outside Audit & Supervisory Board Member	Keiko Kishigami	100% (11/11)	100% (11/11)

(Notes)

1. The difference in the total number of meetings is due to differences in the timing of inauguration.
2. Akihiro Ikushima's term of office was expired and Toshinobu Kitamura was elected at the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2023.

(2) Activities of the Audit & Supervisory Board

In principle, the Audit & Supervisory Board meets once monthly, but may hold extra meetings, as necessary. In the fiscal year ended December 31, 2023, the Audit & Supervisory Board met 16 times (average meeting length: 1 hour and 16 minutes). Activities included deliberating/discussing, resolving and reporting on multiple issues.

・Issues resolved: 15

Basic Audit & Supervisory Board Members' audit policy, priority items on audit, audit plan and the division of auditing duties, overall auditing activity summaries, approval of remuneration for the accounting auditor, dismissal or reappointment of the accounting auditor, approval of proposed candidates for the position of Audit & Supervisory Board Member, an audit report by the Audit & Supervisory Board, etc.

・Issues deliberated/discussed: 10

Evaluation of the accounting auditor, assessment of the effectiveness of the Audit & Supervisory Board, agendas at meetings with management and Outside Directors, etc.

・Issues reported on: 34

Monthly activities of the Full-Time Audit & Supervisory Board Members, site and subsidiary investigations, the accounting auditor's audit plan and audit results, internal control assessments by the internal auditing department, etc.

In addition, the Audit & Supervisory Board reviews and discusses agendas for Board of Directors in advance.

The effectiveness of the Audit & Supervisory Board is evaluated on an ongoing basis.

Outline of implementation

Since the fiscal year ended December 31, 2020, the effectiveness of the Audit & Supervisory Board has been evaluated summarizing Full-Time Members' recognition and Outside Members' views with a questionnaire prepared by the secretariat based on assessment items developed by a third-party expert and discussing by all members based on the summary. The results of this process are reflected in the audit plan and priority items on audit for the subsequent fiscal year to ensure continuous improvement for suggestions to Management and effectiveness of the Audit & Supervisory Board Members' audit.

Points considered in evaluation and result

Three perspectives were considered in the evaluation of effectiveness of the Audit & Supervisory Board Members' audit.

1. How effective is the appointment of Audit & Supervisory Board Members and the composition and administration of the Audit & Supervisory Board (including criteria and procedures for selecting candidates for the position of Board Member, Board composition and Board administration)?
2. Do the Audit & Supervisory Board Members receive sufficient information to accurately grasp the current state of affairs (including the system for reporting to the Audit & Supervisory Board Members, effectiveness in auditing overseas subsidiaries and a global compliance framework)?
3. Is the analysis of the current state of affairs through Full-Time Members' audit activities (including the content of reports to the Audit & Supervisory Board) sufficient?

As a result of the evaluation in the fiscal year ended December 31, 2023, it was concluded that while room for improvement remains, the Audit & Supervisory Board Members' audit is generally recognized as being effective.

(3) Principal activities of Audit & Supervisory Board Members

Audit & Supervisory Board Members carry out a variety of activities commensurate with their respective roles in accordance with the basic audit policy it has determined. In the fiscal year ended December 31, 2023, the Audit & Supervisory Board monitored the progress of efforts by executives to reconstruct a risk management structure and reconfirmed the governance and internal control systems across the global DIC Group through site investigations, which resumed with the declaration that COVID-19 was no longer a public health concern. Details are as shown in the following table:

Category	Activities	Full-time	Outside
Execution of duties by directors	Attend, ask questions and express views at Board of Directors' meetings	○	○
	Meet with the representative directors and other members of senior management to obtain and share information on management policies, management status and issues (quarterly)	○	○
	Exchange views with Outside Directors (annually)	○	○
Business execution	Interview individual executive officers	○	○
	Attend Executive Committee, Sustainability Committee, Quality Committee, business review and other key meetings, among others, as an observer (or review meeting materials/minutes)	○	—
	Interview individual general managers of functional departments involved in risk management	○	—
	Review and confirm important documentation (including rules, regulations, key meeting reports, *Ringi* (approval by written circular) forms and contracts)	○	—
Internal audits	Annual audit results report from the internal auditing department	○	○
	Review of individual audit reports from, and exchange of views with, the internal auditing department (monthly)	○	—
	Observe internal control audits on business groups, sites and group companies performed by the internal auditing department, quality audits and environmental & safety audits	○	—
	Interviews with the Finance and Accounting Unit regarding the quarterly operating results (quarterly)	○	△
Group companies	Hold meetings with domestic group company auditors (quarterly)	○	—
	Observe site investigations at domestic group companies	○	—
	Attend Board of Directors' meetings at overseas regional headquarters (monthly/quarterly)	○	
	Observe site investigations at overseas group companies, including interviewing local accounting auditors	○	—
Accounting audit	Exchange views regarding audit plan, quarterly review and audit report explanations delivered from the accounting auditor	○	○
	Observe on-site audits at business groups, corporate departments, sites and group companies performed by the accounting auditor	○	—
Collaboration of three audit bodies	Share information and exchange views across three auditing bodies at the meetings where the accounting auditor presents the audit plan and the audit report by the internal auditing department manager's attendance.	○	○
	Concerted investigations at major group companies' sites by the accounting auditor, internal auditor and Full-Time Audit & Supervisory Board Members	○	—

(Note) "△" indicates that only one of the two Outside Members attended the meeting.

(4) Cooperation with the accounting auditor

Outline of scheduled meetings with the accounting auditor are as follows:

Area of cooperation	2023									2024		
	Apr.	May	Jun.	Jul.	Aug	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Audit plan		○								○		
Quarterly review report		○			○			○				
Fiscal year end audit report (Companies Act, Financial Instruments and Exchange Law)											○	○
Exchange information and views	○		○	○	○				○		○	○

Regarding key audit matters (KAM), the Audit & Supervisory Board confirms that progress has been made in selecting items and their contents together with the accounting auditor and that a lively exchange of views has taken place, as needed, in line with the following timeline:

・Explanation of audit plan/quarterly review (May): The review schedule is confirmed with the accounting auditor.
・Second quarter review report (August): The selection status of candidate items (items and reasons for selections) is shared.
・Third quarter report (November): The accounting auditor provides an update on the candidate items and the draft text for items of particular importance and points to keep in mind over the remaining months of the year and evaluation approach.
・Year-end audit report (January/February/March): Views exchanged and final confirmation obtained regarding KAM and related text.

2. Internal audits

The internal auditing department comprises local Internal Audit teams of employees covering Japan (10 head counts (“H/C”)); the Asia–Pacific region (7 H/C); the China region (3 H/C); and the Americas, Europe, the Middle East and Africa (16 H/C). This department formulates annual audit plans based on quantitative and qualitative risk assessments, which are finalized with approval at the Executive Committee and are reported to the Audit & Supervisory Board receiving instructions on key audit scopes, and conducts internal audits, which includes monitoring the effectiveness of internal controls.

Important issues discovered through such monitoring, as well as the status of improvements, are reported to President and CEO via internal audit reports and quarterly internal control meetings, with those matters of particularly important findings are reported to the Board of Directors. Additionally, by sending internal audit reports to the Executive Officers in charge of audited organization, the internal auditing department requests audited departments to implement corrective actions for the found issues, and confirms the status of remediation. The internal auditing department further cooperates by providing copies of the internal audit reports to and discussing the content thereof at monthly meetings with the Corporate Auditors. The internal auditing department also directly reports the results of internal audits to the Audit & Supervisory Board and the Board of Directors annually.

3. Accounting audits

(1) Name of audit firm

Deloitte Touche Tohmatsu LLC

(2) Number of consecutive fiscal years auditing firm has conducted accounting audit

50 years

The number of consecutive fiscal years above is the extent to which the Company can confirm accurately. The actual number of consecutive fiscal years the auditing firm has conducted accounting audits may exceed this.

(3) Certified public accountants who executed accounting audit

Takaya Otake

Teppei Yamamoto

(4) Composition of team of assistants involved in accounting audit

Certified public accountants: 18

Others: 36

(5) Evaluation of the accounting auditor by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board evaluates the auditing firm to serve as the Company's accounting auditor each fiscal year using criteria it has established ("selection criteria for the accounting auditor evaluation"), which are the auditing firm's (1) quality management, (2) auditing team, (3) remuneration and actual costs, (4) communication with the Audit & Supervisory Board Members, (5) communication with executives and senior employees, (6) group auditing capabilities, and (7) response to misconduct risk.

Schedule for accounting auditor evaluation

Month	Details
November	Evaluation procedures and a questionnaire are set by the Audit & Supervisory Board.
	A questionnaire is sent to, and responses are requested from the accounting auditor, Accounting Department and Internal Auditing Department.
December	Completed questionnaires are collected.
	Interviews are conducted with the accounting auditor and Accounting Department.
January	An evaluation is made by the Full-Time Audit & Supervisory Board Members.
	The Audit & Supervisory Board determines a provisional evaluation based on the above process.
February	The Audit & Supervisory Board finalizes the evaluation after receiving the audit report from the accounting auditor.
March	The accounting auditor is notified of the evaluation and the decision on dismissal or reappointment, and requests for improvement are communicated.
	Response to the request for improvement is received.

After evaluation for the fiscal year ended December 31, 2023, the Audit & Supervisory Board determined that Deloitte Touche Tohmatsu LLC had the necessary expertise, independence, quality management system ("QMS"), as well as a global network that facilitates audits of DIC Group companies in various countries and territories to meet its criteria.

(6) Method of, and reasons for, selecting the accounting auditor

The policy of the Audit & Supervisory Board is to reappoint the accounting auditor if the audit method employed and results obtained in the preceding fiscal year are recognized, as appropriate, and the Audit & Supervisory Board's evaluation of the accounting auditor shows that reappointment is warranted. In line with this policy, the Audit & Supervisory Board has resolved to reappoint Deloitte Touche Tohmatsu LLC as the Company's accounting auditor.

The Audit & Supervisory Board will dismiss the accounting auditor with the unanimous consent of all Board Members if it determines that any act of the accounting auditor falls under any of the provisions of Article 340, Paragraph 1 of the Companies Act of Japan. If the accounting auditor is dismissed, an Audit & Supervisory Board Member elected mutually by all Board members will report the dismissal, as well as the reasons behind it, at the first Annual General Meeting of Shareholders thereafter. In addition, should it judge such a move necessary—i.e., if it determines that factors have impaired the competence and/or independence of the accounting auditor, thus making an appropriate audit difficult—the Audit & Supervisory Board will determine the content of a proposal for the dismissal or non-reappointment of the accounting auditor that the Board of Directors will submit to the Annual General Meeting of Shareholders.

4. Remuneration for audits

(1) Remuneration for the accounting auditors, etc.

Classification	Previous fiscal year ended December 31, 2022		Current fiscal year ended December 31, 2023	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	157	39	162	3
Consolidated subsidiaries	79	4	81	4
Total	236	43	243	7

Non-audit services for the Company include preparation of comfort letters.

Non-audit services for consolidated subsidiaries include the review of financial results.

In addition to the above, the Company paid additional remuneration of 19 million yen for audit for the previous fiscal year ended December 31, 2022.

(2) Remuneration for Deloitte Touche Tohmatsu, which belong to the same network as the accounting auditors (excluding (1))

Classification	Previous fiscal year ended December 31, 2022		Current fiscal year ended December 31, 2023	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	1	9	4	9
Consolidated subsidiaries	798	79	875	76
Total	799	88	879	85

Non-audit services for the Company include tax-related advisory services and others.

Non-audit services for consolidated subsidiaries include accounting and tax-related advisory services.

(3) Other fees paid for important audit attestation–related services

Previous fiscal year ended December 31, 2022: Not applicable

Current fiscal year ended December 31, 2023: Not applicable

(4) Policy on determining fees for audits

Not applicable

(5) Rationale behind approval by the Audit & Supervisory Board of remuneration for the accounting auditors

The Audit & Supervisory Board received briefings from directors and senior executives, as well as from the accounting auditor, regarding the accounting auditor’s performance, results and quality of audits conducted in past years; the audit plan for the fiscal year ended December 31, 2023; and the basis for calculating the estimated remuneration. After reviewing these matters, the Audit & Supervisory Board approved remuneration for the accounting auditor for the fiscal year ended December 31, 2023, deeming it appropriate, given the audit plan, and sufficient to maintain audit quality.

5. Mutual cooperation among the internal audits, Audit & Supervisory Board Member audits and accounting audits, and relationship between these audits and the internal control department

The Audit & Supervisory Board Members, accounting auditors and internal auditing department conduct independent audits, but collaborate closely, holding regular meetings to liaise with each other, working together to enhance the efficiency and effectiveness of auditing activities.

The results of these various audits are conveyed to the internal control department at liaison meetings and otherwise as necessary, based on which the department promotes the establishment and implementation of internal control systems and coordinates to ensure these internal controls work effectively.

(4) Remuneration for officers

1. Details and method for determining the policy on and amount of remuneration, etc., for officers and calculation thereof

(1) The Company has established an executive compensation system based on a policy for remuneration designed to secure diverse, capable human resources to facilitate the steady implementation of management plans and business strategies designed to ensure sustainable development and the medium- to long-term improvement of corporate value, as well as to further advance global management.

(2) Remuneration for Directors consists of basic remuneration (fixed); bonuses, which are linked to consolidated operating results and achievement of individual targets (performance based); and stock compensation, which is linked to the achievement of medium- to long-term performance targets and year-on-year percentage change in income (performance based). Directors who serve concurrently as Executive Officers are eligible for bonuses and stock compensation, while other Directors and Outside Directors are eligible for basic remuneration only. Audit & Supervisory Board Members are also eligible for basic remuneration only.

(3) In accordance with the Company's policy on basic remuneration, the Remuneration Committee determines the composition of remuneration, i.e., the weighting of basic and performance-based remuneration. In making this determination, the Company verifies the appropriateness of compensation levels, etc., by using total remuneration and composition thereof for each position in a management compensation database offered by an external research organization as benchmarks. The proportion of each component of remuneration, assuming total remuneration is 100, is as follows: (Performance-based remuneration is the standard payment in the event targets are 100% achieved.)

Position	Basic remuneration (fixed)	Performance-based remuneration		Fixed remuneration: Performance-based remuneration
		Bonus	Stock compensation	
Representative director	55	30	15	55: 45
Directors	60	25	15	60: 40

(Excluding outside directors)

(4) Basic remuneration for Directors is determined based on level of responsibility, with consideration given to prevailing market rates. Bonuses are linked to increases/decreases in consolidated operating income, taking into account factors, such as evaluation of Companywide or departmental performance and individual contribution, with consideration given to prevailing market rates. Individual remuneration is determined by the Remuneration Committee, which has been entrusted with this responsibility by the Board of Directors. Stock compensation, which is awarded as non-monetary remuneration to Directors who serve concurrently as Executive Officers, is determined based on degree of achievement of targets for consolidated operating income and net income attributable to owners of the parent set forth in the medium- or long-term management plan, as well as on year-on-year percentage change in both, and granted in the form of points each fiscal year. Upon retirement, these Directors receive shares of the Company or a cash equivalent to the market value of the Company's shares commensurate with the number of points accumulated.

(5) The Remuneration Committee, which has been entrusted with this responsibility by the Board of Directors, has confirmed that the method used to determine remuneration and the remuneration thus determined are consistent with the policy decided by the Board of Directors and has judged that remuneration for each individual Director for the fiscal year ended December 31, 2023, is in accordance with the policy.

(6) Basic remuneration for Audit & Supervisory Board Members is determined through discussion involving all Audit & Supervisory Board Members, in accordance with internal rules established by the Audit & Supervisory Board, with consideration given to ensuring a balance with remuneration for Directors of the Company and to prevailing market rates.

(7) The date of resolution at the annual general meeting of shareholders and the maximum remuneration for Directors and Audit & Supervisory Board Members are as follows:

<table>
<tr><th>Position</th><th colspan="2">Type of remuneration</th><th>Maximum remuneration</th><th>Date of resolution of the annual general meeting of shareholders</th></tr>
<tr><td rowspan="3">Director</td><td colspan="2">Basic remuneration (fixed)</td><td rowspan="2">¥700 million/year
(aggregate of basic remuneration and bonus)</td><td rowspan="2">June 27, 2007</td></tr>
<tr><td rowspan="2">Performance-based remuneration</td><td>Bonus</td></tr>
<tr><td>Stock compensation</td><td>¥250 million/year
(maximum contribution by the Company to the trust over three fiscal years)
(maximum points granted: 46,000)</td><td>March 30, 2021</td></tr>
<tr><td>Audit & Supervisory Board Member</td><td colspan="2">Basic remuneration (fixed)</td><td>¥100 million/year</td><td>June 28, 2005</td></tr>
</table>

As of the submission date for the annual securities report for the Company's 126th fiscal year, there were 10 Directors (six in-house and four outside) and five Audit & Supervisory Board Members (two in-house and three outside) eligible for basic remuneration (fixed). Four Directors serving concurrently as Executive Officers were eligible for bonuses and stock compensation, both of which are performance based.

2. Total remuneration by position, type, and number of eligible officers

Position	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of eligible individuals
		Basic remuneration (fixed)	Performance-based remuneration		
			Bonus	Stock compensation	
Directors (excluding outside directors)	290	265	4	21	6
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	60	60	—	—	2
Outside directors	46	46	—	—	4
Outside Audit & Supervisory Board Members	31	31	—	—	3

(Notes)

1. The above table includes remuneration paid to one Director (including one outside Director) and one Audit & Supervisory Board Member (including one outside Audit & Supervisory Board Member) who retired at the conclusion of the 125th Annual General Meeting of Shareholders held on March 29, 2023.
2. The total for stock compensation is the total monetary value of shares corresponding to points granted for the fiscal year ended December 31, 2023, based on the performance-based stock compensation plan.

3. Method used to calculate bonuses for Directors (performance based)

Bonuses for Directors are deliberated by the Remuneration Committee once every three years, with consideration given to prevailing market rates, and consist of a standard component, determined according to level of responsibility, and a performance-based component, linked to consolidated operating income. Bonus amounts are calculated by multiplying the standard component, which is commensurate with position, by the degree of achievement of the period's consolidated operating income target, taking into account factors, such as evaluation of Companywide or departmental performance and individual contribution, with the limit for increases and decreases set at 30%. The amount of each bonus is determined following deliberation by the Remuneration Committee. The key performance indicator (KPI) used in calculating bonuses is consolidated operating income, which is representative of the quality of core businesses and the most important indicator for formulation of the Company's strategies.

In the fiscal year ended December 31, 2023, the Company reported a significant loss attributable to owners of the parent. In recognition of management's responsibility for this result, the decision was taken to withhold payment of bonuses applicable to the period to the Representative Director (100%) and Directors (50%).

< Reference > Formula used to calculate the standard component of Directors' bonuses

Standard component of annual bonus = Position-specific basic bonus x (Consolidated operating income (actual) / Consolidated operating income benchmark) x Coefficient proportionate to evaluation of individual performance

[Standard component of annual bonus (commensurate with position) (FY2023) = Position-specific basic bonus x (¥17,943 million / ¥56,500 million) x Coefficient proportionate to evaluation of individual performance]

4. Method used to calculate points granted each fiscal year as performance-based stock compensation and number of shares/monetary amount granted upon retirement

(1) Method used to calculate points granted and eligible individuals

A predetermined number of points, calculated using the following formula, is granted annually to Directors on the date of the annual general meeting of shareholders. Fractions of less than one point are rounded down. Eligible individuals are limited to those who served concurrently as Executive Officers on the last day of the previous fiscal year. Directors who serve concurrently as Executive Officers on the last day of the fiscal year are considered to have been in office for the entire fiscal year.

$$\text{Points granted} = \text{80\% of annual points commensurate with position}^{1} + \left(\text{100\% of annual points commensurate with position}^{1} - \text{80\% of annual points commensurate with position}^{1}\right) \times \frac{\text{KPI for calculating annual points}^{2} - 80\%}{20\%}$$

(Notes)

1. Number of points granted and number of eligible individuals by rank in the fiscal year ended December 31, 2023

The following table shows the number of points for the annual calculation indicators of 80% and 100%, which serve as the basis for calculating the number of points awarded.

Rank	Number of eligible individuals	Annual points	
		80%	100%
Representative Director, President and CEO	1	3,662	9,157
Representative Director and Executive Vice President	1	2,510	6,276
Director and Senior Managing Executive Officer	—	1,788	4,471
Director and Managing Executive Officer	2	1,358	3,396
Director and Executive Officer	—	945	2,364

"Number of eligible individuals" is the number of Directors who served currently as Executive Officers as of December 31, 2023. Calculations for each rank are as of the end of the previous fiscal year.

2. KPI for calculating number of annual points granted

The KPIs used for calculating the number of annual points granted are degree of achievement of medium- to long-term targets for consolidated operating income and net income attributable to owners of the parent, and year-on-year percentage change in income. (Figures are rounded down to two decimal places.) The upper limit for degree of achievement is set at 110%, while the lower limit is set at 80%.

KPI for calculating annual points granted	=	Degree of achievement of medium- to long-term targets *1	x	0.6	+	Percentage change in income from the previous fiscal year *2	x	0.4

*1 Degree of achievement of medium- to long-term target is calculated as follows:

Degree of achievement of medium- to long-term targets	=	Degree of achievement of medium- to long-term target for operating income	x	0.6	+	Degree of achievement of medium- to long-term target for net income attributable to owners of the parent	x	0.4

*2 Percentage change in income from the previous fiscal year is calculated as follows:

Percentage change in income from the previous fiscal year	=	Percentage change in operating income from the previous fiscal year	x	0.6	+	Percentage change in net income attributable to owners of the parent from the previous fiscal year	x	0.4

Reference: Targets for consolidated operating income and net income attributable to owners of the parent set forth in the DIC Vision 2030 long-term management plan.

(Millions of yen)

	FY2022 Actual	FY2023 Actual	FY2023 Targets
Operating income	39,682	17,943	60,000
Net income attributable to owners of the parent	17,610	(39,857)	32,000

The points obtained from the above calculations will be accumulated up to the date of retirement, and shares and money will be delivered according to the accumulated number as follows;

(2) Method used to calculate the number of shares and monetary payment bestowed upon retirement owing to expiration of term or at the Company's convenience

The number of shares bestowed is calculated using the formula below. In this calculation, if the resulting number of shares is a fractional number constituting less than one trading unit, it is rounded down.

Number of shares	=	(	Accumulated number of points as of the date of retirement	-	Points equivalent to fractional numbers of shares constituting less than one trading unit [1, 2]	)	x	70%

(Notes)

1. Fewer than 100 points
2. The number of shares derived by subtracting "Points equivalent to fractional numbers of shares constituting less than one trading unit" from "Accumulated number of points as of the date of retirement" is hereinafter referred to as "shares bestowed."

The monetary payment bestowed is calculated using the formula below.
If multiplying “Number of shares bestowed” by 30% yields a fractional number below 100, it is rounded up to 100.

$$\text{Monetary payment} = \left(\text{Number of shares bestowed} \times 30\% + \text{Points equivalent to fractional numbers of shares constituting less than one trading unit [1]} \right) \times \text{Market price of the Company's shares as of the date of retirement [2]}$$

(Notes)
1. Fewer than 100 points
2. The number of shares derived by subtracting “Points equivalent to fractional numbers of shares constituting less than one trading unit” from “Accumulated number of points as of the date of retirement” is hereinafter referred to as “shares bestowed."

(3) In the event a Director retires for personal reasons
Only shares are bestowed. The calculation used is as follows:

$$\text{Number of shares} = \text{Accumulated number of points as of the date of retirement}$$

(4) In the event a Director is deemed to have retired as a result of their death
A monetary payment only is given to the family. The calculation used is as follows:

$$\text{Monetary payment to family} = \text{Accumulated number of points as of the date of retirement} \times \text{Market price of the Company's shares as of the date of death [1]}$$

(Note)
1. “Market price of the Company’s shares as of the date of death” is the closing price or quoted price on the Tokyo Stock Exchange. If the closing price or quoted price is not announced on this date, the calculation will be made using the most recent date for which the closing price or quoted price can be obtained.

(5) Other matters of note
・Directors eligible for performance-based stock compensation are those who serve concurrently as Executive Officers, as stipulated in Article 34, Paragraph 1, Item 3 of Japan’s Corporation Tax Act.
・The “indicators of profits of the business year” stipulated in Article 34, Paragraph 1, Item 3 (a) of Japan’s Corporation Tax Act are consolidated operating income and net income attributable to owners of the parent.
・The maximum number of shares equivalent to annual points commensurate with position prescribed in Article 34, Paragraph 1, Item 3 (a) (i) of Japan’s Corporation Tax Act is as follows:

Rank	Maximum number of shares
Representative Director, President and CEO	11,904
Representative Director and Executive Vice President	8,159
Director and Senior Managing Executive Officer	5,812
Director and Managing Executive Officer	4,415
Director and Executive Officer	3,073

5. Committee involved in revising methods used to assess, and in determining policies for and the method used to calculate, remuneration, etc., for Directors

The Remuneration Committee was established by the Board of Directors to enhance the objectivity of procedures for determining remuneration for Directors and Executive Officers. The committee deliberates and determines policies for and the method used to calculate remuneration for Directors and Executive Officers.

・Members of the Remuneration Committee

Chairman:	Kuniko Shoji	Outside Director
Members:	Kaoru Ino	Chairman of the Board of Directors
	Takashi Ikeda	Representative Director; President and CEO
	Masami Fujita	Outside Director
	Shiro Saito	Outside Director
	Donna Costa	Outside Director

・Authority delegated

Matters concerning the determination of remuneration for individual Directors

・Reasons for entrusting authority

Authority is entrusted because the Company believes that objectively evaluating each Director, while taking into consideration the Company’s overall business performance and other factors is not a matter suited to consideration by Directors, but rather is more appropriately discussed and deliberated by the Remuneration Committee, which consists of the Chairman of the Board of Directors and the President and CEO, who have an overall view of the Company, and Outside Directors, who are in a position to increase transparency and fairness. To ensure the appropriate exercise of delegated authority, the Remuneration Committee is chaired by an Outside Director and a majority of the members are Outside Directors.

Committee meeting data for the fiscal year ended December 31, 2023

December 22, 2023: Deliberated and determined fixed compensation for officers for the fiscal year ending December 31, 2023; determined stock compensation points accumulated by retiring Directors

December 27, 2023: Deliberated withheld and reduction of bonuses for officers for the fiscal year ended December 31, 2023

February 9, 2024: Determined withheld and reduction of bonuses for officers for the fiscal year ended December 31, 2023

February 26, 2024: Determined bonuses for officers for the fiscal year ended December 31, 2023; determined stock compensation points for eligible Directors for the fiscal year ended December 31, 2023

(5) Securities held

1. Classification of investment securities

The Company classifies investment securities for holding purposes as held purely for investment purposes—i.e., to obtain returns from fluctuations in stock price and/or dividends—or for purposes other than pure investment. Investment securities are classified as held for purposes if they are held with a reasonable expectation that they will contribute to sustainable growth or to the improvement of corporate value over the medium to long term.

2. Investment securities held for purposes other than pure investment

(1) Holding policy, method used to verify the rationality of individual holdings and details of reviews by the Board of Directors

The Company may strategically hold shares, with the exception of those of affiliated companies, only when there is a reasonable expectation that they will contribute to sustainable growth or the improvement of corporate value over the medium to long term.

The Board of Directors annually reviews the suitability of individual strategic holdings, examining whether benefits associated with possession are commensurate with the cost of capital, as well as determining the risks of not holding the shares, to verify the suitability of holding the shares. If, as a result of this review, the significance of a holding is judged to have weakened, it will, in principle, be reduced.

At the Board of Directors' meeting held on March 3, 2023, the Company reviewed the suitability of all investment securities held for purposes other than investment as of December 31, 2022, as described above. As a result, it was confirmed that the significance of certain holdings was lacking. Accordingly, the Company will reduce relevant holdings going forward. Regarding holdings, which were judged suitable, should circumstances change that call this judgment into question, the Company will also reconsider reduction or other measures. The Company will continue its efforts to further reduce these holdings, aiming to lower them as a percentage of net assets (based on market capitalization) to 4% or less by the end of the fiscal year ending December 31, 2026.

(2) Number of stocks and amount on balance sheet

	Number of stocks	Amount on balance sheet (Millions of yen)
Unlisted stocks	47	1,750
Listed stocks	21	9,803

Stocks for which the number of shares held increased in current fiscal year ended December 31, 2023

	Number of stocks	Costs associated with the increase in number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted stocks	1	272	Acquisition of shares to strengthen collaborative relationship
Listed stocks	3	13	Acquisition of shares through the suppliers shareholding association (two stocks) Listing of unlisted stocks held (one stock)

Stocks for which the number of shares held decreased in current fiscal year ended December 31, 2023

	Number of stocks	Proceeds associated with the decrease in number of shares (Millions of yen)
Unlisted stocks	3	82
Listed stocks	5	5,478

(3) Stock name, number of shares and amount on balance sheet for specified investment shares and deemed shareholdings

Specified investment shares

Stock	FY2023	FY2022	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
	Number of shares	Number of shares		
	Amount on balance sheet (Millions of yen)	Amount on balance sheet (Millions of yen)		
Dai-ichi Life Holdings, Inc.	1,438,400	1,438,400	A major player in the life insurance field in Japan. The Company has transactions in areas, such as financing and insurance. The purpose of holding is to maintain/strengthen relations with a life insurance firm that supports the Company's personnel system, particularly employee benefits.[2]	Yes
	4,304	4,307		
RENAISSANCE, INC.	3,742,000	3,742,000	Originally a DIC Group start-up. The Company currently has transactions in the area of health foods, notably Spirulina. The purpose of holding is to maintain/strengthen collaborative relations to explore new themes in healthcare and related business.[3]	No
	3,278	3,289		
Asahi Songwon Colors Ltd.	865,200	865,200	A key supplier of phthalocyanine blue pigments and crude. Based on a production and sales contract, the firm supplies materials produced using technology provided by the Company exclusively to the Company and other designated customers. The purpose of holding is to maintain/strengthen collaborative relations with a stable supplier and a subcontracted producer of new products.[2]	No
	450	362		
KANSAI PAINT CO., LTD.	156,076	152,430	The Company has transactions in the area of automotive coatings, for which the firm is a key customer. The firm is actively developing products that will contribute to the achievement of carbon neutrality. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes. The number of shares increased due to acquisition of shares through the suppliers shareholding association.[2]	Yes
	376	247		
RIKEN TECHNOS CORP.	403,200	504,000	The Company's principal customer in the field of polyvinyl chloride (PVC) compounds. The Company has transactions primarily in the area of materials for robot cable applications. The companies enjoy strong relations as partners in the development of next-generation products. The purpose of holding is to promote the development of new products that will further maximize mutual value.[2]	Yes
	341	242		
Green Earth Institute Co., Ltd.	417,000	417,000	A start-up that specializes in the synthesis of amino acids and biochemicals using biorefinery processes. The firm is also responsible for the construction of a biofoundry as a participant in a key strategic national innovation project. The purpose of holding is to support the Company's sustainability efforts and promote the further joint development of new products as key partners in the scaling up of biochemical production.[2]	No
	269	183		

Stock	FY2023	FY2022	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
	Number of shares	Number of shares		
	Amount on balance sheet (Millions of yen)	Amount on balance sheet (Millions of yen)		
Nippon Electric Glass Co., Ltd.	74,600	74,600	A leading name in the glass fiber field and an important customer, primarily for products for automotive applications. The firm is also an important supplier of raw materials. The purpose of holding is to maintain/strengthen business relations with the expectation that this will facilitate mutual business expansion.[2]	Yes
	226	175		
Dai Nippon Toryo Co., Ltd.	110,800	110,800	A major manufacturer of heavy-duty anticorrosive coatings. The Company has transactions primarily in the area of coating resins and epoxy resins. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new themes in the field of resins for anticorrosive coatings.[2]	Yes
	113	83		
OKAYA & CO., LTD.	8,400	8,400	A supplier that is talented in uncovering needs in the market for industrial robots. The companies enjoy strong relations as partners in the development of next-generation products. The purpose of holding is to promote the development of new products.[2]	Yes
	108	82		
AksharChem (India) Ltd.	166,384	166,384	A principal supplier of phthalocyanine green pigments and crude. With the tightening of environmental regulations governing chemicals around the world, the purpose of holding is to maintain/strengthen relations with a stable supplier of phthalocyanine green pigments and crude, for which environmental standards are particularly strict.[2]	No
	84	71		
TAYCA CORPORATION	50,000	50,000	The Company has transactions primarily in the area of packaging inks. The firm is a top supplier of titanium oxide in Japan and elsewhere in Asia and provides products essential to ensuring superior quality for packaging inks. The purpose of holding is to maintain relations and ensure stable procurement of these products.[2]	Yes
	68	59		
Sasatoku Printing Co., Ltd.	88,000	—	A key customer in the Tokai region that was newly listed on the Tokyo and Nagoya stock exchanges on September 22, 2023. The Company has transactions primarily in the areas of gravure and offset inks. The firm is expected to benefit from its listing. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new themes in the field of sustainable gravure inks for packaging.[2]	Yes
	51	—		

Stock	FY2023 Number of shares Amount on balance sheet (Millions of yen)	FY2022 Number of shares Amount on balance sheet (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
ATOMIX CO., LTD.	54,000	54,000	A manufacturer of coatings with competitive strengths in infrastructure-related areas, notably road coatings. The Company has transactions primarily in the area of alkyd resins. The firm produces a variety of environment-friendly coatings. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new themes related to sustainable products.[2]	Yes
	35	37		
Nihon Tokushu Toryo Co., Ltd.	20,000	20,000	A manufacturer of coatings with competitive strengths in the area of coatings for the aircraft and other industries. The Company has transactions with the firm, a key customer in this area. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes.[2]	No
	24	17		
KIKUSUI CHEMICAL INDUSTRIES CO., LTD.	55,000	55,000	A manufacturer of coatings for architectural applications that is actively promoting the development of new solvent-based coatings. The Company has transactions primarily in the area of acrylic resins. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes related to acrylic resins.[2]	No
	21	20		
Isamu Paint Co., Ltd.	6,900	6,900	A manufacturer of automotive refinishing coatings that actively promotes development. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes.[2]	Yes
	21	18		
Origin Co., Ltd.	13,825	13,012	The Company has transactions primarily in the area of environment-friendly acrylic resins for use in coatings for automobile parts. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new themes related to sustainable products. The number of shares increased due to acquisition of shares through the suppliers shareholding association.[2]	No
	17	16		
KOMATSU MATERE Co., Ltd.	11,000	11,000	A key customer in the leather industry. The Company has transactions primarily in the area of materials for use in moisture-permeable clothing. The companies enjoy robust relations as partners in the development of next-generation environment-friendly products. The purpose of holding is to maintain/strengthen business relations with the aim of creating new business opportunities for both companies.[2]	No
	9	9		

Stock	FY2023 Number of shares Amount on balance sheet (Millions of yen)	FY2022 Number of shares Amount on balance sheet (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
Okura Industrial Co., Ltd.	1,600	1,600	The Company has transactions primarily in the area of products for use in printing inks and plastic colorants. The companies enjoy robust relations as partners in the development of high-performance films, an area of focus of the firm. The purpose of holding is to maintain/strengthen business relations to create new business opportunities for both companies.[2]	No
	4	3		
ASAHIPEN CORPORATION	1,000	1,000	The Company has transactions primarily in the area of products for DIY (Do It Yourself) coatings for which the firm is a key customer. The firm is involved in the development of a variety of innovative products. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new themes.[2]	No
	2	2		
TIGERS POLYMER CORPORATION	1,380	1,380	The Company has transactions primarily in the area of thermosetting polyurethane prepolymers for industrial materials applications for which the firm is a key customer. The purpose of holding is the expectation that doing so will create new business opportunities and facilitate collaboration in products for automotive applications and home appliances—areas in which the firm excels—that will further maximize value.[2]	Yes
	1	1		
Mitsubishi UFJ Financial Group, Inc.	—	3,191,000	A leading financial group in Japan. The Company has financial transactions, including in the areas of funding and settlements. All shares held were sold in the fiscal year ended December 31, 2023.	Yes
	—	2,837		
Daito Trust Construction Co., Ltd.	—	50,000	The Company previously had transactions primarily in the area of storage furniture, fittings and decorative boards for housing-related applications. All shares held were sold in the fiscal year ended December 31, 2023.	No
	—	677		
DAIWA HOUSE INDUSTRY CO., LTD.	—	100,000	The Company previously had transactions primarily in the area of storage furniture, fittings and decorative boards for housing-related applications. All shares held were sold in the fiscal year ended December 31, 2023.	No
	—	304		
ROCK PAINT CO., LTD.	—	100,000	A coatings manufacturer. The Company has transactions primarily in the area of powdered polyester resins and waterborne resins. All shares held were sold in the fiscal year ended December 31, 2023.	Yes
	—	69		

(Notes)

1. "—" indicates stocks that are not held as specified investment shares.
2. From the perspective of trade secrets and other factors, the quantitative effect of holding shares is difficult to disclose. However, these holdings have been reviewed by examining whether benefits associated with possession are commensurate with the cost of capital, as well as determining the risks of not holding the shares, and their suitability has been verified.
3. From the perspective of trade secrets and other factors, the quantitative effect of holding shares is difficult to disclose. However, these holdings have been reviewed by examining whether benefits associated with possession are commensurate with the cost of capital, as well as determining the risks of not holding the shares, and review results will be taken into consideration in setting an appropriate policy.

Deemed held securities

Stock	FY2023 Number of shares [1] / Amount on balance sheet [2] (Millions of yen)	FY2022 Number of shares [1] / Amount on balance sheet [2] (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
TOPPAN Holdings Inc.	3,101,765	3,101,765	The Company has transactions primarily in the areas of gravure inks and offset inks for packaging, adhesives, and gravure inks and coatings for building materials for which the firm is a key customer. The companies work together to develop sustainable products. The purpose of holding is to facilitate mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	12,205	6,061		
NIPPON PAINT HOLDINGS CO., LTD.	6,493,890	6,493,890	A leading manufacturer in the global coatings industry. The Company has transactions primarily in the area of coating resins, pigments and additives for which the firm is a key customer. The firm focuses on developing products that will contribute to the achievement of carbon neutrality not only in Japan, but also globally. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[6]	No
	7,403	6,747		
Kyodo Printing Co., Ltd.	683,199	854,199	The Company has transactions primarily in the areas of offset inks for publishing, gravure inks and adhesives for packaging, and gravure inks and coatings for building materials for which the firm is a key customer. The companies work together in the development of sustainable products. The purpose of holding is to facilitate mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	2,207	2,347		
Mitsubishi UFJ Financial Group, Inc.	1,350,000	1,350,000	A leading financial group in Japan. The Company has financial transactions, including in the areas of funding and settlements. The Company enjoys robust relations with the firm, which supports its operations. The purpose of holding is to maintain/strengthen relations with the firm, an influential source of funding to back future growth strategies. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	1,636	1,200		

Name	FY2023 Number of shares[1] / Amount on balance sheet (Millions of yen)[2]	FY2022 Number of shares[1] / Amount on balance sheet (Millions of yen)[2]	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
Mizuho Financial Group, Inc.	477,700	477,700	A leading financial group in Japan. The Company has financial transactions, including in the areas of funding and settlements. The Company enjoys robust relations with the firm, which supports its operations. The purpose of holding is to maintain/strengthen relations with the firm, an influential source of funding to back future growth strategies. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	1,152	887		
Dai Nippon Printing Co., Ltd.	261,501	261,501	The Company has transactions primarily in the areas of inks and adhesives for packaging and building materials for which the firm is a key customer. The companies enjoy collaborative relations in the development of sustainable products, including mono-material packaging materials and super weather-resistant exterior coatings. The purpose of holding is to maintain/strengthen business relations with the aim of facilitating mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	1,091	693		
Kansai Paint Co., Ltd.	309,431	309,431	The Company has transactions in the area of automotive coatings for which the firm is a key customer. The firm is actively developing products that will contribute to the achievement of carbon neutrality. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	745	501		
FP Corporation	224,000	224,000	A manufacturer of food packaging containers with a leading market share. The Company has transactions primarily in this area. The companies have built robust collaborative relations in such areas as polystyrene recycling. The purpose of holding is to deepen collaboration with the aim of creating new business opportunities. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	No
	666	849		

Stock	FY2023 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	FY2022 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
MITSUMURA PRINTING CO., LTD.	457,020 633	457,020 533	The Company has transactions primarily in the area of offset inks and news inks for commercial printing. The companies enjoy collaborative relations in the development of low temperature–drying web offset inks. The purpose of holding is to deepen collaboration with the aim of creating new business opportunities. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
Sumitomo Mitsui Financial Group	61,680 424	61,680 327	A leading financial group in Japan. The Company has financial transactions, including in the areas of funding and settlements. The Company enjoys robust relations with the firm, which supports its operations. The purpose of holding is to maintain/strengthen relations with the firm, an influential source of funding to back future growth strategies. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights[5]	Yes
NAGASE & CO., LTD.	117,410 265	117,410 235	The Company has transactions in areas such as the sale of pigments, compounds and related products, and the procurement of raw materials. The purpose of holding is to leverage the firm’s global network with the aim of facilitating mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
HOKKAN HOLDINGS LIMITED	158,520 258	158,520 218	A leading manufacturer of cans. The Company has transactions primarily in the area of coatings for aerosol and powdered milk cans. The companies enjoy robust relations in the development of products for these applications. The purpose of holding is to facilitate mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes

Stock	FY2023 Number of shares [1] / Amount on balance sheet [2] (Millions of yen)	FY2022 Number of shares [1] / Amount on balance sheet [2] (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
SEIREN CO., LTD.	100,000	100,000	A key customer in the leather industry. The Company has transactions primarily in the area of synthetic leather for automotive applications. The companies enjoy robust relations as partners in the development of next-generation products. The purpose of holding is to maintain/strengthen relations with the aim of creating new business opportunities in global markets. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	248	243		
Achilles Corporation	138,650	138,650	A key customer in the leather industry. The Company has transactions primarily in the area of synthetic leather for automotive applications and furniture. The companies enjoy robust relations as partners in the development of next-generation products. The purpose of holding is to promote the development of new products that will further maximize mutual value. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	214	172		
Nihon Tokushu Toryo Co., Ltd.	112,739	112,739	A manufacturer of coatings with competitive strengths in the area of coatings for the aircraft and other industries. The Company has transactions with the firm, a key customer in this area. The purpose of holding is to maintain/strengthen collaborative relations with the aim of exploring new next-generation themes. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	No
	136	97		
TOKYO PRINTING INK MFG. CO., LTD.	33,000	33,000	The Company has transactions primarily in the areas of products for use in printing inks and plastic colorants. The companies enjoy robust collaborative relations in the areas of chemical products (plastic colorants) and processed products (for agricultural, civil engineering and environmental applications), which are areas of focus of the firm. The purpose of holding is to maintain/strengthen business relations with and create further business opportunities. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	94	97		

Stock	FY2023 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	FY2022 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
THE SHIGA BANK, LTD.	26,099 91	26,099 69	A leading regional bank in Japan. The Company has financial transactions, primarily in the area of funding. The Company enjoys robust relations with the bank, which supports its operations. The purpose of holding is to maintain/strengthen relations with the bank, a source of funds to back future growth strategies. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
TIGERS POLYMER CORPORATION	78,000 67	78,000 31	The Company has transactions primarily in the area of thermosetting polyurethane prepolymers for industrial materials applications for which the firm is a key customer. The purpose of holding is the expectation that doing so will create new business opportunities and facilitate collaboration in products for automotive applications and home appliances—areas in which the firm excels—that will further maximize value. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
Nissha Co., Ltd.	45,259 67	475,259 870	The Company has transactions primarily in the area of release materials for the transfer printing of automotive and home appliance parts. The companies are working together to develop products that help reduce CO_2 emissions attributable to coating processes. The purpose of holding is to facilitate mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
Nozaki Insatsu Shigyo Co., Ltd.	153,723 24	153,723 18	The Company has transactions primarily in the areas of gravure inks, laminating adhesives and offset inks. The purpose of holding is to build a strong partnership in printing and packaging to promote the development and launch of environment-friendly products designed to contribute to the achievement of the Sustainable Development Goals (SDGs). The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	No

Stock	FY2023 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	FY2022 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
NIHON SEIKAN K.K.	4,620	4,620	A leading manufacturer of cans. The Company has transactions primarily in the area of products for coatings used on 18-liter cans and powdered milk cans. The companies work together to develop products for these applications. The purpose of holding is to facilitate mutual business expansion. The Company currently contributes shares to the retirement benefit trust while retaining the authority to give instructions on the exercise of voting rights.[5]	Yes
	8	5		
DAIWA HOUSE INDUSTRY CO., LTD.	—	80,000	The Company had transactions primarily in the area of storage furniture, fittings and decorative boards for housing-related applications. All shares held were sold in the fiscal year ended December 31, 2023.	No
	—	243		

(Notes)

1. The number of shares noted is the number of shares with voting rights.
2. The amount on the balance sheet for deemed held shares is obtained by multiplying the market price of shares as of the last day of the fiscal year by the number of shares with voting rights.
3. In determining the top stocks in terms of the amount on the balance sheet, specified investment shares and deemed held shares are not added together.
4. "—" indicates stocks that are not held as deemed held shares.
5. From the perspective of trade secrets and other factors, the quantitative effect of holding shares is difficult to disclose. However, these holdings have been reviewed by examining whether benefits associated with possession are commensurate with the cost of capital, as well as determining the risks of not holding the shares, and their suitability has been verified.
6. From the perspective of trade secrets and other factors, the quantitative effect of holding shares is difficult to disclose. However, these holdings have been reviewed by examining whether benefits associated with possession are commensurate with the cost of capital, as well as determining the risks of not holding the shares, and review results will be taken into consideration in setting an appropriate policy.

V. Financial Information

1. Basis of Presenting the Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28, 1976).

(2) The non-consolidated financial statements are prepared in conformity with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Regulation No. 59, 1963) (hereinafter, "Regulations on Financial Statements.")

As a company designated for the submission of financial statements prepared in accordance with special provision, the Company prepares its financial statements pursuant to Article 127 of the Regulations on Financial Statements.

2. About Audit Certification

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company arranged for Deloitte Touche Tohmatsu LLC to conduct independent audit of the consolidated financial statements for the fiscal year, January 1, 2023, to December 31, 2023, and non-consolidated financial statements for the fiscal year, January 1, 2023, to December 31, 2023.

3. Particular efforts to secure the appropriateness of the consolidated financial statements and other financial reports

The Company conducts efforts to secure the appropriateness of the consolidated financial statements and other financial reports. Specifically, the Company endeavors to acquire information that would ensure a good understanding of the corporate accounting standards and keep itself updated on any changes in the accounting standards by participating in the Financial Accounting Standards Foundation and educational opportunities provided by Financial Accounting Standards Foundation.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

① Consolidated Balance Sheet

(Millions of yen)

	Previous Fiscal Year As of December 31, 2022	Current Fiscal Year As of December 31, 2023
Assets		
Current assets		
Cash and deposits	*4 63,380	*4 87,533
Notes and accounts receivable - trade	*1, *2, *4 247,520	*1, *2, *4 225,148
Merchandise and finished goods	*4 182,572	*4 167,427
Work in process	*4 11,656	*4 11,250
Raw materials and supplies	*4 116,522	*4 94,157
Other	42,432	38,623
Allowance for doubtful accounts	(4,116)	(3,951)
Total current assets	659,967	620,188
Non-current assets		
Property, plant and equipment		
Buildings and structures	330,046	350,676
Accumulated depreciation	(201,304)	(217,614)
Buildings and structures, net	*4 128,742	*4 133,062
Machinery, equipment and vehicles	497,171	533,849
Accumulated depreciation	(378,061)	(405,236)
Machinery, equipment and vehicles, net	119,110	128,613
Tools, furniture and fixtures	80,714	86,607
Accumulated depreciation	(63,626)	(68,784)
Tools, furniture and fixtures, net	17,089	17,822
Land	*4 66,353	*4 66,488
Construction in progress	22,242	27,907
Total property, plant and equipment	353,536	373,892
Intangible assets		
Goodwill	33,641	17,782
Software	10,277	14,298
Customer-related assets	9,609	11,639
Other	25,238	25,198
Total intangible assets	78,764	68,916
Investments and other assets		
Investment securities	*3 63,819	*3 63,071
Deferred tax assets	16,419	16,593
Net defined benefit asset	64,383	78,961
Other	*3, *4 24,849	*3, *4 23,366
Allowance for doubtful accounts	(98)	(98)
Total investments and other assets	169,371	181,893
Total non-current assets	601,671	624,701
Total assets	1,261,637	1,244,889

(Millions of yen)

	Previous Fiscal Year As of December 31, 2022	Current Fiscal Year As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	154,964	140,089
Short-term loans payable	26,056	12,405
Commercial papers	30,000	33,000
Current portion of bonds payable	30,000	30,000
Current portion of long-term loans payable	*4 35,928	*4 33,897
Lease obligations	4,607	4,656
Income taxes payable	5,650	2,870
Provision for bonuses	5,555	5,037
Other	97,133	86,794
Total current liabilities	389,892	348,749
Non-current liabilities		
Bonds payable	110,000	95,000
Long-term loans payable	*4 260,259	*4 308,231
Lease obligations	12,479	11,769
Deferred tax liabilities	14,443	19,351
Net defined benefit liability	28,742	36,056
Asset retirement obligations	8,449	9,480
Other	16,286	16,986
Total non-current liabilities	450,657	496,873
Total liabilities	840,549	845,622
Net assets		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,234	94,234
Retained earnings	222,796	173,292
Treasury shares	(1,785)	(1,586)
Total shareholders' equity	411,802	362,497
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,360	5,542
Deferred gains or losses on hedges	694	248
Foreign currency translation adjustment	(17,286)	12,559
Remeasurements of defined benefit plans	(13,573)	(16,910)
Total accumulated other comprehensive income	(24,805)	1,440
Non-controlling interests	34,091	35,330
Total net assets	421,088	399,267
Total liabilities and net assets	1,261,637	1,244,889

② Consolidated Statement of Income and Consolidated Statement of Comprehensive income

Consolidated Statement of Income

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2022	Current Fiscal Year Ended December 31, 2023
Net sales	1,054,201	1,038,736
Cost of sales	854,979	852,360
Gross profit	199,221	186,376
Selling, general and administrative expenses		
Freightage and packing expenses	16,701	14,206
Employees' salaries and allowances	61,005	65,355
Provision of allowance for doubtful accounts	769	(232)
Provision for bonuses	2,356	2,233
Retirement benefit expenses	(2,908)	(451)
Research and development costs	*1 15,144	*1 17,189
Other	66,472	70,132
Total selling, general and administrative expenses	159,539	168,433
Operating income	39,682	17,943
Non-operating income		
Interest income	1,968	6,078
Dividends income	465	503
Foreign exchange gains	750	—
Equity in earnings of affiliates	2,368	2,734
Other	2,223	1,680
Total non-operating income	7,774	10,996
Non-operating expenses		
Interest expenses	4,512	11,274
Foreign exchange loss	—	4,188
Other	2,998	4,261
Total non-operating expenses	7,510	19,723
Ordinary income	39,946	9,216
Extraordinary income		
Gain on sales of investment securities	445	2,688
Gain on sales of non-current assets	*2 957	*2 1,858
Insurance income	340	340
Settlement income	1,077	—
Total extraordinary income	2,819	4,886
Extraordinary losses		
Impairment losses	*3 1,107	*3 33,537
Severance costs	*5 3,514	*5 4,268
Loss on disposal of non-current assets	*4 2,407	*4 2,571
Provision for loss on withdrawal from business	—	194
Loss on withdrawal from business	559	—
Total extraordinary losses	7,586	40,570
Income (loss) before income taxes	35,179	(26,468)
Income taxes - current	12,449	10,065
Income taxes - deferred	4,081	2,328
Total income taxes	16,531	12,393
Net income (loss)	18,649	(38,861)
Net income attributable to non-controlling interests	1,039	996
Net income (loss) attributable to owners of the parent	17,610	(39,857)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2022	Current Fiscal Year Ended December 31, 2023
Net income (loss)	18,649	(38,861)
Other comprehensive income		
Valuation difference on available-for-sale securities	(94)	371
Deferred gains or losses on hedges	598	(444)
Foreign currency translation adjustment	38,266	31,066
Remeasurements of defined benefit plans, net of tax	(5,545)	(3,162)
Share of other comprehensive income of associates accounted for using equity method	358	(580)
Total other comprehensive income	*1 33,584	*1 27,251
Comprehensive income	52,233	(11,609)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	50,788	(13,612)
Comprehensive income attributable to non-controlling interests	1,445	2,002

③ Consolidated Statement of Changes in Net Assets

Previous Fiscal Year Ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2022	96,557	94,468	214,665	(1,780)	403,910
Change in FY2022					
Dividends from surplus			(9,479)		(9,479)
Net income (loss) attributable to owners of the parent			17,610		17,610
Purchase of treasury shares				(6)	(6)
Change in ownership interest of parent due to transactions with non-controlling interests		(234)			(234)
Net changes of items other than shareholders' equity					
Total change in FY2022	—	(234)	8,131	(6)	7,892
Balance at December 31, 2022	96,557	94,234	222,796	(1,785)	411,802

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at January 1, 2022	5,449	92	(55,456)	(8,067)	(57,983)	35,081	381,008
Change in FY2022							
Dividends from surplus							(9,479)
Net income (loss) attributable to owners of the parent							17,610
Purchase of treasury shares							(6)
Change in ownership interest of parent due to transactions with non-controlling interests							(234)
Net changes of items other than shareholders' equity	(88)	602	38,170	(5,506)	33,178	(989)	32,188
Total change in FY2022	(88)	602	38,170	(5,506)	33,178	(989)	40,080
Balance at December 31, 2022	5,360	694	(17,286)	(13,573)	(24,805)	34,091	421,088

Current Fiscal Year Ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2023	96,557	94,234	222,796	(1,785)	411,802
Change in FY2023					
Dividends from surplus			(9,478)		(9,478)
Net income (loss) attributable to owners of the parent			(39,857)		(39,857)
Purchase of treasury shares				(447)	(447)
Disposal of treasury shares		(170)		646	476
Transfer from retained earnings to capital surplus		170	(170)		―
Net changes of items other than shareholders' equity					
Total change in FY2023	―	―	(49,505)	199	(49,306)
Balance at December 31, 2023	96,557	94,234	173,292	(1,586)	362,497

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at January 1, 2023	5,360	694	(17,286)	(13,573)	(24,805)	34,091	421,088
Change in FY2023							
Dividends from surplus							(9,478)
Net income (loss) attributable to owners of the parent							(39,857)
Purchase of treasury shares							(447)
Disposal of treasury shares							476
Transfer from retained earnings to capital surplus							―
Net changes of items other than shareholders' equity	182	(446)	29,845	(3,336)	26,245	1,239	27,484
Total change in FY2023	182	(446)	29,845	(3,336)	26,245	1,239	(21,821)
Balance at December 31, 2023	5,542	248	12,559	(16,910)	1,440	35,330	399,267

④ Consolidated Statement of Cash Flows

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2022	Current Fiscal Year Ended December 31, 2023
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	35,179	(26,468)
Depreciation and amortization	47,126	50,846
Amortization of goodwill	1,666	2,251
Increase (decrease) in allowance for doubtful accounts	(60)	(539)
Increase (decrease) in provision for bonuses	(660)	(519)
Interest and dividends income	(2,433)	(6,581)
Equity in (earnings) losses of affiliates	(2,368)	(2,734)
Interest expenses	4,512	11,274
Loss (gain) on sales and retirement of non-current assets	1,450	713
Impairment losses	1,107	33,537
Loss (gain) on sales of investment securities	(445)	(2,688)
Decrease (increase) in notes and accounts receivable - trade	4,318	26,415
Decrease (increase) in inventories	(55,521)	59,101
Increase (decrease) in notes and accounts payable - trade	(764)	(18,430)
Other, net	(9,641)	(21,830)
Subtotal	23,465	104,348
Interest and dividends income received	3,772	8,191
Interest expenses paid	(4,444)	(11,410)
Income taxes paid	(14,857)	(12,033)
Net cash provided by (used in) operating activities	7,935	89,095
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,173)	(3,596)
Proceeds from withdrawal of time deposits	2,065	1,535
Purchase of property, plant and equipment	(40,817)	(52,057)
Proceeds from sales of property, plant and equipment	1,383	1,894
Purchase of intangible assets	(4,580)	(6,016)
Purchase of shares and investments in capital of subsidiaries resulting in changes in the scope of consolidation	*2 (30,732)	*2 (14,078)
Proceeds from purchase of shares and investments in capital of subsidiaries resulting in changes in the scope of consolidation	—	9
Proceeds from sales of shares and investments in capital of subsidiaries and affiliates	2	395
Purchase of investment securities	(325)	(325)
Proceeds from sales and redemption of investment securities	749	5,591
Proceeds from sales of businesses	—	631
Payments for transfer of businesses	(16)	(185)
Other, net	1,285	(254)
Net cash provided by (used in) investing activities	(73,160)	(66,457)

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2022	Current Fiscal Year Ended December 31, 2023
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	13,715	(15,417)
Increase (decrease) in commercial papers	30,000	3,000
Proceeds from long-term loans payable	127,913	88,747
Repayment of long-term loans payable	(49,623)	(48,299)
Proceeds from issuance of bonds	—	15,000
Redemption of bonds	(20,000)	(30,000)
Cash dividends paid	(9,479)	(9,478)
Cash dividends paid to non-controlling interests	(681)	(407)
Net decrease (increase) in treasury shares	(6)	29
Purchase of shares and investments in capital of subsidiaries not resulting in change in scope of consolidation	(1,999)	—
Repayment of lease liabilities	(5,807)	(5,882)
Other, net	(85)	(212)
Net cash provided by (used in) financing activities	83,948	(2,920)
Effect of exchange rate change on cash and cash equivalents	6,265	2,363
Net increase (decrease) in cash and cash equivalents	24,989	22,082
Cash and cash equivalents at beginning of the period	37,572	62,560
Cash and cash equivalents at end of the period	*1 62,560	*1 84,642

[Notes]

(Basis of Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 166

The names of major consolidated subsidiaries are omitted because they are stated in "I. Overview of the Company 4. Subsidiaries and Affiliates."

Innovation DIC Chimitroniques Inc. and four other companies were included in the scope of consolidation due to acquisition of shares, etc.

Colors & Effects Japan Ltd. and seven other companies were excluded from the scope of consolidation due to absorption-type-merger, etc.

(2) Names of major non-consolidated subsidiaries

Not applicable

2. Scope of the Equity Method

(1) Number of affiliates accounted for using the equity method: 18

Principal company: TAIYO HOLDINGS CO., LTD.

Techno science, Inc. and one other company were excluded from the scope of the equity method due to sale of shares, etc.

(2) Non-consolidated subsidiaries not accounted for using the equity method

Not applicable

3. Accounting Period of Consolidated Subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

4. Accounting Policies

(1) Methods and Standards for Valuation of Significant Assets

(a) Securities

Other securities

Securities with a readily determinable market value:

Stated at fair market value (with any unrealized gains or losses being reported directly as a component of shareholder's equity and the cost of any securities sold being computed by the moving-average method).

Securities with no readily determinable market value:

Stated at cost, with cost being determined by the moving-average method.

(b) Derivatives

Derivatives are carried at fair value.

(c) Inventories

Inventories are principally stated at cost, determined by the first-in, first-out method, which evaluates the amount of the inventories shown in the consolidated balance sheet by writing them down based on their decrease in profitability.

(2) Method for Depreciation of Non-Current Assets

(a) Property, plant and equipment (excluding leased assets)

The Company and its consolidated domestic subsidiaries:

Depreciation of buildings (other than facilities attached to buildings) is calculated principally by the straight-line method.

Depreciation of other property, plant and equipment is calculated by the declining-balance method. However, depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, is also calculated by the straight-line method.

Consolidated foreign subsidiaries:
Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The principal useful lives are as follows:

Buildings and structures	8 to 50 years
Machinery, equipment and vehicles	3 to 11 years

(b) Intangible assets (excluding leased assets)
Intangible assets are amortized by the straight-line method.

(c) Leased assets
Leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciated on a straight-line basis, with the lease periods used as their useful lives and no residual value.

(d) Right-of-use assets
Right-of-use assets are depreciated using the straight-line method with a useful life determined from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and no residual value.

(3) Standards for Provisions
(a) Allowance for doubtful accounts
Allowance for doubtful accounts is provided mainly based on historical experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.

(b) Provision for bonuses
Provision for bonuses is provided based on the estimated payments of bonuses to employees and executive officers by the Company and its consolidated domestic subsidiaries.

(4) Retirement and Pension Plans
Net defined benefit asset/liability is recognized for employees' and executive officers' retirement benefits. Pension assets are deducted from retirement benefit obligations, and the net amount is recognized based on the estimated amount of payment as of the consolidated balance sheet date. In calculating retirement benefit obligations, the Company and its consolidated subsidiaries apply a method of attributing expected retirement benefits to each period on a benefit formula basis.

The Company and its consolidated domestic subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over the stated years that do not exceed the average remaining service period of the eligible employees (13 years). Past service costs are expensed in the accounting periods when they are incurred.

Consolidated foreign subsidiaries amortize actuarial gains and losses in the succeeding years primarily by the straight-line method over the stated years that do not exceed the average remaining service period of the eligible employees (4-19 years). Past service costs are amortized over 9-23 years.

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded in "Remeasurements of defined benefit plans" in net assets after adjusting income tax effect.

(5) Revenue and expense recognition standards

The Group conducts business activities in three segments, “Packaging & Graphic,” “Color & Display” and “Functional Products,” and mainly provide merchandise and products to domestic and overseas customers.

With regard to the sales of merchandise and products in these business fields, the Group recognizes revenue at the time of delivery of merchandise or products because it considers that the customer obtains control over the merchandise or products and performance obligations are satisfied at the time of delivery of the merchandise or products.

Revenue is recognized at the amount of consideration promised in the contract with the customer, less consideration such as returns, rebates and others, to the extent that there is a high probability of no material reversal of revenue. Also, regarding buy-sell transactions that fall under the buyback agreement, the amount of raw materials at the end of the fiscal period, which are provided to transaction partners, is continually recognized as inventory, and the amount of supplied materials at the end of fiscal period that remain at transaction partners is recognized as buyback obligations at the same time.

Furthermore, transaction consideration is generally received within one year after performance obligations are satisfied, and important financing components are not included.

(6) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date and any difference arising from the translation is recognized in the consolidated statement of income.

The asset and liability accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation differences are included in foreign currency translation adjustment and non-controlling interests in the section of net assets.

(7) Principal Methods of Hedge Accounting

(a) Method for Hedge Accounting

Hedge accounting, under which unrealized gain or loss is deferred, is adopted for derivatives that qualify as hedges. The receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. If interest rate swaps qualify for hedge accounting and meet certain specific matching criteria, they will not be measured at market value; rather the differential paid or received under the swap agreements will be recognized in interest expense or income.

(b) Hedging instruments and hedged items

Hedging instruments

Derivative transactions (forward exchange contracts, interest rate and currency swap contracts, and commodity swap contracts).

Hedged items

Any monetary receivables and payables denominated in foreign currencies, forecast transactions denominated in foreign currencies, loans payable, fuels, and net investments in foreign operations.

(c) Hedging policy

Foreign exchange contracts and currency swap transactions are utilized to avoid risks arising from fluctuations in foreign currency exchange rates related to monetary receivables and payables denominated in foreign currencies or forecast transactions denominated in foreign currencies.

Interest rate swap contracts are utilized to avoid future risks of interest rate fluctuations or to reduce interest rate burdens.

Commodity swaps are utilized to hedge fluctuations in fuel prices.

Foreign exchange contracts are utilized to avoid risks arising from fluctuations in foreign currency exchange rates of net investments in foreign operations.

All derivative transactions of the Company are executed in accordance with internal management regulations. Consolidated subsidiaries execute their own transactions in accordance with their respective management regulations.

(d) Method of assessment of hedge effectiveness

The effectiveness is assessed by confirming a high correlation between the market fluctuations or the cash flow fluctuations for a hedged item and the market fluctuations or the cash flow fluctuations for a hedging instrument.

(8) Amortization of Goodwill

Goodwill is amortized by the straight-line method within 20 years.

(9) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents consist primarily of cash on hand, certificates of deposit and short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and have insignificant risk of changes in value.

(10) Significant Matters for Preparation of Consolidated Financial Statements

(a) Group tax sharing system

The Company and some of its subsidiaries have adopted the group tax sharing system.

(Accounting Estimates)

Previous fiscal year ended December 31, 2022

1. Purchase Price Allocation of the C&E Pigments Business (formerly the Colors & Effects Business of Germany's BASF SE)

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

The details and amounts of the revision of the initial allocation of acquisition costs in accordance with the finalization of this preliminary accounting treatment are as follows:

Goodwill (before revision)	¥19,598 million
Adjusted amount of goodwill	
Current assets	2,362 million
Non-current assets	149 million
Current liabilities	(889 million)
Non-current liabilities	(1,679 million)
Total revised amount	(58 million)
Goodwill (after revision)	¥19,540 million

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

Revision of the allocation of acquisition costs of C&E pigments business in accordance with the finalization of this preliminary accounting treatment was completed in the current fiscal year.

In the process of the purchase price allocation, the fair value of property, plant and equipment, as well as intangible assets is calculated by the cost approach, the income approach such as the relief-from-royalty method, the market approach and other methods according to the type of assets.

Goodwill is calculated by subtracting identifiable assets accepted and liabilities assumed from the acquisition cost.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

In estimating the fair value of the property, plant and equipment as of the acquisition date, the market value, replacement cost, estimated future cash flows generated by the target assets, and discount rates are used as significant assumptions.

In estimating the fair value of intangible assets as of the acquisition date, the market value, royalty rates, estimated future cash flows generated by the target assets, and discount rates are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2023

Although the fair values are determined based on management's best estimates, they may be affected by changes in uncertain future economic conditions. There is a risk that this could cause a significant impact on the valuation of property, plant and equipment and intangible assets.

2. Purchase Price Allocation of Guangdong DIC TOD Resins Co., Ltd. ("Guangdong TOD")

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

Property, plant and equipment	¥3,981 million
Intangible assets	5,478 million
Goodwill	10,897 million

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

Primary assets and each amount recorded in the consolidated financial statements are as follows:

(Millions of yen)

Primary assets		Amount recorded in the consolidated financial statements
Property, plant and equipment	Buildings and structures	1,883
	Machinery, equipment and vehicles	1,328
	Land	672
Intangible assets	Customer-related assets	3,137
	Trademarks	1,752
	Technologies and related assets	570

In the process of the purchase price allocation, the fair value of property, plant and equipment, as well as intangible assets is calculated using the income approach such as the multiperiod excess earnings method or the relief-from-royalty method, the cost approach and the market approach according to the type of assets.

Goodwill is calculated by subtracting identifiable assets accepted and liabilities assumed from the acquisition cost.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

In estimating the fair value of property, plant and equipment as of the acquisition date, the market value, economic useful life and others are used as significant assumptions.

In estimating the fair value of intangible assets as of the acquisition date, the attrition rate to existing customers, royalty rates, estimated future cash flows generated by the target assets, and discount rates are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2023

Although the fair values are determined based on management’s best estimates, they may be affected by changes in uncertain future economic conditions. There is a risk that this could cause a significant impact on the valuation of property, plant and equipment and intangible assets.

3. Valuation of Goodwill

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Goodwill	20,182	33,641

(2) Information on significant accounting estimates for the identified items

(a) Goodwill related to C&E pigments business

The carrying amount of goodwill related to the C&E pigments business was ¥20,343 million at the end of the current fiscal year. The goodwill related to this business is tested for impairment every year, and the discounted present value of future cash flows, etc., must be estimated in order to calculate the fair value of the reporting unit, including the goodwill. The key assumptions in estimating the discounted present value of future cash flows, etc., are the business plan, revenue growth rate, discount rate and long-term growth rate.

These assumptions include management's judgment, and as such, a rapid worsening of economic or business conditions could have a significant impact on the consolidated financial statements in the following fiscal year.

(b) Goodwill related to Guangdong TOD

The carrying amount of goodwill recorded as a result of the acquisition of Guangdong TOD was ¥9,948 million at the end of the current fiscal year. The goodwill related to this business is tested for impairment every year, and the discounted present value of future cash flows, etc., must be estimated in order to calculate the recoverable amount of the group of cash-generating units, including the goodwill. The key assumptions in estimating the discounted present value of future cash flows, etc., are the business plan, market growth rate, revenue growth rate and discount rate.

These assumptions include management's judgment, and as such, a rapid worsening of economic or business conditions could have a significant impact on the consolidated financial statements in the following fiscal year.

4. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2022

Deferred tax assets ¥16,419 million

(The balance before offsetting deferred tax liabilities is ¥43,299 million.)

The amount of net operating loss carryforwards and future deductible temporary difference for which deferred tax assets have not been recognized is ¥45,752 million.

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

In recognizing deferred tax assets, the Group considers the extent to which it is probable that future taxable income will be available against the deductible temporary differences, and unused tax loss carryforwards can be utilized.

Among the subsidiaries, Sun Chemical Group, which is mainly based in Americas and Europe, applies the Accounting Standards Codification ("ASC") 740, "Income Taxes". Sun Chemical Group recorded deferred tax assets of ¥34,537 million, before offsetting against deferred tax liabilities. The amount occupies a large percentage of the consolidated total.

The amount of net operating loss carryforwards and future deductible temporary differences for which deferred tax assets have not been recognized is ¥41,154 million.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2022

The amount of recoverable deferred tax assets in the Group is estimated based on not only past taxable income levels, but also forecasts of future taxable income based on the business plan during the deductible period of deductible temporary differences and unused tax loss carryforwards.

For the business plan, expected sales revenue, raw material price and foreign exchange market trends are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2023

The assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19 pandemic. If the results differ from initial estimates, this could have a significant impact, as it will be necessary to record or reverse deferred tax assets in the consolidated financial statements for the following fiscal year.

Current fiscal year ended December 31, 2023

1. Valuation of Goodwill, Property, Plant and Equipment and Other Intangible Assets Related to Sun Chemical Color Materials

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2023

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2022	Current Fiscal Year Ended December 31, 2023
Property, plant and equipment	95,795	111,326
Intangible assets	20,290	20,088
Goodwill	19,136	—
Impairment losses	—	22,469

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2023

Goodwill related to the acquisition of the Colors & Effects pigments business is allocated to reporting unit Sun Chemical Color Materials and is tested for impairment on an annual basis. If the fair value is less than the carrying value, an impairment loss is recognized. The fair value is determined by discounting estimated future cash flows to present value. In the fiscal year ended December 31, 2023, owing to a revision of the business plan in light of current economic conditions, the fair value was less than the carrying value, as a result of which an impairment loss of ¥19,653 million was recognized on the entire unamortized balance of goodwill.

Associated with reorganization of pigment production sites of Sun Chemical Color Materials, the Company also recognized an impairment loss of ¥2,816 million on the assets of its production site in the United States due to the decision of suspension of its operation.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2023

Significant assumptions used in estimating future cash flows include business plan, which contains the expected sales growth rate, among others, the discount rate and long-term growth rate.

(c) Impact on the consolidated financial statements for the fiscal year ending December 31, 2024

Although fair values are determined based on management's best estimates, such estimates may be affected by changes in market conditions. If the assumptions used change as a consequence of changes in the business environment or other factors, this could have a material impact on the valuation of property, plant and equipment and intangible assets, but not goodwill, related to Sun Chemical Color Materials in the fiscal year ending December 31, 2024.

2. Valuation of Goodwill, Property, Plant and Equipment and Other Intangible Assets Related to the Group of Cash-Generating Units, including Guangdong DIC TOD Resins Co., Ltd. ("Guangdong TOD")

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2023

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2022	Current Fiscal Year Ended December 31, 2023
Property, plant and equipment	8,391	9,966
Intangible assets	4,958	4,808
Goodwill	9,948	7,340
Impairment losses	—	2,518

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2023

Goodwill related to the acquisition of Guangdong TOD is allocated to a group of cash-generating units that are expected to benefit from synergies arising from business combinations and is tested for impairment on an annual basis. If the recoverable amount of the group of cash-generating units is less than the carrying value, an impairment loss is recognized. The recoverable amount is based on value in use, which is determined by discounting estimated future cash flows to present value. In the fiscal year ended December 31, 2023, owing to a revision of the business plan in light of factors such as an anticipated delay in the switch from oilborne to waterborne resins in the PRC market, the recoverable value was less than the carrying value, as a result of which an impairment loss of ¥2,518 million was recognized on a portion of the unamortized balance of goodwill.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2023

Significant assumptions used in estimating future cash flows include the future business plan, which contains the expected sales growth rate, among others, and the discount rate and long-term growth rate.

(c) Impact on the consolidated financial statements for the fiscal year ending December 31, 2024

Although recoverable amounts are determined based on management's best estimates, such estimates may be affected by changes in market conditions. If the assumptions used change as a consequence of changes in the business environment or other factors, this could have a material impact on the valuation of goodwill; property, plant and equipment; and intangible assets related to the group of cash-generating units including Guangdong TOD in the fiscal year ending December 31, 2024.

3. Purchase Price Allocation of Innovation DIC Chimitroniques Inc.

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2023

Property, plant and equipment	¥5,352 million
Intangible assets	2,723 million
Goodwill	5,971 million

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2023

Primary assets and each amount recorded in the consolidated financial statements are as follows:

(Millions of yen)

Primary assets		Amount recorded in the consolidated financial statements
Property, plant and equipment	Buildings and structures	576
	Machinery, equipment and vehicles	3,251
	Tools, furniture and fixtures	999
Intangible assets	Customer-related assets	2,205
	Technologies and related assets	517

In the process of the purchase price allocation, the fair value of property, plant and equipment, as well as intangible assets is calculated using the income approach such as the multiperiod excess earnings method, the relief-from-royalty method, and the direct capitalization method, the cost approach and the market approach according to the type of assets.

Goodwill is calculated by subtracting identifiable assets accepted and liabilities assumed from the acquisition cost.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2023

In estimating the fair value of property, plant and equipment as of the acquisition date, the market value, economic useful life and others are used as significant assumptions.

In estimating the fair value of intangible assets as of the acquisition date, the attrition rate to existing customers, royalty rates, estimated future cash flows generated by the target assets, and discount rates are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2024

Although the fair values are determined based on management's best estimates, they may be affected by changes in uncertain future economic conditions. There is a risk that this could cause a significant impact on the valuation of property, plant and equipment; intangible assets; and goodwill.

4. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2023

Deferred tax assets	¥16,593 million

(The balance of deferred tax assets before offsetting deferred tax liabilities is ¥46,048 million.)

The amount of net operating loss carryforwards and future deductible temporary difference for which deferred tax assets have not been recognized is ¥68,755 million.

(2) Information on significant accounting estimates for the identified items

(a) Method of calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2023

In recognizing deferred tax assets, the Group considers the extent to which it is probable that future taxable income will be available against the deductible temporary differences and unused tax loss carryforwards can be utilized.

Among the subsidiaries, Sun Chemical Group, which is mainly based in Americas and Europe, applies the guidance ASC 740, “Income Taxes.” Sun Chemical Group recorded deferred tax assets of ¥35,034 million, before offsetting against deferred tax liabilities. The amount occupies a large percentage of the consolidated total.

The amount of net operating loss carryforwards and future deductible temporary differences for which deferred tax assets have not been recognized is ¥53,961 million.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2023

The amount of recoverable deferred tax assets in the Group is estimated based on not only past taxable income levels, but also forecasts of future taxable income based on the business plan during the deductible period of deductible temporary differences and unused tax loss carryforwards.

For the business plan, expected sales revenue, raw material price and foreign exchange market trends are used as significant assumptions.

(c) Impact on the consolidated financial statements for the year ending December 31, 2024

These assumptions may be affected by global currency exchange rates and economic trends, which are influenced greatly by factors such as rising interest rates in Europe and the United States, as well as by prices for raw materials, which are affected by fluctuating energy prices. If the results differ from initial estimates, this could have a significant impact, as it will be necessary to additionally record or reverse deferred tax assets in the consolidated financial statements for the following fiscal year.

(Change in Accounting Policies)

(Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”)

The Company and its domestic consolidated subsidiaries adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on June 17, 2021) effective from the beginning of the fiscal year ended December 31, 2023, and have resolved to apply the new accounting policies set forth therein going forward in accordance with the transitional treatment stipulated in Paragraph 27-2 of the implementation guidance. This has no impact on the consolidated financial statements.

(Application of Financial Accounting Standards Board Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326))

Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied Financial Accounting Standards Board Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326) effective from the fiscal year ended December 31, 2023. As a result, they accordingly reviewed the classification and measurement approaches for financial instruments, and used the expected credit loss model to recognize impairment losses for financial assets. The impact of this application on the consolidated financial statements is immaterial. Due to that the impact on per share information being immaterial, related information is omitted.

(Accounting Standards, etc., Not Yet Applied)

1. The Company and its domestic consolidated subsidiaries

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

In the course of deliberations on the transfer of the practical guidelines on tax effect accounting by the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan, the results of the deliberations on the following two issues that were decided to be reviewed after the publication of “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc., (ASBJ Statement No. 28) in February 2018 were published.

• Classification of tax expenses (tax on other comprehensive income)
• Tax effect from the sale of shares of subsidiaries, etc., (shares of subsidiaries and affiliated companies) when the group tax sharing system is applied

(2) Planned date of application

It will be applied from the beginning of the fiscal year ending December 31, 2025.

(3) Effect of application of the accounting standards, etc.

The effect of application of these accounting standards, etc., on the consolidated financial statements is currently under evaluation.

(Additional Information)

Board Benefit Trust (BBT)

With regard to the compensation for executive officers, as well as directors who concurrently serve as executive officers (the “Target Officers”), the Company introduced a new performance-based stock compensation plan called Board Benefit Trust (BBT) (the “Plan”) from the fiscal year ended December 31, 2017. The purpose of the Plan is to further clarify the linkage between the compensation of the Target Officers, and corporate performance and value of the Company’s shares. The intended result is strengthening the Executive Officers’ awareness of the importance of contributing to the medium- to long-term improvement of operating results, as well as to the enhancement of corporate value, and of sharing the same objectives as shareholders. Accounting treatment related to the trust agreement is in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (Political Instability Task Force (“PITF”) No. 30, March 26, 2015).

(1) Outline of the transactions

The trust established under the Plan acquires the Company’s shares by cash contributed by the Company. The trust provides shares of the Company and the cash equivalent to the market price of the shares of the Company (the “Company’s Shares and Cash Benefits”) to the Target Officers, in accordance with the Rules of Officer Share Benefit established by the Company. The Target Officers shall in principle receive the Company’s Shares and Cash Benefits upon their retirement.

(2) The Company’s shares remaining in the trust

The shares remaining in the trust are recorded under net assets as treasury shares at the book value in the trust (excluding incidental costs). The book value and number of such treasury shares are ¥520 million and 132 thousand as of December 31, 2022, respectively, and ¥925 million and 303 thousand as of December 31, 2023, respectively.

(Consolidated Balance Sheet)

*1. Notes and accounts receivable-trade transferred due to securitization of receivables

Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
¥11,274 million	¥27,768 million

*2. Of the notes and accounts receivable - trade, the portions pertaining to receivables from contracts with customers are as follows:

	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Notes	¥30,756 million	¥30,065 million
Accounts receivable - trade	216,764	195,083

*3. Affiliates' securities

	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Common stock	¥45,318 million	¥46,687 million
Investments in capital	877	787

*4. Assets pledged for collateral and secured liabilities

The following assets are pledged as collateral:

	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Cash and deposits	¥37 million	¥44 million
Notes and accounts receivable-trade	4,003	3,782
Inventory	1,824	1,902
Buildings and structures	1,004	1,039
Land	2,584	2,768
Other non-current assets	532	567
Total	9,985	10,102

The obligations collateralized by the above assets are as follows:

	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Current portion of long-term loans payable	¥86 million	¥92 million
Long-term loans payable	559	505
Total	645	597

5. Guarantees obligations for debt of others implemented for affiliated companies and others are as follows:

Previous fiscal year as of December 31, 2022

Guarantee name	Amounts (millions of yen)	Details
CAST FILM JAPAN Co., LTD.	675	Guarantee obligations associated with borrowings from financial institutions
Employees (Housing funds)	14	Guarantee obligations associated with borrowings from financial institutions
Total	689	

Current fiscal year as of December 31, 2023

Guarantee name	Amounts (millions of yen)	Details
CAST FILM JAPAN Co., LTD.	750	Guarantee obligations associated with borrowings from financial institutions
Employees (Housing funds)	8	Guarantee obligations associated with borrowings from financial institutions
Total	758	

(Consolidated Statement of Income)

*1 Total research and development costs

Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
¥15,144 million	¥17,189 million

*2 Gain on sales of non-current assets

Previous fiscal year ended December 31, 2022

This gain is mainly composed of ¥842 million of gain on sale of land, building and others.

Current fiscal year ended December 31, 2023

This gain is mainly composed of ¥1,756 million of gain on sale of land, building and others.

*3 Impairment losses

Previous fiscal year ended December 31, 2022

The Group recorded impairment loss in the following asset groups:

Use	Type of assets	Location	Amount (Millions of yen)
Plant assets	Buildings and structures; machinery, equipment and vehicles; and others	Ina-machi, Kitaadachi-gun, Saitama	510
Plant assets	Land, buildings and structures; machinery, equipment and vehicles; and others	Singapore	456
Idle assets	Machinery, equipment and vehicles	PRC	141
Total			1,107

(Reasons for recognition of impairment losses)

As for plant assets, the book values of asset groups which were lower than the recoverable amounts were reduced to the recoverable amounts.

As for idle assets, the book value was reduced to the recoverable amounts because the assets were idle due to ceasing production, etc.

(Amounts of impairment loss and breakdown of the amounts by type of primary non-current assets)

Type of assets	Amount (Millions of yen)
Land	192
Buildings and structures	529
Machinery, equipment and vehicles	379
Other	7
Total	1,107

(Method of grouping assets)

Assets are grouped on a company-by-company basis, on a product group basis or others.

(Method for measuring recoverable amounts)

The recoverable amounts of asset groups, which were measured by value in use, were calculated as zero because any cash flows in future were not expected.

Current fiscal year ended December 31, 2023

The Group recorded impairment loss in the following asset groups:

Use	Type of assets	Location	Amount (Millions of yen)
Other	Goodwill	Germany and others	19,653
Plant assets	Land; buildings and structures; machinery, equipment and vehicles and others	Tatebayashi-city, Gunma	3,278
Plant assets	Machinery, equipment and vehicles; buildings and structures and others	Takaishi-city, Osaka and others	3,194
Plant assets	Machinery, equipment and vehicles; buildings and structures and others	U.S.A.	2,816
Other	Goodwill	PRC	2,518
Plant assets	Buildings and structures; land; machinery, equipment and vehicles and others	Tochigi-city, Tochigi	895
Plant assets	Machinery, equipment and vehicles; buildings and structures and others	Takaishi-city, Osaka	692
Plant assets and others	Machinery, equipment and vehicles; goodwill; land; buildings and structures and others	Others	491
Total			33,537

(Reasons for recognition of impairment losses)

As for plant assets, the book values of asset groups which were lower than the recoverable amounts were reduced to the recoverable amounts.

As for goodwill, as a result of the revision of the business plan, the book value of which was lower than the recoverable amount, was reduced to zero or the recoverable amount.

(Amounts of impairment losses and breakdown of the amounts by type of primary non-current assets)

Type of assets	Amount (Millions of yen)
Land	2,219
Buildings and structures	2,263
Machinery, equipment and vehicles	6,083
Goodwill	22,306
Other	666
Total	33,537

(Method of grouping assets)

Plant assets are grouped on a company-by-company basis, on a product group basis or others.

Goodwill is grouped in a larger unit that includes assets of several related companies or product groups, plus goodwill.

(Method of measuring recoverable amounts)

The recoverable amounts of plant assets were measured by value in use, except land, which was measured by net realizable value.

Value in use of the plant assets in Tatebayashi-city, Gunma, was calculated by discounting the estimated future cash flows by 4.0%.

Value in use of other plant assets was calculated as zero because any cash flows in future were not expected.

The recoverable amount of goodwill in Germany and others was measured by fair value and calculated by discounting estimated future cash flows by 9.0%.

The recoverable amount of goodwill in PRC was measured by value in use and calculated by discounting estimated future cash flows by 10.2%.

*4 Loss on disposal of non-current assets

Previous fiscal year ended December 31, 2022

This loss is composed of ¥765 million of buildings, ¥445 million of machinery and equipment, ¥603 million of removal cost, and others.

Current fiscal year ended December 31, 2023

This loss is composed of ¥668 million of buildings, ¥178 million of machinery and equipment, ¥254 million of construction in progress, ¥816 million of removal cost, and others.

*5 Severance costs are mainly associated with reorganization of pigment business and printing ink business overseas.

(Consolidated Statement of Comprehensive Income)

*1 Reclassification adjustment and tax effects relating to other comprehensive income

	Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
Valuation difference on available-for-sale securities:		
Amount arising during the fiscal year	¥(69) million	¥3,078 million
Reclassification adjustments	(36)	(2,602)
Before tax effects	(105)	476
Tax effects	11	(105)
Valuation difference on available-for-sale securities	(94)	371
Deferred gains or losses on hedges:		
Amount arising during the fiscal year	1,020	(1,063)
Reclassification adjustments	(99)	352
Before tax effects	922	(710)
Tax effects	(324)	267
Deferred gains or losses on hedges	598	(444)
Foreign currency translation adjustment:		
Amount arising during the fiscal year	38,266	31,066
Reclassification adjustments	—	—
Foreign currency translation adjustment	38,266	31,066
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	(8,334)	(1,327)
Reclassification adjustments	(1,532)	(1,653)
Before tax effects	(9,867)	(2,980)
Tax effects	4,322	(182)
Remeasurements of defined benefit plans, net of tax	(5,545)	(3,162)
Share of other comprehensive income of associates accounted for using equity method:		
Amount arising during the fiscal year	360	(542)
Reclassification adjustments	(2)	(37)
Share of other comprehensive income of associates accounted for using equity method	358	(580)
Total other comprehensive income	33,584	27,251

(Consolidated Statement of Changes in Net Assets)

Previous fiscal year ended December 31, 2022

1. Type and number of issued shares and treasury shares

	Number of shares at the beginning of the year (Share)	Increase in shares during the year (Share)	Decrease in shares during the year (Share)	Number of shares at the end of the year (Share)
Issued shares				
Common stock	95,156,904	—	—	95,156,904
Total	95,156,904	—	—	95,156,904
Treasury shares				
Common stock (Notes 1 and 2)	501,950	2,173	—	504,123
Total	501,950	2,173	—	504,123

(Notes) 1. The treasury shares at the end of the fiscal year include 131,700 of the Company's shares held by the Board Benefit Trust (BBT).

2. A 2,173 increase in treasury shares of common stock resulted from the purchase of fractional shares.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 29, 2022	Common stock	4,739	50	December 31, 2021	March 30, 2022
Board of Directors on August 10, 2022	Common stock	4,739	50	June 30, 2022	September 1, 2022

(Notes) 1. "Total dividends to be paid" resolved by the Annual General Meeting of Shareholders held on March 29, 2022, includes dividends of ¥7 million for the Company's shares held by the Board Benefit Trust (BBT).

2. "Total dividends to be paid" resolved by the Board of Directors held on August 10, 2022, includes dividends of ¥7 million for the Company shares held by the Board Benefit Trust (BBT).

(2) Dividends for which the record date came during the fiscal year ended December 31, 2022, but for which the effective date will come after said period

Resolution	Type of shares	Source of dividends	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 29, 2023	Common stock	Retained earnings	4,739	50	December 31, 2022	March 30, 2023

(Note) "Total dividends to be paid" resolved by the Annual General Meeting of Shareholders on March 29, 2023, includes dividends of ¥7 million for the Company's shares held by the Board Benefit Trust (BBT).

Current fiscal year ended December 31, 2023

1. Type and number of issued shares and treasury shares

	Number of shares at the beginning of the year (Share)	Increase in shares during the year (Share)	Decrease in shares during the year (Share)	Number of shares at the end of the year (Share)
Issued shares				
Common stock	95,156,904	—	—	95,156,904
Total	95,156,904	—	—	95,156,904
Treasury shares				
Common stock (Notes 1, 2 and 3)	504,123	182,557	189,000	497,680
Total	504,123	182,557	189,000	497,680

(Notes) 1. The treasury shares at the end of the fiscal year include 302,700 of the Company’s shares held by the Board Benefit Trust (BBT).
2. A 182,557 increase in treasury shares of common stock resulted from the additional acquisition of the Company’s shares by BBT (180,000 shares) and the purchase of fractional shares (2,557 shares).
3. 189,000 decrease in treasury shares of common stock was due to benefits of the Company’s share by BBT (9,000 shares) and the disposal of treasury shares (180,000 shares).

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 29, 2023	Common stock	4,739	50	December 31, 2022	March 30, 2023
Board of Directors on August 9, 2023	Common stock	4,739	50	June 30, 2023	September 1, 2023

(Notes) 1. “Total dividends to be paid” resolved by the Annual General Meeting of Shareholders on March 29, 2023, includes dividends of ¥7 million for the Company’s shares held by the Board Benefit Trust (BBT).
2. “Total dividends to be paid” resolved by the Board of Directors on August 9, 2023, includes dividends of ¥6 million for the Company’s shares held by the Board Benefit Trust (BBT).

(2) Dividends for which the record date came during the fiscal year ended December 31, 2023, but for which the effective date will come after said period

Resolution	Type of shares	Source of dividends	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on March 28, 2024	Common stock	Retained earnings	2,849	30	December 31, 2023	March 29, 2024

(Note) “Total dividends to be paid” resolved by the Annual General Meeting of Shareholders on March 28, 2024, includes dividends of ¥9 million for the Company’s shares held by the Board Benefit Trust (BBT).

(Consolidated Statement of Cash Flows)

*1 Reconciliation of cash and cash equivalents at the end of the period to account items in the consolidated balance sheet

	Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
Cash and deposits	¥63,380 million	¥87,533 million
Time deposits with maturities of over three months	(820)	(2,891)
Cash and cash equivalents	62,560	84,642

*2 Principal components of assets and liabilities of newly consolidated companies as a result of the acquisition of shares

Previous fiscal year ended December 31, 2022

As a result of the acquisition of shares, Sapici S.p.A was newly consolidated in the fiscal year ended December 31, 2022. The main components of assets acquired and liabilities assumed at the start of consolidation are as follows. Besides, due to the obligation of confidentiality, the price of the acquisition is undisclosed.

Current assets	¥8,287 million
Non-current assets	9,968
Total assets	18,255
Current liabilities	3,123
Non-current liabilities	2,542
Total liabilities	5,665

As a result of the acquisition of shares, Guangdong DIC TOD Resins Co., Ltd. was newly consolidated in the fiscal year ended December 31, 2022. The main components of assets acquired and liabilities assumed at the start of consolidation are as follows. Besides, due to the obligation of confidentiality, the price of the acquisition is undisclosed.

Current assets	¥5,131 million
Non-current assets	9,585
Total assets	14,715
Current liabilities	2,637
Non-current liabilities	1,892
Total liabilities	4,529

Current fiscal year ended December 31, 2023

As a result of the acquisition of shares, Innovation DIC Chimitroniques Inc. was newly consolidated in the fiscal year ended December 31, 2023. The main components of assets acquired and liabilities assumed at the start of consolidation and the relation between the acquisition cost and net expenditure are as follows.

Current assets	¥2,115 million
Non-current assets	8,075
Goodwill	5,971
Current liabilities	(1,088)
Non-current liabilities	(1,862)
Acquisition cost	13,211
Breakdown: Acquisition price for shares	12,616
Loan repayment accompanying acquisition	595
Cash and cash equivalents	(17)
Net: Expenditure for the acquisition	13,194

(Lease Transactions)

1. Operating lease transactions

(1) As lessee

Future lease payments related to non-cancelable operating lease transactions

(Millions of yen)

	Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
Within a year	42	44
More than one year	70	60
Total	112	104

(2) As lessor

Future lease payments related to non-cancelable operating lease transactions

(Millions of yen)

	Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
Within a year	131	140
More than one year	791	688
Total	922	828

(Financial Instruments)

1. Matters concerning the status of financial instruments

(1) Policy on financial instruments

The Group is managing funds with safe and secure financial assets.

Means of financing include direct financing such as the issuance of bonds and commercial papers and liquidation of receivables, as well as indirect financing such as short-term and long-term bank borrowings, the terms of which are determined based on financial market conditions and balance of account at the time.

The Group has derivatives which consist of forward foreign currency contracts, currency options, currency swaps and interest swaps. For commodities, commodity swaps are used. Derivatives are not used for trading or speculative purposes, but for risk aversion.

The Group applies hedge accounting when the derivative qualifies as a hedging instrument.

(2) Details and risks of financial instruments

Notes and accounts receivable - trade, which is an operating receivable, is exposed to customer credit risk. Some of them are denominated in foreign currencies and are exposed to foreign exchange fluctuation risks.

Investment securities are mainly stocks of companies with which the Company has business relationships and is exposed to market price fluctuation risks. Securities with no readily determinable market value are exposed to price fluctuation risks of the financial status of the issuers, etc.

Notes and accounts payable - trade, which is operating debt, is mostly due within one year. Some of them are denominated in foreign currencies and are exposed to foreign exchange fluctuation risks.

Short-term loans payable mainly procures funds for operating transactions, while long-term loans payable, bonds payable and lease obligations under finance leases primarily seek to procure funds necessary for capital expenditures, investments and loans. Some of these are subject to the risk of interest rate fluctuations because they are floating rates.

In addition, operating liabilities and borrowings are exposed to liquidity risk (risk of not being able to make payments on the due date).

The Group uses foreign exchange forward contracts, foreign currency options and currency swaps to avoid risks arising from fluctuations in foreign currency exchange rates associated with monetary receivables and payables denominated in foreign currencies or forecast transactions denominated in foreign currencies. The Group also uses commodity swaps to hedge fluctuations in fuel prices.

Derivative transactions carry market risk arising from fluctuations in foreign exchange rates and interest rates. In addition, the Company is exposed to the risk of breach of contract. Hedging instruments, hedged items, hedging policies, methods of evaluating the effectiveness of hedging, etc., related to hedge accounting are described in “Principal Methods of Hedge Accounting” of “Accounting Policies.”

(3) Risk Management System for Financial Instruments

① Management of Credit Risk (Risk Related to Non-performance of Contracts by Business Partners)

The Company conducts its own risk management for trade receivables by combining the balance of receivables with the Company’s valuation in accordance with its credit management rules and provides collateral as necessary.

The sales and administrative divisions work together to monitor the status of suppliers and to quickly identify and reduce concerns about recalls due to worsening financial conditions. Consolidated subsidiaries are accounted for in accordance with their management regulations.

The Group enters into derivative contracts with highly creditworthy financial institutions, and therefore, recognize that there is little risk of default.

② Management of market risks (fluctuation risks such as exchange rates and interest rates)

The Company uses forward exchange contracts, currency option contracts and currency swaps to avoid risks arising from fluctuations in foreign currency exchange rates associated with monetary receivables and payables denominated in foreign currencies or forecast transactions denominated in foreign currencies. The Group also uses commodity swaps to hedge fluctuations in fuel prices. Forward exchange contracts are used to avoid risks arising from fluctuations in the exchange rates of net investments in foreign entities.

For investment securities, the Group periodically assesses the market value and continuously reviews the holding status in consideration of the relationship with the business partner. For securities with no readily determinable market value, the Group periodically assesses the financial status of the issuers, etc.

The Company lays down the Derivative Transactions Management Rules for internal risk management, and all derivative transactions are executed in accordance with these rules. The execution of transactions is principally carried out by the Finance Department. The Accounting Department receives periodic reports from the Finance Department, understands the details of transactions, and monitors risks. The executive officer in charge of finance and accounting regularly reports the status of transactions to the Board of Directors. Consolidated subsidiaries comply with their management regulations. The Company receives regular reports from each company on the details of their transactions.

③ Management of funding liquidity risk (risk of inability to make payments on due dates)

Although operating liabilities and borrowings are exposed to liquidity risk, the Group has minimized the risk by establishing loan facilities in addition to managing the cash flow of each company.

(4) Supplementary Explanation of Matters Related to the Fair Value of Financial Instruments

① Since variable factors are included in the calculation of the fair value of financial instruments, the value may change if different assumptions are adopted.

② The contract amount, etc., related to derivative transactions in “2. Fair value of financial instruments” does not indicate the market risk involved in derivative transactions.

2. Fair value of financial instruments

The amounts reported in the consolidated balance sheet, fair values and the differences between them are as follows:

Previous fiscal year as of December 31, 2022

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (* 2)			
Stocks of affiliates	24,362	25,132	770
Available-for-sale securities	15,540	15,540	—
Total assets	39,902	40,672	770
(1) Current portion of bonds payable	30,000	29,983	(17)
(2) Current portion of long-term loans payable	35,928	35,926	(2)
(3) Bonds payable	110,000	107,363	(2,637)
(4) Long-term loans payable	260,259	258,403	(1,856)
(5) Lease obligations (non-current liabilities)	12,479	12,536	57
Total liabilities	448,666	444,211	(4,455)
Derivative financial instruments (* 3)			
① Hedge accounting - not applied	(7,145)	(7,145)	—
② Hedge accounting - applied	1,413	1,413	—
Total derivative financial instruments	(5,732)	(5,732)	—

(* 1) Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term loans payable, commercial papers, income taxes payable and lease obligations (current) are cash and are settled in a short period of time. As a result, their fair values approximate their book values. Accordingly, they are omitted.

(* 2) Securities with no readily determinable market value are not included in "Investment securities." The consolidated balance sheet amount of these financial instruments is as follows:

	As of December 31, 2022 (Millions of yen)
Unlisted stocks	23,917

(* 3) Net receivables and payables arising from derivative transactions are presented as net amounts and any item for which the total becomes a net obligation is indicated in parentheses.

Current fiscal year as of December 31, 2023

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (* 2)			
Stocks of affiliates	24,981	34,996	10,015
Available-for-sale securities	13,468	13,468	—
Total assets	38,449	48,464	10,015
(1) Current portion of bonds payable	30,000	29,976	(24)
(2) Current portion of long-term loans payable	33,897	33,864	(33)
(3) Bonds payable	95,000	93,232	(1,768)
(4) Long-term loans payable	308,231	307,214	(1,017)
(5) Lease obligations (non-current liabilities)	11,769	11,645	(124)
Total liabilities	478,897	475,932	(2,965)
Derivative financial instruments (* 3)			
① Hedge accounting - not applied	(2,023)	(2,023)	—
② Hedge accounting - applied	(1,551)	(1,551)	—
Total derivative financial instruments	(3,574)	(3,574)	—

(* 1) Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term loans payable, commercial papers, income taxes payable and lease obligations (current) are cash and are settled in a short period of time. As a result, their fair values approximate their book values. Accordingly, they are omitted.

(* 2) Securities with no readily determinable market value are not included in "Investment securities." The consolidated balance sheet amount of these financial instruments is as follows:

	As of December 31, 2023 (millions of yen)
Unlisted stocks	24,622

(* 3) Net receivables and payables arising from derivative transactions are presented as net amounts and any item for which the total becomes a net obligation is indicated in parentheses.

(* 4) The fair value of investment in partnerships is not disclosed as the Group has applied the accounting treatment prescribed in Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021). The consolidated balance sheet amount of these financial instruments is as follows:

	As of December 31, 2023 (millions of yen)
Investment in partnerships	1,839

(Notes) 1. Redemption schedule of monetary claims and securities with maturity after the consolidated closing date

Previous fiscal year as of December 31, 2022

	Within 1 year (Millions of yen)	Over 1 year to 5 years (Millions of yen)	Over 5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Notes and accounts receivable - trade	247,520	—	—	—
Total	247,520	—	—	—

Current fiscal year as of December 31, 2023

	Within 1 year (Millions of yen)	Over 1 year to 5 years (Millions of yen)	Over 5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Notes and accounts receivable - trade	225,148	—	—	—
Total	225,148	—	—	—

2. Repayment schedule of interest-bearing debt of bonds payable, long-term loans payable, and others after the consolidated closing date

Previous fiscal year as of December 31, 2022

	Within 1 year (Millions of yen)	Over 1 year to 5 years (Millions of yen)	Over 5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Short-term loans payable	26,056	—	—	—
Commercial papers	30,000	—	—	—
Current portion of bonds payable	30,000	—	—	—
Current portion of long-term loans payable	35,928	—	—	—
Lease obligations (current liabilities)	4,607	—	—	—
Bonds payable	—	65,000	40,000	5,000
Long-term loans payable	—	190,043	70,216	—
Lease obligations (non-current liabilities)	—	9,519	2,449	511
Total	126,591	264,562	112,665	5,511

Current fiscal year as of December 31, 2023

	Within 1 year (Millions of yen)	Over 1 year to 5 years (Millions of yen)	Over 5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Short-term loans payable	12,405	—	—	—
Commercial papers	33,000	—	—	—
Current portion of bonds payable	30,000	—	—	—
Current portion of long-term loans payable	33,897	—	—	—
Lease obligations (current liabilities)	4,656	—	—	—
Bonds payable	—	65,000	25,000	5,000
Long-term loans payable	—	237,968	70,241	22
Lease obligations (non-current liabilities)	—	9,608	1,846	315
Total	113,958	312,576	97,087	5,337

3. Details of the level of financial instruments by fair value

The fair values of financial instruments are classified using a three-level hierarchy based on the observability and significance of valuation inputs to measure fair value.

Level 1: Fair value is measured using quoted prices for identical assets or liabilities in active markets.

Level 2: Fair value is measured using inputs that are observable either directly or indirectly other than those included in Level 1.

Level 3: Fair value is measured using significant unobservable inputs.

If multiple valuation inputs with significant impact are used to measure the fair value measurement of a financial instrument, the instrument is classified based on the lowest level of the fair value hierarchy to which each input belongs.

(1) Financial instruments carried at fair value in the consolidated balance sheet

Previous fiscal year as of December 31, 2022

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	15,540	－	－	15,540
Total assets	15,540	－	－	15,540
Derivative financial instruments				
① Hedge accounting - not applied	－	(7,145)	－	(7,145)
② Hedge accounting - applied	－	1,413	－	1,413
Total derivative financial instruments	－	(5,732)	－	(5,732)

Current fiscal year as of December 31, 2023

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	13,468	－	－	13,468
Total assets	13,468	－	－	13,468
Derivative financial instruments				
① Hedge accounting - not applied	－	(2,023)	－	(2,023)
② Hedge accounting - applied	－	(1,551)	－	(1,551)
Total derivative financial instruments	－	(3,574)	－	(3,574)

(2) Financial instruments other than those carried at fair value in the consolidated balance sheet

Previous fiscal year as of December 31, 2022

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of affiliates	25,132	－	－	25,132
Total assets	25,132	－	－	25,132
Current portion of bonds payable	－	29,983	－	29,983
Current portion of long-term loans payable	－	35,926	－	35,926
Bonds payable	－	107,363	－	107,363
Long-term loans payable	－	258,403	－	258,403
Lease obligations (non-current)	－	12,536	－	12,536
Total liabilities	－	444,211	－	444,211

Current fiscal year as of December 31, 2023

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of affiliates	34,996	－	－	34,996
Total assets	34,996	－	－	34,996
Current portion of bonds payable	－	29,976	－	29,976
Current portion of long-term loans payable	－	33,864	－	33,864
Bonds payable	－	93,232	－	93,232
Long-term loans payable	－	307,214	－	307,214
Lease obligations (non-current)	－	11,645	－	11,645
Total liabilities	－	475,932	－	475,932

Note: Explanation of the valuation methodology and inputs used to measure fair value

Investment securities

The fair values of listed stocks are measured using quoted market prices for identical securities. Since listed stocks are traded in active markets, their fair values are classified as Level 1.

Derivative transactions

The fair values of foreign currency forward transactions are measured using forward exchange rates and are classified as Level 2. Foreign currency forward contracts subject to appropriation treatment are considered an integral part of the hedged foreign currency-denominated receivables and their fair values are included in the fair value of those receivables. These receivables are mostly settled in a short period of time and their fair values approximate their book values. Accordingly, they are omitted.

The fair values of currency options and interest rate swap transactions are measured based on the price offered by the trading financial institution and are classified as Level 2. Interest rate swaps subject to special treatment are considered an integral part of the relevant hedged loans and their fair values are included in the fair value of those loans.

The fair values of commodity swap transactions are measured using exchange prices and are classified as Level 2.

Bonds payable (including current portion)
The fair values of bonds payable issued by the Company are measured using quoted prices. Since these bonds are not traded in active markets, their fair values are classified as Level 2.

Lease obligations (non-current)
The fair values of lease obligations are measured by discounting the present value, that is, the total amount of principal and interest, using the interest rate that would be expected to apply if similar leases were newly undertaken, and are classified as Level 2.

Long-term loans payable (including current portion)
Long-term loans payable with variable interest rates subject to special treatment for interest rate swaps are measured by discounting the total amount of principal and interest, considered an integral part of the interest rate swap, using the presumed interest rate that would be expected to apply if similar loans were newly undertaken, and are classified as Level 2.
Other long-term loans payable with variable interest rates are deemed to reflect market interest rates within a short term and their fair values approximate their book values because the Company’s credit rating has not changed significantly since the execution. Accordingly, they are classified as Level 2.
The fair values of long-term loans payable with fixed interest rates are measured by discounting the present value, that is, the total amount of principal and interest, using the interest rate that would be expected to apply if similar loans were newly undertaken, and are classified as Level 2.

(Securities)

Previous fiscal year as of December 31, 2022

1. Other securities

	Type of securities	Consolidated carrying value (Millions of yen)	Acquisition price (Millions of yen)	Valuation difference (Millions of yen)
Securities where consolidated carrying value exceeds their acquisition price	Stocks	14,676	6,634	8,042
	Subtotal	14,676	6,634	8,042
Securities where consolidated carrying value does not exceed their acquisition price	Stocks	864	1,059	(195)
	Subtotal	864	1,059	(195)
Total		15,540	7,693	7,847

Current fiscal year as of December 31, 2023

1. Other securities

	Type of securities	Consolidated carrying value (Millions of yen)	Acquisition price (Millions of yen)	Valuation difference (Millions of yen)
Securities where consolidated carrying value exceeds their acquisition price	Stocks	13,205	4,847	8,358
	Subtotal	13,205	4,847	8,358
Securities where consolidated carrying value does not exceed their acquisition price	Stocks	263	303	(40)
	Subtotal	263	303	(40)
Total		13,468	5,150	8,318

(Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

Previous fiscal year as of December 31, 2022

Classification	Type of transaction	Contract/Notional amount (Millions of yen)	Contract/Notional amount due over 1 year (Millions of yen)	Fair value (Millions of yen)	Net unrealized gains (losses) (Millions of yen)
Off-market transactions	Currency options				
	Sell				
	Euro	80,930	—	(4,404)	(4,404)
	Swiss franc	17,279	—	(1,527)	(1,527)
	British pound	20,839	—	(1,141)	(1,141)
	Forward exchange contracts				
	Sell				
	Columbia peso	1,671	—	(12)	(12)
	Canadian dollar	1,897	—	(14)	(14)
	Buy				
	U.S. dollar	2,407	—	(41)	(41)
	Others	322	—	(6)	(6)
Total		125,345	—	(7,145)	(7,145)

Current fiscal year as of December 31, 2023

Classification	Type of transaction	Contract/Notional amount (Millions of yen)	Contract/Notional amount due over 1 year (Millions of yen)	Fair value (Millions of yen)	Net unrealized gains (losses) (Millions of yen)
Off-market transactions	Currency options				
	Sell				
	Euro	49,169	—	(1,045)	(1,045)
	Swiss franc	12,747	—	(913)	(913)
	British pound	8,541	—	(5)	(5)
	Forward exchange contracts				
	Sell				
	Columbia peso	1,537	—	(36)	(36)
	Canadian dollar	1,646	—	(16)	(16)
	Others	21	—	0	0
	Buy				
	U.S. dollar	2,352	—	(14)	(14)
	Others	478	—	7	7
Total		76,491	—	(2,023)	(2,023)

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Previous fiscal year as of December 31, 2022

Method of hedge accounting	Type of transaction	Hedged items	Contract/Notional amount (Millions of yen)	Contract/Notional amount due over 1 year (Millions of yen)	Fair value (Millions of yen)
Principle treatment	Forward exchange contracts				
	Sell				
	Euro	Net investments in foreign entities	27,099	13,061	(266)
	U.S. dollar		20,176	―	622
	Buy				
	U.S. dollar	Accounts payable - trade	165	―	(9)
Appropriation treatment	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable - trade	912	―	(Note)
	Others		404	―	(Note)
	Buy				
	Chinese yuan	Accounts payable - trade	39	―	(Note)
Total			48,795	13,061	347

(Note) Forward exchange contracts adopted appropriation are accounted for as part of the hedged accounts receivable - trade and accounts payable - trade, and their fair values are included in the fair values of the accounts receivable - trade and accounts payable - trade.

Current fiscal year as of December 31, 2023

Method of hedge accounting	Type of transaction	Hedged items	Contract/Notional amount (Millions of yen)	Contract/Notional amount due over 1 year (Millions of yen)	Fair value (Millions of yen)
Principle treatment	Forward exchange contracts				
	Sell				
	Euro	Net investments in foreign entities	28,426	―	(2,286)
	U.S. dollar		21,214	―	390
	Buy				
	U.S. dollar	Accounts payable - trade	90	―	(3)
Appropriation treatment	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable - trade	1,294	―	(Note)
Total			51,023	―	(1,899)

(Note) Forward exchange contracts adopted appropriation are accounted for as part of the hedged accounts receivable - trade, and their fair values are included in the fair values of the accounts receivable - trade.

(2) Interest rate related

Previous fiscal year as of December 31, 2022

Method of hedge accounting	Type of transaction	Hedged items	Contract/Notional amount (Millions of yen)	Contract/Notional amount (Millions of yen)	Fair value (Millions of yen)
Principle treatment	Interest rate swap transaction Floating-rate receipts • Fixed-rate payments	Loans payable	63,316	60,000	1,208
Special treatment of interest rate swaps	Interest rate swap transaction Floating-rate receipts • Fixed-rate payments	Loans payable	50,000	50,000	(Note)
Total			113,316	110,000	1,208

(Note) The special treatment of interest rate swaps is accounted for together with the hedged loans payable, and their fair values are included in the fair values of the loans payable.

Current fiscal year as of December 31, 2023

Method of hedge accounting	Type of transaction	Hedged items	Contract/Notional amount (Millions of yen)	Contract/Notional amount (Millions of yen)	Fair value (Millions of yen)
Principle treatment	Interest rate swap transaction Floating-rate receipts • Fixed-rate payments	Loans payable	60,000	60,000	452
Special treatment of interest rate swaps	Interest rate swap transaction Floating-rate receipts • Fixed-rate payments	Loans payable	50,000	50,000	(Note)
Total			110,000	110,000	452

(Note) The special treatment of interest rate swaps is accounted for together with the hedged loans payable, and their fair values are included in the fair values of the loans payable.

(3) Commodity related

Previous fiscal year as of December 31, 2022

Method of hedge accounting	Type of transaction	Hedged items	Contract/Notional amount (Millions of yen)	Contract/Notional amount due over 1 year (Millions of yen)	Fair value (Millions of yen)
Principle treatment	Commodity swap transaction Floating-price receipts • Fixed-price payments	Fuel	704	—	(142)
Total			704	—	(142)

Current fiscal year as of December 31, 2023

Method of hedge accounting	Type of transaction	Hedged items	Contract/Notional amount (Millions of yen)	Contract/Notional amount due over 1 year (Millions of yen)	Fair value (Millions of yen)
Principle treatment	Commodity swap transaction Floating-price receipts • Fixed-price payments	Fuel	354	—	(104)
Total			354	—	(104)

(Retirement and Pension Plans)

Previous fiscal year ended December 31, 2022

1. Overview of adopted retirement and pension plans

The Company and some of its domestic consolidated subsidiaries have defined benefit pension plans, such as a cash balance-style pension plan and retirement plans, and defined contribution pension plans. Some foreign consolidated subsidiaries maintain defined benefit pension plans and defined contribution pension plans. The Company has established the employee retirement benefit trust.

2. Defined benefit pension plans (including multiemployer plans)

(1) Reconciliation of beginning and ending balances of defined benefit obligations

	Domestic plans * (Millions of yen)	Foreign plans (Millions of yen)
Defined benefit obligations at beginning of year	88,671	199,464
Service cost	2,134	2,199
Interest cost	700	3,771
Actuarial gains and losses	37	(56,302)
Benefits paid	(4,973)	(8,488)
Past service cost incurred	―	68
Exchange translation differences	―	16,158
Other	―	(1,300)
Retirement benefit obligations at end of year	86,570	155,570

(Note) Some of the domestic consolidated subsidiaries have adopted a simplified method for the calculation of retirement benefits.

(2) Reconciliation of beginning and ending balances of plan assets

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Plan assets at beginning of year	143,597	178,264
Expected return on plan assets	3,544	7,759
Actuarial gains and losses	(3,959)	(56,792)
Contributions by the employer	933	3,020
Benefits paid	(4,819)	(7,702)
Exchange translation differences	―	13,713
Other	―	223
Plan assets at end of year	139,296	138,485

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and net amount of liabilities and assets recognized in the consolidated balance sheet

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Funded defined benefit obligations	85,457	153,786
Plan assets	(139,296)	(138,485)
	(53,839)	15,301
Unfunded defined benefit obligations	1,113	1,784
Net amount of liabilities and assets recognized in consolidated balance sheet	(52,726)	17,085
Liabilities (net defined benefit liability)	1,114	27,628
Assets (net defined benefit asset)	(53,840)	(10,543)
Net amount of liabilities and assets recognized in consolidated balance sheet	(52,726)	17,085

(4) Retirement benefit expenses and its breakdowns

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Service cost	2,134	2,199
Interest cost	700	3,771
Expected return on plan assets	(3,544)	(7,759)
Recognition of actuarial gains and losses	(2,816)	1,216
Amortization of past service cost	—	68
Retirement benefit expenses concerning defined benefit plans	(3,526)	(505)

(Notes) 1. Other than these retirement benefit expenses, retiree premium benefit has been recognized in severance costs in the consolidated statement of income.

2. Other than these retirement benefit expenses, ¥295 million of losses on retiree premium benefit have been recognized in loss on withdrawal from business in the consolidated statement of income.

(5) Adjustments related to defined benefit plans

The past service cost and actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal year ended December 31, 2022, are as follows:

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Past service cost	—	17
Actuarial gains and losses	(6,813)	(3,071)
Total	(6,813)	(3,054)

(6) Cumulative adjustments related to defined benefit plans

The unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal year ended December 31, 2022, are as follows:

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Unrecognized past service cost	—	414
Unrecognized actuarial gains and losses	14,848	(39,941)
Total	14,848	(39,527)

(7) Items related to plan assets

Major components of plan assets

The percentages by major classifications of pension funds in total assets are as follows:

	Domestic plans	Foreign plans
Equity securities	47.0%	25.3%
Debt securities	23.5%	55.0%
Other	29.5%	19.7%
Total	100.0%	100.0%

(Note) 25.6% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

Method of setting the long-term expected return rate

Expected return rate on plan assets is determined by considering the current and anticipated future portfolio of plan assets and current and anticipated future long-term performance of individual asset classes that comprise the funds’ asset mix.

(8) Basic items for actuarial calculation

Basic items for actuarial calculation are as follows:

	Domestic plans	Foreign plans
Discount rate	0.8%	2.2%-5.2%
Expected return rate on plan assets	3.0%	2.0%-7.0%
Expected rate of increase in salary	3.1%	0.0%-2.3%

3. Defined contribution pension plans

The required contributions borne by the Company and consolidated subsidiaries in relation to the defined contribution pension plans are ¥2,761 million.

Current fiscal year ended December 31, 2023

1. Overview of adopted retirement and pension plans

The Company and some of its domestic consolidated subsidiaries have defined benefit pension plans, such as a cash balance-style pension plan and retirement plans, and defined contribution pension plans. Some foreign consolidated subsidiaries maintain defined benefit pension plans and defined contribution pension plans. The Company has established the employee retirement benefit trust.

2. Defined benefit pension plans (including multiemployer plans)

(1) Reconciliation of beginning and ending balances of defined benefit obligations

	Domestic plans * (Millions of yen)	Foreign plans (Millions of yen)
Defined benefit obligations at beginning of year	86,570	155,570
Service cost	2,124	1,769
Interest cost	684	7,335
Actuarial gains and losses	704	8,086
Benefits paid	(4,574)	(9,618)
Past service cost incurred	—	(256)
Exchange translation differences	—	16,284
Other	—	(2,369)
Retirement benefit obligations at end of year	85,508	176,801

(Note) Some of the domestic consolidated subsidiaries have adopted a simplified method for the calculation of retirement benefits.

(2) Reconciliation of beginning and ending balances of plan assets

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Plan assets at beginning of year	139,296	138,485
Expected return on plan assets	3,573	8,705
Actuarial gains and losses	11,626	(426)
Contributions by the employer	911	3,534
Benefits paid	(4,394)	(8,657)
Exchange translation differences	—	14,832
Other	—	(2,270)
Plan assets at end of year	151,011	154,203

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and net amount of liabilities and assets recognized in the consolidated balance sheet

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Funded defined benefit obligations	84,440	174,771
Plan assets	(151,011)	(154,203)
	(66,571)	20,568
Unfunded defined benefit obligations	1,068	2,030
Net amount of liabilities and assets recognized in consolidated balance sheet	(65,503)	22,598
Liabilities (net defined benefit liability)	1,068	34,988
Assets (net defined benefit asset)	(66,571)	(12,390)
Net amount of liabilities and assets recognized in consolidated balance sheet	(65,503)	22,598

(4) Retirement benefit expenses and its breakdowns

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Service cost	2,124	1,769
Interest cost	684	7,335
Expected return on plan assets	(3,573)	(8,705)
Recognition of actuarial gains and losses	(2,545)	1,131
Amortization of past service cost	―	(239)
Retirement benefit expenses concerning defined benefit plans	(3,310)	1,291

(Notes) Other than these retirement benefit expenses, retiree premium benefit has been recognized in severance costs in the consolidated statement of income.

(5) Adjustments related to defined benefit plans

The past service cost and actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal year ended December 31, 2023, are as follows:

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Past service cost	―	220
Actuarial gains and losses	8,376	(11,576)
Total	8,376	(11,356)

(6) Cumulative adjustments related to defined benefit plans

The unrecognized past service cost and unrecognized actuarial gains and losses recognized in accumulated other comprehensive income as remeasurements of defined benefit plans (amount before income tax effect) for the fiscal year ended December 31, 2023, are as follows:

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Unrecognized past service cost	―	634
Unrecognized actuarial gains and losses	23,224	(51,517)
Total	23,224	(50,883)

(7) Items related to plan assets

Major components of plan assets

The percentages by major classifications of pension funds in total assets are as follows:

	Domestic plans	Foreign plans
Equity securities	50.5%	21.8%
Debt securities	23.7%	58.2%
Other	25.8%	20.0%
Total	100.0%	100.0%

(Note) 27.5% of the assets of the domestic plans are available-for-sale securities contributed to the employee retirement benefit trust.

Method of setting the long-term expected return rate

Expected return rate on plan assets is determined by considering the current and anticipated future portfolio of plan assets and current and anticipated future long-term performance of individual asset classes that comprise the funds’ asset mix.

(8) Basic items for actuarial calculation

Basic items for actuarial calculation are as follows:

	Domestic plans	Foreign plans
Discount rate	0.8%	1.3%-5.0%
Expected return rate on plan assets	3.0%	2.0%-6.8%
Expected rate of increase in salary	2.7%	0.0%-2.2%

3. Defined contribution pension plans

The required contributions borne by the Company and consolidated subsidiaries in relation to the defined contribution pension plans are ¥2,958 million.

(Stock Options, etc.)

Not applicable.

(Tax Effect Accounting)

1. Breakdown of the major components of deferred tax assets and liabilities

	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Deferred tax assets		
Inventories	¥5,810 million	6,655 million
Property, plant and equipment	6,261	8,595
Intangible assets	5,737	6,462
Research and development costs	3,855	4,134
Allowance for doubtful accounts	1,726	1,885
Provision for bonuses	1,688	1,547
Net defined benefit liabilities	4,829	6,296
Unrealized gain	921	839
Net operating loss carryforwards (Note 2)	43,421	61,797
Other	14,924	16,592
Subtotal Deferred tax assets	89,173	114,803
Less: valuation allowance for tax loss carryforwards (Note 2)	(36,303)	(51,994)
Less: valuation allowance for temporary differences	(9,561)	(16,761)
Valuation allowance (Note 1)	(45,864)	(68,755)
Total Deferred tax assets	43,309	46,048
Deferred tax liabilities		
Property, plant and equipment	(16,596)	(16,358)
Intangible assets	(2,877)	(3,571)
Net defined benefit assets	(10,213)	(15,237)
Contribution of securities to employee retirement benefit trust	(1,160)	(1,017)
Deferred income taxes related to gains from property, plant and equipment	(2,323)	(2,196)
Valuation difference on available-for-sale securities	(2,404)	(2,509)
Other	(5,761)	(7,918)
Total Deferred tax liabilities	(41,333)	(48,806)
Net deferred tax assets	1,976	(2,758)

(Notes) 1. There have been significant changes in the amount deducted from deferred tax assets (valuation allowance) and the major components are valuation allowance for tax loss carryforwards of the Sun Chemical Group.

2. The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets.

Previous fiscal year as of December 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	1,981	144	245	355	370	40,326	43,421
Valuation allowance	(1,863)	(105)	(189)	(243)	(236)	(33,668)	(36,303)
Net deferred tax assets	118	40	56	112	134	6,659	(*2)7,118

(*1) Tax loss carryforwards shown in the above table is after multiplying by the statutory tax rate.

(*2) Deferred tax assets of ¥7,118 million were recognized for tax loss carryforwards of ¥43,421million. No valuation allowance is recognized for tax loss carryforwards since the amount was determined to be recoverable based on expected future taxable income.

Current fiscal year as of December 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carryforwards (*3)	143	170	220	418	220	60,626	61,797
Valuation allowance	(135)	(151)	(212)	(392)	(220)	(50,884)	(51,994)
Net deferred tax assets	7	19	8	26	—	9,742	(*4)9,803

(*3) Tax loss carryforwards shown in the above table is after multiplying by the statutory tax rate.

(*4) Deferred tax assets of ¥9,803 million were recognized for tax loss carryforwards of ¥61,797 million. No valuation allowance is recognized for tax loss carryforwards since the amount was determined to be recoverable based on expected future taxable income.

2. Breakdown of main factors that caused the differences between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting.

	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Normal effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Valuation allowance change	7.6	(38.5)
Tax rate differences	(2.1)	(9.6)
Equity in earnings of affiliates	(2.1)	3.7
Entertainment and other non-deductible expenses	8.8	(20.8)
Elimination of intercompany dividends income	6.9	(10.6)
Dividends income and other non-taxable income	(4.8)	5.9
State, provincial, municipal and local taxes	1.4	0.1
Tax credit for research and development and others	(0.3)	0.4
Adjustments of deferred tax due to tax rate changes	(0.7)	(1.3)
Amortization of non-deductible intangible assets	1.5	(2.7)
Other	0.2	(4.0)
Actual effective tax rate after applying tax effect accounting	47.0	(46.8)

3. Accounting treatment of corporate and local corporate taxes and related tax effect accounting

The Company and its certain domestic consolidated subsidiaries adopted the group tax sharing system from the beginning of the fiscal year ended December 31, 2023. As a result, accounting treatment and disclosure of corporate and local corporate taxes and tax effect accounting is in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

(Business Combinations)

1. Business combination under common control

At the meeting of the Board of Directors held on June 27, 2022, the Company resolved to implement an absorption-type merger of wholly owned subsidiary Colors & Effects Japan Ltd. ("Colors & Effects Japan") with an effective date of January 1, 2023.

(1) Overview of the transaction

(a) Name of company merged and description of business

Name of company merged:	Colors & Effects Japan Ltd.
Business:	Import, export, sale, distribution and technical service related to pigments, processed pigments and colorants, as well as intermediates thereof.

(b) Date of merger

January 1, 2023

(c) Merger method

Absorption type merger with DIC as the surviving company and Colors & Effects Japan dissolved and absorbed.

(d) Company name after merger

DIC Corporation

(e) Other details regarding this transaction

On June 30, 2021, the Company completed its acquisition of the Colors & Effects global pigments business from BASF SE of Germany. Colors & Effects Japan is one of the companies that make up this business. The decision to carry out this merger was made with the aim of achieving the integrated global management of the Company's global pigments business and realizing synergies with the newly acquired company as swiftly as possible.

(2) Accounting treatment used

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on January 16, 2019), this merger has been accounted for as a transaction under common control.

2. Business combination resulting from acquisitions

On June 1, 2023, the Company acquired all shares of PCAS Canada Inc. ("PCAS Canada"), a Canadian manufacturer of polymers used in photoresists for semiconductor photolithography, through the holding company established for the acquisition.

(1) Overview of the business combination

(a) Name of acquired company and its business	
Name of acquired company	PCAS Canada Inc.
Business	Manufacture and sales of polymers used in photoresists for semiconductor photolithography
(b) Date of the business combination	June 1, 2023
(c) Legal form of the business combination	Acquisition of shares for a cash consideration
(d) Name of entity after acquisition	Innovation DIC Chimitroniques Inc. (merged with the holding company and changed name effective from the date of the acquisition)
(e) Percentage of voting rights acquired	100.0%
(f) Basis for determining the acquiring company	The Group acquired the shares for a cash consideration.

(2) Objectives of the business combination

The semiconductor market is growing worldwide and its importance is increasing with the development and proliferation of the Internet of Things (IoT), big data, AI and other advanced information technologies. In this environment, the Company—which seeks to contribute to a society that is increasingly digital, as set forth in its DIC Vision 2030 long-term management plan—has positioned expanding its lineup of photoresist materials, which are indispensable to semiconductor fabrication, as a key strategy in the area of products for digital applications and is promoting the development of state-of-the-art photoresist polymers. PCAS Canada, which has a manufacturing site in Canada, boasts outstanding production technologies and mass production know-how, and excels in delivering photoresist materials with the superior purity and low metal content required for use in semiconductor photolithography. The Company is confident that the combination of these production technologies with its own synthesis technologies, a key strength, will enhance its ability to respond to the needs of the semiconductor industry, which continues to be driven by technological progress, thereby further contributing to digital innovation.

(3) Period for which the financial results of the acquired business and companies are included in the consolidated financial statements for the fiscal year ended December 31, 2023

June 1, 2023–December 31, 2023

(4) Cost of acquisition and breakdown by type of consideration

Type of consideration	Cash	¥13,211 million
Cost of acquisition		¥13,211 million

The cash consideration of ¥13,211 million comprised ¥12,616 million for the acquisition of the shares of PCAS Canada, as well as ¥595 million for the repayment of the debt that PCAS Canada had before acquisition.

(5) Description and amount of major acquisition costs

Advisory fees and others ¥405 million

(6) Amount, reason for recognition, method and period of amortization of goodwill

(a) Amount of goodwill arising from the business combination	¥5,971 million
(b) Reason for recognition of goodwill	Because the cost of acquisition exceeded the net of assets acquired and liabilities assumed, the excess is recognized as goodwill.
(c) Method and period of amortization	Straight-line method over 20 years

(7) Amount of non-current intangible assets other than goodwill and breakdown by principal type, and weighted-average amortization period overall and by principal type

(a) Amount allocated to non-current intangible assets and breakdown by principal type

Customer-related assets	¥2,205 million
Technologies and related assets	517 million
Total	¥2,722 million

(b) Weighted-average amortization period overall and by principal type

Customer-related assets	20 years
Technologies and related assets	25 years
Total	21 years

(8) Amount of assets acquired and liabilities assumed and breakdown by type as of the business combination date

Current assets	¥2,115 million
Non-current assets	8,075 million
Total assets acquired	¥10,189 million
Current liabilities	¥1,088 million
Non-current liabilities	1,862 million
Total liabilities assumed	¥2,949 million

(9) Estimated effect of the business combination on the consolidated statement of income and its calculation method provided that the business combination was completed at the beginning of the fiscal year ended December 31, 2023

Omitted for lack of significance. This note has not been audited.

(Asset Retirement Obligations)
Omitted for lack of significance.

(Rentals and Other Real Estate Assets)
Omitted for lack of significance.

(Revenue Recognition)

1. Information that provides a basis for disaggregating revenue from contracts with customers

Previous fiscal year ended December 31, 2022

(Millions of yen)

	Reportable segments				Others	Total
	Packaging & Graphic	Color & Display	Functional Products	Subtotal		
Sales to external customers						
Japan	115,779	23,610	167,643	307,032	361	307,393
Overseas	417,230	185,445	143,936	746,612	195	746,807
Total	533,009	209,056	311,579	1,053,644	556	1,054,201

Current fiscal year ended December 31, 2023

(Millions of yen)

	Reportable segments				Others	Total
	Packaging & Graphic	Color & Display	Functional Products	Subtotal		
Sales to external customers						
Japan	114,244	23,645	159,835	297,724	437	298,161
Overseas	427,698	170,449	142,261	740,408	167	740,575
Total	541,942	194,094	302,096	1,038,132	604	1,038,736

2. Information that provides a basis for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is described in “(5) Revenue and expense recognition standards” within “4. Accounting Policies” in “[Notes] (Basis of Preparation of Consolidated Financial Statements)”.

3. Information that provides for understanding the amount of revenue in the fiscal year ended December 31, 2023, and in subsequent fiscal years

(1) Receivables from contracts with customers and contract liabilities

(Millions of yen)

	FY2022	FY2023
Receivables from contracts with customers (beginning balance)	237,916	247,520
Receivables from contracts with customers (ending balance)	247,520	225,148
Contract liabilities (beginning balance)	454	607
Contract liabilities (ending balance)	607	649

Contract liabilities relate primarily to advances received from customers prior to the delivery of goods or services. The contract liabilities are reversed upon recognition of revenue.

Within the opening balance of contract liabilities as of January 1, 2023, the amount recognized as revenue for the fiscal year ended December 31, 2023, was immaterial. Revenue recognized in the fiscal years ended December 31, 2022 and 2023, in relation with performance obligations satisfied (or partially satisfied) in preceding fiscal years was immaterial. There were no significant changes in the balance of contract assets or the balance of contract liabilities.

(2) Transaction prices allocated to remaining performance obligations

Since there are no significant contracts with an initially expected contract period exceeding one year, the Group has applied the practical expedient method and transaction prices allocated to remaining performance obligations are omitted. There are no material considerations arising from contracts with customers that are not included in transaction amounts.

(Segment Information, etc.)

[Segment Information]

1. Description of Reportable Segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to evaluate their performance and determine the allocation of management resources.

The Group has six product divisions, namely “Printing Materials,” “Packaging Materials,” “Color Materials,” “Display Materials,” “Performance Materials” and “Composite Materials,” and each product division conducts its business.

The product divisions are aggregated into three reportable segments, namely “Packaging & Graphic,” “Color & Display,” and “Functional Products,” based on the similarity of the products and services.

“Packaging & Graphic” mainly consists of gravure inks, offset inks, news inks, jet inks and polystyrene. “Color & Display” mainly consists of organic pigments, liquid crystal materials and health foods. “Functional Products” mainly consists of synthetic resins, such as acrylic, polyurethane, epoxy resins, PPS compounds and industrial adhesive tapes.

2. Method of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in “Basis of Preparation of Consolidated Financial Statements.”

Segment profits are based on operating income.

Intersegment sales and transfers are mainly based on market price or cost of goods manufactured.

3. Information about sales, profit (loss), assets, liabilities and other items

Previous fiscal year ended December 31, 2022

(Millions of yen)

	Reportable segments				Others	Total
	Packaging & Graphics	Color & Display	Functional Products	Total		
Net sales:						
Sales to external customers	533,009	209,056	311,579	1,053,644	556	1,054,201
Intersegment sales and transfers	—	39,159	3,813	42,972	—	42,972
Total	533,009	248,215	315,392	1,096,616	556	1,097,173
Segment profit	20,327	5,099	23,618	49,044	397	49,441
Segment assets	461,590	348,705	395,833	1,206,128	48,276	1,254,405
Others:						
Depreciation and amortization	17,491	13,334	14,828	45,652	478	46,129
Amortization of goodwill	203	1,078	385	1,666	—	1,666
Investments in equity-method affiliates	6,784	12,507	26,905	46,195	—	46,195
Increase in property, plant and equipment and intangible assets	14,835	11,490	21,707	48,032	262	48,294

Current fiscal year ended December 31, 2023

(Millions of yen)

	Reportable segments				Others	Total
	Packaging & Graphics	Color & Display	Functional Products	Total		
Net sales:						
Sales to external customers	541,942	194,094	302,096	1,038,132	604	1,038,736
Intersegment sales and transfers	—	33,174	3,822	36,996	—	36,996
Total	541,942	227,268	305,918	1,075,128	604	1,075,732
Segment profit (loss)	21,970	(8,889)	15,448	28,530	244	28,774
Segment assets	465,590	309,029	407,686	1,182,305	48,044	1,230,349
Others:						
Depreciation and amortization	17,320	16,167	15,837	49,325	499	49,823
Amortization of goodwill	220	1,168	848	2,236	15	2,251
Investments in equity-method affiliates	7,442	12,635	27,397	47,474	—	47,474
Increase in property, plant and equipment and intangible assets	19,289	11,433	24,545	55,267	298	55,565

4. Differences between Total reportable segments and amounts reported in the consolidated financial statements, and the breakdown of the main factors underlying these differences (notes on adjusting for differences)

(Millions of yen)

Net sales	Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
Total reportable segments	1,096,616	1,075,128
Sales in “Others”	556	604
Elimination of intersegment transactions	(42,972)	(36,996)
Net sales reported in the consolidated financial statements	1,054,201	1,038,736

(Millions of yen)

Profit	Previous fiscal year ended December 31, 2022	Current fiscal year ended December 31, 2023
Total reportable segments	49,044	28,530
Profit in “Others”	397	244
Corporate expenses	(9,759)	(10,831)
Operating income reported in the consolidated financial statements	39,682	17,943

(Note) Corporate expenses substantially consist of R&D expenses incurred by the DIC Central Research Laboratories to develop new products, which are not included in any reportable segment.

(Millions of yen)

Assets	Previous fiscal year as of December 31, 2022	Current fiscal year as of December 31, 2023
Total reportable segments	1,206,128	1,182,305
Assets in “Others”	48,276	48,044
Elimination of intersegment assets	(50,822)	(52,902)
Corporate assets	58,055	67,443
Total assets reported in the consolidated financial statements	1,261,637	1,244,889

(Note) Corporate assets mainly consist of deferred tax assets and assets of the DIC Central Research Laboratories and Kawamura Memorial DIC Museum of Art, which are not included in any reportable segment.

(Millions of yen)

Other items	Total reportable segments		Other		Adjustment		Amount recognized in the consolidated financial statements	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation and amortization	45,652	49,325	478	499	996	1,023	47,126	50,846
Amortization of goodwill	1,666	2,236	—	15	—	—	1,666	2,251
Investments in equity-method affiliates	46,195	47,474	—	—	—	—	46,195	47,474
Increase in property, plant and equipment and intangible assets	48,032	55,267	262	298	1,195	770	49,489	56,335

(Notes) Adjustments are as follows:

1. The adjustments for depreciation and amortization are mainly depreciation and amortization related to the DIC Central Research Laboratories that cannot be allocated to any reportable segment.
2. The adjustments for increase in property, plant and equipment and intangible assets are mainly capital investments of the DIC Central Research Laboratories that cannot be allocated to any reportable segment.

[Related Information]

Previous fiscal year ended December 31, 2022

1. Information by product and service

Since similar information is disclosed in the segment information, the description is omitted.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	United States	Others	Total
307,393	150,731	596,077	1,054,201

(Note) Net sales are based on customer location and are classified by country.

(2) Property, plant and equipment

(Millions of yen)

Japan	United States	Others	Total
127,787	64,792	160,956	353,536

3. Information by major customer

Not applicable because there is no single customer who accounts for more than 10% of net sales shown in the consolidated statement of income.

Current fiscal year ended December 31, 2023

1. Information by product and service

Since similar information is disclosed in the segment information, the description is omitted.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	United States	Others	Total
298,161	145,875	594,700	1,038,736

(Note) Net sales are based on customer location and are classified by country.

(2) Property, plant and equipment

(Millions of yen)

Japan	United States	Others	Total
123,637	65,982	184,274	373,892

3. Information by major customer

Not applicable because there is no single customer who accounts for more than 10% of net sales shown in the consolidated statement of income.

[Information About Impairment Losses on Non-current Assets by Reportable Segment]

Previous fiscal year ended December 31, 2022

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Others	Corporate and eliminations	Total
Impairment losses	—	—	1,107	—	—	1,107

Current fiscal year ended December 31, 2023

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Others	Corporate and eliminations	Total
Impairment losses	993	22,469	5,947	135	3,993	33,537

(Note) The amount of Corporate and eliminations mainly consists of impairment losses relating to new businesses, which are not included in any reportable segment.

[Information About Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Previous fiscal year ended December 31, 2022

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Others	Corporate and eliminations	Total
Amortization for the year	203	1,078	385	—	—	1,666
Balance at the end of the year	2,924	20,343	10,374	—	—	33,641

Current fiscal year ended December 31, 2023

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Others	Corporate and eliminations	Total
Amortization for the year	220	1,168	848	15	—	2,251
Balance at the end of the year	2,986	1,142	13,654	—	—	17,782

(Related Parties)

1. Related-Party Transactions

(1) Transactions between the Company Submitting Consolidated Financial Statements and Related Parties

Directors, Corporate Auditors, Major Individual Stockholders and Others of the Company Submitting Consolidated Financial Statements

Previous fiscal year ended December 31, 2022

Type of related party	Name	Location	Capital or investment (Millions of yen)	Principal business	Ownership of voting rights	Relation with related parties	Contents of transaction	Amount of transaction (Millions of yen)	Account	Balance at year-end (Millions of yen)
Companies where directors and their close relatives owned a majority of the voting rights (Note 1)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	—	Rental of buildings and others	Rental of buildings and others (Note 2)	2,225	Security deposit	1,664
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 3)	458	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	174
							Sales of merchandise and finished goods and offering of services (Note 4)	54	Notes and accounts receivable - trade	19
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 5)	8,851	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	2,105
							Sales of merchandise and finished goods and offering of services (Note 4)	3,960	Accounts receivable - trade and accounts receivable - other	1,420

Policy for Determining Terms and Conditions

(Notes)

1. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
2. "Rental of buildings and others" are determined based on an arm's-length transaction in the neighboring area.
3. "Purchase of metallic containers and others" are determined based on an arm's-length transaction.
4. "Sales of merchandise and finished goods and offering of services" are determined on an arm's-length transaction.
5. "Purchase of raw materials and others" are determined based on an arm's-length transaction.

Current fiscal year ended December 31, 2023

Type of related party	Name	Location	Capital or investment (Millions of yen)	Principal business	Ownership of voting rights	Relation with related parties	Contents of transactions	Amount of transaction (Millions of yen)	Account	Balance at year-end (Millions of yen)
Companies where directors and their close relatives owned a majority of the voting rights (Note 1)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	—	Rental of buildings and others	Rental of buildings and others (Note 2)	2,501	Security deposit	1,203
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 3)	490	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	195
							Sales of merchandise and finished goods and offering of services (Note 4)	64	Electronically recorded monetary claims and accounts receivable - trade	18
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 5)	7,516	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	1,939
							Sales of merchandise and finished goods and offering of services (Note 4)	3,772	Accounts receivable - trade and accounts receivable - other	811

Policy for Determining Terms and Conditions

(Notes)

1. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd.
2. “Rental of buildings and others” are determined based on an arm’s-length transaction in the neighboring area.
3. “Purchase of metallic containers and others” are determined based on an arm’s-length transaction.
4. “Sales of merchandise and finished goods and offering of services” are determined on an arm’s-length transaction.
5. “Purchase of raw materials and others” are determined based on an arm’s-length transaction.

(2) Transactions between consolidated subsidiaries of the Company submitting the consolidated financial statements and related parties

Directors, Corporate Auditors, Major Individual Stockholders and Others of the Company Submitting Consolidated Financial Statements

Previous fiscal year ended December 31, 2022

Type of related party	Name	Location	Capital or investment (Millions of yen)	Principal business	Ownership of voting rights	Relation with related parties	Contents of transactions	Amount of transaction (Millions of yen)	Account	Balance at year-end (Millions of yen)
Companies where directors and their close relatives owned a majority of the voting rights etc. (including subsidiaries of said companies, etc.) (Note 1)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	—	Rental of buildings and others	Rental of buildings and others (Note 2)	14	Security deposit	7
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 3)	780	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	325
							Sales of merchandise and finished goods and offering of services (Note 4)	63	Notes and accounts receivable - trade	27
	SHANGHAI DAINICHI CAN CO., LTD.	Shanghai, PRC	US $134 thousand	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 3)	14	—	—
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 5)	1,784	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	299
							Sales of merchandise and finished goods and offering of services (Note 4)	806	Accounts receivable - trade and accounts receivable - other	273
	SHANGHAI NISSIN TRADING CO., LTD.	Shanghai, PRC	US $200 thousand	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 5)	558	Accounts payable - trade	253
							Sales of merchandise and finished goods and offering of services (Note 4)	219	Accounts receivable - trade and accounts receivable - other	60

Policy for Determining Terms and Conditions

(Notes)

1. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd. SHANGHAI DAINICHI CAN CO., LTD. is fully owned by Dainichi Can Co., Ltd. SHANGHAI NISSIN TRADING CO., LTD. is fully owned by Nissin Trading Co., Ltd.
2. "Rental of buildings and others" are determined based on an arm's-length transaction in the neighboring area.
3. "Purchase of metallic containers and others" are determined based on an arm's-length transaction.
4. "Sales of merchandise and finished goods and offering of services" are determined on an arm's-length transaction.
5. "Purchase of raw materials and others" are determined based on an arm's-length transaction.

Current fiscal year ended December 31, 2023

Type of related party	Name	Location	Capital or investment (Millions of yen)	Principal business	Ownership of voting rights	Relation with related parties	Contents of transactions	Amount of transaction (Millions of yen)	Account	Balance at year-end (Millions of yen)
Companies where directors and their close relatives owned a majority of the voting rights. etc. (including subsidiaries of said companies, etc.) (Note 1)	Nissei Real-Estate Co., Ltd.	Chiyoda-ku, Tokyo	10	Rental of properties and others	—	Rental of buildings and others	Rental of buildings and others (Note 3)	12	Security deposit	7
	Dainichi Can Co., Ltd.	Chiyoda-ku, Tokyo	10	Manufacture and sale of metallic containers	—	Purchase of metallic containers and others	Purchase of metallic containers and others (Note 4)	845	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	363
							Sales of merchandise and finished goods and offering of services (Note 5)	64	Electronically recorded monetary claims and accounts receivable - trade	30
	Nissin Trading Co., Ltd.	Chiyoda-ku, Tokyo	20	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 6)	1,750	Advance payments - trade	27
									Electronically recorded obligations, accounts payable - trade, and accounts payable - other	213
							Sales of merchandise and finished goods and offering of services (Note 5)	822	Accounts receivable - trade	295
							Sales of fixed assets (Note 7)	17	—	—
	SHANGHAI NISSIN TRADING CO., LTD.	Shanghai, PRC	US $200 thousand	Sale, import and export of petrochemical-related products	—	Purchase of raw materials and others	Purchase of raw materials and others (Note 6)	381	Accounts payable - trade	96
							Sales of merchandise and finished goods and offering of services (Note 5)	151	Accounts receivable - trade and accounts receivable - other	30

Policy for Determining Terms and Conditions

(Notes)

1. Yoshihisa Kawamura, a director of the Company, and his close relatives substantially own a majority of the voting rights of Nissei Real-Estate Co., Ltd. Dainichi Can Co., Ltd. and Nissin Trading Co., Ltd. are fully owned by Nissei Real-Estate Co., Ltd. SHANGHAI NISSIN TRADING CO., LTD. is fully owned by Nissin Trading Co., Ltd.
2. SHANGHAI DAINICHI CAN CO., LTD. is no longer a subsidiary of Dainichi Can Co., Ltd., as a result of the sale of its shares during the current fiscal year, and is no longer a related party. Transaction amounts for the period in which it was a related party in the current fiscal year are omitted for lack of significance.
3. “Rental of buildings and others” are determined based on an arm’s-length transaction in the neighboring area.
4. “Purchase of metallic containers and others” are determined based on an arm’s-length transaction.
5. “Sales of merchandise and finished goods and offering of services” are determined on an arm’s-length transaction.
6. “Purchase of raw materials and others” are determined based on an arm’s-length transaction.
7. “Sales of fixed assets” are determined based on an arm’s-length transaction.

2. Notes on the Parent Company and Significant Affiliates

Not applicable.

(Per Share Information)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)
Shareholder's equity per share	4,088.60 yen	3,844.70 yen
Earnings (losses) per share	186.05 yen	(421.06) yen

(Notes) 1. Diluted earnings per share are not stated because there are no diluted shares.

2. The Company introduced the Board Benefit Trust (BBT), and the shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the number of shares issued as of the balance sheet date used for the calculation of shareholder's equity per share includes the number of shares held by the trust. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings (losses) per share includes the number of shares held by the trust.

The amount of treasury shares excluded from the calculation of shareholder's equity per share was 131,700 shares at the end of the previous consolidated fiscal year and 302,700 shares at the end of the current consolidated fiscal year. In addition, the average number of treasury shares excluded from the calculation of earnings (losses) per share was 131,700 shares at the end of the previous fiscal year and 151,085 shares at the end of the current fiscal year.

3. The basis for the calculation of earnings (losses) per share is as follows:

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)
Net income (loss) attributable to owners of the parent (Millions of yen)	17,610	(39,857)
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of the parent of common stock (Millions of yen)	17,610	(39,857)
Average number of shares of common stock during the period (1000 shares)	94,654	94,660

4. The basis for calculation of equity per share is as follows:

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)
Net assets (Millions of yen)	421,088	399,267
Amount to be excluded from the total amount of net assets (Millions of yen)	34,091	35,330
(Non-controlling interests)	(34,091)	(35,330)
Net assets at the end of the period for common stock (Millions of yen)	386,997	363,937
Number of common shares used in the calculation of shareholder's equity per share at the end of the period (1000 shares)	94,653	94,659

(Significant Subsequent Events)

Business Divestitures

Transfer of subsidiary shares

Effective January 15, 2024, the Company transferred all shares held in consolidated subsidiary SEIKO PMC CORPORATION ("SEIKO PMC") through the purchase of treasury stock by the latter.

(1) Overview of the business divestiture

(a) Name of the successor entity

SEIKO PMC CORPORATION

(b) Description of the divested businesses

Manufacture and sale of papermaking chemicals, resins for printing inks and recording materials

(c) Main reason for the business divestiture

To meet the targets of the DIC Vision 2030 long-term management plan, which was announced in February 2022, following extensive discussions by the Board of Directors regarding how to allocate limited management resources to priority business areas, the Company resolved—as part of a review of the DIC Group's business portfolio—to transfer all shares held in SEIKO PMC via third party. This decision was taken in the belief that it is the best course for SEIKO PMC to seek growth with a new partner better positioned to drive growth and a dramatic advance.

(d) Date of the business divestiture

January 15, 2024 (deemed transfer date: January 1, 2024)

(e) Other matters regarding the outline of the transaction, including the legal form

Transfer of shares for where the consideration received is only property, such as cash

(2) Overview of the transaction including the legal form

(a) Amount of gain or loss on transfer (forecast)

Loss on sales of shares and investments in capital of subsidiaries and affiliates: ¥4,213 million

(b) Fair book values of assets and liabilities pertaining to the transferred business and the breakdown thereof

Current assets	¥26,025 million
Non-current assets	24,884 million
Total assets acquired	¥50,909 million
Current liabilities	¥14,133 million
Non-current liabilities	2,249 million
Total liabilities assumed	¥16,382 million

(c) Accounting treatment

The accounting treatment of the transaction will be based on the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on January 16, 2019).

(3) Reportable segment that included the divested business

Functional products

(4) Estimated amount of profit and loss related to the divested business reported in the consolidated statement of income for the current fiscal year

Net sales	¥32,175 million
Operating income	¥1,980 million

⑤ Consolidated Supplementary Schedules

[Schedule of Bonds Payable]

Company	Description	Date of issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the ending of current fiscal year (Millions of yen)	Due within one year (Millions of yen)	Interest rate	Collateral	Maturity
(Note 1)	37th unsecured bonds	September 18, 2015	10,000	10,000	—	1.00%	None	September 18, 2025
(Note 1)	38th unsecured bonds	July 12, 2016	5,000	5,000	—	0.95%	None	July 11, 2036
(Note 1)	39th unsecured bonds	September 15, 2016	5,000	5,000	—	0.36%	None	September 15, 2026
(Note 1)	40th unsecured bonds	April 21, 2017	10,000	10,000	—	0.42%	None	April 21, 2027
(Note 1)	42nd unsecured bonds	April 17, 2018	10,000	—	—	0.15%	None	April 17, 2023
(Note 1)	43rd unsecured bonds	April 19, 2019	10,000	10,000	10,000	0.19%	None	April 19, 2024
(Note 1)	44th unsecured bonds	October 25, 2019	10,000	10,000	—	0.28%	None	October 25, 2029
(Note 1)	45th unsecured bonds	July 16, 2020	20,000	—	—	0.05%	None	July 14, 2023
(Note 1)	46th unsecured bonds	September 22, 2021	20,000	20,000	20,000	0.001%	None	September 20, 2024
(Note 1)	47th unsecured bonds	September 22, 2021	10,000	10,000	—	0.13%	None	March 19, 2027
(Note 1)	48th unsecured bonds	September 22, 2021	15,000	15,000	—	0.23%	None	September 21, 2028
(Note 1)	49th unsecured bonds	September 22, 2021	15,000	15,000	—	0.30%	None	September 22, 2031
(Note 1)	50th unsecured bonds	April 20, 2023	—	15,000	—	0.57%	None	April 20, 2028
—	Total	—	140,000	125,000	30,000	—	—	—

(Notes) 1. DIC Corporation

2. The redemption schedule within five years after the consolidated closing date is as follows:

Within 1 year (Millions of yen)	Over 1 year to 2 years (Millions of yen)	Over 2 years to 3 years (Millions of yen)	Over 3 years to 4 years (Millions of yen)	Over 4 years to 5 years (Millions of yen)
30,000	10,000	5,000	20,000	30,000

[Schedule of Loans]

Category	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the ending of current fiscal year (Millions of yen)	Average interest rate	Payment due
Short-term loans payable	26,056	12,405	6.11%	—
Current portion of long-term loans payable	35,928	33,897	1.99%	—
Long-term loans payable (excluding current portion of long-term loans payable)	260,259	308,231		2025 to 2037
Current portion of lease obligations	4,607	4,656	—	—
Lease obligations (excluding current portion of lease obligations)	12,479	11,769		2025 to 2067
Other interest-bearing liabilities Commercial paper due within one year	30,000	33,000	0.03 %	—
Total	369,328	403,958	—	—

(Notes) 1. Average interest rate is calculated based on the average balance of borrowings during the period.

2. Average interest rate of lease obligations is not stated because certain consolidated subsidiaries record lease obligations in the consolidated balance sheet at the amount before adjusting for interest included in total lease payments.

3. Repayment schedule of long-term loans payable and lease obligations (excluding current portion) within five years after the closing date is as follows:

	Over 1 year to 2 years (Millions of yen)	Over 2 years to 3 years (Millions of yen)	Over 3 years to 4 years (Millions of yen)	Over 4 years to 5 years (Millions of yen)
Long-term loans payable	53,417	119,551	39,902	25,098
Lease obligations	4,125	2,383	1,683	1,417

[Asset Retirement Obligations Schedule]

The amount of asset retirement obligations at the beginning of the current fiscal year and the end of the current fiscal year is less that a hundredth of the total amount of liabilities and net assets at the beginning of the current fiscal year and the end of the current fiscal year, respectively. This statement has been omitted pursuant to Article 92-2 of the Ordinance on Consolidated Financial Statements.

(2) Other Information

Quarterly financial information for current fiscal year

Cumulative Period	1st Quarter	2nd Quarter	3rd Quarter	Current fiscal year
Net sales (Millions of yen)	255,237	515,311	781,618	1,038,736
Income (loss) before income taxes and non-controlling interests (Millions of yen)	3,934	5,313	6,988	(26,468)
Net income (loss) attributable to owners of parent (Millions of yen)	1,897	997	(2,759)	(39,857)
Earnings (losses) per share (Yen)	20.04	10.53	(29.14)	(421.06)

Accounting Period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Earnings per share (net loss per share) (Yen)	20.04	(9.51)	(39.67)	(391.91)

(Note) The Company introduced the Board Benefit Trust (BBT), and the shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings (losses) per share includes the number of shares held by the trust.

VI. Stock-Related Administration for the Company

Business year	From January 1 to December 31
Annual general meeting of shareholders	During March
Record date	December 31
Record date of dividends	June 30 and December 31
Number of shares per unit	100 shares
Purchase and sales of shares less than one unit	
Handling office	(Special Account) Mitsubishi UFJ Trust and Banking Corporation Stock Agency Department 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	(Special Account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forward office	—
Purchasing fee	The amount separately specified as the amount equivalent to fees pertaining to entrustment of sales and purchase of shares
Method of public notice	It will be an electronic public notice. https://www.dic-global.com/ja/ However, if the public notice cannot be made by electronic public notice due to an accident or other unavoidable reasons, it will be published in The Nikkei.
Special benefits for shareholders	Shareholder benefit plan (1) Entitled shareholders ① The holders of 100 shares or more who are listed or recorded in the register of shareholders as of June 30 of each year ② The holders of 100 shares or more who are listed or recorded in the register of shareholders as of December 31 of each year (2) Details of benefits ① One original calendar ② DIC Group product and two postcards with admission ticket to Kawamura Memorial DIC Museum of Art (two persons per postcard)

(Note) Pursuant to the provisions of the Articles of Incorporation of the Company, shareholders who hold shares less than one unit may not, with respect to their shares less than one unit, exercise rights other than the following rights:

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act

(2) The right to make a request under Article 166, Paragraph 1 of the Companies Act

(3) The right to receive the allotment of shares for subscription and the allotment of share options for subscription in proportion to the number of shares held by shareholders

VII. Reference Information of the Company

1. Information on the Parent Company

The Company has no parent company.

2. Other Reference Information

The following documents were filed during the period from the commencing date of current fiscal year ended December 31, 2023 to the filing date of the Annual Securities Report.

(1) Annual Securities Report and Documents Attached and Confirmation Letter Business term 125th (From January 1, 2022 to December 31, 2022)	March 29, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(2) Management’s Report on Internal Control and Documents Attached	March 29, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(3) Extraordinary Report Pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)	March 30, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(4) Shelf Registration Statement (Share certificates, Bonds, etc.) and Documents Attached	March 30, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(5) Shelf Registration Supplements (Share certificates, Bonds, etc.) and Documents Attached	April 14, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(6) Quarterly Reports and Confirmation Letter First Quarter of Business term 126th (From January 1, 2023 to March 31, 2023)	May 15, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(7) Quarterly Report and Confirmation Letter Second Quarter of Business term 126th (From April 1, 2023 to June 30, 2023)	August 9, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(8) Extraordinary Report Pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Change in Representative Director)	October 30, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(9) Amendment to Shelf Registration Statement	October 30, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(10) Quarterly Report and Confirmation Letter Third Quarter of Business term 126th (From July 1, 2023 to September 30, 2023)	November 14, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(11) Securities Registration Statement (Reference Method) and Documents Attached	November 14, 2023 Filed with the Director-General of the Kanto Local Finance Bureau

Part 2 Information on Guarantors, etc., for the Company

Not applicable.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 25, 2024

To the Board of Directors of
DIC Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Takaya Otake

Designated Engagement Partner,
Certified Public Accountant:

Teppei Yamamoto

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of DIC Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of December 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2023 to December 31, 2023, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(TRANSLATION)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of Goodwill, Property, plant and equipment and other intangible assets related to Sun Chemical Color Materials</td></tr>
<tr><td>Key Audit Matter Description</td><td>How the Key Audit Matter Was Addressed in the Audit</td></tr>
<tr><td>As described in the Note to Accounting Estimates 1. Valuation of Goodwill, Property, Plant and Equipment and Other Intangible Assets Related to Sun Chemical Color Materials, property, plant and equipment of ¥373,892 million and intangible assets of ¥68,916 million in the Group’s consolidated financial statements as of December 31, 2023, included property, plant and equipment of ¥111,326 million and intangible assets of ¥20,088 million related to Sun Chemical Color Materials, respectively. Additionally, the Group recorded impairment losses of ¥22,469 million on goodwill and property, plant and equipment and other intangible assets (the "Fixed assets") related to Sun Chemical Color Materials.

Sun Chemical Group, a subsidiary of the Group, applies generally accepted accounting principles in the United States and performs an impairment test for goodwill whenever any events occur or circumstances change that would indicate more likely than not the fair value of a reporting unit is less than its carrying amount. Based on the goodwill impairment test, the fair value of Sun Chemical Color Materials was less than its carrying amount, and the Group recognized an impairment loss on the entire unamortized balance of goodwill of ¥19,653 million.

Associated with the reorganization of pigment production sites of Sun Chemical Color Materials, the Group also recorded an impairment loss of ¥2,816 million related to the assets of its production site in the United States due to the decision of suspension of its operation.

The total volume of shipments of pigments, which is the main products of Sun Chemical Color Materials, decreased due to the impact of economic stagnation in Europe and inflation in the United States, as well as the continued decline in demand and inventory adjustments by customers in each region. Therefore, the Group recognized the impairment loss on the entire unamortized balance of goodwill as a result of a revision of its business plan in light of the current economic environment, but if the growth and expansion of the pigment business do not progress as expected in the revised business plan, the Group may record an impairment loss on the Fixed assets other than goodwill.

The fair value of a reporting unit is primarily determined by discounting its estimated future cash flows to present value. The estimated future cash flows are based on the future business plan, which includes an expected sales growth rate considering the</td><td>To test the amount of the impairment loss on goodwill and the valuation of the Fixed assets related to Sun Chemical Color Materials, we involved a component auditor from our network firm to assist us in performing the following audit procedures, among others:

(1) Evaluation of internal controls

We tested the effectiveness of internal controls over the valuation of goodwill and Fixed assets.

(2) Evaluation of the reasonableness of the estimate of fair value

• In order to understand the reporting unit to which the goodwill related to Sun Chemical Color Materials was allocated and changes in the business environment and the future plan of the reporting unit since the acquisition date, we inquired of management, observed major plants and inspected the related minutes.

• In order to evaluate the reliability of management’s estimates, we compared actual results against historical business plans (budgets) and the estimated growth rates within the business plan against the expected market growth rates. We evaluated whether there was any management bias that should be considered as uncertainty in the future plan.

• In order to evaluate the appropriateness of the recognition of the impairment loss, we performed the following audit procedures:

• We assessed the competence, capabilities and objectivity of the valuation experts used by management in the valuation of goodwill.

• We evaluated the consistency of the estimated future cash flows with the future business plan approved by management and assessed the feasibility of the expected sales by comparing with available external data, such as market forecasts.

• We evaluated the timeliness of the revision of the business plan by inquiring of management about the management judgment made to record the impairment loss on goodwill related to Sun Chemical Color Materials for the current year.

• We evaluated the reasonableness of the valuation methodologies used in the fair value measurement with the assistance of our fair value specialists. Additionally, we evaluated the reasonableness of the input information used in the determination of the discount rate and assessed the appropriateness</td></tr>
</table>

market conditions and capital expenditures, and the determination of discount rate and long-term growth rate requires valuation expertise. The amount of the impairment loss on goodwill related to Sun Chemical Color Materials recorded as a result of the impairment test was quantitatively material and the amount of the Fixed assets remained quantitatively material. Specifically, developing the future business plan used in the impairment test and calculation of the fair value largely involves a high degree of subjectivity and judgments made by management, such as related market trends. There is a potential risk that the Group's financial position and future financial performance may not be properly presented if these methodologies and assumptions used for the estimate of the fair value underlying the valuation are inappropriate. Therefore, we identified it as a key audit matter.	of the long-term growth rate used in estimating the future cash flows for the business plan period onwards by comparing with data published by third parties.

Valuation of goodwill, property, plant and equipment and other intangible assets related to the group of cash-generating units including Guangdong DIC TOD Resins Co., Ltd.	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in the Note to Accounting Estimates 2. Valuation of Goodwill, Property, Plant and Equipment and Other Intangible Assets Related to the Group of Cash-Generating Units including Guangdong DIC TOD Resins Co., Ltd., property, plant and equipment of ¥373,892 million and intangible assets of ¥68,916 million in the consolidated financial statements of the Group as of December 31, 2023, included property, plant and equipment of ¥9,966 million, intangible assets of ¥4,808 million and goodwill of ¥7,340 million related to the group of cash-generating units including Guangdong DIC TOD Resins Co., Ltd. ("TOD Group"), respectively. Additionally, the Group recorded impairment losses on a portion of the unamortized balance of goodwill related to TOD Group of ¥2,518 million. Goodwill related to TOD Group is allocated to a group of cash-generating units that is expected to benefit from synergies of the business combination, and tested for impairment on an annual basis. Based on the goodwill impairment test, the recoverable amount of TOD Group was less than its carrying amount, and the Group recognized an impairment loss at the amount of a portion of the unamortized balance of goodwill. With the acquisition of Guangdong DIC TOD Resins Co., Ltd., the Group anticipated that it would expand its production capacity and produce water-based resin products that respond quickly to environmental regulations in China by integrating the Group's resin synthesis technology with its production capacity, a wide range of sales network, and applied technology. However, as the market demand has been shifting from oil-based resin products to water-based resin products at a slower pace than expected, the Group has revised the business plan. As a result, the Group recognized the impairment loss on a portion of the unamortized balance of goodwill. There is a potential risk that the Group may record additional impairment losses on property, plant and equipment and intangible assets including goodwill if it is not expected to be profitable as planned for the water-based resin products.	To test the amount of the impairment loss on goodwill and the valuation of property, plant and equipment and intangible assets related to TOD Group, we performed the following audit procedures, among others: (1) Evaluation of internal controls We tested the effectiveness of internal controls over the valuation of goodwill, property, plant and equipment and other intangible assets. (2) Evaluation of the reasonableness of the estimate of recoverable amount • In order to understand the group of the cash-generating units to which the goodwill related to TOD Group was allocated and changes in the business environment and the future plan of the group of the cash-generating units since the acquisition date, we inquired of management and inspected the related minutes. • In order to evaluate the reliability of management's estimates, we compared actual results against historical business plans (budgets) and the estimated growth rate within the business plan against the expected market growth rate. We evaluated whether there was any management bias that should be considered as uncertainty in the future plans. • In order to evaluate the appropriateness of the impairment loss, we performed the following audit procedures: • We evaluated the consistency of the estimated future cash flows with the future business plan approved by management and assessed the feasibility of the expected sales by comparing with available external data, such as market forecasts.

(TRANSLATION)

The recoverable amount of a group of cash-generating units is primarily determined by discounting its estimated future cash flows to present value. The estimated future cash flows are based on the future business plan, which includes an expected sales growth rate considering the market conditions, and the determination of discount rate and long-term growth rate requires valuation expertise. The Group's goodwill, property, plant and equipment and other intangible assets related to TOD Group are quantitatively material. Specifically, developing the future business plan used in impairment test and calculation of the recoverable amount largely involves a high degree of subjectivity and judgments made by management, such as related market trends. There is a potential risk that the Group's financial position and future financial performance may not be properly presented if the methodologies and assumptions used for the estimate of the recoverable amount underlying the valuation are inappropriate. Therefore, we identified it as a key audit matter.	• We compared significant assumptions used in the estimates made in the previous year with those in the current year, and then evaluated the reasonableness of changes made to the business plan developed in the current year based on the current situation. • We evaluated the reasonableness of the valuation methodologies used in calculating the recoverable amount with the assistance of our valuation specialists. Additionally, we evaluated the reasonableness of the input information used in the determination of the discount rate and assessed the appropriateness of the long-term growth rate used in estimating the future cash flows for the business plan period onwards by comparing with external data published by third parties.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

(TRANSLATION)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(TRANSLATION)

<Audit of Internal Control>

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of DIC Corporation as of December 31, 2023.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of DIC Corporation as of December 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

(TRANSLATION)

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2023, which were charged by us and our network firms to DIC Corporation are disclosed in IV. Information on the Company 4. Corporate Governance (3) Audits of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

[Cover]

[Document filed]	Confirmation Letter
[Applicable law]	Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing date]	March 28, 2024
[Company name]	DIC Kabushiki-Kaisha
[Company name in English]	DIC Corporation
[Name and title of chief executive officer]	Takashi Ikeda, Representative Director, President, and CEO
[Name and title of chief financial officer]	Takeshi Asai, Director, Senior Managing Executive Officer, CFO, and Head of Finance and Accounting Unit
[Registered address]	35-58, Sakashita 3-chome, Itabashi-ku, Tokyo, Japan
[Locations where records are available for public inspection]	Corporate headquarters, DIC Corporation (7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan) Osaka Branch, DIC Corporation (5-19, Kyutaro-machi 3-chome, Chuo-ku, Osaka, Japan) Nagoya Branch, DIC Corporation (7-15, Nishiki 3-chome, Naka-ku, Nagoya, Japan) Tokyo Stock Exchange (2-1, Nihonbashi Kabuto cho, Chuo-ku, Tokyo, Japan)

1. Appropriateness of Statements in the Annual Securities Report

Takashi Ikeda, Representative Director, President, and CEO and Takeshi Asai, Director, Senior Managing Executive Officer, CFO, and Head of Finance and Accounting Unit, confirmed that the contents of our company's annual securities report for the 126th Business Term (from January 1, 2023 to December 31, 2023) were stated appropriately in accordance with the Financial Instruments and Exchange Act and Related Regulations.

2. Special Notes

Not applicable.

[Cover]

Document filed	Management's Report on Internal Control
Applicable law	Article 24-4 -4, paragraph 1 of the Financial Instruments and Exchange Act of Japan
Filed with	Director, Kanto Local Finance Bureau
Filing date	March 28, 2024
Company name	DIC Kabushiki-Kaisha
Company name in English	DIC Corporation
Name and title of chief executive officer	Takashi Ikeda, Representative Director, President, and CEO
Name and title of chief financial officer	Takeshi Asai, Director, Senior Managing Executive Officer, CFO, and Head of Finance and Accounting Unit
Registered address	35-58, Sakashita 3-chome, Itabashi-ku, Tokyo, Japan
Locations where records are available for public inspection	Corporate headquarters, DIC Corporation (7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan) Osaka Branch, DIC Corporation (5-19, Kyutaro-machi 3-chome, Chuo-ku, Osaka, Japan) Nagoya Branch, DIC Corporation (7-15, Nishiki 3-chome, Naka-ku, Nagoya, Japan) Tokyo Stock Exchange (2-1, Nihonbashi Kabuto cho, Chuo-ku, Tokyo, Japan)

1. Matters relating to basic framework for internal controls over financial reporting

Takashi Ikeda, Representative Director, President, and CEO, and Takeshi Asai, Director, Senior Managing Executive Officer, CFO, and Head of Finance and Accounting Unit, are responsible for designing and operating effective internal controls over the Company's financial reporting and have done so in accordance with the basic framework for internal controls over financial reporting set forth in "the Business Accounting Council's Opinions Titled on the Setting of Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control over Financial Reporting."

The purpose of internal controls is to achieve the objectives thereof to a reasonable extent through the organic combination and functioning of such controls' basic individual elements. Accordingly, there is a possibility that internal controls over financial reporting may not completely prevent or detect misstatements.

2. Matters relating to assessment scope, date, and procedures

The assessment of internal controls over financial reporting was performed as of December 31, 2023, which is the final day of the fiscal year. This assessment was conducted in accordance with relevant standards generally accepted in Japan.

The Company began this process by evaluating internal controls seen as possibly having a material impact on its overall consolidated financial reporting ("company-level controls"), the results of which were used to select business processes for assessment. The Company then analyzed these business processes to identify key controls likely to materially impact the reliability of its financial reporting and assessed the design and operation thereof. This enabled the Company to accurately assess the effectiveness of these internal controls.

The Company determined the necessary scope of its assessment of internal controls over financial reporting from the perspective of the materiality of potential impact, that is, the degree to which such controls may affect the reliability of its own financial reporting, as well as that of its consolidated subsidiaries and equity-method affiliates. Materiality was established by taking into account both qualitative and quantitative impact. Based on the results of its assessment of company-level controls, the Company rationally determined the scope of evaluation for process-level controls. Those consolidated subsidiaries and equity-method affiliates deemed to have an insignificant qualitative and/or quantitative impact on financial reporting were not included in the scope of assessment of company-level internal controls.

Business units whose net sales reached approximately two-thirds of consolidated net sales for previous year were selected as "significant business units". The selection took into account changes in the scope of consolidation in the fiscal year ended December 31, 2023, as well as financial and qualitative risks. The assessment at significant business units encompassed business processes relevant to net sales, accounts receivable–trade, accounts payable–trade, inventories, and manufacturing facilities. In addition, regardless of the selection of significant business units, certain business processes related to a high likelihood of leading to material misstatement, and/or key accounts involving estimates and management's judgement were also identified as being highly material and were included in the scope of assessment.

3. Results of the Assessment

Based on the above assessment, the Company concluded that as of December 31, 2023, the Company's internal controls over financial reporting were effective.

4 Supplementary Notes

Not applicable.

5 Special Notes

Not applicable.