The 127th Business Term

Annual Securities Report

Fiscal year	From	January 1, 2024
	To	December 31, 2024

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.

Table of Contents

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

[Cover]

[Document filed]	Annual Securities Report ("Yuka Shoken Hokokusho")
[Applicable law]	Article 24, paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing date]	March 27, 2025
[Fiscal year]	The 127th Business Term (from January 1, 2024 to December 31, 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
[Registered address]	35-58, Sakashita 3-chome, Itabashi-ku, Tokyo, Japan
[Phone number]	+81-3-3966-2111 (main)
[Contact person]	Fumito Shirai, Group Manager, General Affairs Group
[Contact address]	7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan Corporate headquarters, DIC Corporation
[Phone number]	+81-3-6733-3000 (main)
[Contact person]	Shigeki Takata, General Manager, Accounting Dept.
[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)

Part 1 Corporate Information

I. Overview of DIC Corporation (“the Company”)

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

Fiscal Year		123rd	124th	125th	126th	127th
Year end		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Millions of yen)	701,223	855,379	1,054,201	1,038,736	1,071,127
Ordinary income	(Millions of yen)	36,452	43,758	39,946	9,216	37,905
Net income (loss) attributable to owners of parent	(Millions of yen)	13,233	4,365	17,610	(39,857)	21,313
Comprehensive income	(Millions of yen)	20,396	40,596	52,233	(11,609)	46,276
Net assets	(Millions of yen)	351,364	381,008	421,088	399,267	420,615
Total assets	(Millions of yen)	817,950	1,071,481	1,261,637	1,244,889	1,226,433
Shareholders’ equity per share	(Yen)	3,364.92	3,654.61	4,088.60	3,844.70	4,239.67
Earnings (losses) per share (basic)	(Yen)	139.81	46.12	186.05	(421.06)	225.11
Earnings per share (diluted)	(Yen)	—	—	—	—	—
Shareholders’ equity ratio to total assets	(%)	38.9	32.3	30.7	29.2	32.7
Return on Equity (ROE)	(%)	4.2	1.3	4.8	(10.6)	5.6
Price-earnings ratio	(Times)	18.6	62.8	12.5	—	15.0
Net cash provided by (used in) operating activities	(Millions of yen)	54,462	44,812	7,935	89,095	46,207
Net cash provided by (used in) investing activities	(Millions of yen)	(33,037)	(147,612)	(73,160)	(66,457)	(17,082)
Net cash provided by (used in) financing activities	(Millions of yen)	6,338	99,549	83,948	(2,920)	(62,594)
Cash and cash equivalents at end of the period	(Millions of yen)	41,354	37,572	62,560	84,642	60,940
Number of employees	(Persons)	20,242	22,474	22,743	22,255	21,184

(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		123rd	124th	125th	126th	127th
Year end		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(Millions of yen)	195,403	231,550	246,495	239,771	258,390
Ordinary income	(Millions of yen)	7,093	23,966	13,720	1,729	21,792
Net income (loss)	(Millions of yen)	6,930	29,811	10,287	(3,338)	36,176
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)	300,089	319,291	318,147	300,203	323,553
Total assets	(Millions of yen)	691,051	829,904	880,585	886,495	872,162
Shareholders' equity per share	(Yen)	3,170.49	3,373.21	3,361.20	3,171.41	3,417.26
Cash dividends per share [Interim dividend per share]	(Yen)	100.00 [50.00]	100.00 [50.00]	100.00 [50.00]	80.00 [50.00]	100.00 [50.00]
Earnings (losses) per share (basic)	(Yen)	73.22	314.94	108.68	(35.26)	382.10
Earnings per share (diluted)	(Yen)	—	—	—	—	—
Shareholders' equity ratio to total assets	(%)	43.4	38.5	36.1	33.9	37.1
ROE	(%)	2.3	9.6	3.2	(1.1)	11.6
Price-earnings ratio	(Times)	35.6	9.2	21.4	—	8.9
Dividend payout ratio	(%)	136.6	31.8	92.0	—	26.2
Number of employees	(Persons)	3,662	3,681	3,744	3,973	3,947
Total shareholder return	(%)	89.1	102.0	86.5	103.8	127.3
[Comparison index: TOPIX, including dividends]	(%)	[107.4]	[121.1]	[118.1]	[151.5]	[182.5]
Highest stock price	(Yen)	3,130	3,380	3,100	2,820.5	3,689
Lowest stock price	(Yen)	1,833	2,492	2,206	2,245	2,378

(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. (Date of incorporation: March 15, 1937)
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 (Currently DIC Graphics (Thailand) Co., Ltd.) 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.)
May 1968	Establishes Singapore Dainippon Ink (currently DIC Asia Pacific Pte Ltd).
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 (later renamed to SEIKO PMC CORPORATION) 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 CORPORATION 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.
January 2024	Transferred all shares held in the consolidated subsidiary SEIKO PMC CORPORATION through the purchase of treasury stock by the company.

3. Description of Business

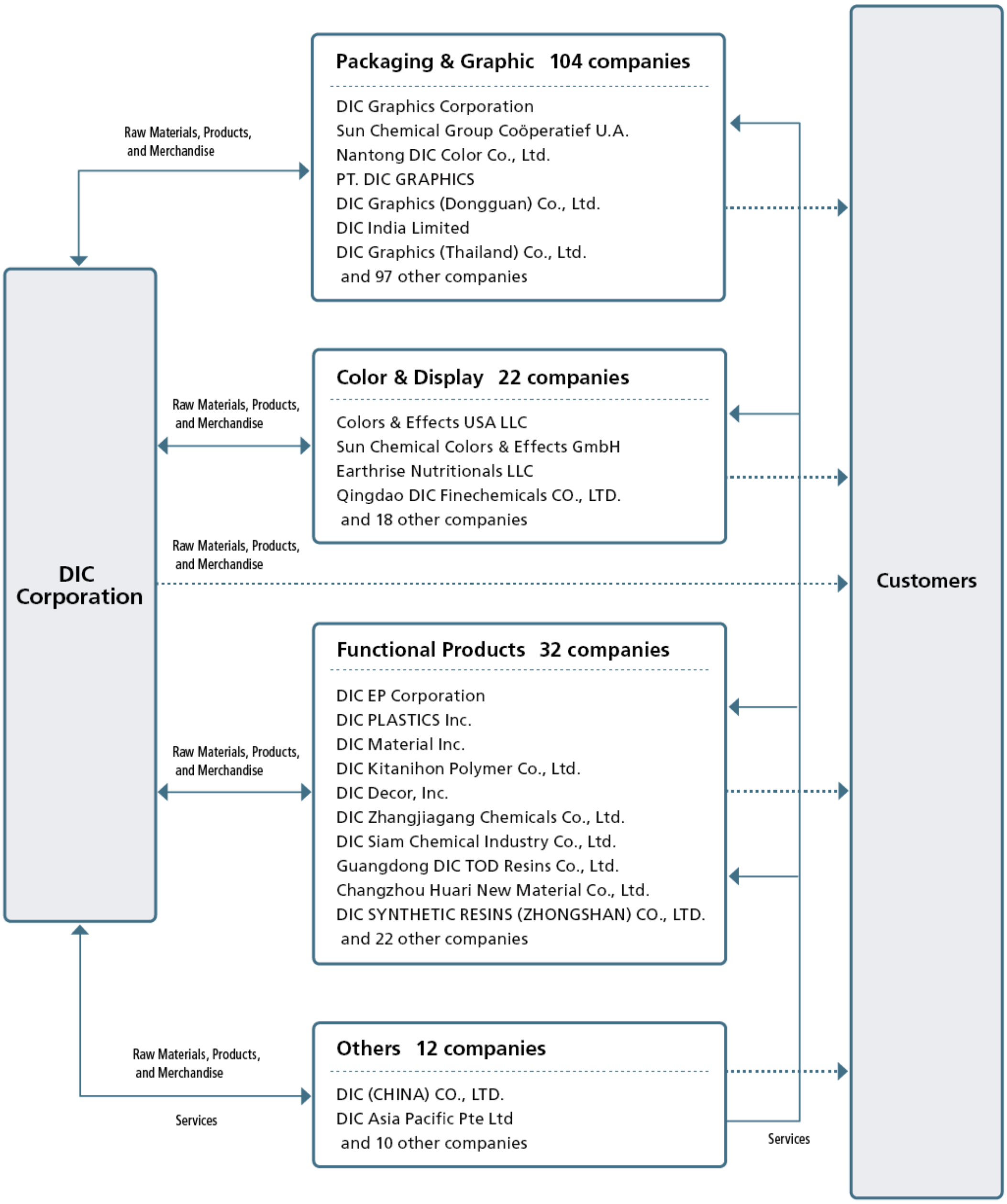
DIC Group ("the Group") consists of DIC Corporation, 152 subsidiaries and 18 affiliates.

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, polyurethane, acrylic resins, plasticizers), sulfur chemicals, metal carboxylates
	Composite Materials	PPS compounds, plastic colorants, hollow-fiber membranes and modules, medical diagnostics products
	Chemitronics	Epoxy resins, industrial adhesive tapes, UV-curable resins, surfactant for electronics equipment, photoresist polymers

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 Guaranteed liabilities: 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
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
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
DIC Graphics (Dongguan) Co., Ltd.	Dongguan PRC	RMB 126,000 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
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 (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
Other 88 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)	The company sells pigment products to the Company. 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)	The company sells pigment products to the Company. 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
Qingdao DIC Finechemicals CO., LTD.	Qingdao, PRC	RMB 60,415 thousand	Manufacturing, sales of liquid crystal materials and R&D	100.0 (100.0)	The company is commissioned to conduct R&D by the Company.
Other 16 companies					

Name	Location	Capital Stock (Millions of yen)	Description of Business	Ownership of Voting Rights (%)	Details of Relationship
Functional Products					
DIC EP Corporation	Sodegaura-city, Chiba	100	Manufacture and sale of PPS neat polymers and modules for water treatment	100.0	The company sells raw materials for PPS compounds and membrane modules for water to the Company. Interlocking directors, etc.: Yes Loans receivable: 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 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 Kitanihon Polymer Co., Ltd.	Katta-gun, Miyagi	100	Manufacture and sale of synthetic resins	100.0	The company purchases raw materials for synthetic resins from the Company. Interlocking directors, etc.: Yes Loans receivable: Yes
DIC Decor, Inc.	Okegawa-city, Saitama	480	Manufacture and sale of building materials, various decorative boards and decorative sheets	100.0	The company purchases coatings for building materials from the Company. 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
DIC 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
Other 14 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 9 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	10,032	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	583,620
	Ordinary income	11,953
	Net loss	(709)
	Net assets	304,515
	Total assets	556,957

5. Employees

(1) Consolidated basis

As of December 31, 2024

Segment	Number of employees
Packaging & Graphic	10,220
Color & Display	3,985
Functional Products	5,006
Others	489
Corporate	1,484
Total	21,184

(2) Non-consolidated basis

As of December 31, 2024

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
3,947	43.8	18.0	7,593,362

Segment	Number of employees
Packaging & Graphic	460
Color & Display	347
Functional Products	1,656
Corporate	1,484
Total	3,947

(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, 2024				
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]
8.6	94.0	68.5	77.5	57.0

(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 27.2% of male employees were in management positions, this was true for only 7.2% of female employees. A high 29.5% of female employees are non-regular employees, while only 11.9% 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 68.5%. 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 100.4%.
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 57.0%.

(b) Consolidated basis

Fiscal year ended December 31, 2024					
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]	70.8	72.4	70.6
DIC EP Corporation	10.0	—	—	—	—
DIC Kitanihon Polymer Co., Ltd.	—	100.0[2]	—	—	—
DIC PLASTICS Inc.	4.5	60.0[2]	—	—	—
DIC Decor, Inc.	9.1	—	—	—	—

(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.

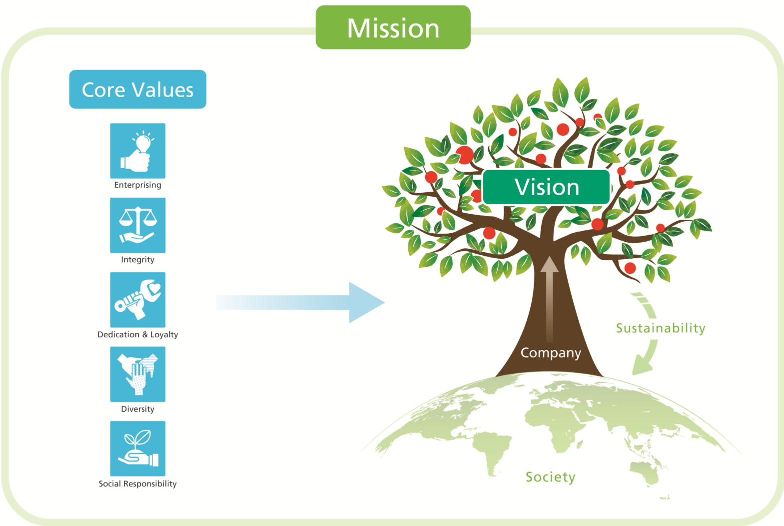
As all forward-looking statements in this document are based on judgments as of the end of the current fiscal year, achievement is not guaranteed.

(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 the two central goals of building a business portfolio that contributes to sustainable prosperity for society and helping achieve sustainability for the global environment and for society.

1. Basic Strategies of DIC Vision 2030

・Business portfolio transformation

(1) Designate and focus the 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 extremely 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.

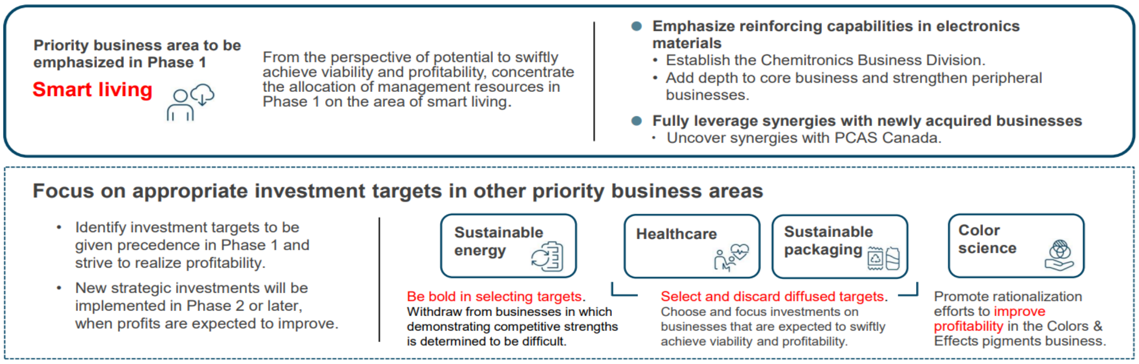
・New targets for fiscal year 2025 (final year of Phase 1)

(Billions of yen)	Original targets	Revised targets (In February 2024)	New targets (February 2025)
Net sales	1,100	1,150	1,110
Operating income	80	40	48

In February 2024, the target for net sales in fiscal year 2025 was revised upward, reflecting successful moves to pass on rising raw materials costs by adjusting sales prices. In contrast, the target for operating income was revised downward significantly, owing to the fact that synergies with newly acquired businesses and the benefits of structural reforms are taking longer than expected and at that point were only projected to manifest from fiscal year 2026 forward, prompting the Company to modify the target to a more realistic level. Efforts will center on achieving record-level operating income in fiscal year 2026, and on a realizing a sound financial structure and bolstering returns to shareholders. In February 2024, a new, higher target was set for operating income, owing mainly to sales price increases, particularly for inks in the Americas and Europe and for synthetic resins in Asia, and expanded sales in the area of materials for semiconductor fabrication, including active ester-cured epoxy for generative AI, and the depreciation of the yen. The net sales target was revised downward, owing to a decline attributable to the divestiture of subsidiary SEIKO PMC CORPORATION and withdrawal from unprofitable / noncore businesses.

・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. In particular, efforts will center on reinforcing capabilities in the area of electronics materials, notably high-performance polymers used in the fabrication of power semiconductors and state-of-the-art polymers for photoresists used in semiconductor photolithography, low-dielectric resins for 5G/6G-enabled devices and bonding materials for next-generation batteries. In other four priority business areas (Sustainable energy, Healthcare, Sustainable packaging, Color science), the Company will also pursue further rationalization efforts in and synergies with the newly acquired businesses, as well as identify investment targets to be given precedence in respective area and strive to quickly realize profitability.

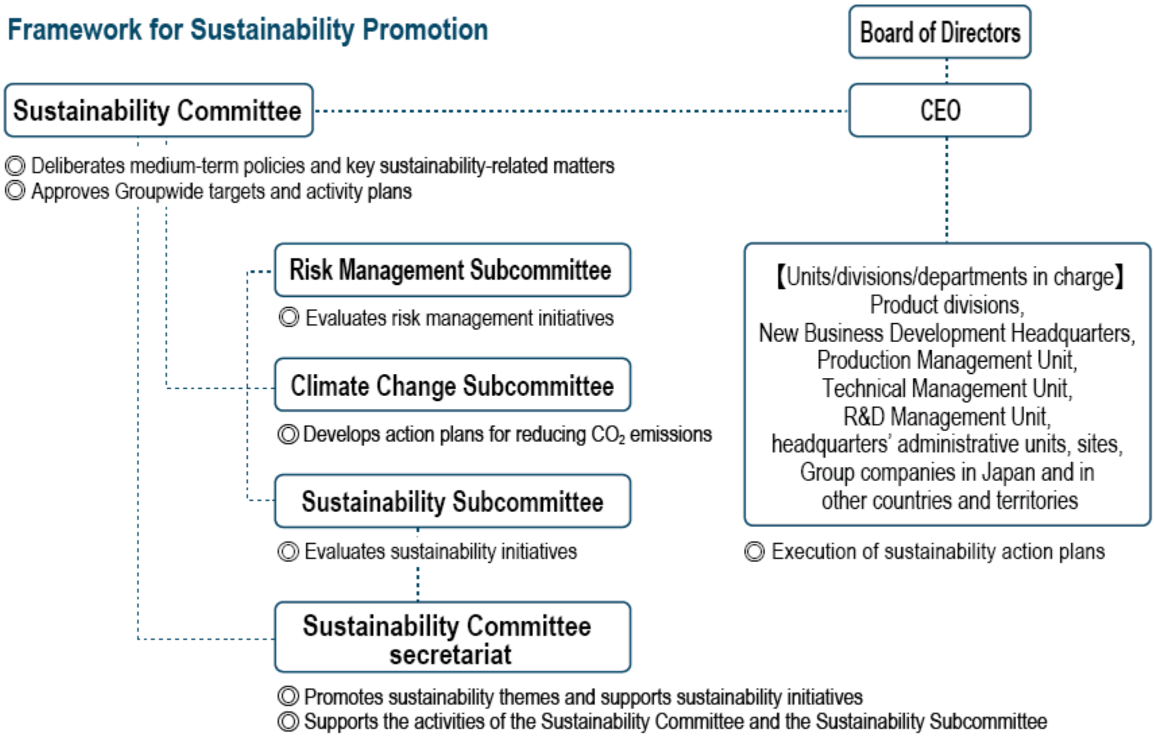


2. Approach to Sustainability and the Group's Initiatives
This section outlines the Group's approach to sustainability and its related initiatives. Forward-looking statements herein reflect projections based on information available as of December 31, 2024, and are not guarantees of future performance.

(1) Elements of Sustainability

1. Governance

The Group has established a basic sustainability policy (partially revised in December 2024), which outlines its dedication to conducting business in accordance with international laws and regulations 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 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 CEO (Committee Chair), Executive Vice President, presidents of the business groups/units, general managers/heads of the management units, the CEOs of regional headquarters and others designated by the Board of Directors. 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 Subcommittee was established as a subordinate entity of the Sustainability Committee. In accordance with the basic sustainability policy, the Subcommittee 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 Subcommittee, 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. Additionally, in October 2024, the committee approved the January 2025 establishment of the Climate Change Subcommittee as a subordinate entity of the Sustainability Committee to formulate concrete plans that ensure achievement of the DIC Group's target for reducing CO2 emissions from its sites by fiscal year 2030.

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 DIC Report 2024. 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, 13–14 and 36–39.)

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.

(Announce goal of achieving carbon neutrality by fiscal year 2050, work to reduce Scope 1 and 2 CO_2 emissions and to lower product carbon footprint.)
(For more information, please see pages 88–98 and 121–123.)

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 25 and 37–39.)

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 7–8, 9 and 101–120.)

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 enterprise resource planning(ERP) system.)
(For more information, please see pages 19–25 and 29–32.)

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 43–45 and 61.)

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 28, 41–43 and 68–71.)

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 45, 96–97, 113–114 and 121–123.)

[See DIC Report 2024 (Complete Version) P17]

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 Subcommittee, 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 Subcommittee 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, recognizing the importance of risks and opportunities associated with climate change. Because the impacts of climate change are likely to surface over the medium to long term, the Group is working to 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 the scenario analysis conducted in fiscal year 2024.

(a) Scenario analysis

In fiscal year 2024, the Group revised the results of its previous scenario analysis, performed in fiscal year 2020, taking into account shared socioeconomic pathway (SSP) scenarios SSP1–1.9, SSP2–4.5 and SSP5–8.5 in the Sixth Assessment Report (AR6), published by the United Nations Intergovernmental Panel on Climate Change (IPCC) in March 2023, and the environmental scenarios explored in World Energy Outlook (WEO) 2023, released by the International Energy Agency (IEA) in October 2023. While the time frame of the previous analysis concluded in 2030, this was extended to 2050.

Based on the outlook for the situation surrounding climate change and energy, the Group established three scenario groups, which it calls “transition,” “adaptation” and “limits to adaptation,” and has analyzed risks and opportunities, as well as formulated measures for each.

Transition: Countries immediately and decisively implement measures to reduce CO_2 emissions with the goal of limiting the rise in global temperature, including through energy conservation and the joint transport of goods. The use of carbon pricing will begin and expand in many countries and territories and the prices used will continue to increase.

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

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

Risks and opportunities identified through the Group’s scenario analysis are shown in the table below. Additionally, water-related risks in scenario analysis are disclosed by region (DIC Report 2024 (Complete Version) P72).

Results of Scenario Analysis for the Three Scenario Groups

Transition

R = Response to risks, O = Response to opportunities

	Risks	Opportunities	Countermeasures
Policies and laws			
Implementation of carbon pricing around the world	• The implementation of policies such as emissions trading, carbon taxes and carbon border adjustment mechanisms increases costs. • The DIC Group's Scope 1 and 2 emissions in 2030 are expected to be 1,221 kt-CO_2 (financial impact: $149 million) if no countermeasures are taken or 461 kt-CO_2 (financial impact: $63 million) if countermeasures are taken.	The promotion of energy efficiency and a shift to green electric power, both purchased and generated on-site, helps reduce fossil fuel consumption.	R: Apply reasonable carbon pricing in appropriate regions to hasten the reduction of CO_2 emissions. R: Avoid the financial impact of CO_2 emissions by promoting electrification and the use of renewable energy to reduce Scope 1 and 2 emissions. O: Promote enhanced functionality and contribution to decarbonization to deliver products that minimize the impact of carbon pricing.
Demand for disclosure of nonfinancial information increases globally	Building and operating a system for responding to disclosure requests around the world incurs costs.		R: Act on a request to respond to the EU's Corporate Sustainability Reporting Directive (CSRD) by proceeding with plans to release a report in 2026.
Technological innovations			
Changes in demand occur and the idea of a circular economy dominates	• Demand for single-use plastics decreases due to the introduction of global regulations on the use of plastics. • Demand for materials that are difficult to recycle declines.	• Demand for recyclable and compostable plastics rises. • The introduction of legally binding regulations, taxes and levies encourages the use of bioderived and recycled materials.	O: Step up consideration of chemical and material recycling in collaboration with customers and consumers. O: Focus on using bioderived materials and developing sustainable materials that make products easy to recycle.
Development focuses on products that are low-carbon or carbon neutral		Demand for products that are low-carbon or carbon neutral—thereby helping to reduce emissions attributable to customers' processes—increases.	O: Promote products that contribute to decarbonization (e.g., have low emissions of VOCs, low energy consumption, etc.).
Behavioral changes			
Necessity of responding to demands to reduce CO_2 emissions attributable directly to production and across the supply chain	Efforts to reduce CO_2 emissions with the aim of achieving the target rise in temperature of 1.5°C begin and the trend toward demanding such efforts spreads across supply chains.		R: Implement measures to reduce Scope 1 and 2 emissions by 50% and Category 2, 3, 4, 5 and 12 Scope 3 emissions by 13.5%, and achieve a supplier engagement rate of 80% in Category 1 of Scope 3. R: Give consideration to shifting to an SBT that corresponds to the 1.5°C target. R: Continue to make investments in energy-saving and renewable energy facilities.
Necessity of addressing biodiversity needs directly in production and across supply chains	Products that do not take biodiversity into account are removed from the market.		R: Take biodiversity into consideration in the purchasing of raw materials and at production sites.

(Note) On 26 February 2025, the European Commission presented an omnibus bill on CSRD, which will now be deliberated by the Council of the EU and the European Parliament. The Company will closely monitor the development of the legislation and take appropriate action once the new legislation has been implemented.

Adaptation

	Risks	Opportunities	Countermeasures
Acute			
Increase in frequency of extreme climate events from the current once in a century to once in a decade or even once a year	• Production at suppliers' facilities is suspended due to frequent climate-related disasters. • Production at DIC Group facilities is suspended due to frequent climate-related disasters and resulting concerns about the safety of operation. • Premiums for non-life insurance rise.		R: For key raw materials, promote two-company shared procurement in multiple regions and strengthen BCP responses. R: For key products, ensure ample inventories of raw materials and products. R: Locate printing inks and other production facilities around the world to ensure complementary capabilities. R: Cooperate with other companies to minimize impact in the event port facilities are damaged due to storm surges or flooding. R: Strengthen measures for sites located in coastal areas.
Chronic			
Depletion of groundwater resources	Countermeasures are needed in areas where there are concerns regarding increased water-related risks.		R: Implement measures to address water-related risks and reinforce the effectiveness of BCPs by providing related training.
Changes in lifestyles and consumption patterns as a result of climate change	Demand for existing products may decrease as new lifestyles suited to high temperatures become necessary.	New lifestyles suited to high temperatures bring opportunities in such areas as coatings, packaging materials and healthcare.	O: Develop products that respond to increased demand for insulated and heat-shielding offerings as temperatures rise. O: Leverage changes in dietary habits to develop/expand long-life packaging for beverages and frozen food products. O: Expand operations in the areas of healthcare and life science and promote health.
Frequent poor harvests due to a loss of biodiversity	Supply of plant-derived raw materials will come to a halt as a consequence of poor harvests.		R: Strengthen resilience.

Limits to adaptation

	Risks	Opportunities	Countermeasures
Acute			
Sudden changes in weather patterns and extreme climate change that result in problems in terms of public health and the environment	• Factory operations are disrupted as heatstroke leads to a shortage of human resources. • Extreme temperatures lead to plant malfunctions caused by fire and overheating.		R: Reinforce the effectiveness of BCPs by providing related training.
Chronic			
Difficulties using edible plants as chemical raw materials or fuel from a food security perspective	The use of raw materials derived from edible plants becomes difficult.		R: Switch from edible to non-edible biomass raw materials.
Amplification of non-climate risks as a consequence of instability caused by climate change	• Normal operations are disrupted by new pandemics emerging as temperatures rise. • Normal operations cease as the instability of food supplies and housing prompts conflicts and riots.		R: Reinforce the effectiveness of BCPs by providing related training. R: Formulate an emergency plan that includes the strategic downsizing of operations; protection of core assets, data and hazardous chemicals; evacuation procedures; and support for employees' families. R: Prepare emergency plans that are better than those of competitors.

[See DIC Report 2024 (Complete Version) P91–92]

② Metrics and targets

The Group has chosen Scope 1 and 2 CO_2 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 CO_2 emissions—by fiscal year 2050 and will seek to reduce CO_2 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.

DIC Group Scope 1 and 2 Emissions: Results and Targets

	Total	Percent change	Scope 1 (Tonnes of CO_2)	Scope 2 (Tonnes of CO_2)
Fiscal year 2013	921,386	—	—	—
Fiscal year 2023	534,889	42.0%	278,059	256,830
Fiscal year 2030	460,693	50.0%	—	—

2. Human Capital and Diversity

① Strategy

(a) Basic strategy

The Group has declared “reinforcing human capital management” as its basic strategy for human resources. 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. With the goal of realizing a superior human resources portfolio, the Group is working to foster future leaders and self-sufficient human resources and is committed to respecting the human rights and ensuring the safety of all employees, as well as to building systems for creating work environments that encourage job satisfaction and for inspiring greater organizational cohesiveness.

(b) DIC Vision 2030 human resources strategy

The Group sees the top priority of human capital management as securing, developing and deploying the human resources necessary to ensure it realizes business portfolio transformation outlined in 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 and optimize the deployment of human resources to create new businesses and to be adaptable to 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 leaders to guide it going forward, actively recruiting and developing human resources from different industries and with specialized abilities, promoting reskilling by introducing educational tools that support their independent efforts to acquire expertise, and encouraging enthusiasm for taking on challenge for advancing innovations. 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 internal recruitment and side job systems and offering age-specific career training.

(i) Shaping the “To Be” portfolio

With a view to ensuring the “quality” of the human resources portfolio it is building, the Group selected approximately 100 key positions and created the “To Be” vision, which outlines how the nature of these positions is expected to have changed as of fiscal year 2030 and what the requirements will be in terms of career experience and skills to address such changes. Going forward, the HR strategy dept. and relative departments will work together and leverage these findings to facilitate more meticulous succession planning over the medium and long term by developing business department–optimized medium- to long-term programs for fostering human resources and promoting talent management, including the assignment of personnel. They will also establish these key positions as career benchmarks for individual job types, thereby creating career paths and a training framework that appeal to employees enabling it to realize a pool of human resources capable of filling those positions.

(ii) Succession planning

The Group promotes succession planning from the perspective of business continuity and talent visibility. In fiscal year 2024, through consultations with each department, the Group formulated the succession plan for approximately 200 key positions at corporate headquarters, as well as at Group companies in Japan, the PRC and the Asia–Pacific region. To ensure that these plans are implemented, the Group will work to develop human resources for candidate personnel.

(iii) Selection of global management candidates

As part of an initiative to develop its next generation of global business leaders, in fiscal year 2024, the Group established the Global Management Accelerator (GMA) training program with the goal of selecting candidates for global management positions. In the program's first year, employees chosen from Group companies worldwide participated in training at corporate headquarters in Japan. In fiscal year 2025, the Group plans to provide training for all program participants together at an overseas Group site, as well as to dispatch them to various short-term programs at leading universities worldwide. The Group looks forward to this program preparing these employees to demonstrate the advanced capabilities required of next-generation leaders and grow as individuals equipped to assume key roles.

(iv) Mid-career hiring

With the aim of diversifying recruiting channels to maintain the competitiveness of its recruiting initiatives, and of securing human resources with diverse skills and career experience, in fiscal year 2024, the Group sought to enhance its channels for mid-career hiring by reinforcing referral and alumni recruiting.

(v) Career training and counseling

The Group provides career training for employees at age 28, 39 and 50. In-house career counselors conduct follow-up interviews with participants to clarify each individual's vision for their own career and provide support for autonomous career building. In June 2024, the Group held the first "Career Design Month" event on our internal portal site, providing an opportunity for employees to think more closely about their careers through a message from the President and seminars by experts in the field. In addition to regular career interviews, the Group provides opportunities for employees to think about their own careers.

(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 bolster competitiveness 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 promoting the hiring and empowerment of individuals with disabilities.

(i) Promoting career opportunities for female employees

Seeking to leverage the diverse views and ingenuity of its employees to overcome changes in the operating environment, the Group focuses on creating work environments and fostering a corporate culture that enable female employees to maximize their capabilities. In addition to an exclusive mentoring system, which helps create pipelines for female employees at the decision-making level, the Group also provides training, as well as mentoring, for female employees who are about to be promoted to management positions.

In fiscal year 2024, efforts focused on measures to assist employees balance the demands of work and childcare. These included counseling sessions for such employees with female managers who have children serving as advisors, as well as surveys and counseling sessions for male employees regarding their ability to take childcare leave. Going forward, the Group will continue to foster a corporate culture that ensures no employee is left alone to deal with the challenges of raising children while working, and that enables both female and male employees to maintain their careers while also playing an active role in child-rearing.

(ii) Advancing the employment of individuals with disabilities

In Japan, the General Affairs and HR Department has appointed an individual to promote the employment of individuals with disabilities. This individual liaises with special-purpose subsidiary, DIC Estate Co., Ltd., to cultivate new recruitment channels at DIC Group companies in Japan, in addition to DIC Estate, expanding the range of jobs available, reviewing business processes and reinforcing management and guidance systems for employees with disabilities. In fiscal year 2024, the percentage of the total labor force accounted for by individuals with disabilities was 2.55%, up from 2.36% in fiscal year 2023 and in line with the legally mandated level. The Group will continue working to create work environments conducive to job satisfaction for employees with disabilities, as well as to promote diversity, equity and inclusion (DE&I) initiatives designed to enable all employees to play an active role as strategic Group assets.

(iii) Deploying CliftonStrengths®*1

The Group uses CliftonStrengths®, a talent assessment tool that evaluates the strengths of individual employees, to promote labor force diversity. To date, this assessment has been taken by 80% of employees, helping them recognize their own particular talents and deepening self-understanding. Since fiscal year 2023, the Group has also used this assessment in workplace team-building activities intended to increase awareness of individual employee strengths, qualifications and work styles. In fiscal year 2024, approximately one-third of employees participated in these ongoing activities. The Group will continue to deploy this tool with the goal of enhancing employees' awareness of labor force diversity and creating workplace environments that allow employees to leverage their capabilities.

(d) Creating positive workplace environments

Viewing the prioritization of operational safety as a core management tenet, the Group works tirelessly to prevent occupational accidents and disasters, as well as to bolster occupational health and safety levels. The Group emphasizes reducing risks in the workplace by promoting adherence to Principles of Safe Conduct and training highly perceptive safety personnel. The Group also strives to enhance safety through efforts to reinforce its safety infrastructure and create a safety-oriented corporate culture. In line with its Health Management Declaration, proclaimed by the CEO, the Group works actively to support the physical and mental health of employees, as well as to create work environments conducive to job satisfaction. The Group continues to promote imaginative and original health management measures, recognizing that the health of its employees is essential to the realization of sustainable growth.

(i) Occupational safety and health/disaster prevention

Recognizing operational safety as essential to the realization of sustainable growth, the Group has set regional targets for total recordable incident rate (TRIR)*2 and continues to advance a variety of initiatives in the areas of occupational safety and health, and disaster prevention. In fiscal year 2024, the Group revised rules in the PRC to fortify management of hot work conducted in hazardous areas to prevent accidents caused by static electricity. The Group holds regular global meetings and implements regional safety and environment audits to grasp the status of initiatives, incorporating its findings into initiatives in the subsequent years. The Group has also introduced a system for sharing pertinent information in the event of a large-scale fire, chemical leak or natural disaster, which may pose a serious risk to its operations, making it possible to manage this information centrally and ensuring it is communicated to pertinent parties, including the CEO, in a timely manner. This system was used in the aftermath of the earthquake that struck Japan's Noto Peninsula on January 1, 2024, to share information on damage caused to Group facilities.

(ii) Advancing corporate health management

In accordance with its Health Management Declaration, proclaimed by the CEO, the Group works actively to support the physical and mental health of its employees, as well as to create work environments conducive to job satisfaction. The Group continues to promote imaginative and original health management measures, recognizing that the health of its employees is essential to the realization of sustainable growth. In fiscal year 2024, industrial physicians conducted workplace environment improvement interviews with individual employees based on an analysis of the results of stress checks and provided tailored advice and guidance on how to create comfortable workplaces. Other efforts to realize more comfortable workplaces included promoting incremental measures to eliminate smoking with the aim of completely banning smoking at all sites by fiscal year 2027, holding monthly seminars to help employees maintain or improve their health, providing tailored guidance in collaboration with the DIC Employees' Union and staging presentations to encourage use of in-house and external childcare and nursing care systems.

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 Group is also working to improve employee engagement, viewing this as an issue requiring particular focus, through annual employee engagement surveys.

KPI	Fiscal year 2024 Actual	Fiscal year 2025 Target
Percentage of key positions for which candidate of successors have been prepared	77.0%,	100.0%
Percentage of management positions occupied by foreign nationals or female employees	19.0%	20.0%
Percentage of employees identified through stress checks as having a high level of stress	11.5%	9.0%
Percentage of workdays lost due to mental health issues	0.7%	0.2%
Results of annual employee engagement surveys (average scores for key questions)	3.20	3.30

*1 CliftonStrengths® is a registered trademark of Gallup, Inc.

*2 TRIR is calculated as (Number of casualties due to occupational accidents resulting in workdays lost + Number of casualties due to occupational accidents not resulting in workdays lost) / Million work hours

3. Business Risks

The Group conducts materiality assessments to identify issues with the potential to negatively or positively affect its business performance over the medium to long term. The Group continues taking decisive and efficient steps in response to these material 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 to address a wide range of risks. External risks and corporate risks are monitored appropriately by the Sustainability Committee, a deliberative body responsible for Group sustainability initiatives, and its subordinate entity, the Risk Management Subcommittee, while business risks are monitored appropriately by key entities such as the Executive Committee, a deliberative body responsible for important matters related to business execution. Departments are designated for each risk to implement countermeasures and reduce the impact of that risk should they materialize.

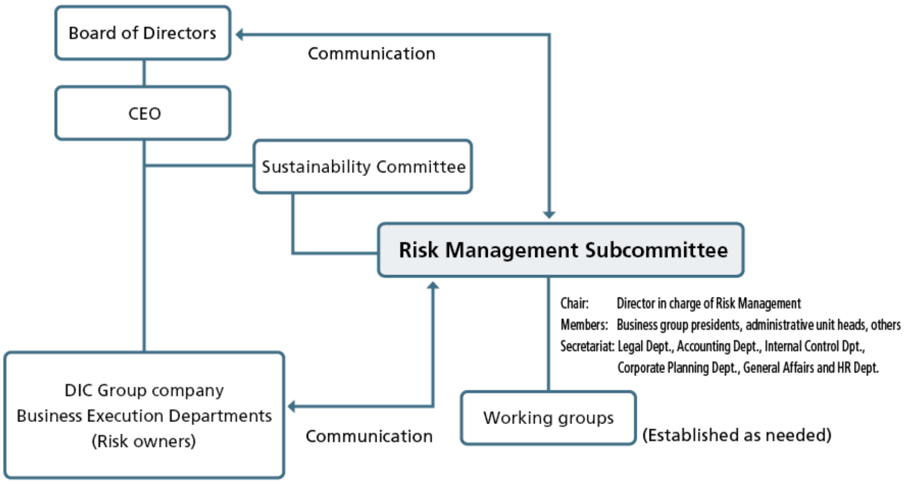
The key business risks described below are recognized based on the material issues*2 identified by the Group, and the findings of a survey conducted by the Risk Management Subcommittee. The degree of impact of each risk, should it materialize, on the Group's businesses and stakeholders is categorized as high, medium or low.

Forward-looking statements herein are based on projections as of December 31, 2024, and the following risks do not cover all risks that could affect the Group.

(Notes)

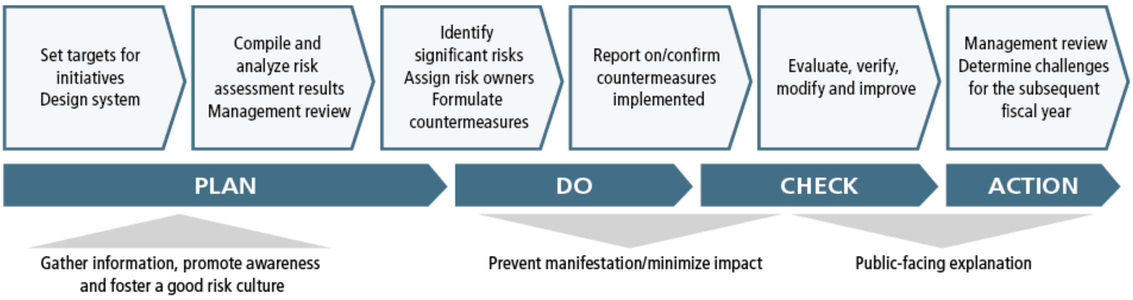
1. For more information on DIC Vision 2030, please visit the DIC global website.
   https://www.dic-global.com/pdf/ir/management/plan/DIC_Vision_2030_en.pdf
   https://www.dic-global.com/pdf/ir/management/plan/Revision_%20DIC_Vision_2030_en.pdf
2. For more information on the Group's material issues, please see "2. Approach to Sustainability and the DIC Group's Initiatives" above.

■ Risk Management Structure



■ Overview of Risk Management

Led by the Risk Management Subcommittee, the Group uses the PDCA cycle on an annual basis to enhance the effectiveness of its risk management.



(1) Key Business Risks

The Group recognizes the following as key business risks with the potential to affect investor decisions. Key risks are selected by the Risk Management Subcommittee based on an exhaustive risk assessment conducted by executive officers and administrative unit heads, among others, taking into account degree of impact, likelihood, risk type, and other internal and external circumstances and factors. These selected risks are subsequently deliberated and formally identified and confirmed by the Sustainability Committee and the Board of Directors.

From the perspective of proactive disclosure, some risks that may not have significant impacts are also described.

Order	Risk category	Risk details	Degree of impact	Likeli-hood	Time horizon	Risk type	Alignment
1	Operating environment	Risks associated with a sharp change of decline in demand	High	Medium	Short to medium term	1, 2, 3	A, B
2		Geopolitical risks	High	Medium	Unknown	1, 2	Other
3		Risks associated with steep fluctuations in interest and currency exchange rates	High	Medium	Short to medium term	1, 3	C
4		Risks associated with major earthquakes	High	Medium	Short to long term	1, 3	Other
5	Environment/ resources	Risks associated with responses to climate change–related environmental and social changes	Medium	Medium	Medium to long term	1, 2, 3	A, B
6		Risks associated with demands for the reduction of environmental impact	Medium	Medium	Short to long term	1, 2, 3	A, B
7	Management and business strategies	Risks associated with the failure of acquisition strategies	High	Medium	Short to medium term	1, 2, 3	A, B
8		Risks associated with portfolio transformation	High	Medium	Short to medium term	1, 2, 3	A, B
9		Supply chain–related risks	Medium	Medium	Short to long term	1, 2, 3	A, B
10	Management/ operations	Risks associated with compliance	High	Medium	Unknown	2	A, B, Other
11		Risks associated with the stagnation or failure of innovation	High	Medium	Medium to long term	2, 3	A, B, Other
12		Risks associated with efforts to secure human resources	Medium	High	Short to long term	2, 3	A, B
13		Risks associated with product quality issues	Medium	Medium	Unknown	2, 3	A, B
14		Cyber security–related risks	Medium	Medium	Unknown	2	B
15		Intellectual property–related risks	Medium	Low	Unknown	1, 2, 3	A, B

Degree of impact (Extent of possible impact if risk materializes as of December 31, 2024)
High: Severe
Medium: Moderate
Low: Minimal

Likelihood (Potential for future manifestation as of December 31, 2024)
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, 2024)
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, 2024**)**
1: External 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. Operating environment

(1) Risks associated with a sharp change of decline in demand

(a) Details of risks and impact on performance

Because the Group operates globally, it faces the risk of a sharp change or persistent decline in demand in any of the markets in which it operates. As a result of the protracted economic slump in Europe and the PRC, there is a possibility not only that regional demand will decline, but that this will lead to a global recession. Moreover, if factors such as concerns about the future and sluggish growth in personal income lead to a sharp decline in demand, especially on the part of consumers, there is a risk that severe deflation may return and linger. In emerging economies, there is a risk that political or economic turmoil will lead to a currency crisis or even a currency collapse.

(b) DIC Group countermeasures

As part of its intelligence-gathering efforts, the Group regularly monitors political and economic conditions around the world and ensures it has a grasp of changes in the operating environment in individual regions and demand industries. In addition, quarterly business reviews, rolling reviews and other initiatives enable it to explore the impact of such changes on individual businesses and determine what countermeasures should be implemented. The Group also reviews its regional portfolios as necessary with the aim of diversifying and reducing risks.

(2) Geopolitical risks

(a) Details of risks and impact on performance

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 the PRC; timely and expedient local responses and staffing restrictions necessitated by stricter travel restrictions; conflicts and political instability in the Middle East; energy and natural resource prices resulting from fears of other political changes, terrorism, riots, etc. and turmoil in the area of logistics all have the potential to impact the Group's performance.

(b) DIC Group countermeasures

In addition to overall management by DIC's corporate headquarter 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.

(3) Risks associated with steep fluctuations in interest and currency exchange rates

(a) Details of risks and impact on performance

In the event of a financial crisis, if for some reason the value of risk assets suddenly declines and credit risk worsens, the corporate bond and commercial paper markets will cease to function and banks will quickly look to recover loans as falling asset prices depress their capital adequacy ratio. This has the potential to cause problems in obtaining financing. Any rapid appreciation in the value of the yen arising from turmoil in the financial markets will both weaken the profitability of exports and reduce the results of overseas Group companies after translation into yen, both of which may significantly impact the Group's operating results. The Group's negative foreign currency translation adjustment could increase, pushing down net assets and potentially causing the Group's financial position to deteriorate. Any increase in interest rates would propel an increase in interest payments. The Group's gross interest-bearing debt is currently in the area of ¥500 billion, but should interest rates rise by a single percentage point, there is a possibility that this will increase by approximately ¥5.0 billion annually over the medium term.

(b) DIC Group countermeasures

As a measure to protect against the impact of a financial crisis, the Group maintains cash reserves and commitment lines to cover future financing needs for a set period of time. In addition to maintaining long-term financing at approximately 80% of its total financing, the Group is striving to vary the timing of such financing. The Group implements measures, including using foreign currency forward contracts, to mitigate the impact of risks associated with currency exchange rate fluctuations, particularly yen appreciation, on imports, exports and dividends. In addition, a committee has been established to manage currency exchange risk that is tasked with formulating hedging policies and monitoring their implementation as appropriate. The Group has used investment hedges against high dollar and euro exposure (US$100.0 million and €100.0 million). Such measures are overseen by the aforementioned committee, taking into account the costs and benefits of hedging. The Group is also taking steps to avoid risks associated with interest rate fluctuations, including optimizing working capital by setting business group–specific targets and monitoring progress on a monthly basis, and is working to improve its financial position by shrinking interest-bearing debt through the reduction of cash and deposits.

(4) Risks associated with major earthquakes

(a) Details of risks and impact on performance

The Group operates on the assumption that major earthquakes will occur in Japan, home to its corporate headquarter and related functions. Nankai megathrust earthquake: The seismic intensity of such an earthquake is likely to be around 6.0 on the Japanese scale. The Group's Yokkaichi, Sakai, Shiga and Komaki plants, as well as its Osaka branch, would likely be directly impacted, while a tsunami of two to three meters could reach Tokyo, where the Group's corporate headquarter is located, and liquefaction could occur at the Sakai and Yokkaichi plants. Major earthquake with an epicenter directly below Tokyo: The seismic intensity of such an earthquake is likely to be around 6.0 in Tokyo, directly impacting corporate headquarter, and 5.0 where the Tokyo Plant, Chiba Plant, Central Research Laboratories and Kashima Plant are located. At all of these locations, supplies of electric power and industrial water may be interrupted as a result of damage to pipes, production of steam may cease with the stoppage of boiler operations, and drainage may stop because of damage to drainage systems. There is also a risk that equipment may be affected by, among others, damage to pipes, the leakage of raw materials, unmooring/listing of equipment due to shifts in the ground's surface, abnormal reactions on production lines, equipment damage caused by utility outages, the malfunctioning of distributed control systems (DCSs) control due to communications failures and flooding caused by tsunamis. It may also be difficult for employees to return home/travel to work if public transportation is interrupted or public welfare facilities cease to function, as well as for on-site subcontractors to reach Group facilities. In addition, because corporate headquarter is a designated temporary shelter for people stranded in the area, it will need to accommodate such individuals. As a result of these and other factors, production may be halted for anywhere from several weeks to several months, restoration work may be delayed because of a lack of facilities, equipment and/or personnel, shipments in of raw materials and shipments out of products may be delayed or suspended, and business activities may stagnate due to the need to secure official safety verification.

(b) DIC Group countermeasures

(i) The Group is working to further improve the effectiveness of its efforts to address risks associated with major earthquakes by revising the KPIs set forth in its BCPs and expanding the application of these KPIs to overseas Group companies. The Group has also created the DIC BC Portal disaster information system, and is proceeding with deployment and providing necessary training. At corporate headquarter, the Group is developing a system to ensure it can properly accommodate people stranded in the area and ensure they do not all try to travel at once when so becomes possible, thereby overburdening public transportation.

(ii) While the magnitude of risks associated with major earthquakes has itself not changed, there are significant gaps between the BCPs of companies in Japan and overseas because of differences in operating environments and regional conditions. As an organization with global operations, geopolitical risks must also be considered, increasing overall related risks.

2. Environment/resources

(1) Risks associated with responses to climate change–related environmental and social changes

(a) Details of risks and impact on performance

In June 2021, the Group announced DIC NET ZERO 2050, setting a long-term target for the reduction of CO2 emissions. The Group now aims to reduce CO2 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:

(i) Should prices for electric power and raw materials increase as a result of, for example, the introduction of emissions trading schemes or fossil fuel levies, there is a risk that this will cause a decline in profits.

(ii) Should drastic changes arise in society’s expectations regarding the reduction of CO2 emissions or in customer needs, there is a risk that the need to consider shrinking or withdrawing from certain existing businesses will arise.

(iii) Should the Group be unable to respond to any sudden changes in demand resulting from the shift to a circular economy, there is a risk that profits will decline or that the need to consider shrinking or withdrawing from certain existing businesses will arise.

(iv) Should climate-related disasters arising from the increasing seriousness or frequency of extreme weather events occur and result in the suspension of operations at production facilities or the instability of raw material supplies, there is a risk that this will cause a decline in profits.

(v) As requirements for disclosure become increasingly stringent worldwide, inappropriate disclosure may lead to reputational damage and the risk of greenwashing lawsuits.

(b) DIC Group countermeasures

(i) The Group continues to calculate product carbon footprint using pertinent recently established standardized guidelines. In fiscal year 2024, the Group began calculating product carbon footprint for products in the Asia–Pacific region and Greater China. In January 2025, the Group established the Climate Change Subcommittee as a subordinate entity of the Sustainability Committee. The Group has formulated CO2 emissions reduction targets and formulated plans to facilitate their achievement. The Group has also articulated an internal definition for the “5Rs” (reuse, reduce, renew, recycle 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. The Group is devising 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.

(ii) 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.

(2) Risks associated with demands for the reduction of environmental impact

(a) Details of risks and impact on performance

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.

(i) 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.

(ii) 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.

(b) DIC Group countermeasures

The Group strives to reduce its environmental impact from the perspective of both production and business activities.

(i) 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.

(ii) 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.

3. Management and business strategies

(1) Risks associated with the failure of acquisition strategies

(a) Details of risks and impact on performance

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.

(b) DIC Group countermeasures

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.

(2) Risks associated with portfolio transformation

(a) Details of risks and impact on performance

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.

(b) DIC Group countermeasures

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. 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. Based on achievements and challenges to date, the Group will continue working to achieve the targets of DIC Vision 2030 by prioritizing the balanced, optimal allocation of management resources. Over the short term, the Group will concentrate on the smart living area, which centers on chemitronics, with the aim of swiftly creating next-generation and growth businesses. Taking into account current operating conditions, efforts will also emphasize achieving the vison for the Group set forth in DIC Vision 2030 while reviewing initiatives for fiscal year 2026 and beyond to enhance their effectiveness.

(3) Supply chain–related risks

(a) Details of risks and impact on performance

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. These issues may hinder the Group's ability to ensure business continuity.

(b) DIC Group countermeasures

(i) 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.

(ii)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.

4. Management/operations

(1) Risks associated with compliance

(a) Details of risks and impact on performance

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. Such incidents may also result in a loss of social credibility.

(b) DIC Group countermeasures

(i) 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 applying 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 also prohibits retaliation against those who have sought consultation or cooperated with investigations as a violation of the DIC Group Code of Business Conduct.

(ii) 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.

(2) Risks associated with the stagnation or failure of innovation

(a) Details of risks and impact on performance

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.

(b) DIC Group countermeasures

(i) 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, environment-friendly materials that contain no perfluoroalkyl or polyfluoroalkyl substances (PFASs) and high-performance nutrition that contributes to a QOL-oriented society. Technical groups actively deploy the latest experimental design methods and machine learning tools 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.

(ii) Production technology groups spearhead active efforts to promote DX and to enhance production technologies with the aim of creating smart factories.

(3) Risks associated with efforts to secure human resources

(a) Details of risks and impact on performance

With the working population continuing to decline, particularly in developed countries, as a consequence of declining birthrates, it may become difficult for the Group to secure human resources that satisfy its expectations and overall competition to recruit such human resources may intensify. Moreover, given the increasing fluidity of the labor market, if the Group's appeal from the perspective of potential employees declines, difficulty in retaining employees may make it difficult to continue to conduct its businesses.

(b) DIC Group countermeasures

(i) In Japan, efforts to recruit new graduates focus on strengthening public relations activities to increase its name recognition and attract the attention of target demographics. The Group is also considering increasing the flexibility of wage settings, including for starting salary levels. For mid-career hires, the Group has created flexible compensation systems for specialists and part-time employees, as well as expanded recruiting channels to attract diverse human resources, including adopting referral and alumni recruiting. Overseas, the Group keeps abreast of regional recruiting initiatives and will continue working through a global HR conference to strengthen these efforts and identify key challenges. The Group will strive to address the needs of individual Group companies by promoting the common branding initiatives and the joint deployment of recruiting tools and know-how. To improve employee retention, the Group conducts employee engagement surveys and will refine its use of the plan-do-check-act (PDCA) cycle, i.e., to conduct surveys, analyze findings, formulate countermeasures and implement initiatives. Employee engagement surveys are also conducted in key overseas locations, including the PRC, and the Group will explore the potential for a global survey going forward.

(ii) Securing outstanding human resources is a challenge for the Group around the world. In Japan, in particular, the Group will prioritize fortifying its recruiting capabilities, improving employee engagement and creating an employment configuration that is not predicated exclusively on hiring Japanese nationals.

(4) Risks associated with product quality issues

(a) Details of risks and impact on performance

In the event a Group 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.

(b) DIC Group countermeasures

(i) In accordance with annual plans, the Group conducts quality audits at individual sites and reports its findings to the Quality Committee. These audits involve not only recommending corrective actions based on findings and responding to queries, but also conducting follow-ups to optimize adherence to rules and processes.

(ii) The Group’s Quality Policy is “Contribute to the prosperity of customers and society by consistently providing reliable products.” With the aim of clarifying responsibility for quality-related activities for the Group, in January 2024, the quality assurance framework was revised, clarifying the division of quality assurance and quality control–related responsibilities between corporate headquarter and sites. The Group will continue working to further entrench and advance understanding of the function and role of the Quality Assurance Department with the goal of building a configuration that encourages better governance.

(5) Cyber security–related risks

(a) Details of risks and impact on performance

A key risk scenario of particular concern involves an external attacker illegally infiltrating the Group's network through a cyber attack involving, for example, ransomware, to take over its internal servers and steal and encrypt data, including important confidential information. If the Group mishandles its response to an incident, it could result in damage spreading and cause various IT systems to become unusable for extended periods of time. This risk scenario also anticipates internal improprieties such as the unauthorized removal or bringing in, as well as the falsification, destruction and unauthorized use, of important confidential information by current or former Group employees. The Group also acknowledges the existence of security risks associated with the inappropriate use of generative AI, which is applied in business increasingly. This could include the careless use of confidential internal information with external generative AI systems to create data for training purposes, resulting in such information being made public, and copyrighted third-party material accidentally being incorporated in materials produced using generative AI. Should such risks materialize, it may disrupt or halt the Group's business processes, production lines, supply chains and/or digital ecosystems, significantly impacting not only its operations and profits, but also its customers and business partners, as well as local communities. Moreover, if important technical information was to be leaked, it would cause, among others, erosion of the Group's technological advantage, delays in product development and weakened competitiveness. In addition, if financial data was to be destroyed or falsified, it could result in errors in financial reporting and/or the disclosure of inaccurate information, leading to a loss of investor trust. This, in turn, could cause a decline in competitiveness over the short to long term, harm the Group's brand and a loss of customer trust and social credibility, as well as result in legal liability, including for the payment of compensation for damages.

(b) DIC Group countermeasures

(i) The Group works continuously to address risks by strengthening the security functions of IT infrastructures at domestic and overseas Group companies, reinforcing incident response capabilities, increasing employee security awareness and advancing understanding of its guidelines for the use of generative AI.

(ii) The Group's efforts to steadily minimize risks by promoting the systematic implementation of related training and awareness-building initiatives continue to yield positive results.

(6) Intellectual property–related risks

(a) Details of risks and impact on performance

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.

(b) DIC Group countermeasures

(i) 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.

(ii) 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 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.

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)

	FY2023	FY2024	Change (%)	Change (%) 〔Local currency basis〕
Net sales	1,038.7	1,071.1	3.1%	-0.1%
Operating income	17.9	44.5	148.1%	155.8%
Ordinary income	9.2	37.9	311.3%	—
Net income attributable to owners of the parent	(39.9)	21.3	Into the black	—
EBITDA *	30.8	95.7	210.3%	—
¥/US$1.00 (Average rate)	140.51	151.04	7.5%	—
¥/EUR1.00 (Average rate)	151.98	163.34	7.5%	—

* 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, 2024, consolidated net sales increased 3.1%, to ¥1,071.1 billion. On a local currency basis, however, consolidated net sales edged down 0.1%. Looking at key global economies, the Americas and Europe saw changes in monetary policy in response to the easing of inflationary pressures, including decisions by central banks to reverse course and lower interest rates. In contrast, in the People's Republic of China (PRC) the economic outlook remained unclear, owing to a persistently sluggish real estate market, waning domestic demand and other factors. 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 in the display market remained firm for the most part, mirroring display manufacturers' production levels, and picked up in the semiconductor market, driven by growth sectors such as generative AI, although a full-scale revival in demand for general-purpose products remained elusive. In industrial materials,* used primarily in mobility solutions, demand for materials for use in automobiles was steady as vehicle sales remained solid worldwide. In this environment, shipments in the Functional Products segment rallied, led by high-value-added offerings for use in electronics equipment and in mobility solutions. In the Packaging & Graphic segment, shipments of jet inks and of packaging inks in overseas markets advanced, underpinned by firm demand. In the Color & Display segment, sales of high-value-added pigments for color filters were firm, while sales of pigments for coatings and for plastics rallied from the sharp declines seen in the fiscal year ended December 31, 2023, thanks to ongoing moves by customers to replenish inventories. Higher net sales also reflected the positive impact of a weak yen on sales denominated in other currencies after translation. Net sales were negatively affected by withdrawals, including through divestiture, from noncore businesses—chiefly in the Functional Products segment— implemented to drive business portfolio transformation, which resulted in the exclusion of the sales of these businesses, including SEIKO PMC CORPORATION, from consolidated results.

Operating income climbed 148.1%, to ¥44.5 billion. The Packaging & Graphic and Functional Products segments saw steep gains, buttressed by a revival in shipments of high-value-added products and an improved product mix, and by efforts to revise sales prices in response to specific regional and product characteristics. In addition, a recovery in shipments of pigments for coatings and for plastics combined with structural reforms aimed at, among others, optimizing production configurations—particularly in the United States and Europe—and efforts to lower costs to significantly reduce the loss in the Color & Display segment.

Ordinary income soared 311.3%, to ¥37.9 billion.

Net income attributable to owners of the parent was ¥21.3 billion, compared with a net loss in the preceding period. This reflected an increase in total extraordinary income, the result of a gain on sales of non-current assets stemming from the transfer of intellectual property related to the liquid crystal (LC) materials business, and a higher gain on sales of investment securities arising from the reduction of strategic shareholdings, as well as a steep decline in total extraordinary losses due to the absence of ¥33.5 billion in impairment losses recorded in the preceding period.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 210.3%, to ¥95.7 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)			
	FY2023	FY2024	Change (%)	Change (%) 〔Local currency basis〕	FY2023	FY2024	Change (%)	Change (%) 〔Local currency basis〕
Packaging & Graphic	541.9	569.8	5.1%	2.4%	22.0	33.6	52.8%	58.7%
Color & Display	227.3	257.0	13.1%	6.9%	(8.9)	(0.3)	Pared loss	Pared loss
Functional Products	305.9	286.3	-6.4%	-8.9%	15.4	21.0	36.0%	31.6%
Others, Corporate and eliminations	(36.4)	(41.9)	—	—	(10.6)	(9.8)	—	—
Total	1,038.7	1,071.1	3.1%	-0.1%	17.9	44.5	148.1%	155.8%

[Packaging & Graphic]

	FY2023	FY2024	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥541.9 billion	¥569.8 billion	5.1%	2.4%
Operating income	¥22.0 billion	¥33.6 billion	52.8%	58.7%

Segment sales advanced 5.1%, to ¥569.8 billion. In the area of packaging inks, used chiefly on packaging for food products, shipments in Japan declined, as rising prices continued to dampen demand for consumer goods, but sales were buoyed by efforts to pass on elevated costs by adjusting sales prices, and by increased sales overseas, underpinned by a revival in demand for consumer goods in the Americas and Europe, as well as by efforts to cultivate customers in Asia, which boosted shipments. Despite expanded shipments in Asia, owing to the cultivation of customers and other factors, sales of publication inks, which center on inks for commercial printing and news inks, fell as dwindling demand pushed shipments down in Japan, as well as in the Americas and Europe. Sales of jet inks, used in digital printing, climbed sharply as customers completed measures to resolve surplus inventories, spurring brisk demand and elevated shipments.

Segment operating income rose 52.8%, to ¥33.6 billion. In Japan, shipments of high-value-added jet inks were robust, while moves to counter elevated costs in packaging inks and publication inks by modifying sales prices progressed. Operating income was also up sharply worldwide, buttressed by higher shipments of packaging inks and publication inks in Asia, together with efforts to maintain sales prices for packaging inks and publication inks in the Americas and Europe amid falling raw materials prices by ensuring stable supplies and services.

[Color & Display]

	FY2023	FY2024	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥227.3 billion	¥257.0 billion	13.1%	6.9%
Operating income	¥(8.9) billion	¥(0.3) billion	Pared loss	Pared loss

Segment sales, at ¥257.0 billion, were up 13.1%. While demand for pigments for coatings and for plastics failed to recover fully in Europe, a leading market for these products, reflecting a delayed economic revival, notably in Germany, shipments recovered following the completion of inventory adjustments by customers, thanks to ongoing moves to replenish inventories, particularly of pigments for use in building materials and for industrial applications. Among high-value-added products, shipments of pigments for color filters used in displays outpaced the previous fiscal year, as demand remained steady, mirroring display manufacturers' production levels. Shipments of pigments for cosmetics were down, hindered by listless demand as cosmetics manufacturers in the Americas and Europe, key customers for these products, continued to adjust inventories. In pigments for specialty applications, shipments for agricultural use declined, a consequence of protracted customer inventory adjustments, but shipments for use in building materials recovered, bolstered by various factors, including a revival in demand from the construction industry in Europe and efforts to cultivate new customers in Asia.

The segment reported an operating loss of ¥0.3 billion, a significant improvement from the preceding period. This was despite inconsistent trends in shipments of high-value-added products and resulted from higher shipments of pigments for coatings and for plastics, as well as to the progress of structural reforms aimed at, among others, optimizing production configurations—mainly in the United States and Europe—and efforts to lower costs. The production of LC materials, from which withdrawal was announced in the period under review, concluded as scheduled in December 2024.

[Functional Products]

	FY2023	FY2024	Change (%)	Change (%) 〔Local currency basis〕
Net sales	¥305.9 billion	¥286.3 billion	-6.4%	-8.9%
Operating income	¥15.4 billion	¥21.0 billion	36.0%	31.6%

Segment sales decreased 6.4%, to ¥286.3 billion. If the impact of business withdrawals, including the divestiture of SEIKO PMC, was discounted, segment sales would have been up 7.8%. In digital materials, sales of epoxy resins—the foremost application for which is electronics equipment, notably semiconductors—advanced, owing to an improvement in the product mix attributable to, among others, a resurgence in demand for use in AI servers, computers and smartphones, which pushed up shipments of related products. Sales of industrial-use adhesive tapes, used mainly in smartphones and other mobile devices, were boosted by steady efforts to lock in demand. In the area of industrial materials, products for use in mobility solutions remained solid, bolstered by an upturn in shipments of polyphenylene sulfide (PPS) compounds, notably in Japan, which was due to firm vehicle sales worldwide.

Segment operating income increased 36.0%, to ¥21.0 billion. Excluding the impact of business withdrawals, segment operating income would have risen 65.9%. Factors behind this significant gain included a recovery in shipments of high-value-added products for use in electronics equipment and in mobility solutions, which contributed to an improved product mix, as well as successful efforts to revise sales prices for all products.

② Cash flow

[Net cash provided by (used in) operating activities] Current fiscal year ended December 31, 2024, ¥46.2 billion (¥89.1 billion for the previous fiscal year ended December 31, 2023)

In the current fiscal year, loss before income taxes was ¥37.7 billion and depreciation and amortization was ¥52.8 billion. Income taxes of ¥12.2 billion were paid and ¥20.8 billion was used in working capital. As a result, net cash provided by operating activities amounted to ¥46.2 billion.

[Net cash provided by (used in) investing activities] Current fiscal year ended December 31, 2024, ¥(17.1) billion (¥(66.5) billion for the previous fiscal year ended December 31, 2023)

In the current fiscal year, while ¥11.6 billion proceeds from the sale of subsidiaries, ¥ 8.1 billion proceeds from the sale of property, plant and equipment and intangible assets and ¥ 6.5 billion proceeds from the sale of investment securities were provided, ¥47.1 billion was used for the purchase of property, plant and equipment and intangible assets. As a result, net cash used in investing activities was ¥17.1 billion.

[Net cash provided by (used in) financing activities] Current fiscal year ended December 31, 2024, ¥(62.6) billion (¥(2.9) billion for the previous fiscal year ended December 31, 2023)

In the current fiscal year, ¥47.8 billion was used for repayment of borrowings, etc., and ¥7.6 billion dividend payments from surplus were made. As a result, net cash used in financing activities amounted to ¥62.6 billion.

(Changes in cash flow indicators)

		FY 2022	FY 2023	FY 2024
Equity ratio	(%)	30.7	29.2	32.7
Equity ratio at market value	(%)	17.5	21.1	26.1
Interest-bearing debt to cash flow ratio	(Years)	64.2	5.9	10.5
Interest coverage ratio	(Times)	9.3	2.2	5.7

(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 liabilities 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, 2024, is as follows:

Segment	Amount (Millions of yen)	YoY (%)
Packaging & Graphic	532,355	108.5
Color & Display	238,475	113.7
Functional Products	303,891	100.2
Total reportable segments	1,074,721	107.1
Others	31	215.7
Total	1,074,752	107.1

(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, 2024, by segment are as follows:

Segment	Amount (Millions of yen)	YoY (%)
Packaging & Graphic	569,763	105.1
Color & Display	218,075	112.4
Functional Products	282,644	93.6
Total reportable segments	1,070,481	103.1
Others	646	107.0
Total	1,071,127	103.1

(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

At the end of the current fiscal year, total assets decreased ¥18.5 billion from the end of the previous fiscal year, to ¥1,226.4 billion, mainly due to the sales of shares in SEIKO PMC CORPORATION, which resulted in the company and its consolidated subsidiaries being excluded from the scope of consolidation. Total liabilities decreased ¥39.8 billion from the end of the previous fiscal year, to ¥805.8 billion, mainly due to a decrease in interest-bearing liabilities. In addition, net assets increased ¥21.3 billion from the end of the previous fiscal year, to ¥420.6 billion, due to an increase in foreign currency translation adjustments accompanying the depreciation of the yen as well as recording of net income attributable to owners of parent.

③ Capital resources and liquidity

(a) For an analysis of the Company's cash flows in the fiscal year ended December 31, 2024, 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 at between 1.0 and 1.1 times. The Company expects to improve its net D/E ratio to around 1.03 times by December 31, 2025, by generating solid operating cash flow, accumulating net profits, and asset sales. The adjusted net D/E ratio, after recognition of hybrid equity credit attributes, is expected to be in the area of 0.88 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 and capital contributions. 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, 2024, the Company's net interest-bearing debt was ¥422.5 billion, and the net D/E ratio was 1.05 times. As a result of reducing interest-bearing debt, cash and deposits at fiscal year-end amounted to ¥61.9 billion.

Notes:

1. Interest-bearing debt is calculated by adding together loans payable, commercial papers, bonds payable and lease liabilities 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)	2024 Plan	2024 Actual	2025 Forecasts	2025 Plan
Net sales	1,100.0	1,071.1	1,110.0	1,150.0
Operating income	30.0	44.5	48.0	40.0
Operating margin	2.7%	4.2%	4.3%	—
Net income attributable to owners of the parent	10.0	21.3	24.0	—
EBITDA*	82.0	95.7	102.0	—
ROIC**	2.6%	3.8%	4.2%	—
Net D /E ratio***	1.13	1.05	1.03	—

* 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.

Not applicable.

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 Group is combining its basic technologies, including existing basic 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 basic technologies and fostering new basic technologies; and the New Business Development Headquarters, which is charged with creating strategic new businesses and commercializing business units’ next-generation products. Overseas, the Group’s R&D is conducted by the Sun Chemical’s research centers in the United States, the United Kingdom and Germany; Qingdao DIC Innovation Technology Co., Ltd. in the PRC; Printing Inks Technical Centers and Polymer Technical Centers in the PRC and the Asia–Pacific region; Algae Research Center; Solid Compound Technical Center; Pigment Technical Center; Tape Technical Center; and the 3D Printing Materials Laboratory. These facilities are working as one to promote the global development of products and technologies.

The Group actively promotes the use of 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, 2024, were ¥16,313 million. In addition, technology-related expenses for the Company and DIC Graphics for product improvement and customization were ¥15,409 million. Recent R&D highlights in the period under review are described below.

(1) Packaging & Graphic

Newly developed printing inks included a next-generation ink for paper containers that combines oil-based ink and overprint varnish, which was introduced at Tokyo International Packaging Exhibition 2024 (TOKYO PACK 2024). The Company also announced that a waterborne coating varnish approved as a food contact material and achieves outstanding water and oil resistance, while at the same time containing no perfluoroalkyl or polyfluoroalkyl substances (PFASs), had been adopted for use in paper food cups manufactured without plastic film. In addition, the Group introduced a subscription-based digital service that leverages color management technology to enable the accurate and prompt generation of desired color data using offset, gravure, flexo and inkjet printing.

In the area of packaging materials, the Company inaugurated a proprietary polystyrene dissolution and separation facility, a significant step toward achieving the packaging materials industry’s first-ever closed-loop recycling system for colored and patterned polystyrene foam food trays that deploys material recycling.

Overseas, a deinkable water-based printing ink that meets recyclability standards for shrink labels used on high-density polyethylene containers as well as a biorenewable low-migration ink for high-temperature food labels have been developed. Electronic Materials added digitally applied dielectrics which provide more effective dielectric material deposition for printed circuit boards, solar cells, and batteries to its portfolio.

(2) Color & Display

In addition to developing pigments for color filters used in displays, efforts emphasized the launch of effect pigments for use in cosmetics with unique colors and sustainability features. In pigments for inkjet inks, the Company launched water-based pigment dispersions compatible with nonabsorbent media such as food packaging, polyvinyl chloride (PVC) wallpaper and labels.

Overseas, the expansion of the lineup of high-performance, design-friendly solar heat–suppressing black pigments as well as a launch of a new line of effect pigments for automotive coatings that deliver highly saturated color and shine have been carried out.

(3) Functional Products

Highlights in the area of synthetic resins include commencing mass production of low-dielectric resins for electronic circuit boards for next-generation 5G/6G-enabled communications devices. The Company also developed an epoxy resin designed to facilitate easy disassembly as well as a heat-resistant epoxy resin curing agent that can withstand temperatures up to over 200°C and is recyclable. Efforts to promote sustainable products promoted included obtaining Japan's Biomass Mark designation for products used in infrastructure repairs, including an asphalt crack filler, a nonslip pavement binder and a top coat for drainage pavement. In surfactants, the Company developed and promoted the expansion of its lineup of PFAS-free antifoaming agents for lubricating oils for electric vehicles that boast excellent antifoaming properties, thermal stability and durability.

Working with several plating manufacturers, the Company developed a new polyphenylene sulfide (PPS) compound that can be plated onto metals using existing plastic plating lines. In the area of automotive components, the move toward electrification is spurring the increased use of plastics for electronic device housings. This new PPS compound imparts electromagnetic shielding properties tailored to specific frequency bands. In industrial-use adhesive tapes, the Company expanded its lineup, as well as bolstered production, of toluene-free ultrathin tapes for smart devices.

(4) Other

As part of its efforts to foster new basic technologies, in the field of inorganic materials, the Group completed piezoelectric filler and piezoelectric composite sheet prototypes for use in the production of thin and highly sensitive vibration and tactile sensors. In addition to exhibiting sensor mockups at SENSOR EXPO JAPAN 2024, the Group began shipping samples to manufacturers in areas such as automobiles, heavy industry, robotics, medical care and food products.

The Group has also commenced sample shipments of a prototype highly thermally conductive varnish for use in heat dissipation plates. In the area of biomaterials, the Group continued to focus on the mass cultivation of Suizenji nori, a blue-green algae indigenous to Japan, for extraction of SACRAN™, which boasts five times the moisture-retention capacity of hyaluronic acid.

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, which include investment to intangible assets, by segment, were as follows:

Segment	Capital investment amount (Millions of yen)	Main content and purpose of facilities	Financing method
Packaging & Graphic	16,871	Construction of packaging materials production facilities Investments to build a new material recycling facility for polystyrene used in packaging materials and a high-efficiency production facility in the People's Republic of China (PRC) in conjunction with the realignment of the local printing inks production network	Own funds and borrowings
Color & Display	8,238	Update of pigment production facilities Investments to update production facilities for pigments for coatings, functional pigments and other products to bolster production efficiency and to install environment-friendly equipment at outdoor algae cultivation facilities	Own funds and borrowings
Functional Products	18,994	Expansion of synthetic resins production facilities Investments to reinforce production facilities to expand operations in the area of synthetic resins for electronic applications 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	1,159	Research facilities, etc.	Own funds and borrowings
Total	45,263	—	—

(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.	2,867	3,191	115	1,443 (144)	36	7,652	238
Chiba Plant (Ichihara City, Chiba)	Functional Products	Synthetic resin production facilities, etc.	7,786	6,447	948	2,005 (435)	248	17,433	728
Sakai Plant (Takaishi City, Osaka)	Functional Products	Synthetic resin production facilities, etc.	3,799	2,997	535	1,584 (199)	226	9,141	380
Kashima Plant (Kamisu City, Ibaraki)	Color & Display Functional Products	Organic pigment production facility, PPS polymer production facility, etc.	7,134	9,639	295	2,570 (603)	290	19,928	298
Saitama Plant (Kitaadachi-gun, Saitama)	Packaging & Graphics Color & Display Functional Products	Industrial tape production facilities, etc.	2,540	1,246	444	1,986 (103)	55	6,270	374
Research and Development Institute (Sakura City, Chiba)	Corporate	Research facilities, etc.	4,258	62	1,351	2,769 (259)	1	8,441	282
Head Office (Chuo-Ku, Tokyo)	Packaging & Graphics Color & Display Functional Products Others and Corporate	Other equipment	1,447	156	893	1,632 (89)	27	4,155	1,028

(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.	1,004	2,158	150	677 (51)	16	4,006	627
DIC Kitanihon Polymer Co., Ltd. Tohoku Plant and others (Katta-gun, Miyagi Prefecture, etc.)	Functional Products	Synthetic resin production facilities, etc.	1,116	960	64	694 (72)	10	2,844	102

(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.	555	3,978	158	378 (26)	3,470	8,538	88
DIC Zhangjiagang Chemicals Co., Ltd. (Zhangjiagang, China)	Functional Products	Synthetic resin production facilities, etc.	1,289	2,455	485	138 (104)	241	4,607	228
Nantong DIC Color Co., Ltd. (Nantong, China)	Packaging & Graphics Color & Display	Printing ink production facilities, etc.	869	1,425	112	1,241 (174)	4,099	7,746	330
DIC Graphics (Dongguan) Ltd. (Dongguan, China)	Packaging & Graphics	Printing ink production facilities, etc.	2,696	1,561	54	990 (40)	2	5,303	208
Guangdong DIC TOD Resins Co., Ltd. (Shaoguan, China)	Functional Products	Synthetic resin production facilities, etc.	2,414	3,449	127	653 (135)	―	6,643	415
DIC Siam Chemical Industry Co., Ltd. (Bangkok, Thailand)	Functional Products	Synthetic resin production facilities, etc.	704	2,011	280	834 (162)	597	4,427	342
PT. DIC GRAPHICS (Jakarta, Indonesia)	Packaging & Graphics Color & Display	Printing ink production facilities, Organic pigment production facilities, etc.	1,991	1,463	122	817 (131)	112	4,504	676
Ideal Chemi Plast Private Limited (Maharashtra, India)	Functional Products	Synthetic resin production facilities, etc.	1,255	1,436	75	253 (54)	5	3,025	59
Sun Chemical Group Cooperative U. A. (Weesp, Netherlands)	Packaging & Graphics Color & Display Functional Products Others	Printing ink production facilities, Pigment production facilities, etc.	68,563	77,242	6,876	20,743 (10,474)	9,709	183,134	10,199

(Notes) 1. The above book value is the book value on the consolidated balance sheet after adjusting the book value of each company.
2. Ideal Chemi Plast Private Limited changed its name to DIC Ideal Private Limited on January 6, 2025.
3. 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 is ¥49.2 billion, and the breakdown by segment is as follows:

Segment	Planned Amount as of December 31, 2024 (Millions of yen)	Main Content and Purpose of Facilities	Financing Method
Packaging & Graphics	19,700	New construction of production facilities for packaging inks overseas, etc.	Own funds and borrowings
Color & Display	10,000	Renewal of production facilities for functional pigments overseas, etc.	Own funds and borrowings
Functional Products	16,300	Renewal of production facilities for synthetic resins in Japan, etc.	Own funds and borrowings
Others and Corporate	3,200	Update of information systems, etc.	Own funds and borrowings
Total	49,200	—	—

(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, 2024)	Number of shares issued (as of March 27, 2025)	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, 2024

	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	—	64	32	411	263	35	40,611	41,416	—
Number of shares owned (Units)	—	296,360	34,022	154,639	339,167	71	125,550	949,809	176,004
Percentage of shares owned (%)	—	31.20	3.58	16.28	35.71	0.01	13.22	100.00	—

(Notes) 1. The Company’s 197,848 shares of treasury stock are included in “Japanese individual investors and others” (1,978 units) and “Number of shares less than one unit” (48 shares). The total number of shares of treasury stock—197,848—is the number of shares listed in the shareholder registry. As of December 31, 2024, the actual number of shares of treasury stock owned was 197,548.

2. The 277,400 shares held by the Board Benefit Trust (BBT) are included in “Japanese financial institutions” (2,774 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, 2024

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
SHOEI INC.	16-2, Soto-Kanda 2-chome, Chiyoda-ku, Tokyo, Japan	12,694,386	13.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan	10,527,900	11.09
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	5,954,400	6.27
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)	5,792,408	6.10
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
OASIS INVESTMENTS II MASTER 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)	2,783,918	2.93
OASIS JAPAN STRATEGIC FUND Y 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)	2,442,916	2.57
Aioi Nissay Dowa Insurance Co., Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo, Japan (Akasaka Intercity AIR, 8-1, Akasaka 1-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 (Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan)	1,900,075	2.00
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 (4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan)	1,853,200	1.95
Total	―	49,470,071	52.10

(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: 4,011,900	Pension trust: 585,000
Custody Bank of Japan, Ltd. (Trust Account):	Securities investment trust: 2,673,000	Pension trust: 277,500

2. In a report of possession of large volume (report of changes) provided by MUFG Bank, Ltd., for public inspection on July 29, 2024, the following shares are attributed to MUFG Bank, Ltd. and two joint holders as of July 22, 2024. However, the actual number of shares held by these companies as of December 31, 2024, 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.	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	971,608	1.02
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	1,734,600	1.82
Mitsubishi UFJ Asset Management Co., Ltd.	9-1, Higashi-Shinbashi 1-chome, Minato-ku, Tokyo, Japan	911,600	0.96
Total	―	3,617,808	3.80

3. In a report of possession of large volume (report of changes) provided by Sumitomo Mitsui Trust Bank, Limited, for public inspection on August 6, 2024, the following shares are attributed to Sumitomo Mitsui Trust Asset Management Co., Ltd. and one joint holder, Nikko Asset Management Co., Ltd., as of July 31, 2024. However, the actual number of shares held by these companies as of December 31, 2024, 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) (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shibakoen 1-chome, Minato-ku, Tokyo, Japan	2,724,500	2.86
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo, Japan	1,579,300	1.66
Total	―	4,303,800	4.52

4.In a report of possession of large volume (report of changes) provided by Nomura Securities Co., Ltd., for public inspection on October 3, 2024, the following shares are attributed to Nomura Securities Co., Ltd. and two joint holders as of September 30, 2024. However, the actual number of shares held by these companies as of December 31, 2024, 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	3,684	0.00
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	2,512,661	2.64
Nomura Asset Management Co., Ltd.	2-1, Toyosu 2-chome, Koto-ku, Tokyo Japan	1,687,300	1.77
Total	―	4,203,645	4.42

5. In a report of possession of large volume provided by Oasis Management Company Ltd., for public inspection on October 18, 2024, the following shares are attributed to Oasis Management Company Ltd., as of October 15, 2024. However, the actual number of shares held by these companies as of December 31, 2024, is not included in major shareholders above because the Company cannot confirm the number. An extraordinary report (Change in Major Shareholder) was submitted on October 21, 2024, because the Company confirmed a change in a major shareholder in the report of possession of large volume.

Name of shareholder	Address	Number of shares owned	Percentage of total issued shares (excluding treasury stock) (%)
Oasis Management Company Ltd.	Maples Corporate Services Ltd, PO Box 309, Ugland House South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	10,974,100	11.53
Total	―	10,974,100	11.53

(7) Voting Rights

① [Issued shares]

As of December 31, 2024

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	197,500	―	Shares less than one unit (100 shares)
Shares with full voting rights (other)	Common stock	94,783,400	947,834	Shares less than one unit (100 shares)
Shares less than one unit	Common stock	176,004	―	―
Number of issued shares		95,156,904	―	―
Voting rights of all shareholders		―	947,834	―

(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 277,400 shares held by the BBT (constituting 2,774 voting rights). The 2,774 voting rights for the shares held by the BBT are not exercised.

② [Treasury stock, etc.]

As of December 31, 2024

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	197,500	―	197,500	0.21
Total	―	197,500	―	197,500	0.21

(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 277,400 shares of treasury stock held by the BBT are not included in shares of treasury stock above.

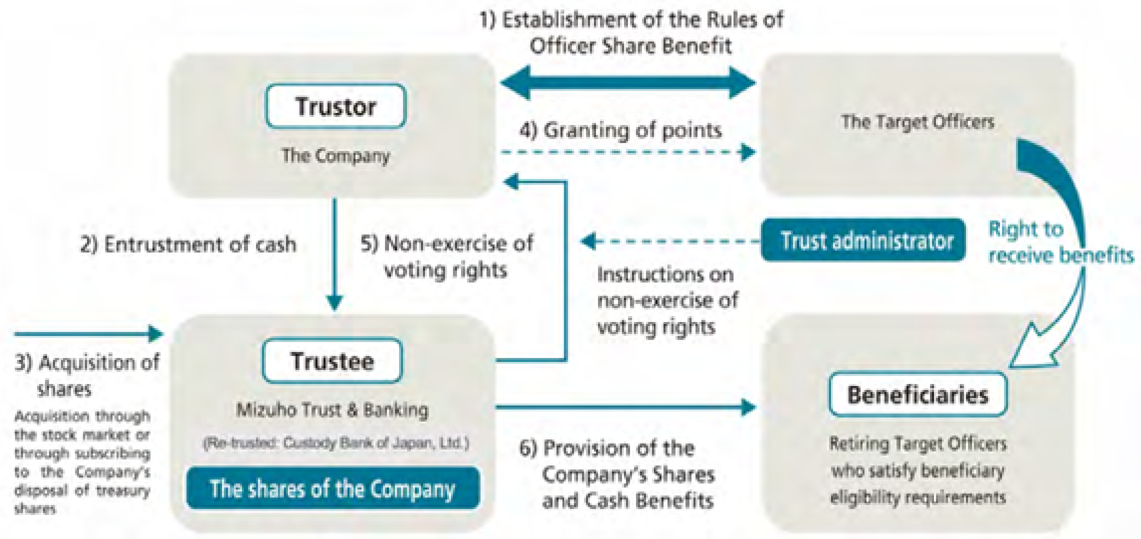
(8) Share Ownership by Directors/Other Officers and Employees

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, 2024) is 277,400.

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, 2024	2,568	7,959,553
Treasury stock acquired during the current period for acquisition	317	1,058,747

(Note) Treasury stock acquired during the current period for acquisition does not include shares constituting less than one unit purchased between March 1, 2025, and the filing date of this report.

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

Category	Fiscal year ended December 31, 2024		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 (—)	—	—	—	—
Shares of treasury stock held	197,548	—	197,865	—

(Note) Treasury stock held during the current period for acquisition does not include shares constituting less than one unit purchased between March 1, 2025, 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, 2024:

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
Resolution of the Board of Directors (August 9, 2024)	4,748	50
Resolution at the annual general meeting of shareholders (March 27, 2025)	4,748	50

(Notes) 1. The total amount of dividends approved by resolution of the Board of Directors on August 9, 2024, includes dividends of ¥14 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 27, 2025, includes dividends of ¥14 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 Group defines corporate governance as a mechanism to ensure effective decision-making pertaining to its management policy of achieving sustainable corporate growth and expansion through sound and efficient management, while at the same time guaranteeing the appropriate monitoring and assessment of and motivation for management's execution of business activities. With the aim of achieving a higher level of trust with its shareholders, customers and other stakeholders and enhancing corporate value, the Group also promotes ongoing measures to reinforce its management system and ensure effective monitoring thereof.

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, Corporate Value Improvement 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 the Nomination Committee and the Remuneration Committee, which include four independent 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 auditor and the internal auditing department. This structure ensures the effective functioning of the Company's corporate governance system. The Corporate Value Improvement Committee, which consists of four independent Outside Directors, was established in April 2024 to explore the role of companies in society from a high-level, broad viewpoint and advise the Board of Directors from a third-party perspective regarding the improvement of corporate value over the long term.

(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 nine Directors, four of whom are independent Outside Directors (two of whom are female, including one who is a foreign national). 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 are: Chairman of the Board of Directors Kaoru Ino; Representative Director, President and CEO Takashi Ikeda; Representative Director and Executive Vice President Shuji Furuta; Directors and Senior Managing Executive Officers Takeshi Asai and Masaya Nakafuji; and independent Outside Directors Masami Fujita, Shiro Saito, Donna Costa and Shie Lundberg.

The Board of Directors met 14 times in the fiscal year ended December 31, 2024. Attendance at Board meetings was as follows:

Position	Name	Attendance rate at Board of Directors' meetings
Representative Director, Chairman of the Board of Directors	Kaoru Ino	100% (14/14)
Representative Director, President and CEO	Takashi Ikeda	100% (10/10)
Representative Director, Executive Vice President	Shuji Furuta	100% (14/14)
Director	Masayuki Saito	100% (4/4)
Director	Toshifumi Tamaki	100% (4/4)
Director	Yoshihisa Kawamura	100% (14/14)
Director, Senior Managing Executive Officer	Takeshi Asai	100% (14/14)
Director, Senior Managing Executive Officer	Masaya Nakafuji	100% (10/10)
Independent Outside Director	Kuniko Shoji	100% (14/14)
Independent Outside Director	Masami Fujita	100% (14/14)
Independent Outside Director	Shiro Saito	100% (10/10)
Independent Outside Director	Donna Costa	100% (10/10)

(Notes)

1. Positions listed were as of December 31, 2024.
2. The term of office of Directors Masayuki Saito and Toshifumi Tamaki expired in March 2024. The total number of meetings indicated reflects meetings held and attended while in office.
3. Directors Takashi Ikeda, Masaya Nakafuji, Shiro Saito and Donna Costa were elected in March 2024. 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 makes a determination on proposals for the appointment and dismissal of officers, as well as deliberates on matters related to the CEO selection process and skills 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 are: Independent Outside Director Masami Fujita (Committee Chair); Chairman of the Board of Directors Kaoru Ino; Representative Director, President and CEO Takashi Ikeda; and independent Outside Directors Shiro Saito, Donna Costa and Shie Lundberg.

The Nomination Committee met five times in the fiscal year ended December 31, 2024. Attendance at committee meetings was as follows:

Position	Name	Attendance rate at Nomination Committee meetings
Independent Outside Director	Masami Fujita	100% (5/5)
Representative Director, Chairman of the Board of Directors	Kaoru Ino	100% (5/5)
Representative Director, President and CEO	Takashi Ikeda	100% (4/4)
Independent Outside Director	Kuniko Shoji	100% (5/5)
Independent Outside Director	Shiro Saito	100% (4/4)
Independent Outside Director	Donna Costa	100% (4/4)

(Notes)

1. Positions listed were as of December 31, 2024.
2. Directors Takashi Ikeda, Shiro Saito and Donna Costa were elected in March 2024. The total number of meetings indicated reflects meetings held and attended while in office.

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 are: Independent Outside Director Masami Fujita (Committee Chair); Chairman of the Board of Directors Kaoru Ino; Representative Director, President and CEO Takashi Ikeda; and independent Outside Directors Shiro Saito, Donna Costa and Shie Lundberg.

The Remuneration Committee met four times in the fiscal year ended December 31, 2024. Attendance at committee meetings was as follows:

Position	Name	Attendance rate at Remuneration Committee meetings
Independent Outside Director	Kuniko Shoji	100% (4/4)
Representative Director, Chairman of the Board of Directors	Kaoru Ino	100% (4/4)
Representative Director, President and CEO	Takashi Ikeda	100% (2/2)
Independent Outside Director	Masami Fujita	100% (4/4)
Independent Outside Director	Shiro Saito	100% (2/2)
Independent Outside Director	Donna Costa	100% (2/2)

(Notes)

1. Positions listed were as of December 31, 2024.
2. Directors Takashi Ikeda, Shiro Saito and Donna Costa were elected in March 2024. The total number of meetings indicated reflects meetings held and attended while in office.

④ Corporate Value Improvement Committee

The Corporate Value Improvement Committee was established in April 2024 to explore the role of companies in society from a high-level, broad viewpoint and advise the Board of Directors from a third-party perspective regarding the improvement of corporate value over the long term. The committee consists of four Independent Outside Directors and depending on the theme invites external experts to serve as advisors.

As of the date of publication, committee members are: Independent Outside Directors Shiro Saito (Committee Chair); Masami Fujita, Donna Costa and Shie Lundberg.

The Corporate Value Improvement Committee met eight times in the fiscal year ended December 31, 2024. Attendance at committee meetings was as follows:

Position	Name	Attendance rate at Remuneration Committee meetings
Independent Outside Director	Shiro Saito	100% (8/8)
Independent Outside Director	Kuniko Shoji	88% (7/8)
Independent Outside Director	Masami Fujita	100% (8/8)
Independent Outside Director	Donna Costa	100% (8/8)

(Note) Positions listed were as of December 31, 2024.

⑤ Executive Committee

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

As of the date of publication, committee members are: 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, Yuji Kikuchi and Tomoyuki Tanaka; Executive Officers Yuji Morinaga, Kuniko Torayama, Masaaki Kusaka, Takao Iribe, Yoshiharu Ootoshi and Hisashi Komoto; overseas-based Executive Officers Myron Petruch, Paul Koek, Masahiro Kikuchi and Kevin Michaelson (these four are limited to global matters); and Full-time Audit & Supervisory Board Members Hiroyuki Ninomiya and Toshinobu Kitamura (only one of the which participates).

(Note) Global matters: Matters that have a significant impact on the Group's management and can be effectively shared on a global basis.

⑥ 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. In the fiscal year ended December 31, 2024, the committee met four times. 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 are: 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, Yuji Kikuchi and Tomoyuki Tanaka; Executive Officers Paul Koek, Masahiro Kikuchi, Yuji Morinaga, Masaaki Kusaka, Takao Iribe, Yoshiharu Ootoshi and Hisashi Komoto; 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; and Full-time Audit & Supervisory Board Members Hiroyuki Ninomiya and Toshinobu Kitamura (only one of the which participates).

⑦ Quality Committee

In addition to reporting on the status and progress of quality management, the Quality Committee functions as a deliberative body for the DIC Group's quality policy, principal initiatives and important issues. In 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 are: President and CEO Takashi Ikeda (Committee Chair); Deputy General Manager of the Production Management Unit (Quality Control) Hiroshi Mikami (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, Yuji Kikuchi and Tomoyuki Tanaka; Executive Officers Yuji Morinaga, Kuniko Torayama, Masaaki Kusaka, Yoshiharu Ootoshi and Hisashi Komoto; General Manager of the Chemitronics Business Division Minoru Hara; and Full-time Audit & Supervisory Board Members Hiroyuki Ninomiya and Toshinobu Kitamura (only one of the which participates).

⑧ WSR 2020 Committee

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

As of the date of publication, committee members are: 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, Yuji Kikuchi and Tomoyuki Tanaka; Executive Officers Yuji Morinaga, Kuniko Torayama, Masaaki Kusaka, Takao Iribe, Yoshiharu Ootoshi and Hisashi Komoto; General Manager of the Chemitronics Business Division Minoru Hara and General Manager of the R&D Management Unit Nobuyuki Koike.

⑨ Audit & Supervisory Board

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

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

3. Internal control and risk management systems

The Board of Directors has created the 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 the President and CEO via internal audit reports and quarterly internal control meetings, with particularly important findings reported to the Board of Directors. Additionally, by sending internal audit reports to the Executive Officers in charge of the audited organizations, the internal auditing department requests that the audited departments 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 the 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: 10, female: 3 (women account for 23.1% 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)
Chairman of the Board of Directors	Kaoru Ino	September 15, 1957	April 1981	Joined the Company	See Note 4	23^{9}
			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	Representative Director; Chairman of the Board of Directors		
			March 2025–present	Chairman of the Board of Directors		
Representative Director; President and CEO	Takashi Ikeda	May 7, 1965	April 1990	Joined the Company	See Note 4	15^{8}
			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	Shuji Furuta	June 11, 1964	April 1987	Joined the Company	See Note 4	14[8]
			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		
			January 2025 – present	Representative Director; Executive Vice President; Assistant to President and CEO		
Director; Senior Managing Executive Officer; Head of Finance and Accounting Unit; CFO	Takeshi Asai	April 3, 1964	April 1988	Joined the Company	See Note 4	11[8]
			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 4	15[8]
			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		
			March 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]	Masami Fujita	September 22, 1956	April 1980	Joined Fujitsu Limited	See Note 4	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		
Director[1]	Shiro Saito	May 1, 1957	April 1982	Joined Toshiba Corporation	See Note 4	—
			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	Executive Fellow, Toshiba Corporation		
			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)
Director[1]	Donna Costa	August 15, 1960	August 1987	Joined Cleary Gottlieb Steen & Hamilton LLP	See Note 4	—
			February 1996	General Counsel, Mitsubishi Chemical Holdings America, Inc. (currently 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		
Director[1]	Shie Lundberg[3]	October 11, 1973	April 1996	Joined Booz-Allen & Hamilton Co., Ltd.	See Note 4	—
			September 2001	Joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.)		
			February 2005	Director, Viz Media, LLC		
			January 2008	Senior Director, Viz Media, LLC		
			February 2012	Senior Director, NexTag, Inc.		
			January 2016–present	Director, Google Inc. (currently Google LLC) (Mountain View, California, USA)		
			June 2022–present	Outside Director, Resona Bank, Limited		
			March 2025–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 5	5[9]
			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 6	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 7	—
			April 1998– present	Joined Yodoyabashi Godo Law Office (currently Yodoyabashi & Yamagami Legal Professional Corporation)		
			February 2002 – present	Changed registration as an attorney to the 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 5	—
			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	92

(Notes) 1. Masami Fujita, Shiro Saito, Donna Costa and Shie Lundberg are Outside Directors of the Company.
2. Keita Nagura and Keiko Kishigami are Outside Audit & Supervisory Board Members of the Company.
3. Shie Lundberg has a name, Shie Saito, as it appears on Japanese family register.
4. March 27, 2025–Conclusion of the final Annual General Meeting of Shareholders held in the subsequent fiscal year.
5. March 29, 2023–Conclusion of the final Annual General Meeting of Shareholders held in the subsequent four fiscal years.
6. March 28, 2024–Conclusion of the final Annual General Meeting of Shareholders held in the subsequent four fiscal years.
7. March 27, 2025–Conclusion of the final Annual General Meeting of Shareholders held in the subsequent four fiscal years.
8. 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.
9. 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.
10. As stipulated in Article 329, Paragraph 3, of the Companies Act of Japan, 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 Outside 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, 2024, 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, 2024, 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 sold products to, and purchased products from, Sumitomo Seika Chemicals Company, Limited., where Ms. Kishigami also 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.

In addition, prior to June 2019, Keiko Kishigami was a Senior Partner of Ernst & Young ShinNihon LLC. Although the Company had consulting-related transactions with the company in the fiscal year ended December 31, 2024, these transactions accounted for less than 1% of the annual consolidated net sales of the company 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 Outside 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, the Remuneration Committee and the Corporate Value Improvement 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 Department and Head of the Finance and Accounting Unit. Full-time Audit & Supervisory Board Member Toshinobu Kitamura was in charge of finance and accounting for the Company and 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 two dedicated staff 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, 2024, was as follows:

Position	Name	Attendance rate	
		Audit & Supervisory Board meetings	Board of Directors' meetings
Full-time Audit & Supervisory Board Member	Hiroyuki Ninomiya	100% (16/16)	100% (14/14)
Full-time Audit & Supervisory Board Member	Toshinobu Kitamura	100% (11/11)	100% (10/10)
Outside Audit & Supervisory Board Member	Keita Nagura	100% (16/16)	100% (14/14)
Outside Audit & Supervisory Board Member	Keiko Kishigami	100% (16/16)	93% (13/14)

(Note) Toshinobu Kitamura was elected in March 2024. The total number of meetings indicated reflects meetings held and attended while in office.

(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, 2024, the Audit & Supervisory Board met 16 times (each meeting lasted between 29 minutes to 2 hours and 14 minutes). Activities included resolving, deliberating/discussing, and reporting on multiple issues.

・Issues resolved: 16

Basic Audit & Supervisory Board Members' audit policy, priority audit items, 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, revision of rules related to Audit & Supervisory Board and its members (Audit & Supervisory Board Regulations, etc.), an audit report by the Audit & Supervisory Board, etc.

・Issues deliberated/discussed: 9

Evaluation of the accounting auditor, assessment of the effectiveness of the Audit & Supervisory Board, provision of guideline for change and appointment of accounting auditor, etc.

・Issues reported on: 30

Monthly activities of the Full-time Audit & Supervisory Board Members, site and subsidiary investigations, the accounting auditor's audit plan and audit/review 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 discussed by all members based on the summary. The results of this process are reflected in the audit plan and priority audit items 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 Audit & Supervisory Board 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, 2024, 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, 2024, 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 group through site investigations. 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, governance status and management 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)	○	–
	Onsite review at business sites	○	–
Group companies	Hold meetings with domestic Group company auditors (quarterly)	○	–
	Onsite review at domestic Group companies	○	–
	Attend Board of Directors' meetings at overseas regional headquarters (monthly/quarterly)	○	–
	Onsite review at overseas Group companies, including interviewing local accounting auditors	○	–
Internal audits	Annual audit plan briefing and results report from the internal auditing department	○	○
	Review of individual audit reports from, and exchange of views with, the internal auditing department (monthly)	○	–
	Review of response and status of handlings to whistleblowing	○	–
	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)	○	△
Accounting audit	Exchange views with the accounting auditor regarding the explanation of the audit plan, quarterly and interim review reports, interim communication and the year-end audit report	○	○
	Attending to observe audits by accounting auditor of business divisions, functional departments, business sites and group companies	○	–
	Evaluation of accounting auditor	○	○
Collaboration of three audit bodies	Share information and exchange views across three auditing bodies at 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	2024									2025		
	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Annual audit plan		○										
Quarterly and interim review reports, interim communication		○			○			○				
Year-end audit plan and report										○	○	○
Exchange of information and views			○	○			○		○		○	○

Regarding key audit matters, 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.
・Interim review report (August): The selection status of candidate items (items and reasons for selections) is shared.
・Interim communication (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 key audit matters and related text.

2. Internal audits

The Group's internal auditing department comprises 20 dedicated employees in Japan; the Asia–Pacific region; Greater China; and specialists from contracted internal audit service providers in the Americas, Europe, the Middle East and Africa. This department formulates annual audit plans based on quantitative and qualitative risk assessments, which are finalized with approval by the Executive Committee and are reported to the Audit & Supervisory Board, receiving instructions on key audit scopes and conducting internal audits, including monitoring the effectiveness of internal controls.

Important issues discovered through such monitoring, as well as the status of improvements, are reported to the President and CEO via internal audit reports and quarterly internal control meetings, with particularly important findings reported to the Board of Directors. Additionally, by sending internal audit reports to the Executive Officers in charge of the audited organizations, the internal auditing department requests that the audited departments 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

51 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

Yuichi Asai

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

Certified public accountants: 16

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, 2024, the Audit & Supervisory Board determined that Deloitte Touche Tohmatsu LLC had the necessary expertise, independence, quality management system (QMS) and global network to facilitate audits of Group companies in various countries and territories to meet its criteria.

In addition to the above, during the fiscal year, the evaluation and reappointment policy for the current accounting auditor was reviewed and opinions were exchanged regarding the duration of audit period and judgment of necessity on rotation of the current accounting auditor. As a result, the Audit & Supervisory Board Members reached a consensus on its stance that it would not immediately consider reviewing or replacing the current accounting auditor simply because the auditor has been in the position for a long time, but would maintain a high level of tension with the accounting auditor at all times through rigorous evaluation procedures and ongoing communication, and would encourage their new initiatives while monitoring to ensure that there are no problems with the quality of the audits and how issues are being addressed. Based on this consensus, the Audit & Supervisory Board has decided to provide guideline for the change and appointment of the accounting auditor.

(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, 2023		Current fiscal year ended December 31, 2024	
	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	162	3	176	5
Consolidated subsidiaries	81	4	27	—
Total	243	7	203	5

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

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

In current fiscal year, in addition to the above, the Company paid additional remuneration of 23 million yen for audit service for the previous fiscal year ended December 31, 2023.

(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, 2023		Current fiscal year ended December 31, 2024	
	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	4	9	9	7
Consolidated subsidiaries	875	76	919	82
Total	879	85	928	89

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 and others.

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

Previous fiscal year ended December 31, 2023: Not applicable

Current fiscal year ended December 31, 2024: 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, 2024, 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, 2024, 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, 2024, 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 127th fiscal year, there were 9 Directors (five in-house and four outside) and four Audit & Supervisory Board Members (two in-house and two 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

<table>
<tr><th rowspan="3">Position</th><th rowspan="3">Total amount of remuneration (Millions of yen)</th><th colspan="3">Total amount of remuneration by type (Millions of yen)</th><th rowspan="3">Number of eligible individuals</th></tr>
<tr><th rowspan="2">Basic remuneration (fixed)</th><th colspan="2">Performance-based remuneration</th></tr>
<tr><th>Bonus</th><th>Stock compensation</th></tr>
<tr><td>Directors (excluding outside directors)</td><td>448</td><td>281</td><td>93</td><td>74</td><td>8</td></tr>
<tr><td>Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)</td><td>60</td><td>60</td><td>—</td><td>—</td><td>3</td></tr>
<tr><td>Outside directors</td><td>60</td><td>60</td><td>—</td><td>—</td><td>5</td></tr>
<tr><td>Outside Audit & Supervisory Board Members</td><td>31</td><td>31</td><td>—</td><td>—</td><td>2</td></tr>
</table>

(Notes)

1. The above table includes remuneration paid to three Director (including one outside Director) and one Audit & Supervisory Board Member who retired at the conclusion of the 126th Annual General Meeting of Shareholders held on March 28, 2024.
2. The total for stock compensation is the total monetary value of shares corresponding to points granted for the fiscal year ended December 31, 2024, based on the performance-based stock compensation plan.

3. Compensation description for total compensation of 100 million yen or more

Name	Title	Company	Total amount of remuneration by type (Millions of yen)			Total amount of remuneration (Millions of yen)
			Basic remuneration (fixed)	Bonus	Stock compensation	
Takashi Ikeda	Director	Reporting company	72	36	28	136

4. 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.

< 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) (FY2024) = Position-specific basic bonus x (¥44,521 million / ¥56,500 million) x Coefficient proportionate to evaluation of individual performance]

5. 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, 2024

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	3,074	7,685
Representative Director and Executive Vice President	1	2,106	5,267
Director and Senior Managing Executive Officer	2	1,500	3,752
Director and Managing Executive Officer	—	1,140	2,850
Director and Executive Officer	—	793	1,984

"Number of eligible individuals" is the number of Directors who served currently as Executive Officers as of December 31, 2024. 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)

	FY2023 Actual	FY2024 Actual	FY2024 Targets
Operating income	17,943	44,521	30,000
Net income attributable to owners of the parent	(39,857)	21,313	10,000

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	9,990
Representative Director and Executive Vice President	6,847
Director and Senior Managing Executive Officer	4,878
Director and Managing Executive Officer	3,705
Director and Executive Officer	2,579

6. 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:	Masami Fujita	Outside Director
Members:	Kaoru Ino	Chairman of the Board of Directors
	Takashi Ikeda	Representative Director, President and CEO
	Shiro Saito	Outside Director
	Donna Costa	Outside Director
	Shie Lundberg	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, 2024

August 29, 2024: Deliberated partial revision of the Director’s Stock Compensation Regulations.

December 24, 2024: Deliberated and determined fixed remuneration for the fiscal year ending December 31, 2025

February 25, 2025: Determined bonuses for officers for the fiscal year ended December 31, 2024; determined stock compensation points for eligible Directors for the fiscal year ended December 31, 2024

(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 February 29, 2024, the Company reviewed the suitability of all investment securities held for purposes other than investment as of December 31, 2023, as described above. As a result, it was confirmed that the significance of certain holdings was lacking. Accordingly, the Company is proceeding with the reduction of relevant holdings while taking into consideration the impact on the market. Regarding holdings which were judged suitable, should circumstances change, 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.

Regarding voting rights related to the strategic holdings shares, the Company comprehensively evaluates the corporate value of the company whose shares it holds and whether or not the shares contribute to its own corporate value and exercises such rights appropriately.

(2) Number of stocks and amount on balance sheet

	Number of stocks	Amount on balance sheet (Millions of yen)
Unlisted stocks	45	1,689
Listed stocks	15	5,439

Stocks for which the number of shares held increased in current fiscal year ended December 31, 2024

	Number of stocks	Costs associated with the increase in number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted stocks	—	—	—
Listed stocks	2	7	Acquisition of shares through the supplier's shareholding association (two stock)

Stocks for which the number of shares held decreased in current fiscal year ended December 31, 2024

	Number of stocks	Proceeds associated with the decrease in number of shares (Millions of yen)
Unlisted stocks	3	3
Listed stocks	10	6,530

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

Specified investment shares

Stock	FY2024	FY2023	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
	Number of shares / Amount on balance sheet (Millions of yen)	Number of shares / Amount on balance sheet (Millions of yen)		
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
	3,892	3,278		
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
	597	450		
RIKEN TECHNOS CORP.	303,200	403,200	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
	327	341		
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
	185	269		
OKAYA & CO., LTD.[4]	16,800	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
	118	108		

<table>
<tr><th rowspan="3">Stock</th><th>FY2024</th><th>FY2023</th><th rowspan="3">Purpose of holding/quantitative effects of holding/reasons for increase in number of shares</th><th rowspan="3">Holds shares in the Company</th></tr>
<tr><th>Number of shares</th><th>Number of shares</th></tr>
<tr><th>Amount on balance sheet (Millions of yen)</th><th>Amount on balance sheet (Millions of yen)</th></tr>
<tr><td rowspan="2">AksharChem (India) Ltd.</td><td>166,384</td><td>166,384</td><td rowspan="2">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]</td><td rowspan="2">No</td></tr>
<tr><td>92</td><td>84</td></tr>
<tr><td rowspan="2">TAYCA CORPORATION</td><td>50,000</td><td>50,000</td><td rowspan="2">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]</td><td rowspan="2">Yes</td></tr>
<tr><td>79</td><td>68</td></tr>
<tr><td rowspan="2">Sasatoku Printing Co., Ltd.</td><td>88,000</td><td>88,000</td><td rowspan="2">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]</td><td rowspan="2">Yes</td></tr>
<tr><td>44</td><td>51</td></tr>
<tr><td rowspan="2">ATOMIX CO., LTD.</td><td>54,000</td><td>54,000</td><td rowspan="2">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]</td><td rowspan="2">Yes</td></tr>
<tr><td>33</td><td>35</td></tr>
<tr><td rowspan="2">Nihon Tokushu Toryo Co., Ltd.</td><td>20,000</td><td>20,000</td><td rowspan="2">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]</td><td rowspan="2">No</td></tr>
<tr><td>25</td><td>24</td></tr>
<tr><td rowspan="2">Origin Co., Ltd.</td><td>14,400</td><td>13,825</td><td rowspan="2">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]</td><td rowspan="2">No</td></tr>
<tr><td>17</td><td>17</td></tr>
</table>

Stock	FY2024 Number of shares / Amount on balance sheet (Millions of yen)	FY2023 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
KIKUSUI CHEMICAL INDUSTRIES CO., LTD.	38,200	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
	15	21		
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		
Isamu Paint Co., Ltd.	1,800	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
	5	21		
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		
Dai-ichi Life Holdings, Inc.	—	1,438,400	A major player in the life insurance field in Japan. The Company has transactions in areas such as financing and insurance. All shares held were sold in the fiscal year ended December 31, 2024.	Yes
	—	4,304		
KANSAI PAINT CO., LTD.	—	156,076	The Company has transactions in the area of automotive coatings, for which the firm is a key customer. All shares held were sold in the fiscal year ended December 31, 2024.	No
	—	376		
Nippon Electric Glass Co., Ltd.	—	74,600	A leading name in the glass fiber field and an important customer, primarily for products for automotive applications. All shares held were sold in the fiscal year ended December 31, 2024.	No
	—	226		

Stock	FY2024	FY2023	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 Nippon Toryo Co., Ltd.	—	110,800	A major manufacturer of heavy-duty anticorrosive coatings. The Company has transactions primarily in the area of coating resins and epoxy resins. All shares held were sold in the fiscal year ended December 31, 2024.	Yes
	—	113		
Okura Industrial Co., Ltd.	—	1,600	The Company has transactions primarily in the area of products for use in printing inks and plastic colorants. All shares held were sold in the fiscal year ended December 31, 2024.	No
	—	4		
ASAHIPEN CORPORATION	—	1,000	The Company has transactions primarily in the area of products for DIY coatings, for which the firm is a key customer. All shares held were sold in the fiscal year ended December 31, 2024.	No
	—	2		

(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.
4. OKAYA & CO., LTD. conducted a 2-for-1 stock split effective September 2, 2024.

Deemed held securities

Stock	FY2024 Number of shares [1] / Amount on balance sheet [2] (Millions of yen)	FY2023 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
	13,055	12,205		
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
	2,492	1,636		
Kyodo Printing Co., Ltd.	600,199	683,199	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
	2,419	2,207		
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
	1,850	1,152		

Stock	FY2024	FY2023	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
	Number of shares[1]	Number of shares[1]		
	Amount on balance sheet (Millions of yen)[2]	Amount on balance sheet (Millions of yen)[2]		
Sumitomo Mitsui Financial Group[6]	185,040	61,680	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
	696	424		
MITSUMURA PRINTING CO., LTD.	457,020	457,020	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
	634	633		
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
	626	666		
NAGASE & CO., LTD.	117,410	117,410	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
	379	265		

Stock	FY2024 Number of shares [1] Amount on balance sheet [2] (Millions of yen)	FY2023 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
	280	248		
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
	201	214		
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
	144	136		
HOKKAN HOLDINGS LIMITED	74,920	158,520	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
	126	258		

Stock	FY2024 Number of shares[1] / Amount on balance sheet[2] (Millions of yen)	FY2023 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	26,099	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
	103	91		
TOKYO PRINTING INK MFG. CO., LTD.	18,700	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
	63	94		
TIGERS POLYMER CORPORATION	78,000	78,000	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
	58	67		
Nissha Co., Ltd.	30,259	45,259	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
	49	67		

Stock	FY2024	FY2023	Purpose of holding/quantitative effects of holding/reasons for increase in number of shares	Holds shares in the Company
	Number of shares [1]	Number of shares [1]		
	Amount on balance sheet [2] (Millions of yen)	Amount on balance sheet [2] (Millions of yen)		
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
	6	8		
NIPPON PAINT HOLDINGS CO., LTD.	—	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. All shares held were sold in the fiscal year ended December 31, 2024.	No
	—	7,403		
Dai Nippon Printing Co., Ltd.	—	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. All shares held were sold in the fiscal year ended December 31, 2024.	Yes
	—	1,091		
Kansai Paint Co., Ltd.	—	309,431	The Company has transactions in the area of automotive coatings, for which the firm is a key customer. All shares held were sold in the fiscal year ended December 31, 2024.	Yes
	—	745		
Nozaki Insatsu Shigyo Co., Ltd.	—	153,723	The Company has transactions primarily in the areas of gravure inks, laminating adhesives and offset inks. All shares held were sold in the fiscal year ended December 31, 2024.	No
	—	24		

(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. Sumitomo Mitsui Financial Group, Inc. conducted a 3-for-1 stock split effective October 1, 2024.

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, 2024, to December 31, 2024, and non-consolidated financial statements for the fiscal year, January 1, 2024, to December 31, 2024.

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, 2023	Current Fiscal Year As of December 31, 2024
Assets		
Current assets		
Cash and deposits	*4 87,533	*4 61,869
Notes and accounts receivable - trade	*1, *2, *4 225,148	*1, *2, *4 229,744
Merchandise and finished goods	*4 167,427	*4 169,546
Work in process	*4 11,250	*4 11,819
Raw materials and supplies	*4 94,157	*4 99,218
Other	38,623	40,229
Allowance for doubtful accounts	(3,951)	(4,919)
Total current assets	620,188	607,506
Non-current assets		
Property, plant and equipment		
Buildings and structures	350,676	356,837
Accumulated depreciation	(217,614)	(222,919)
Buildings and structures, net	*4 133,062	*4 133,918
Machinery, equipment and vehicles	533,849	539,761
Accumulated depreciation	(405,236)	(404,095)
Machinery, equipment and vehicles, net	128,613	135,666
Tools, furniture and fixtures	86,607	88,959
Accumulated depreciation	(68,784)	(72,513)
Tools, furniture and fixtures, net	17,822	16,446
Land	*4 66,488	*4 57,780
Construction in progress	27,907	20,330
Total property, plant and equipment	373,892	364,141
Intangible assets		
Goodwill	17,782	17,394
Software	14,298	14,142
Customer-related assets	11,639	10,676
Other	25,198	25,281
Total intangible assets	68,916	67,494
Investments and other assets		
Investment securities	*3 63,071	*3 60,085
Deferred tax assets	16,593	16,160
Net defined benefit asset	78,961	88,774
Other	*3, *4 23,366	*3, *4 22,339
Allowance for doubtful accounts	(98)	(65)
Total investments and other assets	181,893	187,293
Total non-current assets	624,701	618,927
Total assets	1,244,889	1,226,433

(Millions of yen)

	Previous Fiscal Year As of December 31, 2023	Current Fiscal Year As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	140,089	138,448
Short-term loans payable	12,405	26,732
Commercial papers	33,000	—
Current portion of bonds payable	30,000	10,000
Current portion of long-term loans payable	*4 33,897	*4 54,521
Lease liabilities	4,656	5,161
Income taxes payable	2,870	4,485
Provision for bonuses	5,037	5,510
Other	86,794	88,214
Total current liabilities	348,749	333,071
Non-current liabilities		
Bonds payable	95,000	100,000
Long-term loans payable	*4 308,231	*4 277,617
Lease liabilities	11,769	10,301
Deferred tax liabilities	19,351	20,474
Net defined benefit liability	36,056	32,898
Asset retirement obligations	9,480	9,618
Other	16,986	21,839
Total non-current liabilities	496,873	472,748
Total liabilities	845,622	805,819
Net assets		
Shareholders' equity		
Capital stock	96,557	96,557
Capital surplus	94,234	94,234
Retained earnings	173,292	187,008
Treasury shares	(1,586)	(1,498)
Total shareholders' equity	362,497	376,301
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,542	3,924
Deferred gains or losses on hedges	248	515
Foreign currency translation adjustment	12,559	34,587
Remeasurements of defined benefit plans	(16,910)	(13,907)
Total accumulated other comprehensive income	1,440	25,119
Non-controlling interests	35,330	19,194
Total net assets	399,267	420,615
Total liabilities and net assets	1,244,889	1,226,433

② Consolidated Statement of Income and Consolidated Statement of Comprehensive income

Consolidated Statement of Income

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Net sales	1,038,736	1,071,127
Cost of sales	852,360	848,929
Gross profit	186,376	222,198
Selling, general and administrative expenses		
Freightage and packing expenses	14,206	13,126
Employees' salaries and allowances	65,355	67,734
Provision of allowance for doubtful accounts	(232)	1,180
Provision for bonuses	2,233	2,630
Retirement benefit expenses	(451)	53
Research and development costs	*1 17,189	*1 16,313
Other	70,132	76,641
Total selling, general and administrative expenses	168,433	177,677
Operating income	17,943	44,521
Non-operating income		
Interest income	6,078	3,491
Dividends income	503	627
Equity in earnings of affiliates	2,734	3,257
Other	1,680	1,642
Total non-operating income	10,996	9,017
Non-operating expenses		
Interest expenses	11,274	8,481
Foreign exchange losses	4,188	2,859
Other	4,261	4,293
Total non-operating expenses	19,723	15,633
Ordinary income	9,216	37,905
Extraordinary income		
Gain on sales of non-current assets	*2 1,858	*2 7,001
Gain on sales of investment securities	2,688	4,127
Gain on sales of shares and investments in capital of subsidiaries and affiliates	―	1,279
Insurance claim income	340	―
Total extraordinary income	4,886	12,407
Extraordinary losses		
Loss on sales of shares and investments in capital of subsidiaries and affiliates	―	4,513
Severance costs	*5 4,268	*5 3,886
Loss on disposal of non-current assets	*4 2,571	*4 3,242
Loss on withdrawal from business	―	486
Provision for product warranties	―	315
Impairment losses	*3 33,537	*3 194
Provision for loss on withdrawal from business	194	―
Total extraordinary losses	40,570	12,635
Income (loss) before income taxes	(26,468)	37,677
Income taxes - current	10,065	13,807
Income taxes - deferred	2,328	1,630
Total income taxes	12,393	15,437
Net income (loss)	(38,861)	22,240
Net income attributable to non-controlling interests	996	926
Net income (loss) attributable to owners of the parent	(39,857)	21,313

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Net income (loss)	(38,861)	22,240
Other comprehensive income		
Valuation difference on available-for-sale securities	371	(1,622)
Deferred gains or losses on hedges	(444)	267
Foreign currency translation adjustment	31,066	22,989
Remeasurements of defined benefit plans, net of tax	(3,162)	3,069
Share of other comprehensive income of affiliates accounted for using equity method	(580)	(667)
Total other comprehensive income	*1 27,251	*1 24,036
Comprehensive income	(11,609)	46,276
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(13,612)	44,992
Comprehensive income attributable to non-controlling interests	2,002	1,283

③ Consolidated Statement of Changes in Net Assets

Previous 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

Current Fiscal Year Ended December 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2024	96,557	94,234	173,292	(1,586)	362,497
Change in FY2024					
Dividends from surplus			(7,597)		(7,597)
Net income (loss) attributable to owners of the parent			21,313		21,313
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares				96	96
Net changes of items other than shareholders' equity					
Total change in FY2024	—	—	13,716	88	13,804
Balance at December 31, 2024	96,557	94,234	187,008	(1,498)	376,301

	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, 2024	5,542	248	12,559	(16,910)	1,440	35,330	399,267
Change in FY2024							
Dividends from surplus							(7,597)
Net income (loss) attributable to owners of the parent							21,313
Purchase of treasury shares							(8)
Disposal of treasury shares							96
Net changes of items other than shareholders' equity	(1,618)	267	22,028	3,002	23,679	(16,136)	7,543
Total change in FY2024	(1,618)	267	22,028	3,002	23,679	(16,136)	21,348
Balance at December 31, 2024	3,924	515	34,587	(13,907)	25,119	19,194	420,615

④ Consolidated Statement of Cash Flows

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	(26,468)	37,677
Depreciation and amortization	50,846	52,756
Amortization of goodwill	2,251	1,175
Increase (decrease) in allowance for doubtful accounts	(539)	1,062
Increase (decrease) in provision for bonuses	(519)	978
Interest and dividends income	(6,581)	(4,118)
Equity in (earnings) losses of affiliates	(2,734)	(3,257)
Interest expenses	11,274	8,481
Loss (gain) on sales and retirement of non-current assets	713	(3,760)
Impairment losses	33,537	194
Loss (gain) on sales of shares and investments in capital of subsidiaries and affiliates	―	3,234
Loss (gain) on sales of investment securities	(2,688)	(4,127)
Decrease (increase) in notes and accounts receivable - trade	26,415	(16,338)
Decrease (increase) in inventories	59,101	(5,054)
Increase (decrease) in notes and accounts payable - trade	(18,430)	607
Other, net	(21,830)	(8,180)
Subtotal	104,348	61,331
Interest and dividends income received	8,191	5,524
Interest expenses paid	(11,410)	(8,401)
Income taxes paid	(12,033)	(12,247)
Net cash provided by (used in) operating activities	89,095	46,207
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,596)	(3,082)
Proceeds from withdrawal of time deposits	1,535	3,730
Purchase of property, plant and equipment	(52,057)	(42,785)
Proceeds from sales of property, plant and equipment	1,894	3,943
Purchase of intangible assets	(6,016)	(4,337)
Proceeds from sales of intangible assets	―	4,117
Purchase of shares and investments in capital of subsidiaries resulting in changes in the scope of consolidation	*2(14,078)	(26)
Proceeds from sales of shares and investments in capital of subsidiaries resulting in changes in the scope of consolidation	―	*311,566
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	395	―
Purchase of investment securities	(325)	(19)
Proceeds from sales and redemption of investment securities	5,591	6,544
Proceeds from sales of businesses	631	―
Payments for transfer of businesses	(185)	―
Other, net	(254)	3,266
Net cash provided by (used in) investing activities	(66,457)	(17,082)

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(15,417)	16,278
Increase (decrease) in commercial papers	3,000	(33,000)
Proceeds from long-term loans payable	88,747	22,655
Repayment of long-term loans payable	(48,299)	(38,767)
Proceeds from issuance of bonds	15,000	15,000
Redemption of bonds	(30,000)	(30,000)
Cash dividends paid	(9,478)	(7,597)
Cash dividends paid to non-controlling interests	(407)	(977)
Net decrease (increase) in treasury shares	29	88
Repayment of lease liabilities	(5,882)	(6,203)
Other, net	(212)	(71)
Net cash provided by (used in) financing activities	(2,920)	(62,594)
Effect of exchange rate change on cash and cash equivalents	2,363	9,767
Net increase (decrease) in cash and cash equivalents	22,082	(23,702)
Cash and cash equivalents at beginning of the period	62,560	84,642
Cash and cash equivalents at end of the period	*1 84,642	*1 60,940

[Notes]

(Basis of Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 152

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

Qingdao DIC Innovation Technology, Co., Ltd. was included in the scope of consolidation due to establishment of subsidiary.

SEIKO PMC CORPORATION and 14 other companies were excluded from the scope of consolidation due to sale of shares, 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.

(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

Available-for-sale 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 (3-19 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 in the contract.

(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 Statement 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, 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 oil-based 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.

Current fiscal year ended December 31, 2024

1. Valuation of Non-Current Assets Related to Sun Chemical Color Materials

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2024

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Property, plant and equipment	111,326	113,814
Intangible assets	20,088	20,464
Goodwill	―	―
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, 2024

The Sun Chemical Group, a subsidiary of the Group, applies accounting principles generally accepted in the United States and performs recoverability tests whenever there are indications that an asset group may be impaired. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset group is less than its carrying value, the asset group is assessed to be not recoverable. If the carrying value of the asset group is not recoverable, the difference between the carrying value and its fair value is recognized as an impairment loss.

While demand for pigments, the core product of the Sun Chemical Color Materials business, failed to recover fully in the fiscal year ended December 31, 2024, owing to economic stagnation in Europe, a leading market for these products, notably in Germany, shipments have recovered since the completion of inventory adjustments by customers, particularly of pigments for use in building materials and for industrial applications. Additionally, the operating loss in this business shrank significantly, thanks to the progress of structural reforms aimed at, among others, optimizing production configurations, as well as to efforts to lower costs. Accordingly, because the Group anticipates a return to profitability in this business, the Group has determined that there are no indications of impairment.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2024

When formulating operating income and loss estimates for the subsequent fiscal year and beyond, the Group uses business plans and significant assumptions regarding forecasts for sales volume and the degree to which structural reforms will contribute to the improvement of operating income. Forecasts for sales volume are based on market growth projections and reflect an anticipated increase in sales of high-performance products. The Group also expects that structural reforms implemented in the fiscal year ended December 31, 2024—including production configuration optimization and labor force rationalization—will continue to positively impact operating income going forward, and that operating income and loss results will improve further with the promotion of various measures, including the merger and shuttering of production facilities.

(c) Impact on the consolidated financial statements for the fiscal year ending December 31, 2025

Although calculations for business plans are made based on management’s best estimates, if the assumptions used in estimates formulated in the fiscal year ended December 31, 2024, differ as a consequence of changes in the market or other factors, there is a risk that this could have a significant impact on the valuation of the non-current assets of the Sun Chemical Color Materials business in the fiscal year ending December 31, 2025.

2. Valuation of Goodwill and Other Non-Current 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, 2024

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Property, plant and equipment	9,966	12,864
Intangible assets	4,808	4,773
Investments and other assets	—	263
Goodwill	7,340	7,462
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, 2024

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, 2024, the shift in market demand from oil-based to waterborne resin products has been slower than expected when the Group acquired Guangdong TOD, and price competition with other manufacturers has started. The expansion of sales of waterborne resins has lagged behind expectations at the time of the acquisition.

However, as a result of considering factors such as the progress of actual achievement of the business plan revised in the fiscal year ended December 31, 2023, because the recoverable amount of the group of cash generating unit was assessed to be greater than its carrying value, an impairment loss on the unamortized balance of goodwill and other non-current assets was not recognized in the fiscal year ended December 31, 2024.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the fiscal year ended December 31, 2024

The recoverable amount is measured based on the estimated future cash flows by business plan and discount rates. The significant assumptions are an increase in the sales volume of waterborne resins due to stringent environmental regulations in the PRC, and industrial resins due to increased demand for domestic products because of rising prices, and the effects of cost reductions realized during the fiscal year ended December 31, 2024.

The sales volume of waterborne resins is expected to increase by responding to the growing demand for waterborne resins with the expanded production capacity of a new facility of Guangdong TOD which has completed in the fiscal year ended December 31, 2024.

The sales volume of industrial resins is expected to increase utilizing expanded production capacity by responding to the growing demand for domestic product due to soaring prices for imported raw materials.

In addition, the cost reduction measures are beginning to take effect in the fiscal year ended December 31, 2024, it is expected to contribute the improvement of operating income in the future.

(c) Impact on the consolidated financial statements for the fiscal year ending December 31, 2025

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 and other non-current assets related to the group of cash-generating units including Guangdong TOD in the fiscal year ending December 31, 2025.

3. Valuation of Goodwill and Other Non-Current Assets Related to the Group of Assets, including Innovation DIC Chimitroniques Inc. ("IDC")

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2024

(Millions of yen)

	Previous Fiscal Year Ended December 31, 2023	Current Fiscal Year Ended December 31, 2024
Property, plant and equipment	6,136	8,538
Intangible assets	2,766	2,696
Goodwill	5,990	5,789

(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, 2024

If the goodwill recorded as a result of the acquisition of IDC, when grouped into a larger group of assets related to the business to which goodwill is attributable plus goodwill, showed indication of impairment, estimated future cash flows from larger unit, including goodwill, are compared with the carrying value, to determine the necessity of recognizing an impairment loss. The determination of whether there is an indication of impairment is primarily on whether it continuously operates at a loss or posts negative cash flows from operating activities, or if there is a change in the scope or method of use that significantly reduce the recoverable amount.

In the fiscal year ended December 31, 2024, net sales of IDC expanded at a slower pace than had been expected at the time of the acquisition, a consequence of sluggish conditions in the market for photoresists used in semiconductor photolithography and inventory adjustments by key customers.

However, as a result of considering factors such as the progress of the business plan that was the basis for valuation at the time of acquisition, the Group has determined that there is no indication of impairment of goodwill and other non-current assets related to the group of assets that includes IDC.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2024

Significant assumptions are used in estimating of future business plans used to determine indication of impairment of goodwill and other non-current assets. These include expected sales volumes to key customers, which take into account of market conditions.

Sales volumes are expected to increase bolstered by rising demand from key customers as related markets recover, as well as by the realization of new projects thanks to the incorporation of the IDC’s refining technologies from the fiscal year ending December 31, 2025.

(c) Impact on the consolidated financial statements for the year ending December 31, 2025

Although indication of impairment of goodwill and other non-current assets 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 and other non-current assets related to the group of assets including IDC in the fiscal year ending December 31, 2025.

4. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended December 31, 2024

Deferred tax assets ¥16,160 million

(The balance of deferred tax assets before offsetting deferred tax liabilities is ¥46,393 million.)

The amount of net operating loss carryforwards and future deductible temporary difference for which deferred tax assets have not been recognized is ¥65,936 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, 2024

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 ¥34,172 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 ¥60,287 million.

(b) Significant assumptions used in calculating the amounts recognized in the consolidated financial statements for the year ended December 31, 2024

The amount of recoverable deferred tax assets was estimated based not only on past taxable income levels but also on forecasts of future taxable income based on the business plan for the period in which the deductible temporary differences and unused net operating loss carryforwards are deductible.

The estimates for future taxable income are based on the budget for the upcoming fiscal year approved by the Board of Directors. Significant assumptions are used in making the budget, including sales prices to be improved by passing on rising prices and new products to be successfully commercialized.

(c) Impact on the consolidated financial statements for the year ending December 31, 2025

These assumptions may be affected by such factors as the global trends currency exchange rates, which would be impacted by interest rates fluctuation in Japan, the United States and Europe, economic conditions and prices for raw materials affected by resource price movements. If actual results differ from initial estimates, this could have a significant impact as it would be necessary to additionally record or reverse deferred tax assets in the consolidated financial statements for the following fiscal year.

(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.

- "Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (Practical Solution No. 46, March 22, 2024, Accounting Standards Board of Japan)

(1) Overview

In October 2021, in the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) led by the Organization for Economic Cooperation and Development (OECD) and the G20, participating countries agreed on a global minimum tax.
In response, the treatment of the Income Inclusion Rule (IIR)—one of the internationally agreed global minimum tax rules—was established in the Act Partially Amending the Income Tax Act, etc. (Act No. 3 of 2023), which was enacted on March 28, 2023, in Japan and is to be applied from the relevant fiscal year beginning April 1, 2024, or later.
Global minimum taxation is a new tax system that aims to impose a minimum corporate tax rate of 15% on the country-by-country profits of multinational corporate groups and other entities that meet certain criteria and in which the entity that generates the net income (profit) from which the tax is levied is different from the entity that is obligated to pay the tax.
Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules provides guidance on the accounting and disclosure treatment for corporate taxes and local corporate taxes under the Global Minimum Tax Rules.

(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.

Application of these accounting standards, etc. will have a negligible impact on the consolidated financial statements.

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)
- "Implementation Guidance on Accounting Standard for Leases." (ASBJ Guidance No. 33, September 13, 2024)

(1) Overview

As part of its efforts to make Japanese accounting standards more internationally consistent, the Accounting Standards Board of Japan (ASBJ) has been studying the development of an accounting standard for leases that would require lessees to recognize assets and liabilities for all leases, based on international accounting standards. The basic policy is to adopt the single accounting model in IFRS 16 as a basis, rather than incorporating all of the provisions of IFRS 16, only the main provisions are incorporated, with the aim of creating a simple, convenient accounting standard for leases that does not require any fundamental modifications even when the provisions of IFRS 16 are used for individual financial statements. As for the accounting treatment for lessees, the same as IFRS 16, a single accounting model will be applied to all leases, regardless of whether they are finance leases or operating leases, in which depreciation expenses related to the right-of-use assets and interest expenses related to the lease liabilities are recorded.

(2) Planned date of application

It will be applied from the beginning of the fiscal year ending December 31, 2028.

(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 120th business term. The purpose of the Plan is to further clarify the linkage between the compensation of the Target Officers, and corporate performance and the 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 were ¥925 million and 303 thousand as of December 31, 2023, respectively, and ¥829 million and 277 thousand as of December 31, 2024, respectively.

(Consolidated Balance Sheet)

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

Previous fiscal year as of December 31, 2023	Current fiscal year as of December 31, 2024
¥27,768 million	¥29,315 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, 2023	Current fiscal year as of December 31, 2024
Notes	¥30,065 million	¥27,792 million
Accounts receivable - trade	195,083	201,952

*3. Affiliates' securities

	Previous fiscal year as of December 31, 2023	Current fiscal year as of December 31, 2024
Common stock	¥46,687 million	¥49,344 million
Investments in capital	787	886

*4. Assets pledged for collateral and secured liabilities

The following assets are pledged as collateral:

	Previous fiscal year as of December 31, 2023	Current fiscal year as of December 31, 2024
Cash and deposits	¥44 million	¥47 million
Notes and accounts receivable-trade	3,782	4,441
Inventory	1,902	2,261
Buildings and structures	1,039	285
Land	2,768	340
Other non-current assets	567	649
Total	10,102	8,023

The obligations collateralized by the above assets are as follows:

	Previous fiscal year as of December 31, 2023	Current fiscal year as of December 31, 2024
Current portion of long-term loans payable	¥92 million	¥— million
Long-term loans payable	505	—
Total	597	—

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

Previous 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	

Current fiscal year as of December 31, 2024

Guarantee name	Amounts (millions of yen)	Details
CAST FILM JAPAN Co., LTD.	1,000	Guarantee obligations associated with borrowings from financial institutions
Employees (Housing funds)	5	Guarantee obligations associated with borrowings from financial institutions
Total	1,005	

(Consolidated Statement of Income)

*1 Total research and development costs

Previous fiscal year ended December 31, 2023	Current fiscal year ended December 31, 2024
¥17,189 million	¥16,313 million

*2 Gain on sales of non-current assets

Previous fiscal year ended December 31, 2023

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

Current fiscal year ended December 31, 2024

This gain is mainly composed of ¥6,095 million of gain on sale of Intangible assets, land and others.

*3 Impairment losses

Previous 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 loss 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 for 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%.

Current fiscal year ended December 31, 2024

The Group recorded impairment loss in the following asset groups:

Use	Type of assets	Location	Amount (Millions of yen)
Idle assets	Buildings and structures and others	Kawaguchi-city, Saitama	112
Idle assets and others	Machinery, equipment and vehicles; buildings and structures and others	Others	82
Total			194

(Reasons for recognition of impairment losses)

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

Type of assets	Amount (Millions of yen)
Buildings and structures	130
Machinery, equipment and vehicles	43
Other	21
Total	194

(Method of grouping assets)
Assets are grouped on a company-by-company basis, on a product group basis or others.

(Method of measuring recoverable amounts)
The recoverable amounts of idle assets were calculated as zero.

*4 Loss on disposal of non-current assets

Previous 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.

Current fiscal year ended December 31, 2024

This loss is composed of ¥808 million of buildings, ¥981 million of machinery and equipment, ¥780 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, 2023	Current fiscal year ended December 31, 2024
Valuation difference on available-for-sale securities:		
Amount arising during the fiscal year	¥3,078 million	¥2,271 million
Reclassification adjustments	(2,602)	(4,625)
Before tax effects	476	(2,354)
Tax effects	(105)	732
Valuation difference on available-for-sale securities	371	(1,622)
Deferred gains or losses on hedges:		
Amount arising during the fiscal year	(1,063)	281
Reclassification adjustments	352	68
Before tax effects	(710)	349
Tax effects	267	(82)
Deferred gains or losses on hedges	(444)	267
Foreign currency translation adjustment:		
Amount arising during the fiscal year	31,066	25,503
Reclassification adjustments	—	(2,069)
Before tax effects	31,066	23,434
Tax effects	—	(445)
Foreign currency translation adjustment	31,066	22,989
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	(1,327)	4,570
Reclassification adjustments	(1,653)	(1,712)
Before tax effects	(2,980)	2,858
Tax effects	(182)	211
Remeasurements of defined benefit plans, net of tax	(3,162)	3,069
Share of other comprehensive income of associates accounted for using equity method:		
Amount arising during the fiscal year	(542)	(662)
Reclassification adjustments	(37)	(5)
Share of other comprehensive income of associates accounted for using equity method	(580)	(667)
Total other comprehensive income	27,251	24,036

(Consolidated Statement of Changes in Net Assets)

Previous 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. 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).

Current fiscal year ended December 31, 2024

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)	497,680	2,568	25,300	474,948
Total	497,680	2,568	25,300	474,948

(Notes) 1. The treasury shares at the end of the fiscal year include 277,400 of the Company's shares held by the Board Benefit Trust (BBT).

2. 2,568 increase in treasury shares of common stock resulted from the purchase of fractional shares.

3. 25,300 decrease in treasury shares of common stock was due to benefits of the Company's share by BBT.

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 28, 2024	Common stock	2,849	30	December 31, 2023	March 29, 2024
Board of Directors on August 9, 2024	Common stock	4,748	50	June 30, 2024	September 2, 2024

(Notes) 1. "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).

2. "Total dividends to be paid" resolved by the Board of Directors on August 9, 2024, includes dividends of ¥14 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, 2024, 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 27, 2025	Common stock	Retained earnings	4,748	50	December 31, 2024	March 28, 2025

(Note) "Total dividends to be paid" resolved by the Annual General Meeting of Shareholders on March 27, 2025, includes dividends of ¥14 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, 2023	Current fiscal year ended December 31, 2024
Cash and deposits	¥87,533 million	¥61,869 million
Time deposits with maturities of over three months	(2,891)	(929)
Cash and cash equivalents	84,642	60,940

*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, 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

*3 Principal components of assets and liabilities of subsidiary excluded from the scope of consolidation due to the sale of shares

Current fiscal year ended December 31, 2024

As a result of the sale of shares, SEIKO PMC CORPORATION and seven other companies were excluded from the scope of consolidation. The main components of assets and liabilities excluded at the end of consolidation and relation between the transfer price of shares and proceed from the sale of share are as follows:

Current assets	¥26,025 million
Non-current assets	24,884
Current liabilities	(14,133)
Non-current liabilities	(2,249)
Accumulated other comprehensive income	(1,210)
Non-controlling interests	(15,900)
Incidental expenses	300
Loss on sales of shares and investments in capital of subsidiaries and affiliates	(4,513)
Transfer price of share	13,205
Settlement of intercompany loan	2,381
Cash and cash equivalents	(4,233)
Net: Proceed from the sale of shares	11,353

(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, 2023	Current fiscal year ended December 31, 2024
Within a year	44	37
More than one year	60	35
Total	104	72

(2) As lessor

Future lease payments related to non-cancelable operating lease transactions

(Millions of yen)

	Previous fiscal year ended December 31, 2023	Current fiscal year ended December 31, 2024
Within a year	140	0
More than one year	688	—
Total	828	0

(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 the balance of account at the time.

The Group has derivatives which consist of forward foreign currency contracts, currency swaps and interest rate 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 are operating receivables, are 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 shares of companies with which the Company has business relationships and are exposed to market price fluctuation risks. Securities with no readily determinable market value are exposed to price fluctuation risks based on the financial status of the issuers, etc.

Notes and accounts payable - trade, which are operating debts, are 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 liabilities 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 have 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 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, recognizes 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, 2023

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (Note 2)			
Shares 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 liabilities (non-current liabilities)	11,769	11,645	(124)
Total liabilities	478,897	475,932	(2,965)
Derivative financial instruments (Note 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)	—

(Note 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 liabilities (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.

(Note 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

(Note 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.

(Note 4) The fair value of investments 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)
Investments in partnerships	1,839

Current fiscal year as of December 31, 2024

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (Note 2)			
Shares of affiliates	25,756	46,062	20,306
Available-for-sale securities	7,833	7,833	—
Total assets	33,589	53,895	20,306
(1) Current portion of bonds payable	10,000	10,029	29
(2) Current portion of long-term loans payable	54,521	54,412	(109)
(3) Bonds payable	100,000	96,951	(3,049)
(4) Long-term loans payable	277,617	273,897	(3,720)
(5) Lease liabilities (non-current liabilities)	10,301	10,115	(186)
Total liabilities	452,439	445,404	(7,035)
Derivative financial instruments (Note 3)			
① Hedge accounting - not applied	361	361	—
② Hedge accounting - applied	(748)	(748)	—
Total derivative financial instruments	(388)	(388)	—

(Note 1) Cash and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term loans payable, income taxes payable and lease liabilities (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.

(Note 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, 2024 (millions of yen)
Unlisted stocks	26,496

(Note 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.

(Note 4) The fair value of investments 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, 2024 (millions of yen)
Investments in partnerships	1,937

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

Previous 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	—	—	—

Current fiscal year as of December 31, 2024

	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	229,744	—	—	—
Total	229,744	—	—	—

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, 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 liabilities (current liabilities)	4,656	—	—	—
Bonds payable	—	65,000	25,000	5,000
Long-term loans payable	—	237,968	70,241	22
Lease liabilities (non-current liabilities)	—	9,608	1,846	315
Total	113,958	312,576	97,087	5,337

Current fiscal year as of December 31, 2024

	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	26,732	—	—	—
Current portion of bonds payable	10,000	—	—	—
Current portion of long-term loans payable	54,521	—	—	—
Lease liabilities (current liabilities)	5,161	—	—	—
Bonds payable	—	80,000	15,000	5,000
Long-term loans payable	—	212,419	65,159	39
Lease liabilities (non-current liabilities)	—	9,038	1,086	177
Total	96,415	301,457	81,245	5,216

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 unobservable inputs to the extent that relevant observable inputs are not available.

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, 2023

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	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)

Current fiscal year as of December 31, 2024

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	7,833	—	—	7,833
Total assets	7,833	—	—	7,833
Derivative financial instruments				
① Hedge accounting - not applied	—	361	—	361
② Hedge accounting - applied	—	(748)	—	(748)
Total derivative financial instruments	—	(388)	—	(388)

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

Previous fiscal year as of December 31, 2023

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares 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 liabilities (non-current)	—	11,645	—	11,645
Total liabilities	—	475,932	—	475,932

Current fiscal year as of December 31, 2024

Category	Market value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares of affiliates	46,062	—	—	46,062
Total assets	46,062	—	—	46,062
Current portion of bonds payable	—	10,029	—	10,029
Current portion of long-term loans payable	—	54,412	—	54,412
Bonds payable	—	96,951	—	96,951
Long-term loans payable	—	273,897	—	273,897
Lease liabilities (non-current)	—	10,115	—	10,115
Total liabilities	—	445,404	—	445,404

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

Investment securities

The fair values of listed shares are measured using quoted market prices for identical securities. Since listed shares 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 swaps 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 liabilities (non-current)

The fair values of lease liabilities 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 be applied 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 be applied 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 be applied if similar loans were newly undertaken, and are classified as Level 2.

(Securities)

Previous fiscal year as of December 31, 2023

1. Available-for-sale 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

2. Available-for-sale securities sold (From January 1, 2023 to December 31, 2023)

	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	5,591	2,688	—
Total	5,591	2,688	—

Current fiscal year as of December 31, 2024

1. Available-for-sale 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	7,553	1,762	5,790
	Subtotal	7,553	1,762	5,790
Securities where consolidated carrying value does not exceed their acquisition price	Stocks	280	450	(169)
	Subtotal	280	450	(169)
Total		7,833	2,212	5,621

2. Available-for-sale securities sold (From January 1, 2024 to December 31, 2024)

	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	6,544	4,127	6
Total	6,544	4,127	6

(Change in presentation)

Available-for-sale securities sold in current fiscal year is presented since it has become quantitatively material. To reflect this change in presentation, available-for-sale securities sold in previous fiscal year is also presented.

(Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

Previous 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 swaps				
	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)

Current fiscal year as of December 31, 2024

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 swaps				
	Sell				
	Euro	48,518	―	239	239
	British pound	11,739	―	(13)	(13)
	Swiss franc	10,328	―	78	78
	Buy				
	Japanese yen	4,933	―	38	38
	Forward exchange contracts				
	Sell				
	Columbia peso	1,637	―	14	14
	Canadian dollar	1,591	―	9	9
	Others	281	―	(2)	(2)
	Buy				
	U.S. dollar	902	―	19	19
	Others	540	―	(22)	(22)
Total		80,469	―	361	361

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Previous 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 for 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, 2024

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	15,934	—	(394)
	U.S. dollar		14,511	—	(1,050)
Appropriation treatment	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable - trade	1,904	—	(Note)
	Euro	Accounts receivable - trade	272	—	(Note)
Total			32,621	—	(1,444)

(Note) Forward exchange contracts adopted for 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, 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.

Current fiscal year as of December 31, 2024

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	684
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	684

(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, 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)

Current fiscal year as of December 31, 2024

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	190	―	12
Total			190	―	12

(Retirement and Pension Plans)

Previous 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 the 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, additional retirement payments have 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.

Current fiscal year ended December 31, 2024

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	85,508	176,801
Service cost	1,909	1,765
Interest cost	618	7,449
Actuarial gains and losses	100	(10,796)
Benefits paid	(4,432)	(9,630)
Past service cost incurred	—	(662)
Exchange translation differences	—	11,990
Decrease resulting from exclusion of subsidiaries from consolidation	(7,494)	—
Other	—	(5,245)
Retirement benefit obligations at end of year	76,209	171,672

(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	151,011	154,203
Expected return on plan assets	3,417	9,033
Actuarial gains and losses	7,582	(9,549)
Contributions by the employer	524	2,825
Benefits paid	(4,387)	(8,662)
Exchange translation differences	—	12,229
Decrease resulting from exclusion of subsidiaries from consolidation	(9,240)	—
Other	—	(5,230)
Plan assets at end of year	148,908	154,849

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and the 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	75,483	169,389
Plan assets	(148,908)	(154,849)
	(73,425)	14,540
Unfunded defined benefit obligations	726	2,283
Net amount of liabilities and assets recognized in consolidated balance sheet	(72,699)	16,823
Liabilities (net defined benefit liability)	727	32,171
Assets (net defined benefit asset)	(73,426)	(15,348)
Net amount of liabilities and assets recognized in consolidated balance sheet	(72,699)	16,823

(4) Retirement benefit expenses and its breakdowns

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Service cost	1,909	1,765
Interest cost	618	7,449
Expected return on plan assets	(3,417)	(9,033)
Recognition of actuarial gains and losses	(3,422)	1,996
Amortization of past service cost	—	(243)
Retirement benefit expenses concerning defined benefit plans	(4,312)	1,934

(Notes) 1. Other than these retirement benefit expenses, additional retirement payments have been recognized in severance costs in the consolidated statement of income.

2. Other than these retirement benefit expenses, ¥341 million of losses on additional retirement payments 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, 2024, are as follows:

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Past service cost	—	482
Actuarial gains and losses	4,020	(1,644)
Total	4,020	(1,162)

(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, 2024, are as follows:

	Domestic plans (Millions of yen)	Foreign plans (Millions of yen)
Unrecognized past service cost	—	1,116
Unrecognized actuarial gains and losses	27,225	(53,161)
Total	27,225	(52,045)

(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	47.4%	19.4%
Debt securities	23.7%	60.2%
Other	28.9%	20.4%
Total	100.0%	100.0%

(Note) 27.6% 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%~2.0%	0.9%-5.6%
Expected return rate on plan assets	3.0%	2.0%-6.5%
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 its consolidated subsidiaries in relation to the defined contribution pension plans are ¥3,206 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, 2023	Current fiscal year as of December 31, 2024
Deferred tax assets		
Inventories	¥6,655 million	5,942 million
Property, plant and equipment	8,595	7,696
Intangible assets	6,462	6,621
Research and development costs	4,134	4,430
Allowance for doubtful accounts	1,885	1,868
Provision for bonuses	1,547	1,666
Net defined benefit liabilities	6,296	5,449
Unrealized gain	839	1,006
Net operating loss carryforwards (Note 2)	61,797	61,886
Other	16,592	15,764
Subtotal Deferred tax assets	114,803	112,329
Less: valuation allowance for tax loss carryforwards (Note 2)	(51,994)	(51,024)
Less: valuation allowance for temporary differences	(16,761)	(14,912)
Valuation allowance (Note 1)	(68,755)	(65,936)
Total Deferred tax assets	46,048	46,393
Deferred tax liabilities		
Property, plant and equipment	(16,358)	(16,319)
Intangible assets	(3,571)	(3,469)
Net defined benefit assets	(15,237)	(17,065)
Contribution of securities to employee retirement benefit trust	(1,017)	(846)
Reserve for tax purpose reduction entry of non-current assets	(2,196)	(1,934)
Valuation difference on available-for-sale securities	(2,509)	(1,778)
Other	(7,918)	(9,295)
Total Deferred tax liabilities	(48,806)	(50,706)
Net deferred tax assets	(2,758)	(4,314)

(Notes) 1. The amount deducted from deferred tax assets (valuation allowance) mainly consists of 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, 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 (*1)	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	(*2)9,803

(*1) Tax loss carryforwards shown in the above table is after multiplying by the statutory tax rate.

(*2) Deferred tax assets of ¥9,803 million were recognized for tax loss carryforwards of ¥61,797 million. No valuation allowance is recognized for those tax loss carryforwards since the amount was determined to be recoverable based on expected future taxable income.

Current fiscal year as of December 31, 2024

(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)	90	713	274	340	730	59,738	61,886
Valuation allowance	(75)	(713)	(202)	(336)	(495)	(49,203)	(51,024)
Net deferred tax assets	16	—	72	4	235	10,535	(*4)10,861

(*3) Tax loss carryforwards shown in the above table is after multiplying by the statutory tax rate.

(*4) Deferred tax assets of ¥10,861 million were recognized for tax loss carryforwards of ¥61,886 million. No valuation allowance is recognized for those tax loss carryforwards since the amount was determined to be recoverable based on not only past taxable income levels, but also temporary differences which may increase future taxable income and 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, 2023	Current fiscal year as of December 31, 2024
Normal effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Valuation allowance change	(38.5)	6.3
Tax rate differences	(9.6)	(3.1)
Equity in earnings of affiliates	3.7	(2.4)
Entertainment and other non-deductible expenses	(20.8)	6.6
Elimination of intercompany dividends income	(10.6)	23.8
Dividends income and other non-taxable income	5.9	(27.7)
State, provincial, municipal and local taxes	0.1	0.7
Tax credit for research and development and others	0.4	(0.8)
Adjustments on gains or losses from investments	—	6.3
Adjustments of deferred tax due to tax rate changes	(1.3)	(0.8)
Amortization of non-deductible intangible assets	(2.7)	1.1
Withholding tax on dividends from foreign subsidiaries	(1.5)	2.8
Other	(2.5)	(2.4)
Actual effective tax rate after applying tax effect accounting	(46.8)	41.0

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. 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)

Business Divestitures

Transfer of subsidiary shares

Effective January 15, 2024, the Company transferred all shares held in the consolidated subsidiary SEIKO PMC CORPORATION ("SEIKO PMC") through the purchase of treasury stock.

(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. 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 asset, such as cash

(2) Overview of the transaction

(a) Amount of gain or loss on transfer

Loss on sales of shares and investments in capital of subsidiaries and affiliates: ¥4,513 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 was 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 ended December 31, 2024

The business divestiture was carried out with the beginning of the current fiscal year as the deemed transfer date, and the profit and loss relating to the divested business are not included in the consolidated statement of income for the current fiscal year ended December 31, 2024.

(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, 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

Current fiscal year ended December 31, 2024

(Millions of yen)

	Reportable segments				Others	Total
	Packaging & Graphic	Color & Display	Functional Products	Subtotal		
Sales to external customers						
Japan	114,650	23,639	131,011	269,299	399	269,698
Overseas	455,113	194,436	151,633	801,182	247	801,429
Total	569,763	218,075	282,644	1,070,481	646	1,071,127

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 an understanding the amount of revenue in the fiscal year ended December 31, 2024, and in subsequent fiscal years

(1) Receivables from contracts with customers and contract liabilities

(Millions of yen)

	FY2023	FY2024
Receivables from contracts with customers (beginning balance)	247,520	225,148
Receivables from contracts with customers (ending balance)	225,148	229,744
Contract liabilities (beginning balance)	607	649
Contract liabilities (ending balance)	649	560

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, 2024, the amount recognized as revenue for the fiscal year ended December 31, 2024, was immaterial. Revenue recognized in the fiscal years ended December 31, 2023, and 2024, in relation to 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 “Chemitronics Business Division”, and each division conducts its business.

The 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 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, 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	ー	33,174	3,822	36,996	ー	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	ー	47,474
Increase in property, plant and equipment and intangible assets	19,289	11,433	24,545	55,267	298	55,565

Current fiscal year ended December 31, 2024

(Millions of yen)

	Reportable segments				Others	Total
	Packaging & Graphics	Color & Display	Functional Products	Total		
Net sales:						
Sales to external customers	569,763	218,075	282,644	1,070,481	646	1,071,127
Intersegment sales and transfers	—	38,886	3,665	42,552	—	42,552
Total	569,763	256,961	286,309	1,113,033	646	1,113,679
Segment profit (loss)	33,570	(268)	21,008	54,309	341	54,651
Segment assets	504,303	299,139	366,291	1,169,733	58,895	1,228,628
Others:						
Depreciation and amortization	18,784	17,034	15,413	51,231	497	51,728
Amortization of goodwill	236	65	874	1,175	—	1,175
Investments in equity-method affiliates	8,689	13,324	28,217	50,230	—	50,230
Increase in property, plant and equipment and intangible assets	16,871	8,238	18,994	44,103	140	44,243

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, 2023	Current fiscal year ended December 31, 2024
Total reportable segments	1,075,128	1,113,033
Sales in “Others”	604	646
Elimination of intersegment transactions	(36,996)	(42,552)
Net sales reported in the consolidated financial statements	1,038,736	1,071,127

(Millions of yen)

Profit	Previous fiscal year ended December 31, 2023	Current fiscal year ended December 31, 2024
Total reportable segments	28,530	54,309
Profit in “Others”	244	341
Corporate expenses	(10,831)	(10,130)
Operating income reported in the consolidated financial statements	17,943	44,521

(Note) Corporate expenses substantially consist of expenses incurred by new businesses and the DIC Central Research Laboratories, which are not included in any reportable segment.

(Millions of yen)

Assets	Previous fiscal year as of December 31, 2023	Current fiscal year as of December 31, 2024
Total reportable segments	1,182,305	1,169,733
Assets in “Others”	48,044	58,895
Elimination of intersegment assets	(52,902)	(48,519)
Corporate assets	67,443	46,323
Total assets reported in the consolidated financial statements	1,244,889	1,226,433

(Note) Corporate assets mainly consist of 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	49,325	51,231	499	497	1,023	1,029	50,846	52,756
Amortization of goodwill	2,236	1,175	15	—	—	—	2,251	1,175
Investments in equity-method affiliates	47,474	50,230	—	—	—	—	47,474	50,230
Increase in property, plant and equipment and intangible assets	55,267	44,103	298	140	770	1,020	56,335	45,263

(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 increases 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, 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	China	Others	Total
298,161	145,875	98,227	496,472	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.

Current fiscal year ended December 31, 2024

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	China	Others	Total
269,698	158,510	111,552	531,368	1,071,127

(Note) Net sales are based on customer location and are classified by country.

(Changes in presentation)

China, which had been included in “Others” for the year ended December 31, 2023, is presented separately for the year ended December 31, 2024, because the corresponding amount exceeded 10% of net sales on the consolidated statement of income for the year ended December 31, 2024.

To reflect this change in presentation, ¥98,227 million yen attributable to China for the year ended December 31, 2023, which had been previously included in “Others,” was reclassified and presented separately.

(2) Property, plant and equipment

(Millions of yen)

Japan	United States	Others	Total
109,086	68,393	186,662	364,141

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, 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 related to new businesses, which are not included in any reportable segment.

Current fiscal year ended December 31, 2024

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Others	Corporate and eliminations	Total
Impairment losses	112	63	19	—	—	194

[Information About Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Previous 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

Current fiscal year ended December 31, 2024

(Millions of yen)

	Packaging & Graphic	Color & Display	Functional Products	Others	Corporate and eliminations	Total
Amortization for the year	236	65	874	—	—	1,175
Balance at the end of the year	2,858	1,077	13,460	—	—	17,394

(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, 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 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)	2,501	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	Notes 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” is determined based on an arm’s-length transaction in the neighboring area.
3. “Purchase of metallic containers and others” is determined based on an arm’s-length transaction.
4. “Sales of merchandise and finished goods and offering of services” is determined on an arm’s-length transaction.
5. “Purchase of raw materials and others” is determined based on an arm’s-length transaction.

Current fiscal year ended December 31, 2024

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)	1,944	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)	548	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	201
							Sales of merchandise and finished goods and offering of services (Note 4)	56	Electronically recorded monetary claims and accounts receivable - trade	21
	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)	7,728	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	3,714
							Sales of merchandise and finished goods and offering of services (Note 4)	4,355	Accounts receivable - trade and accounts receivable - other	1,083
	SHANGHAI NISSIN TRADING CO., LTD.	Shanghai, PRC	US $200 thousand	Sale, import and export of petrochemical-related products	—	Sales of merchandise and finished goods	Sales of merchandise and finished goods (Note 4)	55	Accounts receivable - trade	17

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. "Rental of buildings and others" is determined based on an arm's-length transaction in the neighboring area.
3. "Purchase of metallic containers and others" is 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" is 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, 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” is determined based on an arm’s-length transaction in the neighboring area.
4. “Purchase of metallic containers and others” is 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” is determined based on an arm’s-length transaction.
7. “Sales of fixed assets” is determined based on an arm’s-length transaction.

Current fiscal year ended December 31, 2024

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)	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 3)	852	Electronically recorded obligations, accounts payable - trade, and accounts payable - other	367
							Sales of merchandise and finished goods and offering of services (Note 4)	64	Electronically recorded monetary claims and accounts receivable - trade	29
	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)	1,309	Accounts payable - trade and accounts payable - other	237
							Sales of merchandise and finished goods and offering of services (Note 4)	755	Accounts receivable - trade	290
	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)	502	Accounts payable - trade	125
							Sales of merchandise and finished goods and offering of services (Note 4)	136	Accounts receivable - trade and accounts receivable - other	31

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. "Rental of buildings and others" is determined based on an arm's-length transaction in the neighboring area.
3. "Purchase of metallic containers and others" is 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" is 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, 2023, to December 31, 2023)	Current consolidated fiscal year (From January 1, 2024, to December 31, 2024)
Shareholder’s equity per share	3,844.70 yen	4,239.67 yen
Earnings (losses) per share	(421.06) yen	225.11 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 302,700 shares at the end of the previous consolidated fiscal year and 277,400 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 151,085 shares at the end of the previous fiscal year and 282,438 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, 2023, to December 31, 2023)	Current consolidated fiscal year (From January 1, 2024, to December 31, 2024)
Net income (loss) attributable to owners of the parent (Millions of yen)	(39,857)	21,313
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of the parent of common stock (Millions of yen)	(39,857)	21,313
Average number of shares of common stock during the period (1000 shares)	94,660	94,678

4. The basis for calculation of equity per share is as follows:

	Previous consolidated fiscal year (From January 1, 2023, to December 31, 2023)	Current consolidated fiscal year (From January 1, 2024, to December 31, 2024)
Net assets (Millions of yen)	399,267	420,615
Amount to be excluded from the total amount of net assets (Millions of yen)	35,330	19,194
(Non-controlling interests)	(35,330)	(19,194)
Net assets at the end of the period for common stock (Millions of yen)	363,937	401,420
Number of common shares used in the calculation of shareholder’s equity per share at the end of the period (1000 shares)	94,659	94,682

(Significant Subsequent Events)

Not applicable.

moto 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	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)	43rd unsecured bonds	April 19, 2019	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)	46th unsecured bonds	September 22, 2021	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	15,000	—	0.57%	None	April 20, 2028
(Note 1)	51st unsecured bonds	April 16, 2024	—	15,000	—	0.80%	None	April 16, 2029
—	Total	—	125,000	110,000	10,000	—	—	—

(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)	More than 1 year to 2 years (Millions of yen)	More than 2 years to 3 years (Millions of yen)	More than 3 years to 4 years (Millions of yen)	More than 4 years to 5 years (Millions of yen)
10,000	5,000	20,000	30,000	25,000

[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	12,405	26,732	5.33%	—
Current portion of long-term loans payable	33,897	54,521	1.7%	—
Long-term loans payable (excluding current portion of long-term loans payable)	308,231	277,617		2026 to 2037
Current portion of lease liabilities	4,656	5,161	—	—
Lease liabilities (excluding current portion of lease liabilities)	11,769	10,301		2026 to 2067
Other interest-bearing liabilities Commercial paper due within one year	33,000	—	0.09 %	—
Total	403,958	374,333	—	—

(Notes) 1. Average interest rate is calculated based on the average balance of borrowings during the period.

2. Average interest rate of lease liabilities is not stated because certain consolidated subsidiaries record lease liabilities 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 liabilities (excluding current portion) within five years after the closing date is as follows:

	More than 1 year to 2 years (Millions of yen)	More than 2 years to 3 years (Millions of yen)	More than 3 years to 4 years (Millions of yen)	More than 4 years to 5 years (Millions of yen)
Long-term loans payable	121,383	45,775	25,131	20,130
Lease liabilities	3,725	2,291	1,839	1,183

[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 than 1/100th 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	First half of current fiscal year	3rd Quarter	Current fiscal year
Net sales (Millions of yen)	255,788	538,841	807,666	1,071,127
Income (loss) before income taxes and non-controlling interests (Millions of yen)	(723)	15,683	22,101	37,677
Net income (loss) attributable to owners of parent (Millions of yen)	(2,778)	6,416	10,631	21,313
Earnings (losses) per share (Yen)	(29.35)	67.77	112.29	225.11

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Earnings per share (net loss per share) (Yen)	(29.35)	97.11	44.52	112.82

(Notes)

1. Although the third quarter report has not been submitted, each figure for the third quarter is the quarterly information prepared in accordance with the rules of the financial instruments exchange and has not been reviewed by the accounting auditor during the period.
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 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 *The Company has resolved to terminate its shareholder benefits program at the Board of Directors on February 12, 2025. The Company's shareholder benefits program will be terminated after the distribution of benefits to shareholders of record holding shares as of December 31, 2024.

(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, 2024, to the filing date of the Annual Securities Report.

(1) Annual Securities Report and Documents Attached and Confirmation Letter Business term 126th (From January 1, 2023, to December 31, 2023)	March 28, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(2) Management's Report on Internal Control and Documents Attached	March 28, 2024 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 29, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(4) Amendment to Shelf Registration Statement	March 29, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(5) Shelf Registration Supplements (Share certificates, Bonds, etc.) and Documents Attached	April 10, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(6) Quarterly Reports and Confirmation Letter First Quarter of Business term 127th (From January 1, 2024, to March 31, 2024)	May 15, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(7) Semiannual Report and Confirmation Letter First Half of the Business term 127th (From January 1, 2024, to June 30, 2024)	August 9, 2024 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 4 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Change in Major Shareholders)	October 21, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(9) Amendment to Shelf Registration Statement	October 21, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(10) 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)	November 14, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(11) Amendment to Shelf Registration Statement	November 14, 2024 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 26, 2025

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:

Yuichi Asai

<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, 2024, 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, 2024 to December 31, 2024, 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, 2024, 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 and other non-current assets related to the group of cash-generating units, including Guangdong DIC TOD Resins Co., Ltd.</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 2. Valuation of Goodwill and Other Non-Current Assets Related to the Group of Cash-Generating Units, including Guangdong DIC TOD Resins Co., Ltd. ("Guangdong TOD"), property, plant and equipment of ¥364,141 million, intangible assets of ¥67,494 million and investments and other assets of ¥187,293 million in the consolidated financial statements of the Group as of December 31, 2024, included property, plant and equipment of ¥12,864 million, intangible assets of ¥4,773 million, investments and other assets of ¥263 million and goodwill of ¥7,462 million related to the group of cash-generating units, including Guangdong DIC TOD Resins Co., Ltd. ("TOD Group"), respectively.

Goodwill related to TOD Group is allocated to a group of cash-generating units that are expected to benefit from synergies arising from business combination and is tested for impairment on an annual basis. Based on the goodwill impairment test, because the recoverable amount of TOD Group was assessed to be greater than its carrying value, management determined that it was not necessary to recognize an impairment loss on the unamortized balance of goodwill and other non-current assets in the fiscal year ended December 31, 2024.

With the completion of a new facility of Guangdong TOD in the current fiscal year, the Group anticipated that it would expand its production capacity and market waterborne resins 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, the shift in market demand from oil-based to waterborne resin products has been slower than expected when the Group acquired Guangdong TOD, and price competition with other manufacturers has started. The expansion of sales of waterborne resins has lagged behind expectations at the time of the acquisition. The Group expected to increase sales volume of the waterborne resins by making use of its expanded production capacity due to stringent environmental regulations in People's Republic of China and to increase sales volume of the industrial resins by making use of its production capacity with the promotion of the industrial resins that respond to the growing demand for domestic products due to soaring prices for imported raw materials. Additionally, the Group expected the effect of cost reductions realized during the fiscal year ended December 31, 2024. However, it is subject to</td><td>To test the valuation of goodwill and other non-current assets related to TOD Group, we performed the following audit procedures, among others:

(1) Evaluation of internal controls

We evaluated the design and operating effectiveness of internal controls over the valuation of goodwill and other non-current assets.

(2) Evaluation of the reasonableness of the estimate of the 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 business plan of the group of the cash-generating units since the acquisition date, we inquired of management, inspected and observed operation of the new facility of Guangdong TOD and inquired the status of sales orders from customers.

・In order to evaluate the reliability of management's estimates, we compared actual results with historical business plans (budgets) and the estimated growth rate within the future business plan with the expected market growth rate. We evaluated the appropriateness of the changes in management future business plan in light of the current fiscal year operation and identified significant assumptions. We performed the following audit procedures for the sales plan and gross profit margins of waterborne resin products and industrial resin products, which were identified as significant assumptions:

・We inquired of management about the relevance to shifting from oil-based resin products to waterborne resin products and evaluated the reasonableness of the planned increase rate in sales by comparing it with available external data published by third party. Additionally, we compared the gross profit margin of waterborne resin products used in the future business plan with historical sales results.</td></tr>
</table>

uncertainties as it includes the management estimation. 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 a discount rate and a long-term growth rate requires valuation expertise. The Group's goodwill and other non-current assets related to TOD Group are quantitatively material. Specifically, developing the future business plan used in the impairment test and the 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 inspected the meeting minutes with potential customers and evidence of providing samples to potential customers and evaluated the reasonableness of the expected sales volume of industrial resin products. Additionally, we evaluated the reasonableness of the gross profit margin by comparing it with the historical sales results and the Group's gross profit margin based on actual sales result. · We evaluated the consistency of the estimated future cash flows with the future business plan approved by management. · 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 it with external data published by third parties.

Valuation of non-current assets related to Sun Chemical Color Materials	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in the Note to Accounting Estimates 1. Valuation of Non-Current Assets Related to Sun Chemical Color Materials, property, plant and equipment of ¥364,141 million and intangible assets of ¥67,494 million in the Group's consolidated financial statements as of December 31, 2024, included property, plant and equipment of ¥113,814 million and intangible assets of ¥20,464 million related to Sun Chemical Color Materials, respectively. Sun Chemical Group, a subsidiary of the Group, applies generally accepted accounting principles in the United States and performs a recoverability test for the asset group related to Sun Chemical Color Materials whenever there are any indications that the assets group may be impaired. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset group is less than its carrying value, the asset group is assessed to be not recoverable. If the carrying value of the asset group is not recoverable, the difference between the carrying value and its fair value is recognized as an impairment loss. While demand for pigments, the core product of the Sun Chemical Color Materials business, failed to recover fully in the fiscal year ended December 31, 2024, owing to economic stagnation in	To test the valuation of the non-current 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 evaluated the design and operating effectiveness of internal controls over the valuation of the non-current assets. (2) Evaluation of the reasonableness of the management judgment regarding impairment indicators • In order to understand the changes in the business environment and the future business plan of the reporting unit, we inquired of management of Sun Chemical Color Materials and observed its major plants. • In order to evaluate the reliability of management's estimates, we compared actual results against historical

Europe, a leading market for these products, notably in Germany, shipments have recovered since the completion of inventory adjustments by customers, particularly of pigments for use in building materials and for industrial applications. Additionally, the operating loss in this business shrank significantly, thanks to the progress of structural reforms aimed at, among others, optimizing production configurations, as well as to efforts to lower costs. Accordingly, because the Group anticipates a return to profitability in this business, the Group has determined that there are no indications of impairment. In light of the market growth projections, the operating income estimation for the following fiscal years is based on the future business plan, which reflects an anticipated increase in sales volume of high-performance products. The Group also expects that structural reforms implemented in the fiscal year ended December 31, 2024—including production configuration optimization and labor force rationalization—will continue to positively impact operating income going forward, and that operating income and loss results will improve further with the promotion of various measures, including the merger and shuttering of production facilities. However, it is subject to uncertainties as it includes the management estimation. The amount of the non-current assets related to Sun Chemical Color Materials is quantitatively material. Specifically, developing the future business plan used in the impairment test 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 estimates within the business plan are inappropriate. Therefore, we identified it as a key audit matter.	business plans (budgets) and the estimated growth rates within the business plan with the expected market growth rates. We evaluated whether there was any management bias that should be considered as uncertainty in the future plan. • We evaluated the consistency of the business plan used in the management judgment regarding impairment indications with the future business plan approved by management and assessed the feasibility of the expected sales by comparing it with available external data, such as market forecasts. • We evaluated the consistency of the estimated effects reflected in the future business plan by inspecting the minutes of Board of Directors' meetings about the structural reform and understanding the monthly business results reported in Board of Directors' meetings to evaluate the reliability of management's estimates regarding the production configuration optimization and the labor force rationalization.

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.

(TRANSLATION)

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.

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.

<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, 2024.

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, 2024, 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.

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2024, 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 27, 2025
[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 127th Business Term (from January 1, 2024 to December 31, 2024) 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 27, 2025
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, 2024, 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, 2024, 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, 2024, the Company's internal controls over financial reporting were effective.

4 Supplementary Notes

Not applicable.

5 Special Notes

Not applicable.