



Dainichiseika

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Website Information

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



● Dainichiseika Corporate Website
<https://www.daicolor.co.jp/english/>



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



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



Dainichiseika Integrated Report 2025

Dainichiseika
Color & Chemicals Mfg. Co., Ltd.
Integrated Report 2025



BEYOND COLOR

Explore the unknown to reach a better future.

In 1931, our company was founded with the goal of domestic production of pigments. For over 90 years since then, we have strived to enrich society and people's lives through various forms of "color." Starting with "Pigment Synthesis and Surface Treatment Technology," we expanded our business into various colorants and inks using "Formulation and Dispersion Processing Technology" that finely disperses pigment particles to impart color to desired materials. Furthermore, while handling materials, we acquired the Polymer Synthesis Technology and have continued to develop to this day.

Our technology has evolved beyond just "color," to also encompass techniques that add functionalities like thermal and electrical conductivity to the materials themselves.

Alongside these core technologies, by evolving our production capabilities and responsiveness to customer needs, our products have been used in numerous industrial goods. While not always directly visible to consumers, these materials enrich our lives and support society.

Thus, we are pioneering a broader field of "functional materials," going beyond mere "color," and striving to create new value to become an excellent company in materials.

We maintain a constant curiosity about people, new things, and the future. We confront the "unknown" —products, technologies, and needs that did not exist until today— and continue to challenge ourselves to discover new possibilities that lie "beyond."

Explore the unknown to reach a better future.

Dainichiseika All Around You

If products had no “color,” they would be incredibly dull. Through “materials” that offer both color and functionality, we enrich our life across various fields.

- 2 Pigments for roofs (heat-shielding coatings)
- 3 Colorants for garage roofs
- 4 Colorants for watering cans
- 5 Colorants for seedling pots (biodegradable resin)
- 6 Colorants for PVC hoses
- 7 Synthetic leather for sportswear and other applications (polyurethane for synthetic leather, moisture-permeable polyurethane)
- 8 Watch bands, bezels (molding polyurethane)

Window film colorants

9 Automobile

Ceiling materials, mats, and other synthetic fiber colorants

Laminated glass colorants

Cable sheathing compounds

Sheet polyurethane and synthetic fiber colorants

Steering wheel and instrument panel colorants, surface treatment agents

Battery materials

Car navigation and monitor materials

Connector compounds, wire harness colorants

Exterior paint pigments

Resin compounds for bumpers

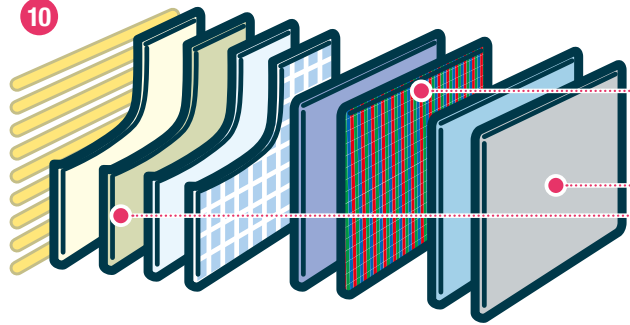
1 Smartphones

Products Used

- Advanced Polymers Division products
- Gravure Inks Division products
- Plastic Colors No.2 Division products

1

10



Color filters

Polarizing plates

10 LCD TVs

- Color filters (pigments)
- LCD display components = Polarizing plates (UV-curable coating agents)
- 11 Colorants and printing agents for clothing
- 12 Colorants for containers
- 13 Cosmetics (biodegradable microparticles)
- 14 UV curable coating agents, colorants, and gravure inks for cosmetic containers

- 15 EB curable coating agents, colorants, gravure inks for flooring and cushion flooring
- 16 Colorants, gravure inks for decorative laminates used in living room boards, wooden shelves, etc.
- 17 EB curable coating agents, colorants, gravure inks for interior wallpaper
- 18 Colorants for carpets (synthetic fibers)

- 19 Sofas (polyurethane resin for synthetic leather)
- 20 Pigments, colorants for copier toner
- 21 Pigments and colorants for inkjet printer inks

- 22 Surface decoration materials for home appliances and office equipment (UV curable coating agents, adhesives)

- 23 Packaging films, confectionery bags (oil-based/water-based gravure inks, water-based flexo inks, solvent-based/water-based/solvent-free polyurethane adhesives)
- 24 Colorants for trays
- 25 Inks for bottle labels
- 26 Colorants for PET bottle caps

Corporate Philosophy

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

Precept

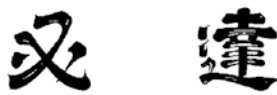
Man is interesting,
then customers as well as companies are constituted of such men.
All the economic principles and the management theories are based upon human behavior patterns.
Have an interest in people.

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

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

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

Our Business Creed, “Full Achievement”



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

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

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

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Editorial policy

The Group positions the integrated report as a vital tool for communicating with our stakeholders. This year, we report on where the Group wants to be in the future and how we aim to achieve it, covering business policies, strategies for realization, and performance from both financial and non-financial perspectives. We strive to meet the expectations and earn the trust of our stakeholders. This report has been deliberated on by the Board of Directors and disclosed in both printed and electronic formats. It has not been audited by an audit firm.

Scope of reporting

Covers the entire Group.

Reporting period

April 1, 2024 to March 31, 2025 (FY2025)

* Also covers certain activities outside this period.

Issued

Previous: September 2024

Current: September 2025

Next: Scheduled for September 2026

Reference guidelines

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

Top Message



Advancing our technology-driven initiative basic strategy, establishing overwhelming competitive advantage to become an excellent company in the field of functional materials

Koji Takahashi

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

Our Current Medium-Term Management Plan and Long-Term Vision

The first year of our medium-term management plan has gotten off to a smooth start, with seeds sown across multiple fronts
Achievement of the goals set forth in our basic strategy will steadily be reflected in future figures

It has been one year since the launch of our three-year medium-term management plan, “TRANSFORMATION for TOMORROW 2027.” How do you assess its results and progress?

For FY2025, the first year of our current medium-term management plan, net sales increased to 124.7 billion yen (up 4.9 billion yen year on year). This growth was driven by strong performance at overseas subsidiaries, combined with the positive effects of base consolidation following the completion of the new factory relocation. Operating profit reached 7.0 billion yen (up 2.4 billion yen year on year), and ordinary profit reached 7.7 billion yen (up 2.7 billion yen year on year).

We view the first year as having generally gotten off to a smooth start. Beyond the factors mentioned above, we believe a significant contributor was the successful implementation of product price revisions, which anticipated rising raw material costs and increases in distribution and labor costs. The Japanese economy had long been affected by deflation, with both prices and wages struggling to grow. We see the Japanese economy finally

regaining its health, and the Group riding that wave.

In this sense, however, this revenue growth does not represent the fundamental growth the Group seeks. We intend to adopt a management stance that involves taking risks to pursue new growth, rather than merely continuing business along the same extension. The basic strategy of our current medium-term management plan focuses on securing a competitive advantage through technology initiatives and further expanding overseas businesses. Furthermore, growth investments expected to yield significant results in the short term, such as acquiring new technologies and expanding overseas markets through M&A, are critically important. We have already taken concrete steps to actively pursue M&A under our current medium-term management plan. Furthermore, we will strategically increase the allocation of capital toward growth fields within each business domain.

Supporting this challenge is the enhancement of our human capital. Failure is inherent in taking on challenges, but we must foster a resilient organizational culture that embraces failure

while continuing to pursue new challenges. To this end, we implemented personnel system reforms in April this year that encourage and reward taking on challenges. We are still in the early stages, but we intend to ensure continuous follow-up and effectiveness verification to embed these changes.

Reflecting on the first year of this medium-term management plan, we feel we have done everything possible to lay the groundwork for future growth. By maintaining this momentum and executing transformation in the right direction, we believe tangible results will emerge across multiple fronts—including new businesses, expanded sales channels, and overseas expansion—and will be reflected in our numbers. We ask for your continued support and anticipation.

The long-term vision boldly declares the goal for “Where We Want to Be in 10 Years”: “Become an excellent company in the field of functional materials.” What do you envisage as the form this excellent company will take?

The meaning of “excellent” can be interpreted differently by each stakeholder, and perceptions may also vary with the times. However, the primary condition for an “excellent company” in my view is that it is “A company that continues to change.”

The Group was founded in 1931 with the goal of domestic

production of pigments. At that time, pigments were not only essential for diverse color expression but also served as excellent functional materials that contributed to safety by enabling clear identification. Since then, we have continuously expanded our functionality by developing colorants tailored to specific materials, functional materials that control heat and wavelengths, and coating agents used in information and automotive fields. Returning to our origins and history of change, in October 2023, we adopted the brand message “BEYOND COLOR Explore the unknown to reach a better future,” selected through an internal contest. It is precisely because we have continuously evolved “functional materials” in response to the demands of the times and technological innovation that the Group’s products permeate and are utilized in every aspect of industry and daily life.

Pursuing profits as a company, enhancing employee satisfaction, and contributing to society—these are roles the Group must naturally fulfill. However, the prerequisite for this is the continuous pursuit of “functional materials” suited to the times. This is the source of the Group’s sustainability and our greatest mission. By consistently developing and supplying new “functional materials,” we build win-win relationships with all stakeholders surrounding our group—that is precisely what I envisage as the ideal form of an “Excellent Company in the Field of Functional Materials.”

Basic Strategy 1 Technology-driven Initiatives

Through open innovation that integrates diverse fields
We will create new technologies and evolve in both new and existing fields

Our current medium-term management plan establishes “Secure a competitive advantage through technology initiatives” as a basic strategy. What are the specific measures and their progress?

Our current initiative is to create innovation through technological convergence by consolidating the entire company’s R&D functions. The Group’s technology departments were

previously dispersed between an R&D Structure and product-oriented R&D Groups within each division. There had long been voices from the field asking, “Why not combine them into a single organization?” To strengthen our technology-driven initiative structure, we reorganized this April. We shifted from the previous technology organization, which was vertically structured by individual technologies, to a new organizational

framework organized by development stage. We also unified the leadership of the R&D Structure and the R&D Groups within each division. This enables engineers with different specialties to collaborate on new developments by integrating their respective technologies. Furthermore, we aim to expand opportunities for open innovation, including industry-academia collaboration and joint development with customers.

What I expect from our group's technical human assets are engineers who love research more than their daily meals, and maintain an insatiable spirit of inquiry. I believe that when such engineers come together, unexpected chemical reactions occur, giving birth to innovations that open the next era. Another crucial point not to be forgotten is maintaining a keen awareness of customer needs. Customer needs are, in essence, the needs of the times, and they are absolutely essential for product differentiation and quality improvement.

However, simply dedicating oneself to research, development, and invention does not automatically lead to innovations that translate into successful commercialization. Strategic management is required to focus our efforts—through selection and concentration—on areas where the Group can compete effectively and fields with strong growth potential. Time and funds are precious, limited resources. Therefore, our current medium-term management plan focuses on areas with large market size, high profitability, and strong growth potential, building upon the Group's three core technologies

Basic Strategy 2 Overseas Business

Focus on Asia's high GDP growth markets as key strategic regions, where demand for products with strong sales growth potential is high

As part of our strategy to “Expand overseas business to strengthen business foundation,” we have identified Europe, Asia/India, and North America as target markets. Please share the current status and future challenges for each region.

For our overseas business, we will focus on Asia's high GDP growth markets, characterized by high population growth rates and vigorous infrastructure development and technology adoption. While China's economic slowdown persists, India—with a projected 2024 GDP growth rate of 6.5% and the second-largest economy among emerging nations—is a key strategic region. We are expanding sales by selecting products tailored to local needs from our portfolio, which includes

centered on pigments and resins. Specifically, we will concentrate our investment of human assets, facilities, and capital on developing “Functional Materials for IT and Electronics” and “Life Science & Personal Care” as new growth areas, and “Mobility” and “Environmentally Friendly Packaging” as continuing growth areas.

As part of this effort, we have been advancing the “R&D Innovation Center Project.” We are currently engaged in discussions to ensure it functions effectively as an open innovation platform accessible to external partners while maintaining strong ties with our production sites.

Our current medium-term management plan sets a target to increase net sales of new products developed through technology-driven initiatives by 2.6 billion yen by FY2027. In the first year, progress on individual research themes was generally smooth, resulting in a 0.7 billion yen increase in net sales.

The Group's strength lies in the cyclical structure of “technological capability, customer responsiveness, and production site capability” cultivated since our founding. Under “technology-driven initiatives,” collaboration between sales and production departments must be strengthened more than ever. We aim to further refine this three-pronged approach: sales departments reliably addressing customer needs, technical departments creating new value by deepening and integrating our three core technologies, and production departments ensuring stable global supply of high-quality products.

highly regarded Japanese products such as high-performance colorants and adhesives for electric wire coating materials. In Southeast Asia, sales of resin compounds for EV/electrical components are steadily expanding in Thailand and Vietnam, prompting plans to increase production capacity at the Thailand plant. In Indonesia, capacity expansion investments are planned to meet robust demand for gravure inks. For developed markets in Europe and North America, we are focusing on high-value-added products utilizing the latest technologies.

In Europe, we are advancing sales expansion and local production of inkjet colorants, as well as developing customers for cosmetic materials. In North America, we are advancing local production of water-based surface treatment agents to meet local production and consumption demands.

Our current medium-term management plan sets a target to increase overseas business sales by 3.6 billion yen for FY2027 compared to FY2024. For FY2025, excluding currency effects, we have already achieved an increase of 2.0 billion yen, demonstrating steady progress on a growth track.

The Group's net sales currently balance approximately 70% domestic and 30% overseas. Looking ahead, we aim to further increase the overseas proportion of net sales. To achieve this, we intend to actively pursue opportunities, including M&A of overseas peer companies.

Basic Strategy 3 Sustainability

As part of the Group's social responsibility, we will strengthen corporate governance to achieve truly effective sustainability

How about “Promote ESG-focused management to realize a sustainable society”? First, please tell us about the development and expansion of sales for sustainable products and initiatives addressing climate change and biodiversity.

Promoting sustainability management centered on ESG is a critical initiative we continuously prioritize. However, we believe it is essential not merely to raise the banner, but to rigorously evaluate whether our products and services genuinely contribute to the environment and possess sustainable business viability, thereby transforming these efforts into more effective and substantive actions. Frankly speaking, the Group aims “to pursue eco-friendly practices that go beyond merely meeting standards and instead deliver tangible results.”

As a chemical manufacturer, most of our raw materials are derived from fossil resources. Therefore, initiatives to achieve sustainability are an unavoidable challenge. We consider it our social responsibility to advance the development of products with high environmental contribution effects through research and development.

Among our environmental technologies, we are particularly focused on the transition from oil-based to water-based systems and the field of biodegradable plastics. A specific example is the development of water-based inks, which emit fewer volatile organic compounds (VOCs) compared to oil-based inks. Furthermore, we are developing and commercializing biodegradable cellulose powder (RUBLALEAF® KCX) as an alternative to microplastic beads in cosmetics, and hydroxy polyurethane (HPU) made from CO₂. We aim to increase sales of sustainable products by 3.0 billion yen during our current medium-term management plan.

Regarding CO₂ reduction, the Group has set targets aligned with international climate change reporting standards to contribute to the Japanese government's 2050 Carbon Neutrality goal. Using FY2020 as a baseline, we aim to reduce emissions by 31% by FY2027 and by 48% by FY2031. We have been advancing energy-saving measures and the introduction of renewable energy. We achieved our target of a 53% reduction in CO₂ emissions (Scope 1 & 2) for FY2025 ahead of schedule.

Basic Strategy 4 Promote HR strategy and DX

**Maximize employee performance through personnel system reform and DX
Advance multifaceted initiatives to improve engagement**

How are you progressing with personnel system reforms aimed at improving employee engagement and transforming the company culture?

The goal of our HR strategy is to “Foster a corporate culture full of vitality in which innovation can flourish.” Creating new value requires free and progressive thinking unbound by pre-

We are also actively working to contribute to society-wide CO₂ reduction (Scope 3) through our products. Furthermore, to realize a resource-recycling society, we are advancing the shift to biomass-based raw materials as well as promoting the reduction of waste plastic emissions and recycling.

Achieving sustainability and carbon neutrality across society presents numerous challenges to overcome. We believe further decisive steps are needed, such as regulations through public-private and industry collaboration, and measures to expand the market for environmentally responsive products. While the exact path to realization remains uncertain, the Group will continue to pursue technology development and activities contributing to the environment from a long-term perspective.

Please tell us about your corporate governance initiatives, particularly regarding the newly transitioned “Company with an Audit and Supervisory Committee.”

The Group transitioned from a “Company with a Board of Company Auditors” to a “Company with an Audit and Supervisory Committee” at the 122nd Annual General Meeting of Shareholders held in June 2025, with the approval of our shareholders. An Audit and Supervisory Committee, where a majority of members are Outside Directors, will be established. Outside Directors will be responsible for auditing and supervising the legality and appropriateness of Directors' business execution within the Board of Directors, the Nomination and Remuneration Committee, and the Outside Director and Auditor Liaison Committee.

This has established a corporate governance system within the Group that enables more transparent management and allows for more precise and swift responses to changes in social conditions and requests from our stakeholders. Moving forward, further efforts are necessary to ensure this system remains effective and does not become merely symbolic. We will strengthen the Audit and Supervisory Committee's authority, enhance collaboration with the Internal Audits Division, and conduct continuous review and improvement to achieve highly effective governance.

conceived notions, and it is people who generate this. As a top priority initiative in our current medium-term management plan, we are advancing personnel system reforms aimed at improving employee engagement—specifically, “job satisfaction,” “pride,” and “motivation to contribute to colleagues” as employees of a manufacturing company. In April 2025,



we introduced a new personnel system and overhauled the evaluation system. We have created mechanisms that encourage and evaluate challenges, along with job descriptions that clearly define the roles expected at each job level. These will be utilized in personnel evaluations. By evaluating not only employees' achievements but also their actions encompassing abilities, knowledge, and values, we aim to foster a workplace where "hard work is recognized," creating a sense of fulfillment.

Furthermore, in today's era of diversifying work styles, the Group enables flexible working arrangements tailored to job type and life stages, such as childcare and caregiving. Regarding salary and benefits, we intend to continue responding appropriately to changes in wage conditions.

While human assets mobility is increasing nowadays, the Group's three-year turnover rate for young employees has been around 5-15% over the past three years, lower than the domestic average exceeding 30%. However, workers, particularly younger ones, increasingly seek to understand their market value and pursue better career development. As a company, we will respond with compensation and treatment commensurate with employee contributions, thereby securing and nurturing top human assets.

Specifically, how are your efforts to foster employee motivation and improve quality of life progressing?

As a new employee benefit initiative, we have introduced a restricted stock incentive program for the employee stock ownership association. Using approximately 7.7 billion yen in gains from the sale of non-current assets—derived from the sale of our former Kawaguchi Production Plant—we will first return value to our shareholders and then allocate funds to employees as part of our welfare benefits. This initiative aims to support employees in building their assets while encouraging them to take an interest in the company's performance and stock price, thereby working together to further enhance corporate value.

Furthermore, we believe deepening understanding of the Group's overall management policies and goals is essential for improving employee engagement. To achieve this, Directors are visiting each base, primarily factories, to convey messages in their own words and create opportunities for frank dialogue about challenges and concerns on the front lines. At our production facilities, strict dress codes and standardized

procedures ensure safety and quality, which can be physically demanding. While we implement comprehensive environmental improvements for employee safety and health, we also prioritize fostering a sense of pride and dignity in their work.

While our products rarely bear the Company name or product branding, they are used in diverse industries—from automobiles and building materials to food and beverage containers, books, cosmetics, and apparel—and are present in virtually every aspect of daily life. We are committed to actively promoting initiatives that communicate these outcomes and our social contributions both internally and externally.

Please tell us about the transition to a data-driven business and its progress.

To enable efficient and reliable strategy formulation and innovative product development, we are advancing business DX while establishing a foundation for accumulating and sharing operational data, thereby transitioning to a data-driven business model.

Progress in the first year of our current medium-term management plan has seen significant advancement in strengthening IT tools for office work and utilizing generative AI. Future initiatives will focus on transitioning to a data-driven business across three major areas: Marketing, Technology Development, Production Department. In Marketing, we will accumulate market needs as a database, regardless of the responsible department, and create a process to connect these market needs with the Group's technologies to develop new projects. Next, in Technology Development, we will comprehensively accumulate raw material usage and development information into a database. We will then use Materials Informatics (MI) analysis, combining these data, to accelerate and streamline material development. In Production Department, we will reduce the burden on production sites while advancing data accumulation and visualization. This will improve the accuracy of early anomaly detection and lead to enhanced production efficiency.

Simultaneously, improving employee digital literacy is essential for implementing these measures. We will strengthen the foundation for cultivating digital human assets by providing role-specific learning environments, such as AI utilization training and on-the-job training (OJT) in data analysis.

performance now established, we revised our ROE target for FY2027 upward to 5% or more in May 2025. Another factor is the completion of supply chain inventory adjustments, which were triggered by excessive orders during the economic recovery phase following the COVID-19 pandemic. This has led to an improvement in the business environment surrounding the Group.

While it may seem somewhat paradoxical, the Group's management strategy is that pursuing a capital policy focused on steadily driving growth from a medium- to long-term perspective, rather than solely prioritizing immediate dividends, will ultimately lead to management that meets the expectations of our shareholders and investors. To this end, we recognize that the "technology-driven initiatives" play a particularly crucial role and that we must invest in human assets, equipment, and capital accordingly. The same applies to M&A aimed at acquiring new technologies and markets.

Concurrently, we recognize that stabilizing our financial foundation to respond immediately to changes in the business environment while maintaining growth potential is a critical challenge. We primarily secure the stable funding required for investments through cash flow from operating activities and borrowings from financial institutions. Furthermore, by implementing a Cash Management System (CMS) at our parent company and five major domestic subsidiaries, we centrally manage intra-group funds and reduce cash and deposit levels to enhance capital efficiency. We also plan to utilize interest-bearing debt for funding capital expenditures and growth investments. Under a disciplined financial strategy, we will maximize our cash flow generation capabilities to

drive growth.

Please share your thoughts on further enhancing shareholder returns and opportunities for dialogue with shareholders and investors.

Our Basic policy is to maintain a dividend policy that prioritizes returning profits to shareholders, while also pursuing future business expansion, strengthening our management foundation, and enhancing retained earnings, all from the perspective of sustainable growth and medium- to long-term enhancement of corporate value.

For FY2025, we paid an ordinary dividend of 126 yen per share. As a special dividend, representing shareholder returns from the gain on transfer of the former Kawaguchi Production Plant, we plan to pay a special dividend of 30 yen per share (total 2.0 billion yen) for each of the four fiscal years from FY2024 to FY2027. Combined, annual dividend for FY2025 amounted to 156 yen per share.

We aim to further increase opportunities for dialogue and information sharing to carefully explain the Group's activities. This will help us grow the number of fans who appreciate and have expectations for the Group's manufacturing.

Moving forward

We will drive innovation to "Become an excellent company in the field of functional materials" through technology-driven initiatives

What is the source of growth for Dainichiseika Color & Chemicals Mfg. Co., Ltd.? Also, please tell us about your future goals.

Our company is built overwhelmingly on technological strength. We take pride in having many human assets within the Group who possess a broad perspective—understanding that technology must serve people, connect to the future, and drive innovation for tomorrow. Furthermore, the strength of our sales team in promoting our technology and the strength of our production team in supporting it with sincere manufacturing are also vital engines for the Group.

Our corporate philosophy, established in 2016, articulates three core philosophies: "Have an interest in people," "Have an interest in something new" and "Have an interest in the future." Each of these philosophy corresponds to our three pillars: management driven by human-centered principles, the pursuit of innovation, and the realization of ESG. Recently, more students who resonate with this philosophy are applying to join us. We are confident that as like-minded human assets gather, our corporate value and the value we provide will continue to grow, reinforcing our position as a company built on technological strength. Furthermore, we believe ongoing dialogue with our stakeholders, including our shareholders, remains critically important for realizing the Group's growth.

From FY2026, which marks the midpoint of our current medium-term management plan, we expect initiatives launched in the first year and earlier to finally take root, bear fruit, and

gradually manifest in our financial results. We will continue to strive with all our strength toward becoming "Excellent company in the field of functional materials" that meets everyone's expectations.

Basic Strategy 5 Capital Efficiency

**From management focused on capital efficiency that advances proactive investment for the future
To creating technologies that benefit society and lead to sustainable growth**

Please share your policy and initiatives regarding capital-efficiency-oriented management.

Regarding capital-efficiency-oriented management, we had set ROE of 4.6% and ROA of 4.3% as targets for FY2027, the final year of our current medium-term management plan. However, after completing the first year of the plan, operating profit levels have recovered, and with the outlook for steady





Progress to Date

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

Founded with the aim of producing pigments domestically

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

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



Founder
Yoshihiro Takahashi



Dainichiseika

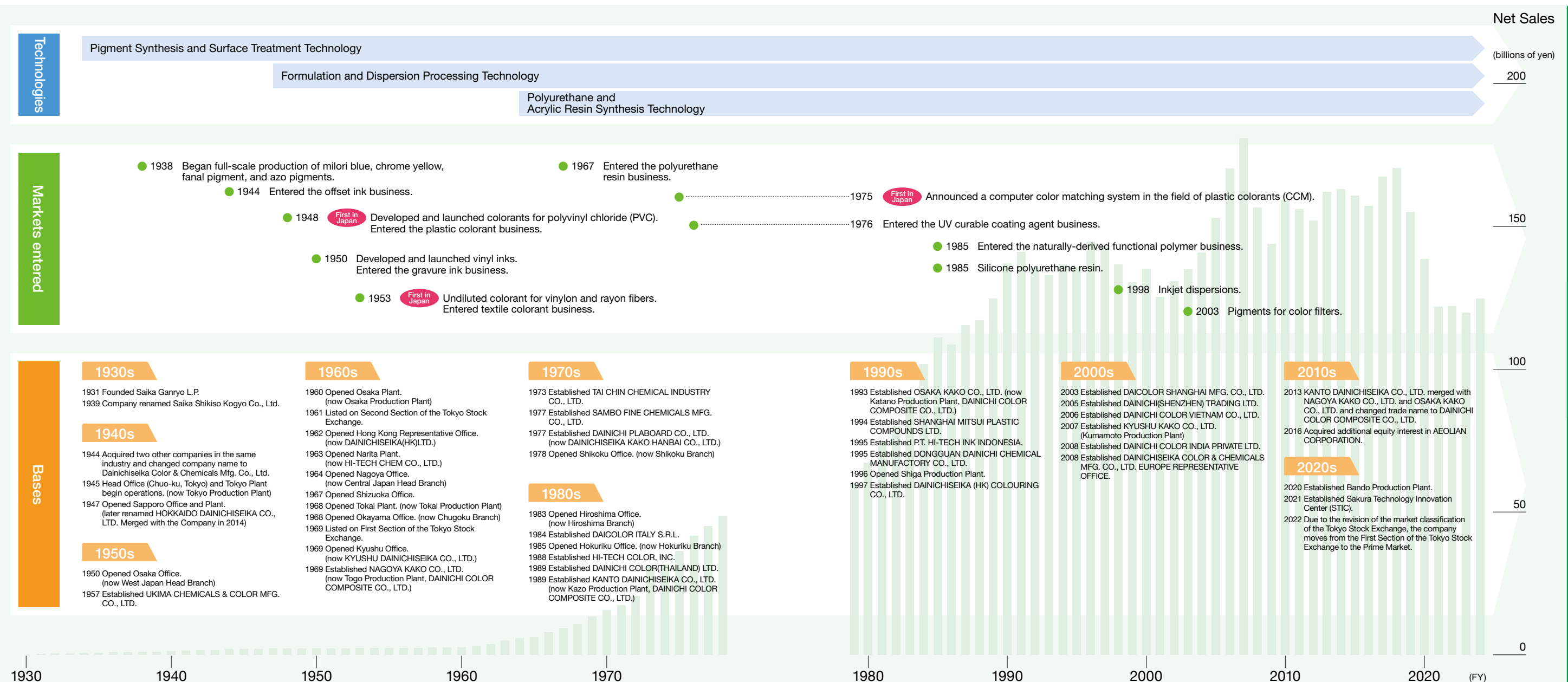
Our logo, established in 1950, is based on the motif of an amphibious “pelican” and “the earth.” It represents the desire of our founder and employees to be like the king of waterfowls, carrying beautiful colors, walking all over Japan and spreading its wings to the world.

Technical Development and production systems were established and penetrated the domestic market

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

Expanding “Domestically Produced” technology into overseas markets

Since the 1980s, as Japanese companies have been aggressively expanding overseas, we’ve been expanding the areas in which we operate to meet their needs. Today, we have 15 sales and production bases in 10 countries and regions and have built a system to meet the development needs of our customers around the world.



*Starting in FY2021, the revenue recognition standard has been applied, resulting in a decrease in net sales of approximately 40 billion yen.

Value Creation Process

Brand Message



INPUT

Sources of value creation

Financial capital

Total assets:	196,784 million yen
Net assets:	130,497 million yen
Share capital:	10,039 million yen

Human capital

Number of employees	3,594
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Intellectual capital

Number of research bases	6 in Japan
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Manufacturing capital

Number of bases	13 in Japan 11 in overseas
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Natural capital

Total energy	32,135 KL (crude oil equivalent)
Net water volume	2,725 thousand m³

Social capital

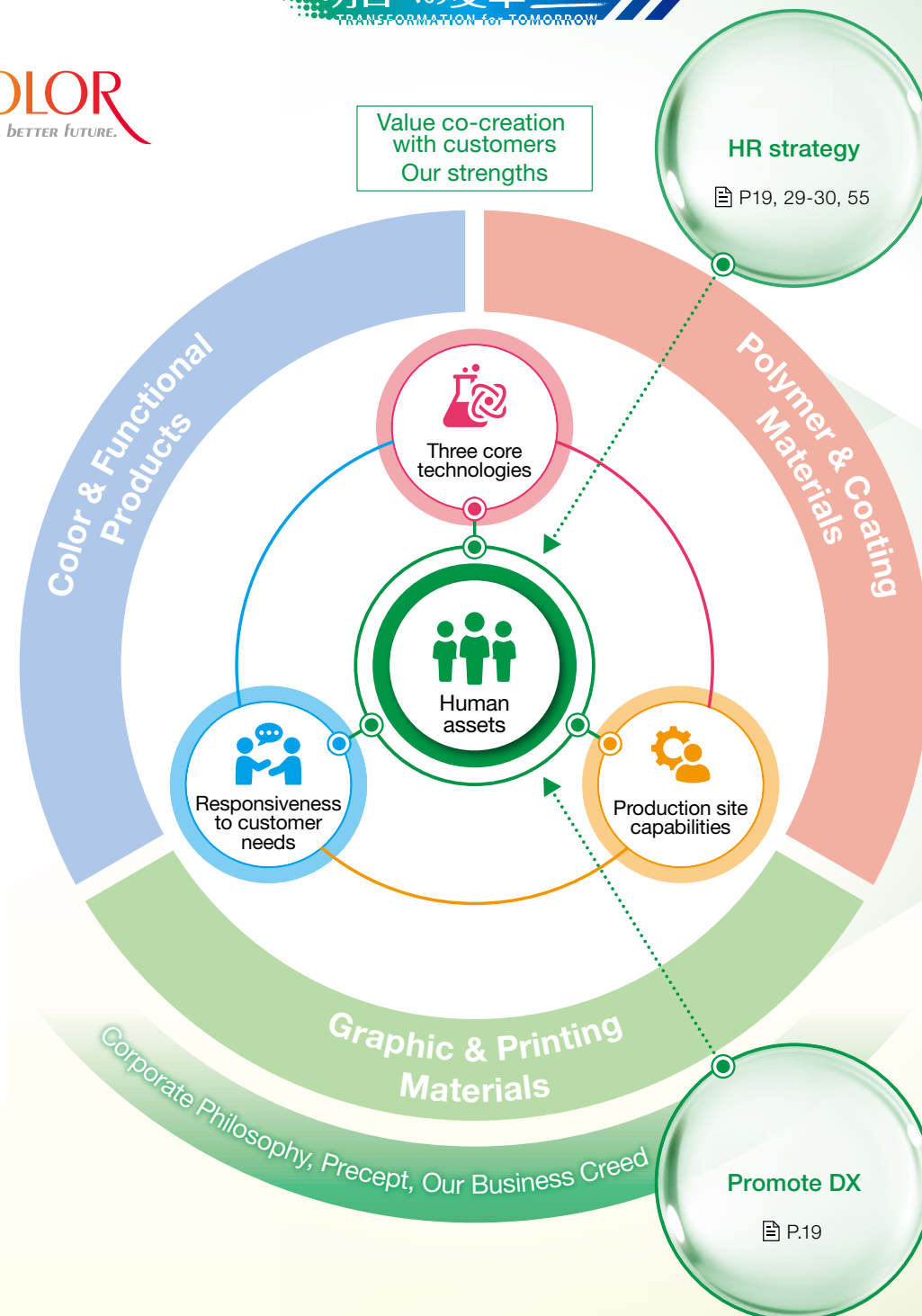
Symbiosis with stakeholders

*As of March 31, 2025, consolidated basis

Value Creation Platform

明日への変革 2027

TRANSFORMATION FOR TOMORROW



OUTPUT

Priority projects and target markets

New development markets P.32



Functional Materials for IT and Electronics



Life Science & Personal Care



Mobility



Environmentally Friendly Packaging

OUTCOME

Become an excellent company in the field of functional materials

- Innovative proprietary technologies
- Contributing to sustainable growth
- Meeting stakeholder expectations

P.17



Developing together with society

- Creating a prosperous future for the next generation
- Technologies centered on functional materials
- Generating value essential to society



Living in harmony with the environment

- Contributing to decarbonization and resource recycling
- Environmentally conscious product development
- Environmentally conscious resource utilization



Improving stakeholder engagement

- Building stakeholder trust, expectations, and empathy
- Supporting job satisfaction and growth
- Sharing results fairly with stakeholders

Management strategy

Secure a competitive advantage through technology initiatives

P.18, P.31-32

Expand overseas business to strengthen business foundation

P.18

Promote ESG-focused management to realize a sustainable society

P.18, P.39-44

Implement capital-efficiency-oriented management

P.19, P.21-24

HR strategy

P.19, 29-30, 55

Value co-creation with customers
Our strengths

Color & Functional Products

Polymer & Coating Materials

Graphic & Printing Materials

Corporate Philosophy, Precept, Our Business Creed

Social issues (external environment, business environment)

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

Medium-term management targets P.17

- Net sales: 130 billion yen
- Operating profit: 7.8 billion yen
- ROE: 5.0%, ROA: 4.3%
- Engagement score: 56→59 points
- CO₂ emissions: 31% reduction

Long-Term Vision and the Current Medium-Term Management Plan

Growth strategy and positioning in 10 Years

The Group announced “Become an excellent company in the field of functional materials” as our “Where We Want to Be in 10 Years” goal in the current medium-term management plan TRANSFORMATION for TOMORROW 2027, which began in FY2025. We strive to reduce the environmental impact of our business activities and continue to develop and supply “functional materials” that impart functionality to substances. Through this, we seek to build win-win relationships with all stakeholders surrounding the Group and enrich people’s lives.

To achieve our “Where We Want to Be in 10 Years” goal, we will continue to pursue our missions from the previous medium-term management plan: “Leverage our technological capabilities in niche markets so we can continue contributing to society” and “Work on finding solutions and create new value for a sustainable society.”

To achieve these missions, we have set out our basic

strategies, which we have continued from the previous medium-term management plan, consisting of “Secure a competitive advantage through technology initiatives,” “Expand overseas business to strengthen business foundation,” and “Promote ESG-focused management to realize a sustainable society.” To support these basic strategies, we have added “Promote HR Strategy & DX” as a basic strategy under our current medium-term management plan, and we will also work to “Implement capital-efficiency-oriented management.”

Where We Want to Be in 10 Years

**Become an excellent company
in the field of functional materials**

Current Medium-Term Management Plan “TRANSFORMATION for TOMORROW 2027”

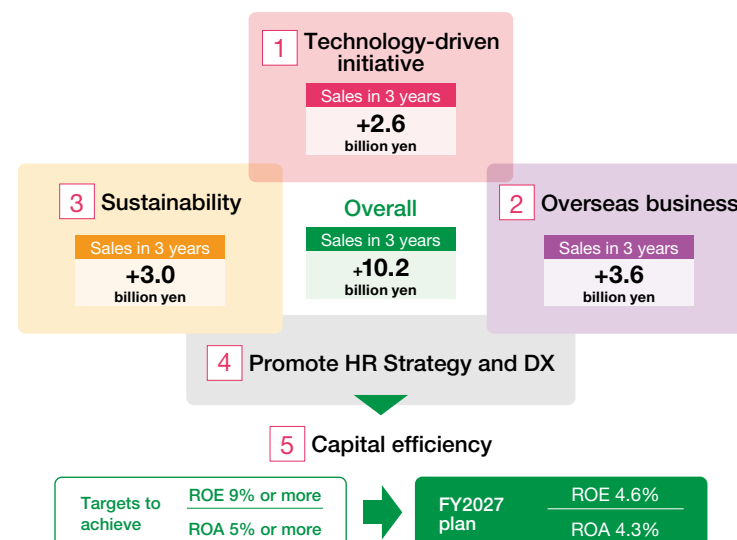
To achieve sustainable growth for the Group and create medium- to long-term corporate value, we will work toward realizing five basic strategies under our current medium-term management plan, which begins in FY2025.



Basic strategies of current medium-term management plan

- 1 Secure a competitive advantage through technology initiatives
- 2 Expand overseas business to strengthen business foundation
- 3 Promote ESG-focused management to realize a sustainable society
- 4 Promote HR strategy and DX
Newly added in our current medium-term management plan
- 5 Implement capital-efficiency-oriented management
(ROE of 9% or more, ROA of 5% or more)

Sales growth under the current medium-term management plan
(compared with FY2024)



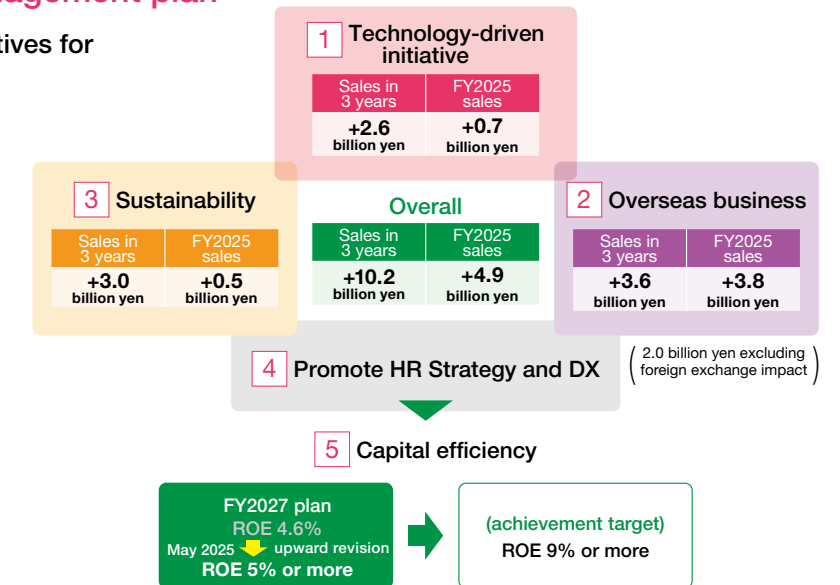
Results of the first year (FY2025) initiatives for each basic strategy under the current medium-term management plan

Results of the first year (FY2025) initiatives for basic strategies

Sales growth for FY2025 is shown in the chart on the right.

Furthermore, regarding capital efficiency, while the ROE target for FY2027 was set at 4.6%, we announced a target ROE of 5% or more in May 2025. We will continue to advance the various measures outlined under the current medium-term management plan.

The overview of each basic strategy and the results of the first-year initiatives are as follows.



1 Secure a competitive advantage through technology initiatives

The Group is reevaluating the technologies we possess using technology management methods and is working on technology development that deepens our three core technologies (1. Pigment Synthesis and Surface Treatment Technology, 2. Formulation and Dispersion Processing Technology, 3. Polymer Synthesis Technology) by combining open innovation, synergy between segments, intellectual property strategies, etc., with the highest priority being placed on contributing to social needs (ESG).

Under our current medium-term management plan, with these core technologies remaining an important foundation, we evaluate market size, profitability, and growth potential. We have identified the focus for our development efforts in two new growth areas: (1) Functional Materials for IT and Electronics and (2) Life Science & Personal Care and in, (3) Mobility,

where the theme is a further shift toward environmentally conscious products and (4) Environmentally Friendly Packaging for the continuous growth areas. We are actively investing in human assets, equipment, and capital to build a structure to secure a competitive advantage through technology initiatives.

Under our current medium-term management plan, we are working toward the target of increasing sales of technology-driven new development products by 2.6 billion yen by FY2027 compared to FY2024. By the end of the first year, FY2025, progress on individual development themes was generally on track, with sales increasing by 0.7 billion yen. While it takes a certain amount of time for newly developed products to contribute to sales, we will continue to aim for their early contribution to sales.

2 Expand overseas business to strengthen business foundation

We have been developing our business based on the recognition that the source of the Group’s earnings and growth exists both in Japan and overseas and that we need to develop our business in countries with high GDP growth in a balanced manner.

Under our current medium-term management plan, we are working toward the target of increasing overseas sales revenue by 3.6 billion yen by FY2027 compared to FY2024. As of March 31, 2025, the end of the first year, sales had increased

by 2.0 billion yen (excluding currency effects). While production volumes remained sluggish in China, primarily for home appliances, office automation equipment, and the transportation industry, performance outside China was strong due to market recovery and the effects of price adjustments. We will continue to focus on proactive business development, centered on promoting “local production for local consumption,” expanding overseas bases, and creating new businesses.

3 Promote ESG-focused management to realize a sustainable society

To realize a sustainable society, the Group has positioned ESG management as one of our strategies under the current medium-term management plan. We are advancing various initiatives throughout the entire product lifecycle—from the raw material procurement stage to the disposal of products made using our

materials—aiming to co-create new value with our customers.

Simultaneously, we utilize Enterprise Risk Management (ERM) to efficiently address risks and opportunities arising from various changes in both external and internal factors related to these critical management issues.

〈Development and expansion of sustainable products〉

The Group promotes the realization of a sustainable society by expanding sales of sustainable products. These include environmentally friendly products that reduce environmental impact, as well as products that enrich people's lives.

Under our current medium-term management plan, we are working toward the target of increasing sales of sustainable products by 3.0 billion yen by FY2027 compared to FY2024. By the end of the first year, March 2025, we established an internal framework aimed at swiftly commercializing products by accurately linking customer and market needs to technology

4 Promote HR strategy and DX

1. HR strategy

Based on the recognition that fostering a “corporate culture full of vitality in which innovation can flourish” is essential for realizing employees’ future aspirations, we are advancing an HR strategy aimed at enhancing engagement among employees as manufacturing company personnel.

Specifically, recognizing the need to translate management policies and strategies into frontline employee goals based on our internal engagement survey results, we scheduled and executed roundtable discussions during FY2025. These sessions involved Directors visiting locations nationwide to engage directly with employees, enabling mutual sharing of expectations between management and staff. We will continue these roundtable discussions going forward, increasing opportunities for more employees to engage directly with Directors.

In April 2025, we introduced a new personnel system. Within the performance evaluation framework, we established job descriptions (JDs) to ensure clarity and fairness, foster evaluations that are convincing, lead to growth, and promote psychological safety. By becoming a more attractive company, we expect to enhance engagement, cultivate human asset and achieve innovation.

In terms of our target for improving engagement, we set a target engagement score of 59% for FY2027. The actual score for FY2025 was 56.2%.

5 Implement capital-efficiency-oriented management

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

For FY2027, the final year of our current medium-term management plan, we set targets of 5% for ROE (revised up-

ward in May 2025) and 4.3% for ROA. However, for FY2025, the first year of the plan, we achieved ROE of 8.4% and ROA of 4.0%.

This was primarily due to the recognition of approximately 7.7 billion yen in extraordinary income from the sale of Non-current assets associated with the disposal of the site of our former Kawaguchi Production Plant in Kawaguchi City, Saitama Prefecture. However, from a performance perspective, while raw material prices continue to rise, the prolonged inventory adjustments across the supply chain following the stay-at-home demand during the COVID-19 pandemic have finally concluded. This has also contributed to the improvement in the business environment surrounding our company.

2. Promote DX

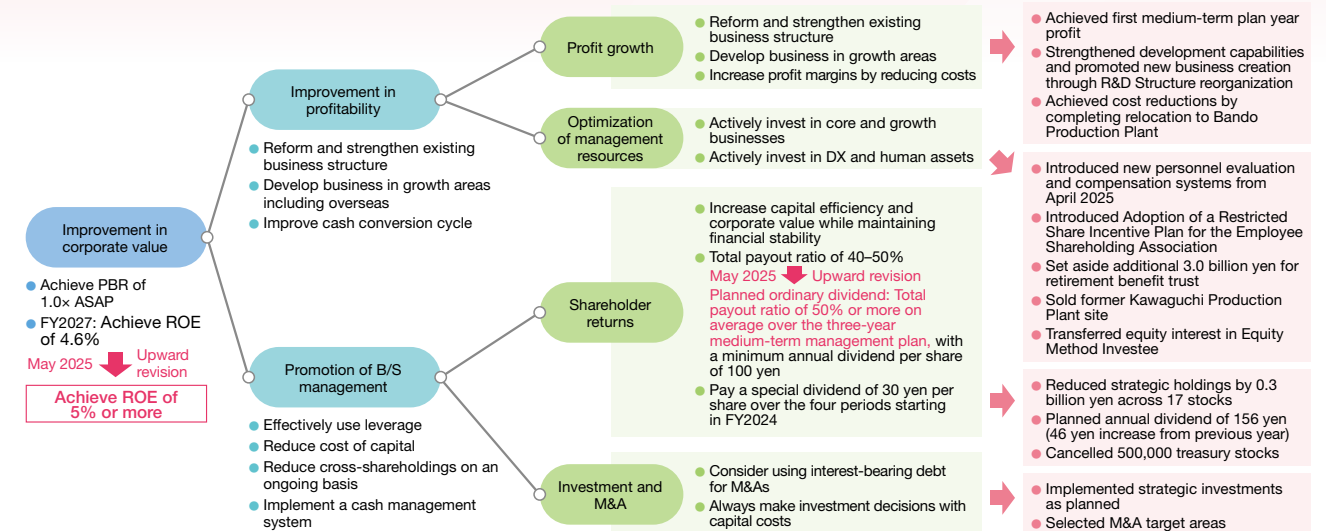
We will increase efficiency by digitalizing operations, build the foundations for compiling and sharing data, and focus on promoting efficient, high-certainty strategies and innovative product development to achieve a transition to a data-driven business.

As we conclude the first year of our current medium-term management plan, we have enhanced IT tools for office work and begun utilizing generative AI, thereby improving operational efficiency.

Our specific measures for the future are as follows. In the area of marketing, we will build market needs into a database across all departments and connect these needs with our technologies to develop new opportunities. In the area of technology development, we will compile cross-functional databases of raw materials used and development information, which we will combine and use in shortening development periods through Materials Informatics (MI). In the area of production, we will reduce the burden on the production floor while compiling and visualizing data, thereby increasing production efficiency by improving early anomaly detection rates. Additionally, we will further strengthen the foundation of our digital human assets by efficiently conducting training to improve digital literacy and AI utilization, as well as on-the-job training (OJT) in data analysis.

ward in May 2025) and 4.3% for ROA. However, for FY2025, the first year of the plan, we achieved ROE of 8.4% and ROA of 4.0%.

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Summary of the first year (FY2025) of the medium-term capital expenditure plan (FY2025–FY2027) and progress on growth investments

〈Capital expenditure〉

For FY2025, strategic product investments included pigments for color filters, compounds for the automotive sector, HPU production facilities, and capacity expansion at the Thailand plant. Combined with ordinary investment such as aging countermeasures, total investment amounted to 4.1 billion yen.

The three-year plan is expected to proceed largely as scheduled.

	FY2025 results	Three-year plan	Three-year forecast
Strategic product investment	1.2 billion yen	6.2 billion yen	5.9 billion yen
Regular investment	2.9 billion yen	9.3 billion yen	9.5 billion yen
Total	4.1 billion yen	15.5 billion yen	15.4 billion yen

〈Growth investment〉

By FY2027, the final year of the plan, we anticipate growth investments totaling approximately 15 billion yen, aimed at M&A and capital alliances.

Regarding M&A investments, we are identifying sectors expected to deliver significant future value to our company. We are compiling lists of potential acquisition candidates within each sector, developing post-integration value creation scenarios for listed companies, and advancing approaches for acquisitions and alliances.

Column Establishment of the Corporate Planning Division

To accelerate the business growth of the Group and strengthen our management structure, we established the “Corporate Planning Division” in October 2024 as an organization reporting directly to the President.

〈Accelerating business growth〉

We have consolidated the previously separate functions of budget formulation, medium-term management planning, and overseas business development into the Corporate Planning Division. Additionally, we have newly established a department dedicated to advancing M&A activities. This will enhance consistency from strategy formulation to execution, aiming for faster business growth.

Primary Roles of the integrated/newly established departments

- 1. Business Planning Department:** Formulates company-wide management strategies, including budget management, medium-term management planning, and business portfolio strategy development, and drives their execution.
- 2. Overseas Business Development Department:** Explores new business opportunities in global markets through close collaboration with business divisions and independent initiatives, driving the formulation and execution of overseas strategies.
- 3. Corporate Strategy Department:** Specializes in advancing M&A strategies from formulation to execution, aiming to expand business scale and transform the business portfolio.

〈Strengthening our management structure〉

To date, our company's Representative Director and President, along with the management team, have consistently discussed critical management issues based on their respective expertise and insights, enabling swift decision-making. With the establishment of the Corporate Management Committee as a new permanent meeting body, the management team will collaborate even more closely. This will deepen discussions from a more strategic and multifaceted perspective, accelerating the formulation and execution of various strategies. The Corporate Planning Division will serve as the secretariat for the Corporate Management Committee, with the division manager acting as chairperson.

Three primary roles of the newly established Corporate Management Committee

- 1. Preparatory work for smooth transition to the Board of Directors:** Management will conduct detailed reviews and exchange opinions on agenda items prior to Board deliberation, supporting higher-quality decision-making.
- 2. Centralized oversight and discussion of company-wide performance:** Consolidating performance reporting, previously conducted in separate meetings, into the “Corporate Management Committee” will allow the management team to gather in one place to share the company's overall situation, promoting rapid issue identification and countermeasure planning.
- 3. Strategic discussions and generation of new perspectives:** Beyond regular agenda items, we engage in free-flowing discussions and multifaceted examinations—including medium- to long-term management strategies and new business exploration—unconstrained by the Board of Directors submission requirements.

Under this new framework, the Group will advance vigorously toward a new stage of growth.



CFO Message

Under management focused on capital efficiency, we will promote improved profitability and balance sheet management

Tatsuhiko Komada

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

Shifting to capital cost-focused management, we will simultaneously advance “financial,” “non-financial,” and “profitability improvement” initiatives

Please explain the basic policy of Dainichiseika’s financial strategy and the role the Chief Financial Officer plays within it.

Our financial strategy is outlined in our disclosure titled “Measures for Achieving Management Focused on Capital Costs and Share Price,” which states: “We will enhance shareholder returns and generate cash for growth and capital expenditure through asset and capital efficiency,” and “We will strive to improve ROE/ROA and PBR, while controlling capital costs through leverage utilization and other means.” Specifically, as capital efficiency measures, we promote balance sheet management, including the sale of cross-shareholdings, optimization of group funds through a cash management system, review of the cash conversion cycle, and sale of assets to enhance asset efficiency. As

Chief Financial Officer, I am naturally involved in executing the financial strategy. However, since financial strategy cannot be separated from overall management strategy, I engage with the entire management strategy, ensuring that “financial,” “non-financial,” and “profitability improvement” aspects are considered and planned as a set, without bias. I particularly consider the relationship with the business units responsible for operations as crucial. For investment plan deliberations, I strive to involve the planning units as much as possible. I particularly value engagement with the business units responsible for operations. For investment plan deliberations, I make a point of visiting each base whenever possible to receive direct explanations of the plans and ask questions. During these visits, I also make a point of inquiring about issues beyond the investment plan itself.

For FY2025, the first year of our medium-term management plan, we achieved increased net sales and profits, meeting our targets

We launched the medium-term management plan “TRANSFORMATION for TOMORROW 2027” (hereinafter referred to as the current medium-term management plan) starting with FY2025. Please tell us about the performance for the first year and the progress of the current medium-term management plan.

Looking back at the business environment, demand plummeted sharply in FY2021 when the COVID-19 pandemic began. However, in FY2022, there were advance orders exceeding actual demand, driven by expectations of an economic recovery. As a result, inventory built up along the supply chain. We analyze that it took approximately one and a half years, until the first half of FY2024, to resolve this inventory buildup. We believe that the normal inventory adjustment process finally began in the second half of FY2024.

Amid these conditions, our performance for FY2025 exceeded the previous year in both sales and profit. Operating profit reached

7.0 billion yen, significantly surpassing the initial forecast of 5.2 billion yen. Domestically, the entire business gradually recovered, and sales price revisions progressed. Overseas, the Southeast Asian subsidiaries performed well in compounds, colorants, and gravure inks, while the Chinese subsidiary performed well in polyurethane resins. Furthermore, profit attributable to owners of parent increased significantly due to the recognition of 7.7 billion yen in extraordinary income from the sale of the former Kawaguchi Production Plant site.

The current medium-term management plan is progressing largely as planned. For FY2026, we project net sales of 127.3 billion yen, operating profit of 7.2 billion yen, ordinary profit of 8.2 billion yen, and profit of 6.1 billion yen. For FY2027, the final year of the current medium-term plan, we project net sales of 130.0 billion yen, operating profit of 7.8 billion yen, ordinary profit of 8.4 billion yen, and profit of 5.8 billion yen. We considered revising upward the final-year targets but decided to maintain the initial plan, taking into account factors such as U.S. tariff issues.

Recognizing our company’s unique risk premium, we aim to improve ROE to achieve a PBR of 1.0

Please explain your approach and initiatives for enhancing corporate value.

Currently, our PBR (price-to-book ratio) remains below 1, prompting a renewed analysis of our corporate value. Matrix analysis comparing ROE (return on equity), which indicates capital profitability, and PBR, representing market valuation, shows that as of the end of March 2025, the ROE and PBR for the “Chemical Sector Average on the Prime Market”—the category in which we operate—were lower than the overall Prime Market average. For FY2025, although our ROE exceeded the chemical sector average due to the recognition of extraordinary income from the sale of the former Kawaguchi Production Plant site, our PBR remains at a low level. Furthermore, even in FY2017 (ROE: 12.5%) and FY2018 (ROE: 9.2%), when the Company achieved ROE exceeding its cost of equity, PBR remained below 1. This indicates the existence of a risk premium specific to the Company.

Given this situation, we sought feedback from institutional investors during meetings and other opportunities regarding how our company is perceived. We learned that while our recognized cost of equity is 6-7% (CAPM), the expected rate of return is 8-10%, indicating a gap. Furthermore, from an investor perspective, we received feedback regarding our company-specific risk premium, including: “The Company’s broad business scope and diverse end-user markets make the outlook for medium- to long-term market expansion uncertain,” and “The high shareholding ratio by financial institutions and corporate entities, coupled with a low number of shares in free float, leads to high stock price volatility.”

To achieve a PBR of 1, the Company set “ROE of 9% or more” as a medium- to long-term target in the current medium-term management plan announced in June 2024, aiming for “ROE of 4.6%” by the final fiscal year of this plan (FY2027).

However, considering market expectations, we determined it necessary to raise our target level further. Additionally, as the business environment is returning to normal and we foresee steady growth in performance, we have raised our ROE target to “5% or more.” To achieve this target, we will focus our efforts on “financial,” “non-financial,” and “profitability improvement,” and we are determined to strive toward achieving this goal.

Please tell us about the initiatives you are focusing on to improve capital profitability.

At the financial results briefing for FY2025, we disclosed for the first time materials analyzing our portfolio, strategic products, and existing product lines using a matrix of capital profitability and market growth potential. We categorized them into three segments: “Growth businesses” with high capital profitability and market growth potential, “New/developing businesses” with low profitability but growth potential, and “Restructuring businesses” with low capital profitability and market growth potential. We outlined future directions for each. Specific initiatives are currently under internal discussion.

To enhance capital profitability, we will concentrate investments in people, resources, and capital on “Growth businesses” and “New/developing businesses.” Furthermore, we will continue to focus on listening to customer needs and developing products through ongoing dialogue. For “Restructuring businesses,” rather than simply cutting existing operations, we also need to consider approaches to improve profitability through process rationalization, product line consolidation, and price revisions. By enhancing the profitability of existing products through such approaches while also diligently pursuing new businesses, we aim to improve profitability across both existing and new products.

Revamping our R&D system to integrate R&D Structure and divisions for enhanced development

Our basic strategy is “Secure a competitive advantage through technology initiatives.” Could you explain how we’re advancing our R&D promotion system?

While we have examples of developing new products by deploying innovations from our R&D Structure to divisions, a challenge was that the R&D Structure—could not maintain constant collaboration with all nine technical departments. Against this backdrop, on April 1, 2025, we reorganized the R&D Structure. We shifted from a vertically divided structure based on individual technologies to an organizational framework organized by development stage, reorganizing into “Research & Development,” “Future Innovation” and “Business Development.”

With this change, the Research & Development Division streamlined themes and reduced personnel. Meanwhile, themes with significant growth potential were assigned to the Future Innovation Division and Business Development Division. These new units integrate the R&D Structure with the technical

departments, which are developing products face-to-face with customers. This reorganization strengthens our technical and product development capabilities, creating a structure where technology can drive business creation.

By appointing experienced managers from the technical departments to lead the Future Innovation Division and Business Development Division, the distance between research and business departments has been reduced. This improves the frequency and quality of communication. Furthermore, by strengthening collaboration between the R&D Structure and technical departments, we have established a framework for product development utilizing company-wide technology. We expect that engineers possessing specialized knowledge in each business domain will be able to make high-value-added proposals to customers.

Steadily executing growth-oriented investments such as capital expenditures, DX promotion, and M&A

The current medium-term management plan includes plans for aggressive capital expenditures. How is progress proceeding?

Capital expenditure plans under the current medium-term management plan are progressing smoothly. We plan to invest 15.4 billion yen cumulatively over the three years starting from FY2025, based on order value. For FY2025, we implemented strategic product investments including: pigments for color filters; compounds for automobiles; increased production capacity for inkjet printers; HPU (Hydroxy Polyurethane) production equipment; and capacity expansion expenditure at the Thailand plant.

Regarding the “R&D Innovation Center Project,” which aims to consolidate the company’s R&D functions and foster innovation through cross-functional technology integration, it may not be completed within this current medium-term management plan period due to the progress of internal discussions and recent construction cost increases. In such a case, we anticipate prioritizing other investment projects, and the total capital expenditure amount is not expected to change significantly.

For larger capital expenditures, the Operating Control Committee reviews the details with relevant Directors and Titled Executive Officers, based on the investment content. After committee approval, the investment is finalized according to decision-making standards. While we actively promote investments in fundamental research that drives growth and the commercialization of developed products, implementation involves confirming the background necessitating the investment, market trends, and the status of customer dialogue. Ultimately, decisions are made with a focus on investment recovery.

You are promoting the shift to a data-driven business model as part of our DX promotion. Could you tell us about specific measures?

In 2018, we overhauled our core systems and introduced SAP. Concurrently, we launched a WMS (Warehouse Management System) based on a 3PL contract with a logistics company, connecting it to SAP to enhance visibility into logistics costs. We have also leveraged BI (Business Intelligence) tools to extract necessary data, utilizing it for formulating the current medium-term management plan, budget planning, and executing daily business plans. Within technology departments, we introduced Materials Informatics (MI) tools in April 2023 to standardize and accelerate technology development.

Furthermore, in 2024, to advance data-driven management, we established a new DX Promotion Department within the Information Management System Division.

In early 2025, we introduced “Google Workspace (GWS)” to enhance information sharing and efficiency. All employees have access to its AI features; currently, over 80% of employees utilize generative AI, and the use of no-code tools is gradually increasing. We have placed no restrictions on joining or using chat groups and require no manager approval, hoping this will foster the creation of numerous communities. This enables information access and idea exchange regardless of department or location, and has been particularly well-received by younger employees. Consequently, information and insights previously shared only within siloed departments are now connected company-wide, creating an environment where communication can freely cross organizational boundaries. We view this as a major transformation since our company’s founding.

For FY2026, we will advance education for employees to cultivate IT skills and foster a DX mindset, further driving digital transformation.

Additionally, we are currently advancing plans to overhaul our HR systems and simultaneously introducing a talent management system that enables centralized management of human assets information.

Furthermore, to ensure swift and accurate compliance with various chemical substance regulations, we aim to launch a new system in October 2025. This will establish an environment enabling centralized chemical substance management and the rapid, precise provision of information—such as chemical substances contained in each product and associated details—at the product level or chemical substance level.

Please explain your approach to M&A and your initiatives.

In the current medium-term management plan, we have planned 15.0 billion yen in growth investments over three years, separate from the capital expenditure plan. Specifically, we anticipate investments primarily overseas, focusing on the transportation equipment and information electronics fields. Regarding M&A and capital alliances, our basic policy is to prioritize investments in companies that can generate high profits and high investment returns, emphasizing those where synergies with existing businesses are expected and those that contribute to achieving our ROE target.

For FY2025, we identified the field expected to deliver significant future value to our company and compiled a list of potential acquisition candidates within each field. For FY2026, we are developing post-integration value creation scenarios for each candidate company while advancing approaches for acquisitions and alliances.

Advancing balance sheet management for capital efficiency

Please explain the measures being taken to advance balance sheet management.

Through the cash management system introduced in March 2024, we have made progress in streamlining fund transfers within domestic group companies and reducing fund levels, achieving certain results. We will continue to work on reviewing fund levels going forward. To improve the cash conversion cycle, we are exploring various measures, including the mon-

etization of accounts receivable. Furthermore, we have set a target to reduce cross-shareholdings by more than 15% from the balance as of the end of March 2024.

Regarding capital expenditure in business divisions, while we have established target standards for investment returns, we make investment decisions after thorough discussions on a case-by-case basis to ensure we do not miss opportunities for challenge by being overly constrained by these standards.

Increasing the total payout ratio to strengthen shareholder returns

Please explain the background and details of strengthening shareholder returns.

Under the previous medium-term management plan, we maintained a payout ratio of 20–30% or more and exceeded that level from the second year of the plan onwards. In considering cash allocation for the current medium-term management plan, we adopted a policy of increasing the total payout ratio—combining dividends and share buybacks—to enhance shareholder returns, while prioritizing funding for growth investments.

At the start of the current medium-term management plan, the policy stated: “A total payout ratio of 40-50% or an ordinary dividend with a minimum annual dividend per share of 100 yen,” and “A special dividend of 30 yen per share for each of the four periods from FY2024 to FY2027, in conjunction with the recognition of gains from the sale of the site of our former Kawaguchi Production Plant.”

However, considering that the results for the first year of the current medium-term management plan exceeded our projections, and aiming for sustainable growth and further enhancement of shareholder value, we revised the total payout ratio target. We changed it to “an average total payout ratio of 50% or more over the three-year period from FY2025 to FY2027, while maintaining an annual dividend of at least 100 yen per share.” Specifically, the dividend payout ratio (excluding special dividends) will be 40% or more, while share buybacks will be conducted flexibly, considering market conditions. Based on this policy, the annual dividend per share for FY2025 will be 156 yen, an increase of 46 yen from the previous fiscal year, and the annual dividend per share for FY2026 is projected to be 174 yen.

To become an excellent company in the field of functional materials, we clearly present the value we create

Please share a message for your shareholders and investors.

As a B-to-B chemical manufacturer, our end products are often invisible, and our products themselves can be difficult to understand even when we explain them. Based on feedback from investors, we changed our approach starting with previous medium-term management plan to explain using end products. This allows us to clearly show where our products are used and how they benefit society. For example, we now clearly explain that for liquid crystal displays, we handle color materials used in color filters and provide UV (ultraviolet) coating agents that impart functions like anti-reflection to the display surface. For cosmetic containers, we supply UV absorber materials that prevent degradation of the contents caused by UV. For automotive applications, we develop and sell wire insulation and connector components that meet the evolving needs of CASE. We intend to continue providing clear and understandable information going forward.

Please look forward to our ongoing transformation as we strive toward where we want to be in 10 years: “Become an excellent company in the field of functional materials.”



Pioneering New Business Domains Toward Establishing the “Fourth Pillar”

Advanced Polymers Division, R&D Sales Department

Role of the R&D Sales Department

To realize the OUTCOME goals of “Living in harmony with the environment” and “Developing together with society” set by the Group, the Advanced Polymers Division R&D Sales Department is working to develop new businesses, including the information/electronics field as the “Fourth Pillar,” in addition to our established strengths in the automotive, apparel, and industrial materials fields.

Advanced Polymers Division “Fourth Pillar”

- Next-generation electric automobile related products
- Products for lightweighting and multifunctionality of electronics
- Gas barrier materials



OUTCOME

Living in harmony
with the environment

- Decarbonization
- Circular Economy

Developing together
with society

- Solving food loss
- Realizing a comfortable IT society

In advancing new business development, the role of our R&D Sales Department is to drive co-creation with customers, sales, and technology. By integrating sales and technology to extract customer needs and having the technical department develop solutions, we have built long-term partnerships with our customers.

We believe the strengths of the Advanced Polymers Division lie in its long-standing track record and adaptability based on Polymer Synthesis Technology, along with its customer responsiveness.

Our Polymer synthesis technology is characterized by the ability to “create things from scratch.”

We can synthesize urethane-based, acrylic-based, and imide-based resins, and we believe the scope for market development is limitless. Even for extremely detailed customer specifications that other companies, especially large corporations, cannot meet, our sales, technical, and manufacturing departments work together as one. By crafting the optimal product for the customer, we secure their adoption.



Mr. K
Senior Manager R&D Sales Department

Sakura Technology Innovation Center (STIC): A Hub for “Collaborative Creation” with Internal and External Partners

The Sakura Production Plant, UKIMA CHEMICALS & COLOR MFG. CO., LTD., part of the Daiichiseika Group and the base for technology development and production in the Advanced Polymers Division, houses a technology development facility called STIC. STIC serves as a space for co-creating innovation through communication with both internal and external stakeholders, forming “the core” of R&D sales activities.



In STIC’s open communication space, daily exchanges of ideas between sales personnel and engineers take place.

STIC Exterior

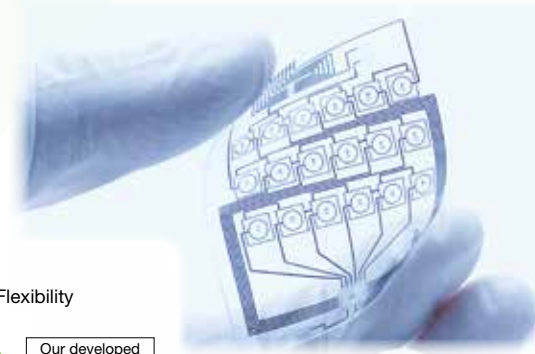
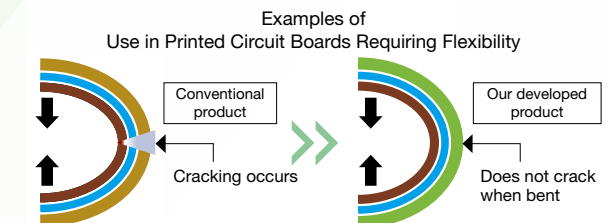
Focus Products

● Highly heat-resistant polyurethane adhesives

To meet the demands of multifunctional devices like smartphones, we are developing polyurethane resins with superior heat resistance and flexibility. While conventional polyurethane resins boast strong adhesive strength and flexibility as their strengths, their low heat resistance has been a weakness. To improve this heat resistance, we introduced functional groups*1 with different reactivity from conventional polyurethane resins. Leveraging our proprietary polyurethane resins design expertise, we successfully commercialized a polyurethane adhesive that

combines high heat resistance, flexibility, and durability.

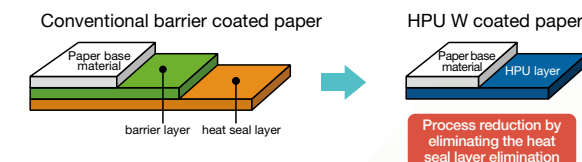
*1: Functional groups refer to the specific atomic groups or bonding patterns that characterize the properties and reactions unique to organic compounds. By synthesizing polyurethane resins with functional groups that react with epoxy to cure, and using them in combination with epoxy resins, flexibility is achieved while maintaining the inherent properties of epoxy, such as heat resistance.



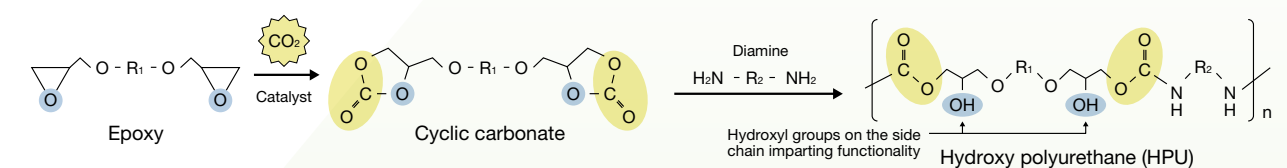
● Gas barrier coating materials

Globally, awareness of the circular economy—including packaging material recycling—is growing. As a member of the supply chain, co-creating value with our customers is critically important.

In response to this trend, the Group has developed and provides a coating agent utilizing hydroxy polyurethane (HPU). This product contributes to packaging material mono-materialization and food loss countermeasures by offering both gas barrier properties and adhesion.



We produce cyclic carbonates, the raw material for hydroxy polyurethane (HPU), by adding CO₂ to epoxy.

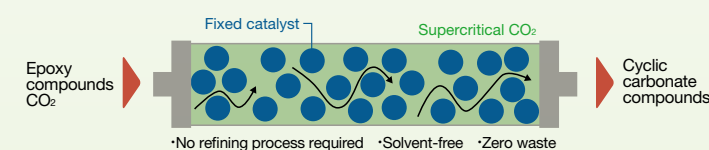


Our proprietary manufacturing technology reduces environmental and human health impacts while achieving streamlining

While phosgene, a highly toxic substance, was previously used to synthesize cyclic carbonates by adding CO₂ to epoxy, the Group has developed a manufacturing method using a proprietary catalyst and supercritical CO₂. This approach reduces environmental and human health impacts compared to conventional synthesis methods while significantly shortening the synthesis process.

This synthesis technology is the world’s first to be selected for funding by the New Energy and Industrial Technology Development Organization (NEDO). It is expected to lead to high cost competitiveness during the commercialization phase of cyclic carbonates.

Overcoming Challenges with the World’s First “Supercritical CO₂ Technology”



Mr. H
Senior Manager
Technical R&D
Department
Advanced Polymers



Structural Reform of the R&D Structure— Business Development Division



Yuji Arashima
Executive Officer,
General Manager of Business Development Division,
R&D Structure

Creating new businesses together with customers through specialized formulation and dispersion processing technology, and contributing to building a prosperous and secure future

— Please tell us about the strategy for the newly established Business Development Division in the R&D Structure

Arashima: The Group is shifting focus from our traditional colorants-based business to the functional materials field, targeting diverse markets.

By connecting our customers' aspirations with Dainichiseika's technologies, we can create new value.

We fuse our versatile formulation and dispersion processing technologies—cultivated over decades—with materials possessing various functions. We propose new value, connect it to societal implementation, and create new markets together with our customers.

What I envision as “creation” and “innovation” is less about creating something entirely new from scratch and more about forming “new combinations” by linking the respective strengths of our company and our customers. This concept extends beyond pairing entirely new things; it also involves creating unprecedented new combinations between things already existing in the world. By doing so, we can generate new value that can be widely adopted and utilized throughout society.

Not only our company, but also material manufacturers and our customers alike, are aiming for “manufacturing” that offers higher added value and contributes to the future. We intend to continue providing the “technology” for manufacturing to such manufacturers through technical workshops and similar initiatives.

Materials with diverse functionalities

New combinations

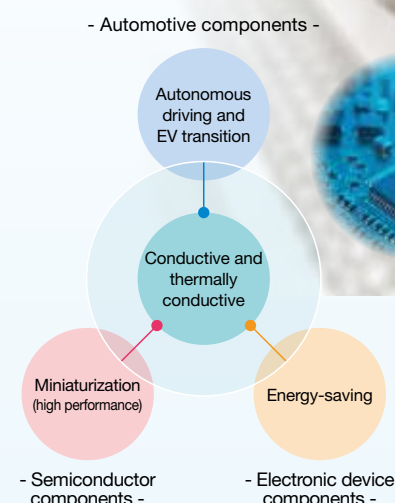
Cultivated technology and expertise

Proposing new value, creating new markets with our customers

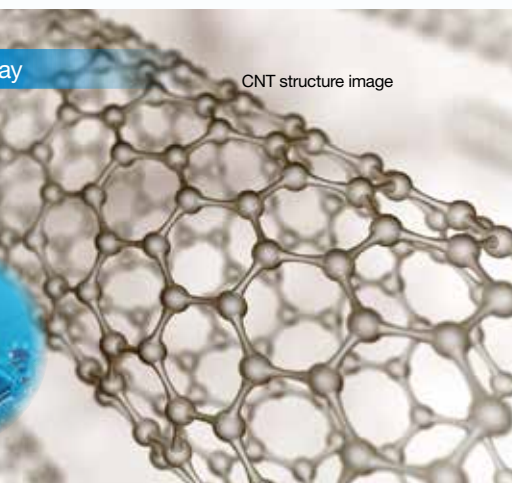
—Please introduce the specific development themes and businesses currently underway

Mr. D: Carbon nanotubes (hereafter CNTs) represent the business we are currently focusing on. CNT is a material possessing various functions that can contribute to society, such as thermal conductivity, electrical conductivity, dielectric properties, and fiber reinforcement. We are working to fuse the functions of this CNT with our specialized formulation and dispersion processing technology to achieve its implementation in society.

Specifically, dispersing CNTs within resins and then molding them allows us to impart functions like thermal conductivity and electrical conductivity to various components. Furthermore, dispersing CNTs in liquid paint can impart thermal conductivity, electrical conductivity, and other functionalities to the paint. These CNT resin dispersions and CNT dispersions can contribute to solving societal and environmental challenges across a wide range of industries, including enhancing the efficiency and energy-saving of semiconductors and electronic components.



Mr. D
Advanced Dispersion Technology Department I
Business Development Division
R&D Structure



Mr. S
Advanced Dispersion Technology Department II
Business Development Division
R&D Structure

—Please introduce the Group's strengths and customer evaluations

Mr. S: The Group possesses a competitive advantage in specialized formulation and dispersion processing technology.

Carbon nanotubes (CNTs) are fibrous in nature and possess characteristics that make them more difficult to disperse compared to granular materials like carbon black. Conventional dispersion methods risk breaking the CNT fibers, creating tangled clumps, or causing the loss of CNTs' inherent functionality.

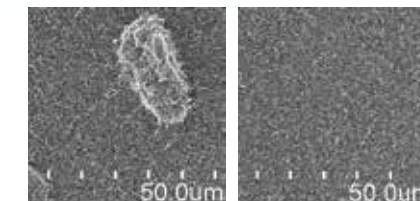
The Group employs specialized processing methods (resin dispersion) and proprietary dispersants (liquid dispersion) to achieve uniform dispersion while preserving the CNTs' fibrous structure. This technology is patented by the Group. This uniform dispersion technology enables sufficient func-

tionality even with lower CNT addition levels, improves product flowability, and facilitates customer processing.

Mr. D: While CNTs raise concerns about potential health risks to humans, the Group possesses extensive expertise in handling various powders with consideration for occupational health and safety. We evaluate the risks to workers and the environment and have established a handling system that ensures sufficient safety.

We believe these strengths in specialized formulation and dispersion processing technology and occupational health and safety are highly valued by our customers and are key factors in their active selection of our products.

Dispersion State of CNTs in Media



[General dispersion processing] [Specialized dispersion processing]



Experiment using CNT dispersion

—Please explain future developments

Mr. D: Currently, dispersing CNTs into resins enables their adoption as components for electronic devices and semiconductors, as well as for autonomous driving in automobiles. This contributes to energy-saving and enriching daily life. While full-scale mass production using CNTs began with dispersion into these resins, we believe there is potential to expand into various other applications, including dispersion into liquids.

We, the Business Development Division, will further advance technology development to enable all divisions within the Group to handle CNT-based businesses.

Regarding dispersion into liquids, we have reached the stage where we can supply samples by utilizing existing production facilities. Going forward, we will focus our efforts on communicating and showcasing the Group's technology externally through exhibitions, catalogs, websites, and other means. Our

goal is to establish a system where, when customers launch new projects, they say,

“We want to partner with Dainichiseika to do this work.”

Functional Dispersion Development Group



HR Strategy: Reforming Personnel System

**Toward a new personnel system
where innovation flourishes to achieve
sustainable growth**

—Why do you believe an HR
strategy is necessary?

Aoba: Looking at the current state of the Japanese economy, using data from the OECD and other sources, one notable point is “the distinct lack of motivation” among Japanese people compared to other nations.

Amidst a rapidly changing market environment, we believe people are the most important management asset for the Group to achieve sustainable growth.

Motivation is key to unlocking people's drive. Creating an atmosphere and workplace environment where young people especially feel “I want to work for this company” is the mission of our HR Strategy Structure. We are committed to implementing various initiatives to achieve this.

We recognize that we are now in an era where employees choose the companies they want to work for. We must become a company actively chosen by employees and job seekers. However, our goal is not merely to become a “employee-friendly company” known for being easy to work for, but to become a platinum company that achieves both “ease of work” and “job satisfaction.”

—What is needed to
enhance job satisfaction?

Aoba: First, I believe it's about making employees feel their work and their organization's role are interesting and rewarding.

Masahiko Aoba
Representative Executive Director
Head of HR Strategy Structure



Ms. Y
Personnel &
General Affairs Division



the Dainichiseika Group and have a clear purpose for how they want to contribute can join us and fully unleash their abilities.

Ms. Y: In our recruitment activities, we seek individuals who can “pave the way to the future and think and act independently.”

As a company, we believe achieving our current medium-term management plan and our ultimate goal of becoming an excellent company in the field of functional materials requires proactive drive and initiative. We want those joining our company to break free from existing concepts, embrace challenges without fear of failure, and transform those experiences into growth.

—How do you envision
developing our current
employees?

Ms. Y: I feel the Group's employees are a highly specialized group of professionals. To leverage their current expertise and further develop it, I believe we need to integrate know-how and gain multifaceted perspectives and experiences. To achieve this, I think it's necessary for employees to experience other departments. I believe that transfers and internal assignments will introduce new perspectives and values, leading to innovation. Therefore, within the new personnel system, establishing a career path system is a key priority, and we are continuing to explore this.

Especially for our younger employees, we want to build a system where they can proactively take on challenges, overcome obstacles, and gain tangible experience of their own growth through these successes.

Reflecting on our previous medium-term management plan, one shortcoming was insufficient explanation of management policies to employees. We set goals, but I feel “they lacked soul.”

Therefore, it is essential that frontline employees understand the Group's management goals and the thinking of senior management. We must break down company goals into organizational goals, then further into individual goals, ultimately making them feel like “their own responsibility.”

Furthermore, appropriately evaluating the results of that work is crucial for employees to feel a sense of fulfillment. To realize this approach, we have reformed our personnel system and launched the new system starting this April.

—What specific initiatives are you
considering?

Aoba: To ensure our management policies permeate throughout the entire workforce, we hold roundtable discussions with Directors at each base. Rather than unilaterally communicating goals and policies, we fos-

ter mutual understanding and shared expectations through dialogue between management and frontline employees.

Ms. Y: I firmly believe people are crucial for the company's future growth. Creating systems where individuals feel motivated to “thrive” and “take on challenges,” and establishing mechanisms to recognize the results of those efforts, form the core pillars of our new HR strategy.

The new personnel system incorporates mechanisms to encourage and recognize challenges, sets clear job descriptions defining expected roles by position level, and implements a framework to align perspectives when evaluating performance.

Central to this new personnel system is the new personnel evaluation system. For certain job types, the concept of “challenge” may not resonate immediately. To enhance fairness and acceptance of personnel evaluations for employees in these roles, we revised evaluation criteria and introduced a new assessment axis called “Behavioral Evaluation.” By evaluating not only “performance” (results) but also “be-

havior” (potential aspects like ability, knowledge, and values), we expect to achieve a more equitable and convincing personnel evaluation system.

Furthermore, by linking these appraisal results to compensation, we believe this will create a system where “hard work is rewarded.”

We expect that these initiatives will make us a more attractive company, leading to improved employee engagement and promote the development of human assets, ultimately achieving a corporate culture in which innovation can flourish.

—What are the challenges in
advancing HR strategy?

Aoba: We believe it will take time for HR strategy to permeate and ultimately achieve our goal of “Fostering a corporate culture full of vitality in which innovation can flourish.”

To prevent this system from becoming a mere formality without substance, continuous follow-up and verification of effectiveness through the PDCA cycle are essential.

One measure of this effectiveness is

the engagement score. Our current medium-term management plan sets a high target of 59 points for FY2027, representing a 3-point increase from FY2024.

Ms. Y: The key to the new personnel system lies in the role of managers. Their responsibilities are heavier than under the previous system: communicating dialogue with senior management to their departments, aligning individual goals with corporate objectives to drive motivation, and ensuring proper implementation of the new personnel evaluation system.

To support this, we are considering plans to add training specifically for managers. The Personnel Department also aims to provide opportunities for managers to acquire the knowledge and skills needed to deliver results through effective organizational management.

—What do you expect from people
you want to hire going forward?

Aoba: We believe our role is to create an environment where people who understand



Technologies and R&D Behind Our Products

VOICE

Challenges and changes in creating a sustainable society

The Group has returned to the basics of creating new value and contributing to society for our sustainable growth and is actively pursuing R&D activities to become a chemical manufacturer that co-creates new value with its customers and creates a comfortable and sustainable society by strengthening its business foundation to respond quickly to the changing economic environment. In order to embody the missions of our current medium-term management plan, “Leverage our technological capabilities in niche markets so we can continue contributing to society” and “Work on finding solutions and create new value for a sustainable society,” we have been working on “Secure a competitive advantage through technology initiatives” since the previous medium-term management plan.

To achieve this, the R&D Structure underwent a reorganization in April 2025. Its mission is clear: to strengthen development capabilities for next-generation materials and products through open innovation and similar initiatives, and to rapidly create new businesses. This reorganization also involved revising existing R&D themes, shifting from a structure organized by technology to one organized by development stage. For product development, it created an organization integrated with the technology departments in the Business Structure.

Under our current medium-term management plan, we are working toward the goal of increasing sales of new technology-driven products by 2.6 billion yen by FY2027 compared to FY2024. Progress is generally on track for FY2025, but we recognize that the changing economic environment means we cannot afford to be complacent.

The mission of this reorganization is challenges and changes to achieve new products and new businesses. The R&D Structure will unite to achieve the goals of the current medium-term management plan by rapidly commercializing materials and products originating from the R&D Structure.



Taiyo Aoyagi

Director, Head of R&D Structure

Three core technologies

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

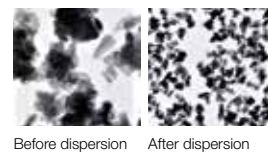
Pigment Synthesis and Surface Treatment Technology

Pigment synthesis is a technical field that leverages knowledge of chemical substances, color development theory based on chemical bonding, and physical chemistry and interfacial chemistry. Beyond synthesis, we possess technology to chemically treat pigment surfaces, imparting new functions—such as pigments for color filters in liquid crystal panels. Functional material technologies, including heat and wavelength control, also originate from this field.



Formulation and Dispersion Processing Technology

Achieving uniform and stable dispersion of pigments that are insoluble in water or oil within target materials requires extensive know-how. Our broad range of formulation and dispersion processing technology, adaptable to various materials, enables the imparting of functionalities beyond coloring, such as conductivity, flame retardancy, and strength. We have also established stable dispersion technology for fibrous fillers, which are notoriously difficult to disperse uniformly.



Polymer Synthesis Technology

We possess polymer resin design and synthesis technologies that leverage our deep understanding of raw materials—including polyurethane resins, imide resins, acrylic resins, and naturally-derived functional polymers—to achieve target performance. Utilizing this expertise, our integrated production capability from raw materials to final products enables us to deliver high-value-added products precisely tailored to customer needs.



Intellectual property strategy

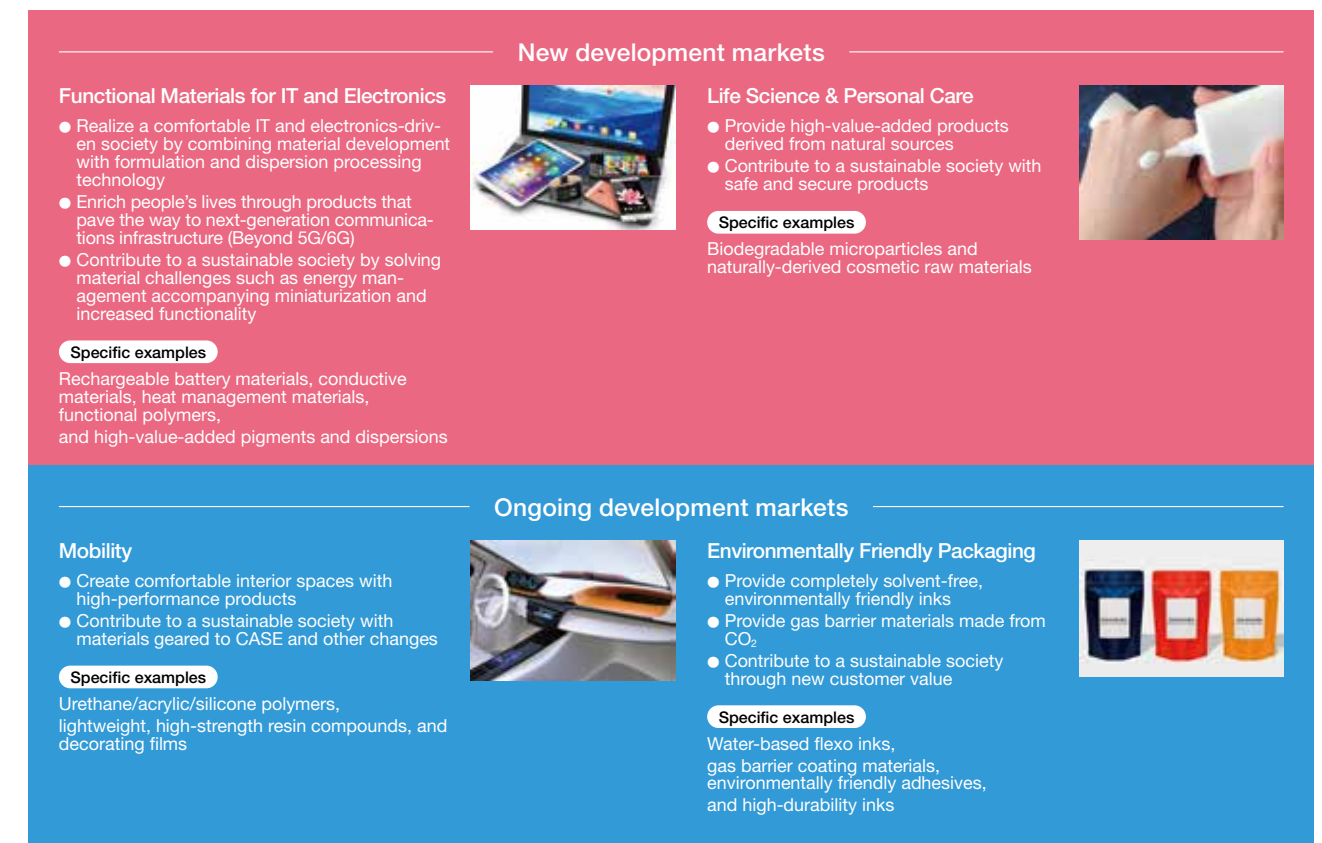
Intellectual property (hereinafter referred to as IP) is essential for protecting the rights of existing products and ensuring the competitiveness of newly developed products. We are promoting an increase in the number of applications as a common goal across all technical departments. Specifically, we aim to achieve efficient patent acquisition by implementing the following measures:

- (1) Establishing systems to encourage proactive filing, such as stationing IP staff members within technical departments
- (2) Training and deploying IP staff members with specialized expertise in each technical field
- (3) Enhancing budgets for overseas filings necessary for overseas business strategies
- (4) Strengthening IP education through the employment of patent attorneys
- (5) Improving information gathering capabilities through measures like introducing AI-powered patent search systems

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

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

Secure a competitive advantage through technology initiatives — R&D Structure's Overall Strategy: Target Domains —



Joint research and new technology creation through open innovation

The Group is promoting exchanges and joint research with universities, research institutions, and companies both in Japan and overseas. We are imagining future issues and working to introduce new technologies for their resolution, while also integrating and developing our own technologies with a focus on electronic materials and biomass materials. We are also actively involved in

external collaborations, including participation in various consortiums, and are collecting information on evaluation methods and other topics for new development markets.

In recent years, we have used trade shows to promote product development based on feedback from visitors representing different fields and new markets.

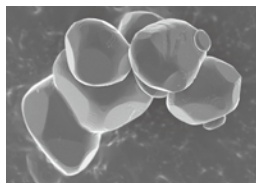
IT and electronics: Product examples using functional materials

● **Modified imide resin with low-boiling-point solvent-soluble**
Demand is growing for adhesives used in semiconductor packages and automotive motor peripheral components to provide functional properties such as long-term heat resistance, adhesion, and low dielectric characteristics. We have developed products that solve these challenges using our proprietary technology and are strengthening our customer proposals.



● **Thermally conductive inorganic powder (Dipypoxide#7300 Series)**

As electronic devices become more sophisticated, there is a growing need for thermal management of components. We are advancing customer proposals for thermally conductive materials that offer excellent performance balance, including insulation and water resistance, while also reducing wear between fillers and molding equipment during resin molding.



The employment information page of our corporate website includes project stories from our research and development team. (Japanese only)



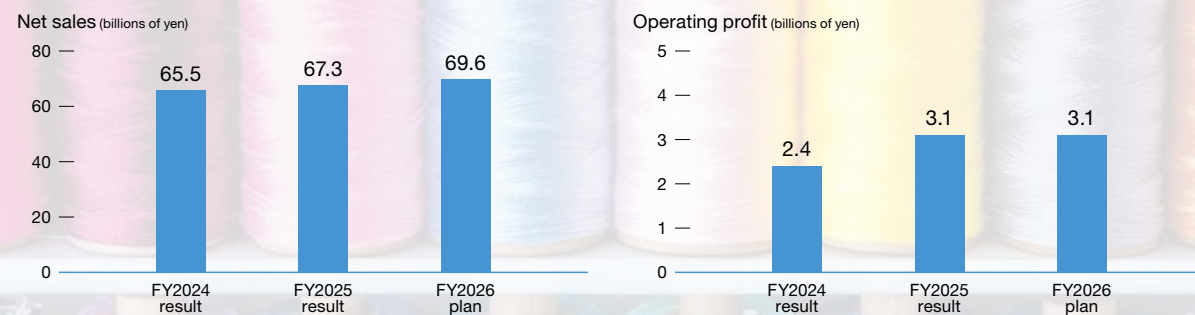
Color & Functional Products

— Pigments and Secondary Pigment Processed Products —

Business description

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

Achievements in Color & Functional Products



Color & Functional Products SWOT analysis

	Advantage	Disadvantage
Internal origin	S Strengths - Advanced knowledge and technology accumulated through consistent experience in pigment and resin synthesis, surface treatment, blending, and dispersion processing - A wide range of production facilities and reliable production site capabilities - The provision of high-quality, stable products - Problem-solving and proposal-making capabilities - Global network of production bases	W Weaknesses - Slow growth in the domestic market due to high market share - Inefficiency due to high-mix low-volume production - Delay in updating equipment due to high utilization rate - Time lag before passing on price increases
External origin	O Opportunities - Growing demand for automotive weight reduction - Demand for lighter weight due to the electrification of automobiles and the progress of CASE, and the expansion of demand for new parts and electrical components - Expansion of the renewable energy industry - Growing focus on high added value (functionality, quality, design) - Rising demand for high quality overseas and growing demand in high-growth countries - Faster communication speeds - Regulations on microplastics in cosmetics - Increase in digital printing methods - Larger display sizes	T Threats - Decrease in publications, reducing plastic use - Move towards colorless products for recycling - CO₂ emissions regulations - Rising raw material prices and distribution costs - Unforeseen circumstances (geopolitical risks, business withdrawals, brand consolidations, discontinued products, climate change, equipment accidents, etc.) causing raw material procurement instability - Internal production - Tightening of environmental regulations for chemical substances

^{*1} Colorants: Since pigments are insoluble or poorly soluble in water or oil, dispersion technology that takes advantage of the characteristics of the pigment is required to disperse them. Colorants are products born from this dispersion technology, and are synonymous with dispersions, processed pigments, and masterbatches.

^{*2} Resin compounds: A molding material in which additives such as pigments and reinforcing agents are mixed into plastic.

Pigments	Inorganic and organic pigments^{*3} are used in a wide range of applications, including paints, printing inks, and for displaying and recording information, as well as for imparting functionality such as heat dissipation and infrared reflection	Main products - General-purpose pigments - Pigments for color filters - Pigments for inkjet printers - Pigments for toners - Cellulose powder - Thermally conductive inorganic powder	Main applications   Color filters for LCD panels Inks for inkjet printers
Colorants and resin compounds	Colorants for information display and recording materials, mass colorants for synthetic fibers^{*4}, pigment printing agents^{*5}, paper colorants as well as coloring agents for a wide range of resins, including polyvinyl chloride, general-purpose resins, and engineering plastics	Main products - Colorants and functional material master batches for thermoplastic resins - Mass colorants for synthetic fibers - Pigment printing agents - Paper colorants - Colorants for polyvinyl chloride - Colorants for fluororesin - Colorants for olefin resin - Colorants for thermosetting resins - Functional material compounds	Main applications   Fibers for apparel Wire harnesses

Review of FY2025

The transportation equipment industry experienced sluggish performance due to reduced production volumes following automaker production halts and weak sales of Japanese automobiles in China, though it gradually recovered in the latter half of the fiscal year. Overseas, the launch of new initiatives in Thailand contributed positively.

For the information/electronics industry, display applications saw some new adoptions but sales remained sluggish due to the im-

pact of market shifts triggered by model changes. Overseas, while sales of products for use in home appliance and office automation applications were sluggish in China, we gained market share from the shift to Southeast Asia due to China risk, translating into results.

For the industrial materials industry, colorants for textile applications and power cable applications performed steadily.

Business strategy

In the pigment and colorant business for color filters and inkjet printers, we expect to expand our colorant business by utilizing our own dispersants and dispersing technology, and we are increasing the capacity of our facilities. In the compound and colorant business, we are expanding sales and increasing capacity, primarily in high-GDP growth countries in Asia, to address the automotive CASE trend. We will also expand sales of colorants for communication

cables, primarily overseas.

In the area of functional materials for sustainable products, we will develop heat management materials and cellulose powder for cosmetics into businesses with stable growth. For general-purpose pigments and colorants, we are working to strengthen profitability through brand consolidation aligned with demand and price increases for unprofitable products.

Priority measures

- Capital expenditure to expand sales of functional materials
- Expansion of facilities for pigments for the information/electronics industry

- Sales expansion in the Asian region with a view to strengthening local production capacity
- Production rationalization through brand integration and updating to the latest facilities

^{*3} Inorganic and organic pigments: Pigments, which are the source of color, can be divided into inorganic pigments made from inorganic substances such as metals, and organic pigments made from organic substances.

^{*4} Mass colorants: A colorant that is added to the resin before it is spun.

^{*5} Printing agents: A material used when printing on cloth.

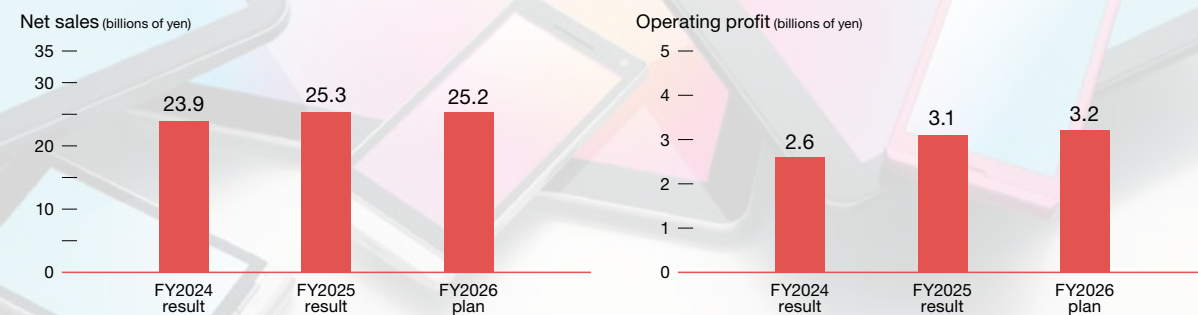
Polymer & Coating Materials

— Synthetic Resins and Special Coating Agents —

Business description

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

Achievements in Polymer & Coating Materials



Polymer & Coating Materials SWOT analysis

Advantage

Disadvantage

Internal origin

S
Strengths

- Problem-solving and proposal-making capabilities based on accumulated resin design, development and evaluation technologies
- Formulation and dispersion processing technology that add value (functionality and design)
- Wide range of resin products
- Product lineup of sustainable products derived from water-based, solvent-free, biomass, and CO₂ sources

W
Weaknesses

- High utilization of production facilities
- Insufficient testing and research facilities and production facilities

External origin

O
Opportunities

- Progress in the electrification of automobiles and CASE
- Increased demand for sustainable products
- Increased demand for high functionality and high quality
- The trend towards monomaterialism due to the increased recycling of plastics
- Faster communication speeds and higher-performance electronics
- Increased demand for design quality
- Increased demand for semiconductors
- Streamlining and sustainability in coating processes
- Increased demand for adhesives

T
Threats

- Progress in the elimination of plastic and the use of recycled plastic
- CO₂ emissions regulations
- Rising raw material prices and distribution costs
- Raw material procurement concerns (geopolitical risks, business withdrawals, brand consolidation, discontinued products, climate change, equipment accidents, etc.)
- Tightening of environmental regulations on chemical substances
- Risks associated with switching to other materials

Polyurethane resins

Polyurethane resins and colorants used in synthetic leather and molded products, special coating agents and adhesives that impart functionality, and imide resins, which are representative heat-resistant resins

Main products

- Polyurethane resins, surface treatment agents, adhesives, and colorants for synthetic and artificial leather
- Adhesives for flexible packaging materials and industrial materials
- Coating agents for thermal recording, functional coating agents
- Paint additives
- Materials for various types of molding (injection, extrusion, calendaring, etc.)

Main applications



Automotive interior materials

Naturally-derived functional polymers

Chitosan*², which is made from crab shells, and other naturally-derived functional polymer products made from various marine organisms and natural products that have been extracted for their active ingredients

Main products

- Chitosan derivatives made from crab shells
- Solid cosmetics using base materials such as polysaccharides and proteins

Main applications



Cosmetics

Coating agents

UV and EB curable coating agents and decorative and functional coating agents used in the information and electronics fields, the automotive field, and the interior building materials field, etc.

Main products

- UV and EB curable coating agents

Main applications



IT devices

Review of FY2025

Although sales of Polyurethane resins to the transportation equipment industry were strong for North America, overall performance was weak due to reduced production volumes by automakers and sluggish sales. Sales to the apparel industry were strong in Japan and China, particularly for outdoor wear applications as global in-

ventory excesses were resolved. Sales of coating agents to the information/electronics industry remained solid from the start of the period, driven by LCD display applications. Sales for use in semiconductors were strong overall for the full year although inventory adjustments began in the fourth quarter.

Business strategy

We will make use of our wide range of Polyurethane resins to expand sales both in Japan and overseas, targeting the transportation equipment and apparel industries. In addition, against the backdrop of growing awareness of the global environment, we will focus on developing and selling sustainable products, such as water-based, solvent-free and biomass products, as well as developing and selling heat-resistant high-performance resins for use in next-genera-

tion automobiles and electronic devices, which are becoming smaller and more sophisticated. In the field of coating agents, we are particularly strong in the development of original and customized products based on our accumulated formulation and dispersion processing technology, and we will continue to propose and provide products that meet customer needs, including UV adhesives.

Priority measures

- Develop new customers in North America
- Strengthen cooperation with overseas subsidiaries (Taiwan, China, USA)
- Restructure production bases and increase capacity (domestic/overseas)

- Focus on development and sales of decorating films
- Consider building a new production facility (Bando Process Laboratory)

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

*² Chitosan: A naturally occurring material found in the shell skins of arthropods and crustaceans such as crabs and shrimps. It is a substance obtained by alkali treatment of polysaccharides whose chemical structure resembles cellulose.

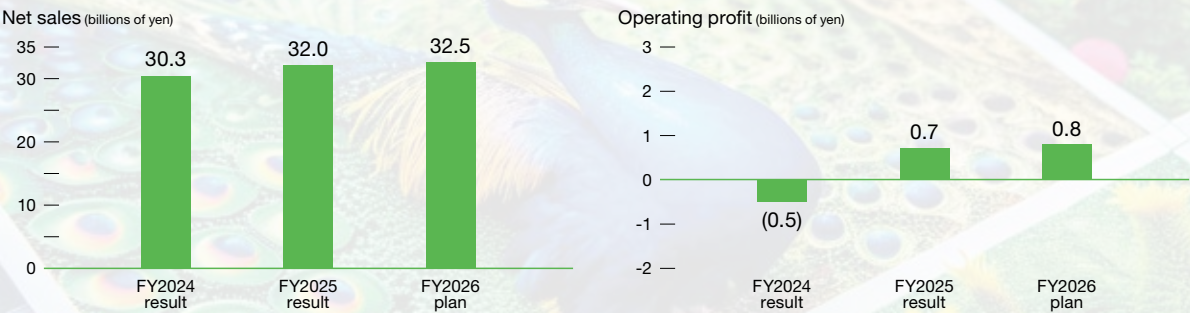
Graphic & Printing Materials

— Inks for Packaging and Advertising & Publishing —

Business description

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

Achievements in Graphic & Printing Materials



Graphic & Printing Materials SWOT analysis

	Advantage	Disadvantage
Internal origin	S Strengths - A wide range of products that can be used with a variety of base materials - A production line that can handle a wide range of products, from small lots to large batches - Development capabilities for sustainable products, such as the use of water-based materials and biomass materials - The ability to respond to new demand arising from changes in industrial structure - The provision of high-quality, stable products - The latest evaluation equipment and evaluation technology	W Weaknesses - Inefficiency due to high-mix low-volume production - Time lag before passing on price increases
External origin	O Opportunities - Increased demand for sustainable products - The birth of new markets in response to changes in the social environment - The trend towards monomaterialism due to the increased recycling of plastics - The trend towards replacing plastic with paper as a base material - Increased interest in high-quality product packaging	T Threats - Market contraction due to the move away from plastic and food loss reduction - CO₂ emissions regulations - Rising raw material prices and distribution costs - Raw material procurement concerns (geopolitical risks, business withdrawals, brand consolidation, discontinued products, climate change, equipment accidents, etc.) - The trend toward plain food trays, etc. - Decreasing demand for printing due to the move towards paperless systems - Tightening of environmental regulations on chemical substances

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

Printing inks

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

Main products

- Gravure inks
- Flexo inks
- Coating agents
- Offset inks
- Adhesives

Main applications

Beverage bottle labels

Environmentally friendly packaging

Paper packaging materials for daily necessities

Books and advertisements

Review of FY2025

Sales of gravure inks for the packaging industry remained robust despite consumers holding off on purchases due to rising prices, as inventory adjustments for flexible packaging applications were completed. Inks for beverage packaging also performed well, driven by weather factors such as intense heat and increased inbound tourism. Sales of inks and coating agents for functional films used in smartphones and other information devices were also strong. The building materials field performed well, driven by growing exports. Overseas, sales volumes were weak due to competition with competitors at our Indonesian subsidiary, but significant profit growth was achieved through price increases and cost reduction activities such as rationalization measures.

Business strategy

Cost reductions have progressed with the completion of the relocation from the former Kawaguchi Production Plant to the newly established Bando Production Plant. We will continue to pursue production rationalization utilizing the latest production equipment to strengthen the fundamentals of our existing businesses. We will also implement appropriate price revisions in response to the rising cost of raw materials, while seeking the understanding of our customers.

We will expand sales of strategic products with high technological superiority (label inks and water-based flexo inks), and develop new businesses with a focus on the information and electronics, and industrial materials fields, where profitability improvement is expected.

At our overseas subsidiaries, we will monitor market trends to determine the timing of capital expenditure in order to secure production capacity in line with demand.

Priority measures

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



Our Approach to CSR and ESG

The Group incorporated the philosophy that by contributing to our customers and society, and being sustained by society, we too will develop alongside society into our business creed, which was established in 1968. To this day, management and all employees proudly adhere to this creed as the foundation of our sustainable management. Building upon this business creed, we established the “CSR and ESG Basic Policy” in 2022 to accelerate sustainable growth. As a chemical manufacturer, we have established a promotion system to address social issues throughout the entire product lifecycle and create value for business growth.

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

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

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

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

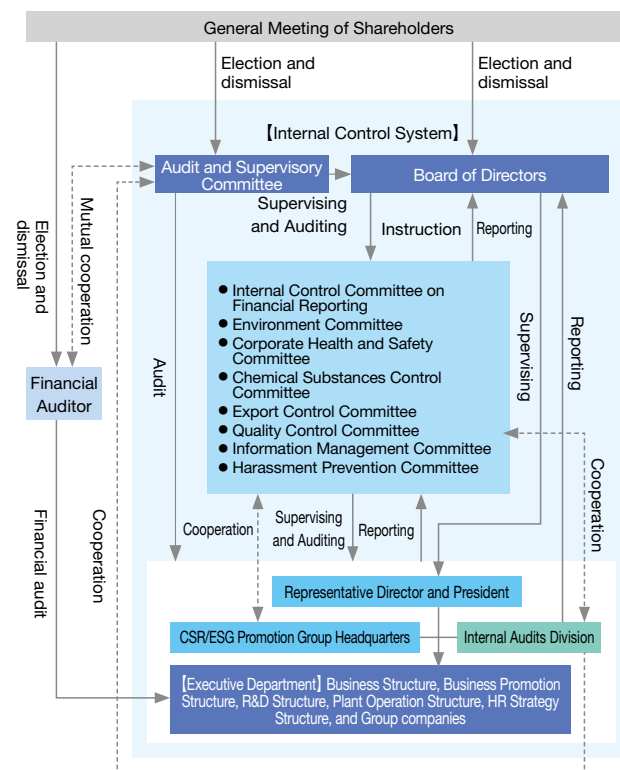
- Environmental Policy ■ Quality Policy ■ Purchasing Policy ■ Information Security Policy
- Health and Safety Policy ■ Human Rights Policy ■ Multi-stakeholder Policy
- Human Asset Development Policy ■ Internal Environment Development Policy ■ Health Management Policy

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



Promotion system

The Group has established an internal control system to ensure the soundness and efficiency of our business activities and to realize a sustainable society. Under the direction of Representative Director and President, the CSR/ESG Promotion Group Headquarters formulates targets and measures for our sustainability initiatives and assigns implementation activities to each executive department. The status of activities at each executive department is reported to the eight internal control committees, which evaluate them from various perspectives. The evaluation results are reported regularly to the Representative Director and President and the Board of Directors by each committee, as necessary, and are supervised and directed, and feedback is provided to each committee and the executive department. In addition, the Internal Audits Division independently audits the activities of the executive department based on the reports of the committees related to internal control and reports the results to the Representative Director and President and the Board of Directors. During FY2025, the Board of Directors met a total of 13 times, of which 10 were for reporting and deliberating on sustainability. Furthermore, we have incorporated performance evaluations of sustainability-related work into our personnel evaluation system, and we are operating a system that reflects these evaluations in employee salaries. In FY2025, we set the evaluation weight for sustainability issues at 7.5%.

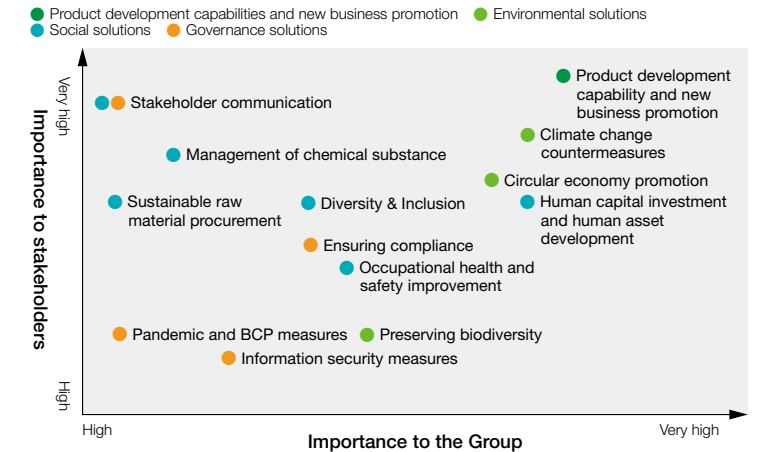


CSR and ESG Materiality (key issues)

Materiality identification process

STEP 1	Issue identification	We identify issues from the previous year's management review, policies and market trends related to society, the environment, and the SDGs.
STEP 2	Priority assessment	We analyze risks and opportunities of the issues, understand the extent of their impact and evaluate priorities from the perspectives of both stakeholders and the Group's business.
STEP 3	Validation	Under the direction of the Representative Director and President, we confirm the appropriateness of materiality to be prioritized at a specialized internal meeting.
STEP 4	Formulation of measures	We develop targets and measures to achieve them for each materiality.

Materiality matrix



Description of the main materialities and related SDGs

Materiality		Reason for selection, activity policy	Related SDGs
Product development capabilities and new business promotion (sustainable products)		In order for society and the Group to achieve sustainable development, we will promote the development of products that contribute to society through our business, while co-creating value with our supply chain partners.	 
E Environmental	Climate change countermeasures (Global Warming Countermeasures)	Recognizing that the impact of climate change on the global environment is a worldwide social issue, we will actively work on business activities and product development aimed at realizing a decarbonized society.  Please refer to P.45 for “Initiatives for TCFD Recommendations.”	 
	Circular economy promotion	As a company that uses raw materials derived from limited fossil resources, we’re committed to reducing the environmental impact of waste and establishing a Circular Economy that safeguards against resource depletion.	 
	Preserving biodiversity	We recognize that our lives are sustained by the benefits of natural capital, and we will work to minimize the impact of our business activities on the ecosystem, while also striving to protect and restore them.	 
S Social	Occupational health and safety improvement	We will work to minimize anticipated risks throughout the product lifecycle, including risks to the environment and human health from raw materials handled by the Group and risks such as fire in our operations.	 
	Management of chemical substances		 
	Diversity & Inclusion	We aim for sustainable growth by fostering a workplace where all individuals associated with the Group can thrive, through mutual respect for the diversity of our workforce and differing values.	 
	Human capital investment and human asset development	We are implementing personnel system reforms to enhance employee engagement and achieve management goals by introducing an evaluation system that fosters a sense of satisfaction, maximizing the potential of our human assets, and supporting employees’ self-directed growth mindset.	 
	Sustainable raw materials procurement	We will procure raw materials that take into consideration human rights, working conditions, the natural environment, resource conservation, and compliance, and strive to remain a company that is trusted by all stakeholders.	 
	Stakeholder communication	Recognizing the importance of co-creating value with our diverse stakeholders, including shareholders, customers, employees, suppliers, creditors, and local communities, we will strive for the sustainable development of the economy as a whole by appropriately distributing the profits and achievements we generate to our stakeholders.	
G Governance	Ensuring compliance	To enhance trust from our stakeholders, we will go beyond mere legal compliance. We will cultivate high ethical and moral standards and strive for self-disciplined actions.	 
	Information security measures	To ensure the trust of our stakeholders and the stability of our business activities, we will work to strengthen our defense and resilience against cyber-attacks which have been increasing in recent years.	 
	Pandemic and BCP measures	We have formulated a business continuity plan (BCP) centered on core products that have a significant economic impact, in anticipation of infectious diseases and large-scale disasters. We have also been striving to improve our decision-making capabilities by establishing rules for initial response and conducting regular drills.	

CSR and ESG Activity Evaluation and Targets for the Next Fiscal Year

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

Materiality	Main issues	FY2025: Main activity plans and targets	Corresponding SDGs		FY2025: Key activity results	Evaluation	Medium-term or FY2026 activity plan and targets
Climate change countermeasures (Global Warming Countermeasures)	Contribute to preventing global warming through our business. - Reduction of CO₂ emissions - Risk countermeasures against natural disasters	- Promote development and sales of sustainable products - Reduce CO₂ emissions associated with energy consumption. Target: CO₂ emissions (Scope 1 + Scope 2) Reduce by 31% compared to FY2020 by FY2027 - Implement continuous, planned energy-saving measures	     		- Promote development and sales of sustainable products Result: 0.5 billion yen increase in sales - CO₂ emissions associated with energy consumption Result: 53% reduction compared to FY2020 - Energy-saving measure implementation rate: 184%	★★★	- Promote development and sales of sustainable products - Reduce CO₂ emissions associated with energy consumption. Target: CO₂ emissions (Scope 1 + Scope 2) Reduce by 31% compared to FY2020 by FY2027 - Implement continuous, planned energy-saving measures
Circular economy promotion	Promote resource recycling mainly to prevent the depletion of fossil resources and reduce environmental impact. - Promote reduction and recycling of waste generated by business activities - Expand sales of products that contribute to resource recycling	- Promote waste plastic and waste solvent recycling Target: Medium-term target for domestic waste plastic recycling rate Improve by 3 percentage points compared to the average of the previous three-year period by FY2027 - Promote product development that contributes to plastic resource recycling	     		- Promote waste plastic and waste solvent recycling Result: Domestic waste plastic recycling rate (domestic) 7-point improvement compared to FY2021 - Products that contribute to plastic resource recycling Paper coating agents, film adhesives	★★★	- Promote waste plastic and waste solvent recycling Target: Medium-term target for domestic waste plastic recycling rate Improve by at least 3 percentage points compared to the average of the previous three-year period by FY2027 - Promote product development that contributes to plastic resource recycling
Preserving biodiversity	Minimize the impact on ecosystems throughout the entire supply chain and strive to protect and restore ecosystems. - Reduce emissions of substances that pollute ecosystems and ensure proper operation of pollution control equipment - Promote the development and sales of products that help prevent ecosystem pollution	- Promote efficient use of water resources (domestic) - Reduce the ecological impact of potentially harmful chemicals. - Actively participate in local ecosystem conservation activities.	     		- Increased water recycling in production processes - Properly operated pollution control equipment to curb hazardous chemical emissions - Participated in neighborhood cleanup activities and ecosystem conservation activities: 13 events	★★★	- Promote efficient use of water resources (domestic) - Reduce the ecological impact of potentially harmful chemicals. - Actively participate in local ecosystem conservation activities.
Management of chemical substances	Strengthen chemical substance management systems to ensure environmental protection and people's healthy lives. - Establish and maintain a chemical substance management system - Strengthen management of hazardous chemical substances in products	- Promote the introduction of a new chemical substance management system - Strengthen management of hazardous chemical substances in products - Implement measures in response to revisions to the Order for Enforcement of Industrial Safety and Health Act - Implement internal audits on management of environment-related substances to be controlled - Implement employee training on chemical substance management	  		- Continued to work on the introduction of a new chemical substance management system - Action to strengthen management of hazardous chemical substances in products - Complied with revisions to the Industrial Safety and Health Act Enforcement Order - Conducted a SDS sampling survey - Implemented employee training on chemical substance management 8 times	★★★	- Promote the introduction of a new chemical substance management system - Strengthen management of hazardous chemical substances in products - Implement measures to comply with the partial revision of the enforcement order of the Industrial Safety and Health Act - Implement internal audits on management of environment-related substances to be controlled - Implement employee training on chemical substance management
Quality assurance	Contribute to people's health through the manufacture and stable supply of high-quality products. - Establish a system for unified QMS operation - Manage suppliers appropriately	- Operate the company-wide QMS - Conducted mutual internal audits - Conduct audits of external providers - Work to reduce complaints and claims and prevent recurrence. - Conduct quality-related training to develop human assets with the necessary competencies for product compliance	  		- Started operating the company-wide QMS - Conducted mutual internal audits - Conducted audits of suppliers - Implemented verification of effectiveness for reducing complaints and claims and preventing recurrence - Conducted internal quality-related training	★★★	- Operate the company-wide QMS - Conducted mutual internal audits - Conduct audits of external providers - Work to reduce complaints and claims and prevent recurrences. - Conduct quality-related training to develop human assets with the necessary competencies for product compliance
Occupational health and safety improvement	Work on improvement of safety measures and safety awareness to create a comfortable work environment and prevent accidents. - Comply with laws and regulations related to occupational health and safety - Reduce the number of occupational accidents	- Disseminate the causes and countermeasures of past occupational accidents company-wide to further reduce their occurrence. - Reflect the results of past occupational accident cause analysis in health and safety training content to enhance training effectiveness. - Provide guidance to enhance the effectiveness of risk assessments at manufacturing bases	     		- Proposed improvement measures through company-wide health and safety patrols, implemented company-wide horizontal deployment, and thoroughly instilled safety awareness through on-site managers (foremen). However, the number of occupational accidents (work-related injuries) remained unchanged. - Guided the implementation of risk assessments at manufacturing bases and increased their effectiveness.	★★★	- Disseminate information on the causes and countermeasures for past occupational accidents throughout the company, and further reduce the occurrence of occupational accidents - Reflect the results of past occupational accident cause analysis in health and safety training content to enhance training effectiveness. - Provide guidance to enhance the effectiveness of risk assessments at manufacturing bases. - Enhance VR experiential training to prevent unsafe behaviors.
Diversity & Inclusion	Aim for sustainable growth by having employees with diverse perspectives and values who have different knowledge, skills, experience, abilities, and attributes play a role in management. - Actively recruit women, foreign nationals, and mid-career hires and promote employees who can make the most of their diversity - Increase the ratio of women, foreign nationals, and mid-career hires in managerial positions toward management that makes the most of diversity	Develop the following action plans and targets to create a work environment where personnel can work for a long time regardless of gender. - Ratio of female new graduate hires: 30% or more - Create an environment that enables the placement of women in manufacturing workplaces - Paid leave uptake: 70% or more - Survey the current situation and make efforts to promote uptake of paid leave - Management ratio of women, foreign nationals, and mid-career hires: Improve by 6 percentage points by FY2031 (compared to FY2021)	  		- Female percentage of new graduates: 38% (domestic) - Annual uptake of paid leave: 76% (domestic) - Male percentage taking childcare leave: 73% (Parent company) - Promoted opportunities for women to be appointed to manufacturing and sales positions, where there have traditionally been few female employees, and improved the environment for them - Implemented a personnel system featuring a highly transparent evaluation system and fair promotion opportunities	★★★	Develop the following action plans and targets to create a work environment where personnel can work for a long time regardless of gender. - Female ratio among full-time employee: 23% or more - Average monthly overtime hours for full-time employee: 7 hours or less - Aim to achieve the following parental leave uptake and average days taken, set separately for men and women Women: Parental leave uptake: 100%, Average days taken: 300 days or more Men: Parental leave uptake: 80%, Average days taken: 60 days or more - Management ratio of women, foreign nationals, and mid-career hires: Increase by 6 percentage points by FY2031 (compared to FY2021)
Human capital investment and human asset development	Aim to improve engagement in order to maximize the abilities of human assets and achieve management strategies and goals. - Improve motivation to contribute to the organization - Improve job satisfaction - Evaluation system that provides a sense of satisfaction	Establish the HR Strategy Structure to promote human capital investment and human asset development. Undertake personnel system reforms aimed at improving employee engagement	  		- Explored new personnel systems aimed at foster a corporate culture full of vitality in which innovation can flourish. - Introduced mechanisms to encourage and evaluate challenges through a success-based incentive system and new personnel evaluation system. Established job descriptions clarifying expected roles by position level and implemented systems to evaluate performance.	★★★	- Launch new personnel system - Design new training framework master plan - Establish new career path system - Engagement score: FY2024: 56.0 →FY2027: 59.0
Sustainable raw material procurement	Procure raw materials that take into account human rights, working conditions, the natural environment, resource conservation and compliance, and continue to be a company that is trusted by all stakeholders.	- Establish CSR Procurement Guidelines for supplier selection criteria covering CSR aspects such as human rights, working conditions, compliance, and environmental conservation. Select suppliers and procure items based on fair and impartial evaluation. - Conduct a CSR Questionnaire Survey with suppliers to understand their actual practices.	     		- Implemented timely and appropriate selection of suppliers and procurement items based on the "CSR Procurement Guidelines" - Conducted a "CSR Questionnaire Survey" with suppliers, and received responses from approximately 80% of them.	★★★	- Continue to select suppliers and procurement items based on the "CSR Procurement Guidelines" - Recognize the strengths and weaknesses of suppliers obtained from the "CSR Questionnaire Survey," and provide feedback on the survey results internally to contribute to co-creating value with suppliers.
Ensuring compliance	Comply with not only relevant laws, regulations, and ordinances, but also internal rules and codes of ethics, and strive to act in a fair and transparent manner. Compliance awareness and education	Comply with laws, regulations, ordinances, internal rules, code of ethics, etc., and strive to act in a fair and transparent manner - Implement compliance training - Implement compliance audits - Compliance awareness and education	  		- Carried out compliance training for new employees, as well as those in their third and fourth years at the company, with all participants having completed the training - Additionally, carried out a compliance mini-test for all employees - The results of an external survey on compliance showed that compliance awareness was in a good state	★★★	- Plan to conduct compliance training for new employees, as well as those in their third and fourth years of employment - Plan to conduct an internal compliance audit to check compliance status - Review the content of compliance training based on the results of the compliance audit
Information security measures	Prevent harm and improve operational efficiency in the digital society - Strengthen defense and resilience against cyber attacks - Promote digitalization to enhance operational efficiency	Prevent harm and improve operational efficiency in the digital society - Improve information security infrastructure - Improve incident countermeasures - Improve security measures in line with DX promotion	     		- Prevent harm and improve operational efficiency in the digital society - Began drafting information security regulations - Established a CSIRT to efficiently implement incident countermeasures - Implemented employee education on information security measures - There were no major incidents in FY2025	★★★	- Prevent harm and improve operational efficiency in the digital society - Strictly enforce and update internal information security rules in a timely manner - Conduct training to confirm the effectiveness of CSIRT - Promote the development of security measures and improve security measures in line with DX promotion
Risk management Pandemic and BCP	Identify risks that require management action and take measures to avoid risks and reduce their impact. - Periodically assess risks and respond to major risks - Formulate business continuity plan (BCP)	Take measures to avoid management risks and reduce their impact, while promoting the transformation into a resilient company. - Engage in Group-wide risk management - Review and implement business continuity measures	     		- Conducted risk management under the direction of the Director in charge of each organization, with two categories of risk: priority risk and ongoing risk - Carried out evacuation drills in preparation for disasters at manufacturing bases, Head Offices and branch offices	★★★	Establish an effective risk management system that comprehensively and strategically identifies risks and opportunities across the company and maximizes corporate value. Consider BCP that assumes various risks, including not only natural disasters but also cyber attacks.
Stakeholder communication	Activities aimed at coexistence with shareholders, customers, employees, suppliers, and neighboring communities. Actively participate in community contribution activities	Continue to engage in activities that contribute to harmonious coexistence with the local community. Actively participate in local greening and beautification activities	  		- Actively participated in local environmental beautification activities (Tokai Production Plant, Tokyo Production Plant, UKIMA CHEMICALS & COLOR MFG. CO., LTD. etc.) - Expressed support for the realization of a "Zero Carbon City" promoted by Iwata City, Shizuoka Prefecture	★★★	Continue to engage in activities that contribute to harmonious coexistence with the local community. Actively participate in local greening and beautification activities



Environmental Management

Environment

Promotion system

The environmental management of the Group is based on the “Environmental Policy” and is implemented by the Environmental Management System (EMS) of each executive department (manufacturing bases, Head Branches, and Branches) under the direction of the Representative Director and President.

The activities of each executive department are managed by the Environment Committee and regularly reported to the Board of Directors for auditing and supervising, and the results

are used for continuous improvement activities.

In FY2025, there were no penalties under environmental laws and regulations, either in Japan or overseas.



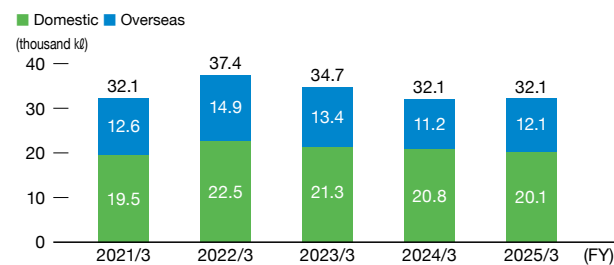
Please refer to this website for our “Environmental Policy.”

<https://www.daicolor.co.jp/english/csr/policy/index.html#no02>

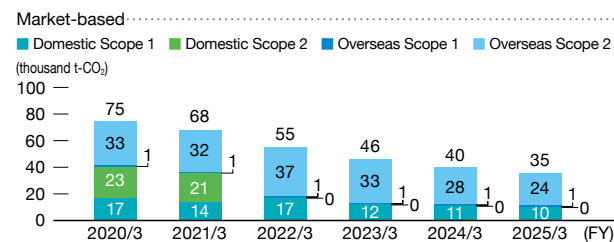


Environmental impact data

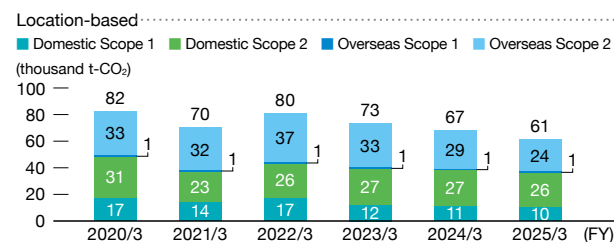
Energy consumption (crude oil equivalent)



Greenhouse gas emissions (thousand t-CO₂)

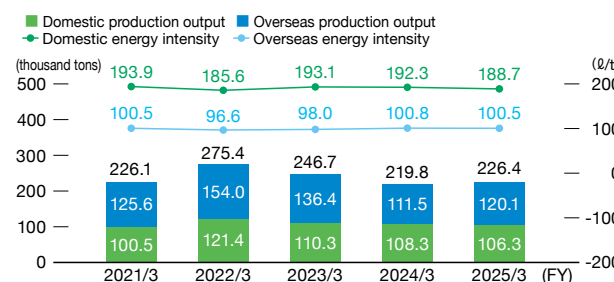


*Scope 2 emission factors are calculated according to GHG Protocol Market-based method

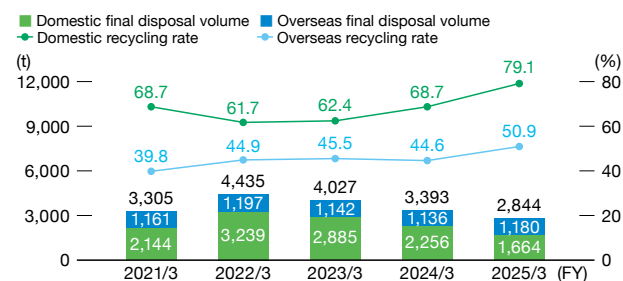


*Scope 2 emission factors are calculated according to GHG Protocol Location-based method

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



Waste recycling rate and final disposal volume



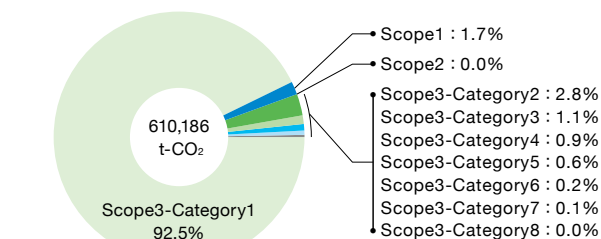
GHG supply chain emissions

Scope 1-2-3 Domestic Breakdown for FY2025

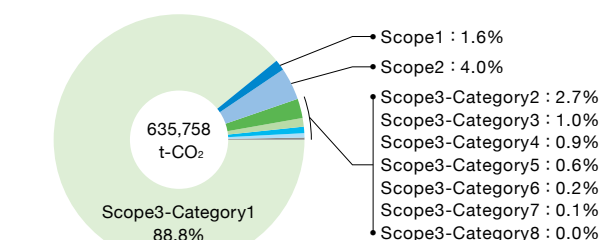
GHG supply chain emissions are calculated in accordance with the “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (ver. 2.6)” of the Ministry of the Environment and the Ministry of Economy, Trade and Industry and the GHG Protocol Guidelines of the World Resources Institute.

Supply chain emissions breakdown

Scope 2 calculation conditions: GHG Protocol Market-based method



Scope 2 calculation conditions: GHG Protocol Location-based method



Material balance of business activities

INPUT

Total material input (domestic) *1

	FY2024	FY2025
Total amount	141,417 t	145,916 t
Resins	70,408 t	67,650 t
Solvents	23,105 t	23,996 t
Pigments	11,941 t	11,616 t
Additives	35,963 t	42,654 t

Total energy consumption (domestic/overseas) (crude oil equivalent) *2

	FY2024	FY2025
Total amount	32,075 kℓ	32,131 kℓ (vs. the previous year 100%)
Domestic	20,835 kℓ	20,071 kℓ
Overseas	11,240 kℓ	12,060 kℓ

Energy & fuel consumption (domestic/overseas) (crude oil equivalent) *2

	FY2024	FY2025
Total amount	5,858 kℓ	5,129 kℓ (vs. the previous year 88%)
Domestic	5,414 kℓ	4,773 kℓ
Overseas	444 kℓ	355 kℓ
City gas	4,503 thousand Nm ³	4,301 thousand Nm ³
LPG	162 t	157 t
Heavy oil A	15 kℓ	14 kℓ
Kerosene	23 kℓ	22 kℓ
Diesel oil	3 kℓ	3 kℓ
Gasoline	115 kℓ	111 kℓ
Natural gas	278 thousand Nm ³	269 thousand Nm ³
LPG	18 t	12 t
Heavy oil A	0 kℓ	0 kℓ
Kerosene	21 kℓ	20 kℓ
Diesel oil	29 kℓ	6 kℓ
Gasoline	55 kℓ	61 kℓ

Energy & power consumption (domestic/overseas)

Power consumption includes solar power generation at our own bases

	FY2024	FY2025
Total amount	104,763 thousand kWh	106,778 thousand kWh (vs. the previous year 102%)
Domestic	61,323 thousand kWh	60,827 thousand kWh
Overseas	43,440 thousand kWh	45,951 thousand kWh

Water consumption (domestic/overseas)

	FY2024	FY2025
Total amount	2,471 thousand m ³	2,725 thousand m ³ (vs. the previous year 110%)
Domestic	2,364 thousand m ³	2,616 thousand m ³
Overseas	107 thousand m ³	108 thousand m ³

ESG investment amount

(environmental measures and pollution prevention; occupational health and safety; diversity; legal compliance)

	FY2024	FY2025
Total amount	482 million yen	605 million yen

Office activities

	FY2025
Office electricity	1,074 K kWh
Copy paper Green procurement rate (non-consolidated only)	66 %
Vehicle fuel	Gasoline 81 kℓ Diesel oil 0.8 kℓ

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

*2 Starting with the calculation for FY2025, we use the unit calorific value and emission factors specified in the revised “Ordinance on Calculation of Greenhouse Gas Emissions Associated with the Business Activities of Specified Emitters.”

*3 Scope 1 and 2 Calculation Scope, Main Standards, and Emission Factors [Scope] Aggregates CO₂ emissions from fuel and electricity consumption within the Group. The scope of operations subject to calculation includes Daiichiseika Color & Chemicals Mfg. Co., Ltd. and its consolidated subsidiaries. However, power consumption at leased facilities is excluded from Scope 2. Additionally, company-owned housing and dormitories are excluded from the calculation.

*3 Continued [Calculation Standards, Emission Factors] CO₂ Emissions from Fuel Use Based on the “List of Calculation Methods and Emission Factors for Greenhouse Gas Emissions Ministry of the Environment, Japan”.

CO₂ Emissions from Electricity Use Location-Based Method (domestic/overseas) Calculated using emission factors published by the Ministry of the Environment and national environmental agencies. Market-Based Method (domestic) Calculated using the emission factors for each electricity provider’s menu items from the “List of Emission Factors by Electricity Supplier (Ministry of the Environment)” (overseas) Calculated using emission factors obtained from the electricity supplier; if unavailable, using emission factors published by national environmental agencies.

*4 Starting with the calculation for FY2025, the emission factors for electricity at our China sites has been changed to the “National average emission factor (FY2022 actual)” published by the Ministry of Ecology and Environment of the People’s Republic of China in December 2024.

OUTPUT

Products (domestic/overseas own-plant production)

	FY2024	FY2025
Total amount	219,825 t	226,401 t (vs. the previous year 103%)
Domestic	108,294 t	106,345 t
Overseas	111,531 t	120,057 t

Energy intensity (domestic/overseas) (crude oil equivalent) *2

	FY2024	FY2025
Domestic	192.3 ℓ/t	188.7 ℓ/t
Overseas	100.8 ℓ/t	100.5 ℓ/t

GHG emissions (domestic/overseas energy-related CO₂ emissions) *2 *3 *4

Scope 2 calculation conditions: GHG Protocol Market-based method

	FY2024	FY2025
Group total	11,797 t-CO ₂	11,193 t-CO ₂ (vs. the previous year 95%)
Scope2	28,310 t-CO ₂	23,812 t-CO ₂ (vs. the previous year 84%)
Group total Scope1+2	40,107 t-CO ₂	35,005 t-CO ₂ (vs. the previous year 87%)
Domestic	10,962 t-CO ₂	10,426 t-CO ₂ (vs. the previous year 95%)
Overseas	835 t-CO ₂	767 t-CO ₂ (vs. the previous year 92%)
Subtotal	28,310 t-CO ₂	23,812 t-CO ₂ (vs. the previous year 84%)
Subtotal	29,145 t-CO ₂	24,579 t-CO ₂ (vs. the previous year 84%)

Scope 2 calculation conditions: GHG Protocol Location-based method*2 *3 *4

	FY2024	FY2025
Group total	11,797 t-CO ₂	11,193 t-CO ₂ (vs. the previous year 95%)
Scope2	55,358 t-CO ₂	49,511 t-CO ₂ (vs. the previous year 89%)
Group total Scope1+2	67,155 t-CO ₂	60,704 t-CO ₂ (vs. the previous year 90%)
Domestic	10,962 t-CO ₂	10,426 t-CO ₂ (vs. the previous year 95%)
Overseas	26,789 t-CO ₂	25,578 t-CO ₂ (vs. the previous year 95%)
Subtotal	37,751 t-CO ₂	36,004 t-CO ₂ (vs. the previous year 95%)
Subtotal	835 t-CO ₂	767 t-CO ₂ (vs. the previous year 92%)
Subtotal	28,569 t-CO ₂	23,933 t-CO ₂ (vs. the previous year 84%)
Subtotal	29,404 t-CO ₂	24,700 t-CO ₂ (vs. the previous year 84%)

GHG emissions intensity (domestic/overseas energy-related CO₂) *2 *3

Scope 2 calculation conditions: GHG Protocol Market-based method

	FY2024	FY2025
Per ton of production	0.182 t-CO ₂ /t	0.155 t-CO ₂ /t (vs. the previous year 85%)
Per million yen of sales	0.33 t-CO ₂ /million yen	0.23 t-CO ₂ /million yen
Net income per million yen	10.96 t-CO ₂ /million yen	3.40 t-CO ₂ /million yen

Waste recycling rate and final disposal amount

	FY2024	FY2025
Total amount generated	10,285 t	10,853 t
Recycling amount	6,568 t	7,909 t
Recycling rate	63.9 %	72.9 %

Effluent volume (domestic/overseas)

	FY2024	FY2025
Total amount	2,456 thousand m ³	2,458 thousand m ³ (vs. the previous year 100%)
Domestic	2,359 thousand m ³	2,359 thousand m ³ (vs. the previous year 100%)
Overseas	97 thousand m ³	99 thousand m ³ (vs. the previous year 102%)



Initiatives for TCFD Recommendations

Environment

The Group has positioned climate change response as an important management issue that is unavoidable for the realization of a sustainable society, in 2021, we endorsed the TCFD^{*1} recommendations and in 2022, we participated in the CDP^{*2} climate change program. Taking this opportunity, we are actively sharing information internally about our response to climate change and the results of external evaluations and working to raise awareness throughout the company. We will continue to strengthen our efforts to achieve Society 5.0 with Carbon Neutral in line with the 1.5°C scenario in the sixth report of the IPCC^{*3}.

Governance

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

Risk management/opportunity analysis and strategy

CSR/ESG Promotion Group Headquarters considers the risks arising from climate change as transition risk, which refers to the strengthening of regulations and changes in the supply-demand structure due to revisions of laws and regulations and changes in industry trends, and physical risk, which refers to the strengthening of resilience to natural disasters and the deterioration of the labor environment due to global warming.

Depending on the nature of these risks, each organization and related department, which is the executive department, is instructed to perform risk response operations. Under the direction of the Representative Director and President, we are conducting risk analysis based on the policies and requests of our supply chain partners, international research reports^{*4}, and the Ministry of the Environment's explanatory documents, in order to contribute to climate change countermeasures as a member of the supply chain. We are working to achieve the 1.5°C scenario to limit the rise in the average global temperature to less than 1.5°C, and to set new targets and transition plans for Society 5.0 with Carbon Neutral. Risks and opportunities from each scenario are prioritized based on their impact and likelihood of occurrence, and are incorporated into the Group's product development and business strategies, and we will continue to closely monitor various trends, regularly evaluate and review them, and disclose information.

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

Risk analysis and countermeasures

Risk classification	Assumed risks and financial impact	Countermeasures
1.5°C scenario	Transition risk	● Increased financial burden due to introduction of carbon tax*
		● Stricter regulations to reduce GHG emissions
		● Increased GHG reduction requirements from customers
		● Difficulty in procuring raw materials derived from fossil resources
	Physical risk	● Loss of business opportunities due to changes in the supply-demand structure
		● Impact of stagnation of business activities due to supply chain disruptions caused by natural disasters
4°C scenario	Transition risk	● Deterioration of the work environment at manufacturing sites and resulting increase in capital expenditures
		● Strengthen product development capabilities to respond to changes in the supply-demand structure
	Physical risk	● Impact of stagnation in business activities due to damage to facilities caused by large-scale natural disasters
		● Loss of product and raw material inventory due to flooding during torrential rains (estimated amount calculated but undisclosed)

* Implementation of internal carbon pricing (domestic group)
Set unit price: 14,500 yen/t-CO₂
Impact: 0.93 billion yen for CO₂ emitted by the Group
Maximum estimated amount: 9.22 billion yen for CO₂ emissions in the supply chain (domestic group only)

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

^{*1} TCFD: Task Force on Climate-related Financial Disclosures
^{*2} CDP (Carbon Disclosure Project): A non-profit organization that operates a global system for the disclosure of environmental information by companies and local governments
^{*3} IPCC: Intergovernmental Panel on Climate Change
^{*4} IPCC: SSP1-1.9, IEA (International Energy Agency) World Energy Outlook: Net Zero Emission by 2050 Scenario
^{*5} Calculated using the adjusted CO₂ emissions factor for an electric power company that procures electricity from 100% real renewable energy sources
^{*6} Aqueduct Water Risk Atlas: Tool for assessing water risk by basin published by the World Resources Institute (WRI), an international environmental NGO

Opportunity analysis and strategy

Revenue opportunity classification	Anticipated opportunity	Strategy (development and sales promotion of the following products)
1.5°C scenario	Increased demand for products contributing to decarbonization ● Promotion of EVs and self-driving automobile ● Promotion of automobile weight reduction ● Increased demand for power infrastructure	Expand sales of sustainable products: Increase by 3 billion yen in FY2027 (compared to FY2024) ● Products for rechargeable batteries ● Wiring harness-related products for automobiles ● Products contributing to automobile weight reduction ● Products for solar cells ● Polyurethane resins made from CO ₂
	Changing demand for a circular economy ● Accelerated recycling of plastic resources ● Increased demand for biomass-derived products	● Deinking inks for flexible packaging materials ● Resin powders made from biomass-derived raw materials ● Inks and adhesives made from biomass-derived raw materials
4°C scenario	Changes in lifestyles and supply-demand structure due to rising temperatures ● Changes in building specifications to cope with heat ● Increased demand for beverage containers	● Heat Shielding Paint for energy-saving air conditioning in buildings ● Ink-related products for flexible packaging for beverages
	Growing demand for products to expand projects of strengthening infrastructure in preparation for severe natural disasters ● Growing demand for renewal of power and telecommunications infrastructure ● Growing demand for building renovation projects	● Colorants for coating materials for high-speed, high-capacity communication lines ● Coloring materials for high weatherability coatings for building exteriors ● Colorants for high-strength and high-durability fibers

Metrics, targets, and progress

■ Metrics (KPI): Greenhouse gas emissions from energy consumption at domestic and overseas bases (Scope1+Scope2) (Market-based method)

Target: 31% reduction in FY2027 compared to FY2020^{*5}
Progress: 53% reduction in FY2025 compared to FY2020

■ Aim to increase sales of sustainable products (including climate change action) by 3.0 billion yen in FY2027 vs FY2024.

Progress: Sales results for sustainable products for FY2025 increased by 0.48 billion yen vs FY2024

■ Results of main energy-saving measures at manufacturing bases for FY2025

● Number of Energy-saving Measures Implemented: 76
Annual effect equivalent to 378 KL (crude oil equivalent) (1.2% of total energy consumption)

Major items
● Improving thermal utilization efficiency in boilers and steam piping:
Annual effect: 211KL (crude oil equivalent)
● Installation of solar power generation facilities:
Annual effect: approx. 120 MWh per year (31 KL (crude oil equivalent))

Solar power generation facilities are in operation at manufacturing bases in Japan, China and Thailand
Photo shows a sustainability-contributing product from our affiliate KYUSHU KAKO CO., Ltd.



Corresponding sustainable products

Climate change (global warming)	Circular economy support	Other items for social contribution
▶ Materials for rechargeable batteries and solar cells ▶ Resin products that contribute to automobile weight reduction ▶ UV/EB inks and coating agents ▶ Materials made from CO ₂ ▶ Heat shielding coating agents for energy-saving in buildings, and resin products for high insulation windows	▶ Biomass-derived products (inks, polyurethane resins, resin powders) ▶ Deinking inks for flexible packaging recycling ▶ Naturally-derived functional polymers (chitin and chitosan)	▶ Adhesives for gas barrier coating materials (reducing food loss) "Mitigation" ▶ Materials for high-voltage transmission line sheathing, power infrastructure (strengthening power infrastructure) "Mitigation" ▶ Colorants for coating materials for high-speed, high-capacity communication lines (strengthening communication infrastructure) "Mitigation"

Dealing with water risks and making effective use of water resources

Amid the growing severity of issues such as droughts and floods due to the effects of climate change both in Japan and overseas, the Group recognizes the understanding and management of water risks and the effective use of water resources as important issues. Water risks such as flooding and water quality regulations have a significant impact on the activities of our manufacturing bases, so we are working to identify and manage appropriate water risks at each base. At our domestic bases, we are conducting risk surveys by region based on hazard maps and other information provided by local governments. At our overseas bases, we are considering conducting interviews to understand the water risks in the river basin and to determine how to deal with and counter these risks. For bases that are considered to be at high risk of flooding, we assess flood risk for each individual manufacturing base. We treat this as a natural disaster-related risk within our risk management framework (as described on page 74), linking it to future business plans and incorporating it into medium- to long-term business planning.

Using the Aqueduct Water Risk Atlas^{*6} as an evaluation tool, we have identified manufacturing sites located in regions where water stress and drought risk were assessed as "high" or higher (Shanghai, China; Vietnam; India). At these bases, we rigorously implement water recycling, report water usage volume, COD discharge volume, and water intensity per product, and conduct evaluations. Furthermore, to protect water resources and prevent water pollution risks, manufacturing bases implement water recycling for production purposes and appropriate wastewater management. The Group recognizes water as a precious natural resource and strives to recycle it. We treat wastewater from manufacturing bases using appropriate facilities, such as activated sludge treatment systems, ensuring it is purified beyond discharge standards before release. In addition to the physical risk assessment, we plan to implement an impact assessment at manufacturing bases in the future and reflect the results in our business strategy by taking necessary measures and dealing with the results.



Preserving Biodiversity

Environment

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

Governance

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

☰ Please refer to “Promotion system” in “Our Approach to CSR and ESG” on P.39

Strategy

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

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

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

Risk management

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

^{*1} TNFD: Taskforce on Nature-related Financial Disclosures



Circular Economy Promotion

Environment

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

Expanding sales of products that contribute to resource recycling

In recent years, there has been a growing movement to promote the use of recycled materials in plastic products starting in Europe, and discussions are also progressing in Japan regarding the standardization and market development of recycled materials. In addition to the sustainable products that we have been working on in the past, the Group is focusing on expanding sales of products that contribute to resource recycling by promoting the development and commercialization of products that use recycled materials. Specifically, we are considering the development of label inks that are easy to deink and can be recycled, as well as products that use recycled carbon fiber, and products utilizing raw materials derived from residues or natural sources. We are also holding meetings with our main suppliers to exchange opinions and information with the aim of building a circular economy system in the supply chain.

Waste reduction and recycling

We believe that it is important to reduce waste in the production process, such as by improving yield to reduce manufacturing losses at each base and controlling the generation of defective products, and we are promoting the reduction and recycling of waste associated with our business activities. In FY2025, we reduced sludge, waste plastics, etc., and achieved the following activity targets. By reducing the amount of waste generated, we have also been able to reduce the amount of waste that requires final disposal, and we will continue to promote waste reduction and recycling in the future.

■ Activity target 1

Target: Recycling rate: Improve by 1 point from the actual results for FY2024

Results: 68.7% for FY2024,
→ 79.1% for FY2025 (an improvement of +10.4 points)

■ Activity target 2

Target: Final waste disposal amount: Reduce by 1% compared to the actual results for FY2024

Results: 2,256 tons for FY2024,
→ 1,664 tons for FY2025 (a 26% reduction)

■ Medium-term target

Target: Solvent recycling rate: Maintain a recycling rate of 99.9% or more

Results: Maintained at 99.9% or more in FY2025

(the above three targets apply to the domestic group)

☰ For more detailed information, refer to pages 79-80

Reducing the amount of waste plastic generated and recycling it

In April 2022, the “Plastic Resource Circulation Act” came into force in Japan, requiring businesses that generate waste to take steps to reduce the amount of waste they generate and to recycle it. As a business that generates a large amount of industrial waste from products that use plastic, the Group is working to reduce the amount of waste plastic generated and to recycle it. In FY2025, production bases where plastic waste recycling was previously limited made progress in transitioning to recycling, leading to improved recycling rates and a significant reduction in final disposal volumes. However, since thermal recycling remains the primary method at present, we will focus on transitioning to material recycling and chemical recycling moving forward, promoting more advanced resource recovery.

■ Targets

Short-term target: Maintain the waste plastic recycling rate achieved in FY2024 (91.9%) and aim for a 1-point improvement.

Medium-term target: Improve the waste plastic recycling rate by 3 points compared to the average of the previous medium-term management plan (87.4%) by FY2027.

Results: 94.4% for FY2025 (an improvement of 2.5 points compared to the previous fiscal year)
Amount of waste plastic generation: 1,907 tons (as of end of February)

Amount Recycled: 1,799 tons

(the above targets apply to the domestic group)

☰ For more detailed information, refer to pages 79-80

Collaboration with the Supply Chain

In March 2025, our company joined the ‘Do What We Can’ consortium, which aims to effectively utilize waste and reduce plastic usage.

As the name suggests, the consortium aims to realize a zero waste, zero residue society based on the philosophy that “what one company cannot do alone, we will do together.” Marubeni Chemix Corporation serves as the consortium’s liaison. At its founding, 29 companies participated. Leveraging each company’s unique technologies and facilities, the consortium works to realize a circular economy within the supply chain through cross-industry collaboration.

The group is responsible for the process of compounding raw materials—produced by drying and pulverizing residues, waste, and thinned timber—with resins and paper.





Management of Chemical Substances

Environment

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

Introduction of new chemical substance management system

For more efficient management of chemical substances

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

The introduction of this new chemical substance management system will centralize the management of the latest information on chemical substance regulations and related matters. This will enable us to quickly and accurately provide information on the chemical substances contained in the Group's products and the associated regulations.

Furthermore, we are also advancing organizational restructuring in conjunction with the introduction of the new chemical substance management system, aiming for further improvements in operational efficiency.

Strengthening chemical substance management throughout the supply chain

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

To reduce the environmental impact of our products, we have established a dedicated department. This department continuously and periodically investigates the chemical substances contained in the raw materials we use, striving to maintain accurate knowledge. At the same time, we collect information on enactment and revision of laws and regulations, ensure appropriate response, and advance the provision of information to customers regarding chemical substances contained in our products. Through these activities, we strive to strengthen our chemical substance management and minimize risks throughout the supply chain.

In FY2025, there were no instances of penalties due to legal violations.

Toward better management of hazardous substances

Strengthening the system for chemical substance risk assessment

Recently, laws and regulations related to chemical substances have been revised one after another in Japan. The Group is also working to comply with the revised Industrial Safety and Health Act. The basic concept of the management of chemical substances is shifting toward reducing the risk of individual chemical substances. In response to these changes, we are working to ensure that information on chemical substances found in raw materials is collected at the raw material adoption stage and to strengthen our hazard and toxicity checks, including checks of health and environmental effects. In addition, we are working to maintain and strengthen our chemical substance management by conducting regular internal audits on chemical substances to check the management system and operational status related to chemical substance management, and requesting improvement measures as necessary.

Knowledge enhancement through education on chemical substance management

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

For FY2025, we held internal seminars linking chemical substance management to import/export trade management and management systems. This initiative aimed to facilitate the import of raw materials and export of products while ensuring proper integration into our management systems.

Compliance with laws and regulations in each country

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

As a result, there were no violations of laws and regulations regarding registration and notification of chemical substances in Japan or overseas during FY2025.

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

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



Quality Assurance

Social

To ensure our customers can use our products with confidence, the Group views not only product performance but all corporate activities—from development to delivery of products and services—as “quality.” We maintain a company-wide quality assurance system and strive to enhance customer satisfaction.

Quality assurance

Approach to quality assurance

The Group recognizes that maintaining and improving the reliability and safety of our products and services throughout all stages—from design and manufacturing to inspection and delivery—is a critical societal requirement. We prioritize consistently delivering the quality our customers demand, while also ensuring full compliance with all relevant laws and regulations.

The Group's products are used across diverse fields such as information/electronics, automotive, books, industrial materials, stationery, and packaging, resulting in highly varied customer quality expectations. Leveraging our cultivated technical expertise, we strive daily to maintain and improve quality so we can continue providing products and services that meticulously meet customer needs. We also provide appropriate product information.

Please refer to this website for our “Quality Policy.”

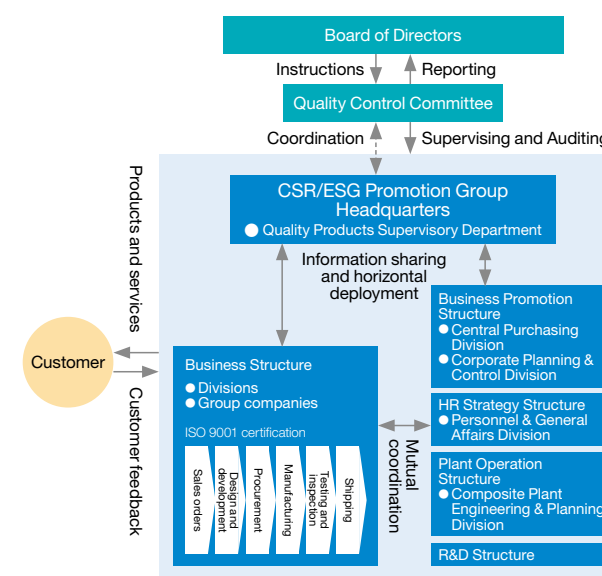
<https://www.daicolor.co.jp/english/csr/policy/index.html#no03>



Quality assurance system

The Group has obtained ISO 9001 certification and operates a “Quality Management System (QMS hereinafter)” as a mechanism for continuously improving the quality of products and services provided to customers by each business division and group company.

In 2013, we established a Quality Control Committee composed of quality management personnel from each business



within the Group. Through four annual plenary meetings, we have promoted policy deployment and information sharing. In 2019, we established the Quality Products Supervisory Department to oversee the management and operation of the Group-wide QMS. After thorough system review, we commenced full-scale operation of the Group QMS starting in FY2024, building a framework to advance the maintenance and improvement of quality assurance across the Daichiseika Group.

Group-wide activities include strengthening management systems for raw material suppliers and manufacturing contractors, conducting mutual internal audits between departments, and implementing quality inspection audits from a specialized perspective by the Quality Products Supervisory Department. These efforts advance the establishment of an appropriate quality management system. We also regularly hold various training sessions aimed at enhancing employees' quality-related awareness and skills. Moving forward, we will continue to identify challenges to adapt to changes in the social environment, enhance our quality assurance system through continuous improvement, and strive to increase customer confidence and trust.

Mechanisms for reflecting customer feedback

The Group captures customer needs and translates them into the provision of functional products with meticulous attention to detail.

Furthermore, we have established a system to promptly verify the facts and take appropriate action regarding quality-related complaints and issues received from customers. We investigate the root causes of received complaints and issues, ensure effective recurrence prevention measures are implemented, and utilize the valuable insights gained during this process to develop and improve our products and services. This leads to the provision of products and services that satisfy our customers and the co-creation of new value. Furthermore, this information is shared across the entire Group through the Quality Control Committee within our internal control structure, advancing efforts to prevent similar quality issues before they occur.

Disclosure of product information

The Group thoroughly verifies compliance with laws and regulations and product information from the development stage, providing customers with accurate information regarding product performance and safety. In addition, we are working to build a system that prevents data input errors and falsification, and reviewing our daily management operations, in order to ensure the reliability and transparency of product inspections. Furthermore, we are working to disclose information on the hazards and risks of our products by providing Safety Data Sheets (SDS). In FY2025, there were no violations related to product performance and safety.



Supplier Relations

Social

CSR procurement

A purchasing policy that is in step with the times

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

Establishment of CSR Procurement Guidelines

In April 2019, the Group established new “CSR Procurement Guidelines” at the same time as revising its “Purchasing Policy.” The standards clearly state the Group’s requirements regarding CSR for suppliers, and together they promote “sustainable procurement.”

We are open to new suppliers who wish to do business with us, and we select suppliers and procurement items based on fair and impartial evaluations, using product quality, safety, performance, price, delivery time, stable supply, and CSR initiatives such as human rights, working environment, compliance, and environmental preservation as supplier selection criteria. In addition, the Group participated in the Declaration of Partnership Building*¹ in March 2023. We will focus on “coexistence and co-prosperity throughout the supply chain and new partnerships that transcend scale and affiliation” and “compliance with promotion standards,” and we will promote partnerships and coexistence and co-prosperity with each supplier and business operator that aims to create value.

Conduct CSR survey

To achieve “sustainable procurement,” the Group has been conducting a survey of its suppliers, using the “CSR Procurement Self-Assessment Questionnaire (SAQ)” since FY2023 and has received responses from approximately 80% of suppliers. We provided feedback on the results of the questionnaire analysis and evaluation, and requested that suppliers make efforts to continuously improve their performance by taking corrective action. We will continue to implement monitoring activities and audits to expand our CSR initiatives throughout the supply chain, and strive to improve the satisfaction of all the Group’s customers.

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

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

Prevention of child labor and forced labor

The Group supports and respects international norms on human rights, such as the “International Bill of Human Rights,” which sets forth the principles of respect for fundamental human rights, the “ILO Declaration on Fundamental Principles and Rights at Work,” established by the “International Labour Organization (ILO),” “the Guiding Principles on Business and Human Rights,” and the “Ten Principles of the UN Global Compact,” established by the United Nations, and has established its Human Rights Policy based on the CSR/ESG Basic Policy.

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

(excerpt below from the CSR Procurement Guidelines)

1. Respect basic human rights; eliminate discrimination, forced labor, and child labor; and make efforts to improve the labor environment.
- 3) Prohibition of forced labor and child labor
Never force labor through threats, restraints, or other means. Furthermore, never use child*² labor at any stage of the manufacturing process.
- 4) Ensuring a (health and safety) work environment
Comply with laws on labor, health and safety; ensure a safe, healthy, and comfortable work environment for all persons involved in the company’s business activities; and make efforts to maintain and improve such an environment.

VOICE

Open innovation initiatives

Basic materials presentation planning activities

The Central Purchasing Division interacts with various suppliers daily, gathering extensive raw material information. To disseminate this information internally, we request suppliers to create and deliver “Basic Materials Presentations” tailored for our company. We plan and manage these presentations to deepen internal knowledge of basic materials, thereby supporting skill development for less experienced employees while also aiming to further advance new product development and market exploration. We hope these initiatives will lead to open innovation with the suppliers introduced here, fostering new collaborations and mutual prosperity.

Feedback from our employees who attended the basic materials presentation

My knowledge of materials has deepened. I hope to apply this to expanding the uses of our products and to product development.

I gained a better understanding of the characteristics of raw materials and products. I believe this will be extremely useful in conversations with customers.



Logistics

Social

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

Logistics initiatives

Approach to safety and quality

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

Promotion system for safety and quality

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

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



Building a sustainable logistics system

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



Activities to promote modal shifts in long-distance transport

Initiatives for the revised logistics Laws

To address various challenges, including the “2024 Logistics Problem,” (upper limits placed on truck driver working hours) and achieve sustainable logistics, the revised logistics laws (Act on Advancement of Integration and Streamlining of Distribution Business and Motor Truck Transportation Business Act) were enacted in April 2025.

The revised logistics laws require not only logistics operators but also shippers to engage in logistics efficiency initiatives. The Group is proactively addressing these challenges and promoting the following initiatives to build efficient supply chains in collaboration with logistics operators.

Classification	Initiatives	Contents
Environmental measures	Compliance with revised Act on Rationalization of Energy Use and Shift to Non-fossil Energy	● Formulate logistics strategies to curb CO ₂
	Promoting a modal shift	● Shift to transportation methods with less environmental impact
	Improvement in loading efficiency	● Consolidation of trunk line transport ● Reduction in low-loading flights by relaxing delivery conditions
Revised logistics laws	Addressing the 2024 Problem	● Review ancillary operations ● Secure delivery lead times ● Receive appropriate freight rates
	Solving logistics challenges	● Solving issues through logistics information visualization and data analysis
	Shipper decision criteria	● Reduction of cargo waiting and handling times ● Improvement of loading efficiency
	Regulatory measures for shippers	● Preparation of medium- to long-term plans and regular reporting
	Behavioral change of shippers	● Raise management awareness ● Clarification of the role and authority of logistics management supervisors
Logistics value enhancement	Efforts to optimize logistics costs	● Planning and implementation of logistics measures
	Efforts to improve logistics quality	● Hold quality subcommittee meetings with logistics partners
Compliance	Compliance with laws and regulations	● Comply with laws and regulations such as the Fire Service Act and Motor Truck Transportation Business Act
	Thorough enforcement of yellow cards	● Implement emergency measures in the event of accidents

*1 3PL (Third-Party Logistics): Comprehensive outsourcing of logistics operations

*2 WMS: Warehouse Management System



Respect for Human Rights

Social

Our approach to respecting human rights

The Group believes that respecting human rights is a compliance issue that must be prioritized above all others in our business activities. To achieve sustainable development alongside society, we must commit to respecting the human rights not only of our employees and local residents, but also of all individuals involved throughout our entire supply chain—from the sourcing of raw materials to the disposal of products.

Based on this philosophy, the Group supports and respects international human rights norms such as the “International Bill of Human Rights,” which establishes the principle of respecting fundamental human rights; the “ILO Declaration on Fundamental Principles and Rights at Work” established by the “International Labour Organization (ILO)”;

the “United Nations Guiding Principles on Business and Human Rights” and the “Ten Principles of the UN Global Compact.” Guided by our “CSR/ESG Basic Policy,” we have established a “Human Rights Policy” and are advancing initiatives to respect human rights.

In accordance with the Guiding Principles on Business and Human Rights, the Group has established a human rights due diligence system. Led by the CSR/ESG Promotion Group Headquarters, the Group works to identify, prevent, and mitigate human rights risks associated with its business activities. Should any human rights violations be confirmed, the Group will promptly pursue remedial action, verify its effectiveness, and implement measures to prevent recurrence.

To prevent and mitigate human rights risks, we provide our employees with compliance training on respecting hu-

man rights. For the Group suppliers, we present the “CSR Procurement Guidelines,” which clearly outline our human rights respect guidelines, and request their commitment to these efforts.

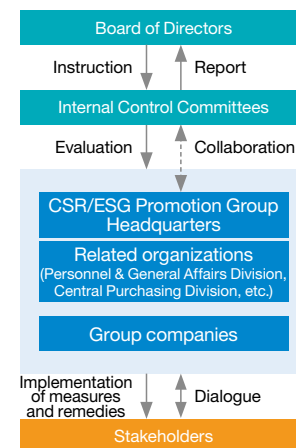
The status of our initiatives for respecting human rights is regularly reported to the Board of Directors as part of our compliance promotion activities, and we disclose information as necessary.

Promotion structure

Within the Group, the CSR/ESG Promotion Group Headquarters takes the lead, collaborating with related organizations such as the Personnel & General Affairs Division and the Central Purchasing Division to identify, assess, prevent, and mitigate human rights risks.

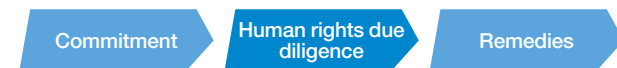
For major human rights risks, the respective committees of the Internal Control Committees evaluate the effectiveness of countermeasures and report the results to the Board of Directors on a regular basis and as needed.

Both the CSR/ESG Promotion Group Headquarters and the Internal Control Committees are headed by Directors or Titled Executive Officers with responsibilities.



Respect for human rights initiatives

The process for the Group’s respect for human rights initiatives is as follows.



Commitment

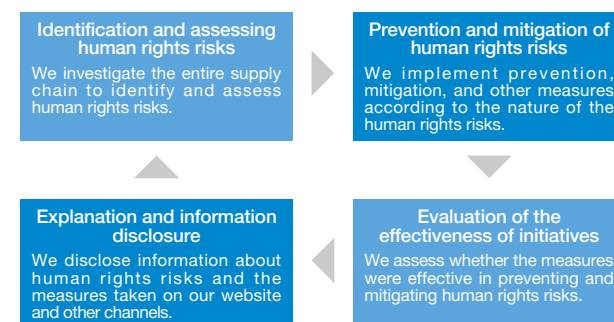
To advance our human rights initiatives, the Group resolved to establish and publish the “Human Rights Policy” at the Board of Directors meeting held in July 2022 (revised April 2025).

Please refer to this website for the “Human Rights Policy”.
<https://www.daicolor.co.jp/english/csr/policy/index.html#no07>



Human rights due diligence

The Group has established a human rights due diligence system to identify human rights risks associated with our business activities and strive to prevent and mitigate them.



Main human rights risks

The main human rights risks that the Group recognizes as requiring consideration are as follows.

Human rights risk	Main initiatives
Harassment	● Harassment prevention training (see P.73)
Excessive/Unreasonable working hours	● Compliance with the 36 Agreement
Safe and healthy working environment	● Promotion of occupational health and safety (see P.58)
Child labor and forced labor	● Implementation of age verification during hiring ● Prohibition of company retention of passports, etc.
Human Rights Issues in the Supply Chain	● Conduct CSR Surveys (see P.51)
Human rights issues in conflict-affected areas	● Implementation of responsible mineral sourcing (see P.51) ● Thorough implementation of security trade management
Right to access remedies	(See “Remedies”)

Prevention of harassment

The Group considers the prevention of workplace harassment to be one of the most important initiatives in respecting human rights.

The Group has established the “Regulations for the Prevention of Harassment, etc.” and is implementing measures to prevent harassment. The Harassment Prevention Committee works in collaboration with Harassment Counselors stationed at each base.

The results of our initiatives for FY2025 are as follows:

- Handling Harassment Consultations (through collaboration with Harassment Counselors)
- Revision of the “Regulations for the Prevention of Harassment, etc.” (clarifying the prohibition of harassment not only against other employees but also against all stakeholders of the Group)
- Holding of the “Company-wide Harassment Prevention Committee Meeting” (attended by the Chairperson of the Harassment Prevention Committee, the Secretariat, Harassment Counselors, and Managers from each base)
- Regular distribution of the “Harassment Prevention Newsletter”
- Implementation of e-learning training for all employees
- Implementation of training for Harassment Counselors

Education

The Group thoroughly communicates various human rights regulations, including the “Human Rights Policy” and the “Regulations for the Prevention of Harassment, etc.,” to officers and employees by posting them on groupware and other platforms.

Furthermore, through our compliance promotion activities (see P.73), we regularly address themes related to respect for human rights to enhance officers and employees’ awareness of human rights.

Evaluation

The human rights initiatives evaluated for effectiveness by each internal control committee are as follows.

Committee	Evaluation item	Primary related organization
Environment Committee	Prevention of health hazards caused by environmental pollution	CSR/ESG Promotion Group Headquarters
Corporate Health and Safety Committee	Ensuring worker safety and health	Personnel & General Affairs Division CSR/ESG Promotion Group Headquarters
Chemical Substances Control Committee	Preventing harm from hazardous chemicals	CSR/ESG Promotion Group Headquarters
Export Control Committee	Preventing the proliferation of goods linked to human rights violations	Overseas Business Division
Quality Control Committee	Ensuring product safety	CSR/ESG Promotion Group Headquarters
Information Management Committee	Ensuring the right to know and privacy	CSR/ESG Promotion Group Headquarters Personnel & General Affairs Division Information Management System Division
Harassment Prevention Committee	Preventing harassment in the workplace	Personnel & General Affairs Division

In addition, the CSR/ESG Promotion Group Headquarters evaluates the effectiveness of initiatives through conducting internal compliance audits and collaborating with various committees and related organizations responsible for internal controls.

For the Group’s suppliers, in addition to the “Human Rights Policy,” we present the “CSR Procurement Guidelines,” which explicitly state respect for fundamental human rights, the elimination of discrimination, forced labor, and child labor, and the improvement of working conditions. We then evaluate the effectiveness of initiatives across the entire supply chain through the implementation of the “CSR Questionnaire Survey” (see P.51).

Information disclosure

The status of the Group’s human rights initiatives is reported to the Board of Directors and published on our website and other platforms.

We also respond to customer questionnaires on regarding for human rights respect, submit reports to external evaluation organizations, and address human rights initiatives as necessary in stakeholder dialogues (see P.75).

Remedies

The Group has established a Corporate Ethics Hotline and Harassment Counselors (see P.73) to handle reports and consultations from officers and employees regarding human rights risks.

Furthermore, we have established a “Inquiries” page (Japanese /English) on our website to receive reports and inquiries from stakeholders.

For any reports or inquiries received through these channels, we investigate the facts and promptly implement corrective measures as necessary. We also strictly protect personal information and prevent any disadvantageous treatment of the reporting individual.



Human Asset Development & D&I

Social

Concept of human capital

Relationship between management strategy and HR strategy

The Group is promoting an HR strategy that is linked to the management strategy. The measures and initiatives to realize our current medium-term management plan “TRANSFORMATION for TOMORROW 2027” are as follows. In addition, indicators and targets for each theme will be reviewed as appropriate in light of the status of the project.

Towards the realization of HR strategy

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

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

We launched new personnel system in April 2025. This system incorporates mechanisms to encourage and evaluate challenges through a success-based incentive program and a new personnel evaluation system. It also establishes clear job descriptions defining expected roles by position level and implements mechanisms to evaluate behavior. These changes aim for a more balanced evaluation and “fostering a corporate culture full of vitality in which innovation can flourish.”

Through these measures, we aim to foster a vibrant organizational culture where innovation naturally emerges, starting with creating an environment that inspires employees to take on challenges.

We are confident that thoroughly communicating the purpose of these measures internally and ensuring their consistent implementation will improve engagement, promote human asset development, and ultimately achieve innovation.

Please refer to this website for “human capital approach” (Japanese only)

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



Human asset development and utilization

Approach to human asset development

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

Please refer to this website for the “Human Asset Development Policy” and the “Internal Environment Development Policy.”

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



Personnel system

As mentioned earlier, we launched the new personnel system in April 2025. The core of this system revision is the personnel evaluation system. To enhance perceived fairness and acceptance of appraisals, we revised appraisal criteria and introduced a new evaluation axis called “Behavioral Evaluation.” By evaluating not only visible “performance” but also “behavior” – which reflects underlying aspects like skills, knowledge, and values – we aim to achieve fairer evaluations and greater developmental impact. Furthermore, by linking these results to compensation, we implement a system where “hard work is rewarded.” We will continue to review and refine our personnel system, aiming to foster a corporate culture full of vitality in which innovation can flourish.

Student recruitment and selection strategy

The Group conducts recruitment activities with the aim of finding “people who can think and act for themselves” and “can pioneer paths to the future.”

Through a “personality-focused” selection process that guarantees interviews for all applicants, we strive to understand each candidate’s unique characteristics and values to prevent post-employment mismatches. Furthermore, by providing opportunities for interviews with existing employees and Personnel Department during the selection process and after conditional job offers are made, we focus on conveying our corporate culture and career paths, enabling candidates to join with a concrete vision of their future contributions.

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

In July 2022, the Group established the “Human Rights Policy.” We are working to eliminate human rights violations in hiring and promotion, and provide equal opportunities to play an active role. The percentage of female employees among new graduates hired in the last three years increased to 37%. By expanding opportunities for female employees to be promoted to sales departments and production sites, where the number of female employees assigned has been low, and by reviewing systems like childcare leave and ensuring diverse work styles aligned with life events, the number of female employees who are active over the long term is increasing year by year.

In addition, from the perspective of prioritizing the early occurrence of “human assets chemistry” we are actively creating opportunities for recruitment without distinction of gender, nationality, or time of recruitment. Through appropriate use of on-the-job training and off-the-job training directly linked to the acquisition of skills for daily work, a highly convincing and accurate personnel evaluation system, and fair opportunities for promotion, we will gradually increase the ratio of women, foreign nationals, and mid-career hires in managerial positions above the section Manager level from 13.4% in FY2025 to 17% in FY2031.

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

FY2021	FY2022	FY2023	FY2024	FY2025
26%	34%	40%	34%	38%

Percentage of female employees (domestic group)

FY2021	FY2022	FY2023	FY2024	FY2025
17%	18%	19%	20%	21%

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

FY2021	FY2022	FY2023	FY2024	FY2025	FY2031 (target)
11.0%	12.1%	12.0%	13.3%	13.4%	17.0%

Award system

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

Training system

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

“Career Development Training” combines with our career path system to provide training that equips employees with the skills required for higher positions and translates these into tangible outcomes. “Quality Improvement Training” equips employees with the knowledge and skills necessary to practice quality assurance and enhance quality management capabilities, ensuring customers can use our products with confidence. Due to upcoming changes in our personnel system, we will continuously review training content. Accordingly, we have added information on two items starting this fiscal year.

Major training results for FY2025 (domestic group)

	Total number of trainees	Total training hours	Training cost (excluding tax)
Individual training	431 persons	4,019 hours	11,300,351 yen
Career development training	196 persons	1,916 hours	8,580,664 yen
Quality improvement training	141 persons	914 hours	1,466,143 yen
Harassment training	28 persons	168 hours	462,000 yen
Subtotal	796 persons	7,017 hours	21,809,158 yen

Comfortable work environment

The Group recognizes that promoting workplace development from the perspective of both “job satisfaction” and “ease of work” will lead to employee retention and success, productivity, and business performance improvement. For example, to retain young employees, we provide continuous support over the first three years after initial assignment through a communication sheet involving the young employee, their assigned department, and the Personnel Department. We have also introduced a mentor system. We train mentors in

approaches that prioritize psychological safety to help new employees smoothly adapt to their work and workplace. We foster an environment conducive to open communication and maintain a workplace where employees can work in a healthy manner, both mentally and physically.

Employee benefits

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

Furthermore, we support employees’ voluntary efforts in as-set building by combining measures such as a corporate defined contribution pension plan that is optional for employees, a property accumulation savings plan, and an employee stock ownership plan.

Employee engagement survey

To foster a supportive workplace environment, the Group regularly conducts employee engagement surveys. In our current medium-term management plan, we have set engagement scores as KPIs for our HR strategy. Based on the survey results, we will implement approaches tailored to each organization, with the aim of improving employee job satisfaction and motivation.

Labor-management council

To maintain and improve sound labor-management relations, the Group holds labor-management council meetings on a regular basis to foster a relationship of trust based on dialogue (eight meetings were held in FY2025). At the labor-management council meetings, management information and workplace issues are shared, and working conditions are improved through active exchange of opinions.

The Group’s labor union membership rate (union membership rate of employees with the right to join a labor union) is 98.9%.

Roundtable discussions between Directors and young employees

As part of our HR strategy, Directors visit each bases to hold roundtable discussions with young employees.

During FY2025, we held 22 sessions.

By engaging in frank exchanges about the company’s future direction, daily challenges, and proposals, Directors and young employees share mutual expectations and improve engagement.



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



Human Asset Development & D&I

Social

Diversity & inclusion

VOICE

Leveraging skills and diversity cultivated across industries to contribute to sustainable growth



Manager, Bando Group
Material Procurement Department,
Central Purchasing Division

In my previous role, I spent approximately 10 years in a different industry, primarily engaged in supply chain management and cost optimization. After joining as a mid-career hire, I worked at the Kawaguchi Production Plant and am currently a member of the Bando Group.

My primary responsibilities now involve negotiating with suppliers and internal stakeholders to ensure stable procurement of raw materials, supporting stable production activities within the manufacturing department. Additionally, as a manager, I consider it a key role to support the overall performance improvement of the team and the growth of each individual member.

I feel our company is a flat organization that fairly evaluates individual ability and motivation, regardless of gender or background, and provides opportunities for contribution. I particularly feel that being a woman and a mid-career hire allows me to leverage my unique background as a strength. By utilizing my accumulated experience, I aim to bring new perspectives and value to the organization and play a part in developing human resources with multifaceted viewpoints.

Moving forward, I intend to contribute to the company's sustainable growth by strengthening purchasing strategies while leveraging my career experience. I also aim to actively share insights on diverse work styles and career paths, not only focusing on my own growth but also striving to be a role model for female employees and junior colleagues who joined mid-career, so they feel "they can thrive here."

Furthermore, I aspire to build a vibrant team where we work enjoyably, supporting each other with consideration, embracing new challenges, and growing together.

Support for diverse work styles

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

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

Childcare and nursing care system

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

In FY2021, we extended the scope of the childcare flextime system until the child reaches the fourth grade of elementary school, and enable employees to work both shorter hours and flextime systems.

In addition, in FY2024, we established a system for male employees to take childcare leave in installments. We are also working to create a culture that encourages male employees to take childcare leave by sharing their experiences within the company.

Additionally, in FY2026, in accordance with revisions to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, we have extended the age eligibility for child nursing leave to children up to the completion of the third grade of elementary school. We have also added class closures, entrance ceremonies, and graduation ceremonies as additional reasons for taking this leave.

In FY2025, 73.2% of eligible male employees (non-consolidated) and 100% of eligible female employees took childcare leave. A total of 91 employees took advantage of the reduced work hours and flextime systems, showing a steady increase in the number of male as well as female users of these systems.

Reemployment system after retirement

We have introduced a system aimed at passing on (inherit) the skills and wisdom gained through years of work experience, utilizing human assets, and supporting employees' life plans after retirement. The system offers one-year reemployment, providing temporary employment contracts until the employee reaches the age of 65 after retiring at 62. In FY2025, the number of employees using the retirement reemployment system was 113.

Employment of people with disabilities

Dainichiseika's employment rate of people with disabilities (non-consolidated) for FY2025 was 2.56%. We will continue to make efforts to achieve long-term employment for people with disabilities, taking their aptitudes into consideration.



Occupational Health and Safety

Social

The Group believes that all employees working in a safe and comfortable working environment will lead to improved productivity, maintenance and improvement of quality, and increased job satisfaction for employees. Accordingly, we established our "Health and Safety Policy" in 2022. In addition to complying with relevant laws and ensuring safety, we are promoting autonomous management of occupational health and safety activities to promote health and enable employees to work for longer.

Promotion system

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

Targeting zero accidents and zero occupational injuries

At the Group's production sites, we ensure risk assessment of chemical substances, evaluate the hazards and toxicity of each chemical substance handling process and ensure that all workers on site are aware of how to deal with risks to prevent occupational accidents and incidents. Each workplace discusses the causes of and countermeasures for accidents and disasters that have occurred by applying them to their own workplaces to increase the sense of responsibility and disseminate the discussions throughout the Company. We are also taking account of recent trends in workplace accidents and im-

plementing company-wide preventative measures. We provide education using virtual reality (VR) to simulate hazardous situations, and have strengthened education for site supervisors, who are crucial to worksite safety.



The site supervisors training conducted by an in-house instructor

Occupational accident incidence

In FY2025, there were three lost time injuries with a frequency rate of 0.85 (1.96 in the previous year) and an intensity rate of 0.002 (0.064 in the previous year). There were no occupational illnesses or fatalities.

	The Group (domestic)			Manufacturing industry average			Chemical industry average		
	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025
Number of lost-time accidents	15	7	3	—	—	—	—	—	—
Frequency rate	4.15	1.96	0.85	1.25	1.29	1.3	1.16	1.04	1.23
Intensity rate	0.031	0.064	0.002	0.08	0.08	0.06	0.06	0.03	0.04

Number of lost-time accidents: Work-related accidents requiring work stoppage starting the day after the incident. **Frequency rate:** Number of work-related accident casualties per million aggregate extended actual working hours, indicating the frequency of accidents. **Intensity rate:** Number of lost-work days per 1,000 extended aggregate working hours, indicating the severity of accidents. **Manufacturing:** Average for companies with 100 or more employees. **Chemical Industry:** Average for companies with 100 or more employees. **Data Source:** Ministry of Health, Labour and Welfare's Industrial Accident Trends Survey (2022–2024)

Health and Safety Committee

Health and Safety Committee, composed of members mandated by the Industrial Safety and Health Act, are held monthly at each base. These committees discuss and resolve health and safety issues.

Discussions cover problems identified during KY (hazard prediction) patrols and causes of occupational injuries occurring at other bases. Continuous improvement activities are conducted to prevent occupational injuries.

Corporate Health and Safety Committee

The Group has established a Corporate Health and Safety Committee, chaired by the officer in charge of the Plant Operation Structure, to oversee the Health and Safety Committees established at each base from a company-wide perspective and enhance their functionality through mutual cooperation.

This Corporate Health and Safety Committee conducts patrols of production sites with members possessing diverse

expertise, identifies unsafe work practices and equipment-related issues, and implements measures to prevent accidents before they occur. During FY2025, these patrols were conducted at 10 business sites.

Furthermore, we hold company-wide committee meetings twice a year with the Health and Safety Committee from all domestic bases. By exchanging opinions with other sites and discussing company-wide challenges, we strive to create a safe and comfortable workplace environment.



A health and safety patrol



Health Management

Social

Concept of health management

The Group recognizes that enhancing human capital and improving productivity are both critical to achieving “sustainable enhancement of corporate value.” To create a workplace where employees can work healthily and energetically, we established our Health Management Policy in September 2023. Under this policy, with the Representative Director and President responsible for promoting continuous and specific activities, we continuously advance measures to enhance employees’ physical and mental well-being. Specifically, starting in FY2024, we established a health management promotion framework and identified health issues. In FY2025, we formulated a health management strategy and implemented activities to raise employee health awareness, deploying initiatives centered on personnel responsible for each nationwide base. For FY2026, we will formulate a more advanced health management strategy and further strengthen collaboration with our health insurance association, each base, and our occupational physicians. By improving our business performance,

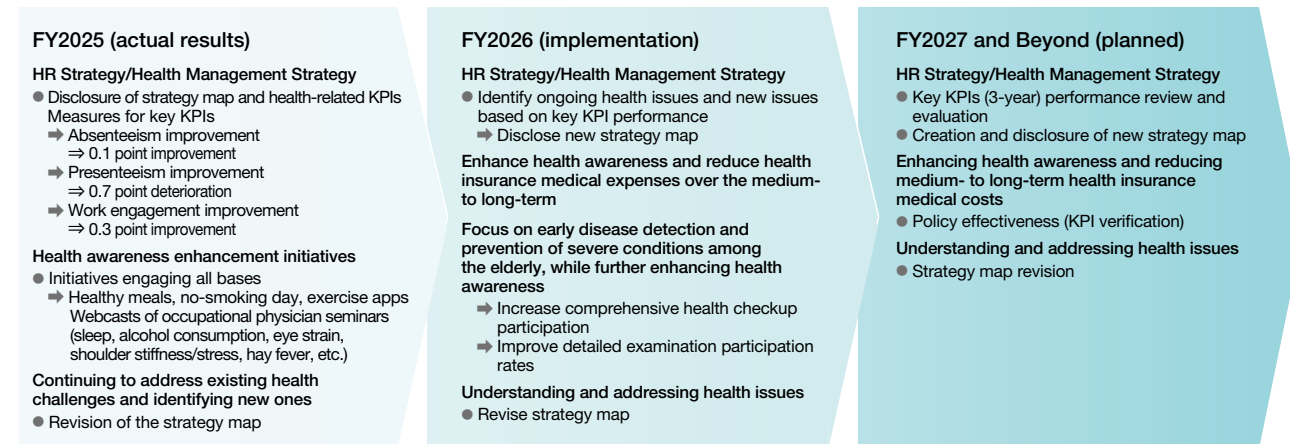
we will return benefits to our employees’ lives, and we will build a relationship where the Group, society, and employees are all in a WIN+WIN+WIN situation.



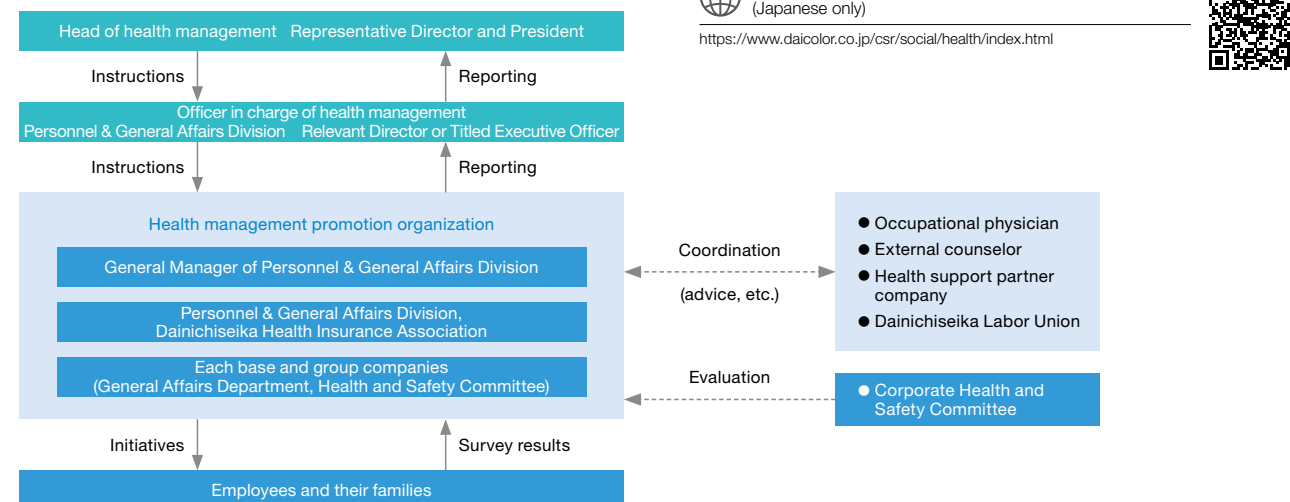
Photo 1: Nationwide web broadcast of the ‘Industrial Physician Health Seminar’ initiative implemented since FY2025. Recent themes: Sleep, alcohol consumption, eye strain, stiff shoulders, stress, hay fever, etc.

Photo 2: Initiative implemented in FY2026: ‘Improving Measurement Habits through Blood Pressure Monitor Installation.’ Aims to prevent the worsening of lifestyle-related diseases by raising health awareness among employees in their late 40s to 50s who are approaching the senior generation.

Measures and roadmap for health management



Health management promotion system



Health management strategy map

Health issues		Health investment effectiveness			Management issues to be addressed through health management	
Issues discussed with the occupational physician, health insurance association, and general affairs departments at each base based on analysis results of health checkups, stress checks, and labor metrics.		Specific initiatives	Improving employee awareness	Expected effects		
		Awareness & Education - Briefings and discussions by the secretariat with personnel at all national bases - Briefings at each base's Health and Safety Committee - Implementation of comprehension surveys - Distribution of the 'Health management newsletter' to all employees				
Physical health	Risk of visceral fat obesity	Industrial physician seminar (webcast) Sleep, alcohol consumption, eye strain, lifestyle-related diseases, etc.	Improving rates of health checkup - Rate of regular health checkups FY2027 Target: 100% - Rate of specific health checkups FY2027 Target: 100% - Rate of specific health guidance FY2027 Target: 20.0%		Reduce medium- to long-term health insurance medical expenses	
	Risk of hypertension					
	Risk of liver dysfunction					
	Risk of diabetes	Exercise support Walking events using exercise support apps, etc.	Improving health awareness - Rate of comprehensive medical examination participation FY2027 Target: 100% - Rate of people with appropriate exercise habits*1 FY2027 Target: 37.3% ⇒Achieved in FY2025 (39.8%) - Rate of people with appropriate eating habits*1 FY2027 Target: 62.3% - Rate of people with appropriate drinking habits*1 FY2027 Target: 86.8% - Rate of people with appropriate sleeping habits*1 FY2027 Target: 67.6%	Reduce rate of individuals requiring specific health guidance (lifestyle-related disease risk)	Improving absenteeism (being able to come to work in good health)	
	Risks associated with alcohol consumption	Meal support Continued provision of healthy meals at the employee cafeteria				
	Risk of inadequate sleep	Promotion of health screenings Increase screening rate for employees aged 55 and over				
	Top health insurance medical expenses - Cardiovascular diseases (hypertension, cerebral hemorrhage) - Neoplasms (cancer)	Addition of specific health check items Fundus examination				
	Risks for smokers	Blood pressure measurement habit Installation of blood pressure monitors				
	Mental health	Improved stress response	Company-wide no-smoking day Display materials to increase smoking cessation intention rate	Smoking rate*1 Target for FY2027: 26.2%	Reduce rate of people under high stress	Improving presenteeism (a state in which employees are able to work energetically without feeling any physical or mental discomfort)
Implement stress check self-care education Self-analysis training			Improve stress check participation rate Target for FY2027: 95.4%			
Enhanced psychological safety		Line manager-led health support - Assess and improve workplace environment - Support returning to work for those on leave	Improve utilization rate of counseling for people under high stress	Reduce recurrence of stress-related illnesses (improved psychological safety)		
		High-stress workplace support Management training for target workplaces	Improve management awareness of workplace stress			
Work-life balance	Securing time for healthy and fulfilling lives	Harassment training - Training for counselors - e-Learning for employees	Improve harassment	Improve work and family satisfaction	Improvement in work engagement (a state of innovation and vitality)	
	Choice of diverse work styles and lifestyles	Annual paid leave utilization promotion Reports submitted via organizational leaders by the end of the third quarter	Improve annual paid leave utilization rate FY2027 Target: 15.5 days/year			
			Overtime restrictions Monthly warnings issued via organizational leaders			Reducing overtime hours FY2027 Target: Eliminate 80 hours of overtime/month
		Promoting childcare leave Inform managers and employees (male and female employees)	Reduce turnover rate through effective system utilization FY2027 Target: 1.7%			

Measures implemented since FY2025 New Measures to Be Implemented in FY2026

*1 Among health insurance subscribers aged 40 and over

While physical health, mental health, and work-life balance are linked to the most highly relevant areas, we formulate strategy maps and implement PDCA cycles while also identifying and analyzing relevance to other areas.

Promoting mental health care

The Group is taking comprehensive measures to promote mental health, including activities to prevent mental illness and support a smooth recovery from leave of absence. We began voluntarily conducting stress checks in 2014, before the revision of the Industrial Safety and Health Act. The response rate was 93% for both FY2024 and FY2025. In FY2025, we introduced a new initiative: providing support to high-stress workplaces using Action Plan Sheets (workplace improvement plans). We will continue to actively pursue initiatives aimed at creating a more comfortable workplace.

Health & Productivity Management Outstanding Organization (Large Enterprise Category)

In 2025, we continued to apply for and were certified as a 2025 Certified “Health & Productivity Management Outstanding Organization (Large Enterprise Category)” by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. We will continue to advance health management, aiming to further maintain and improve employee health, enhance motivation, and increase productivity.





Corporate Governance

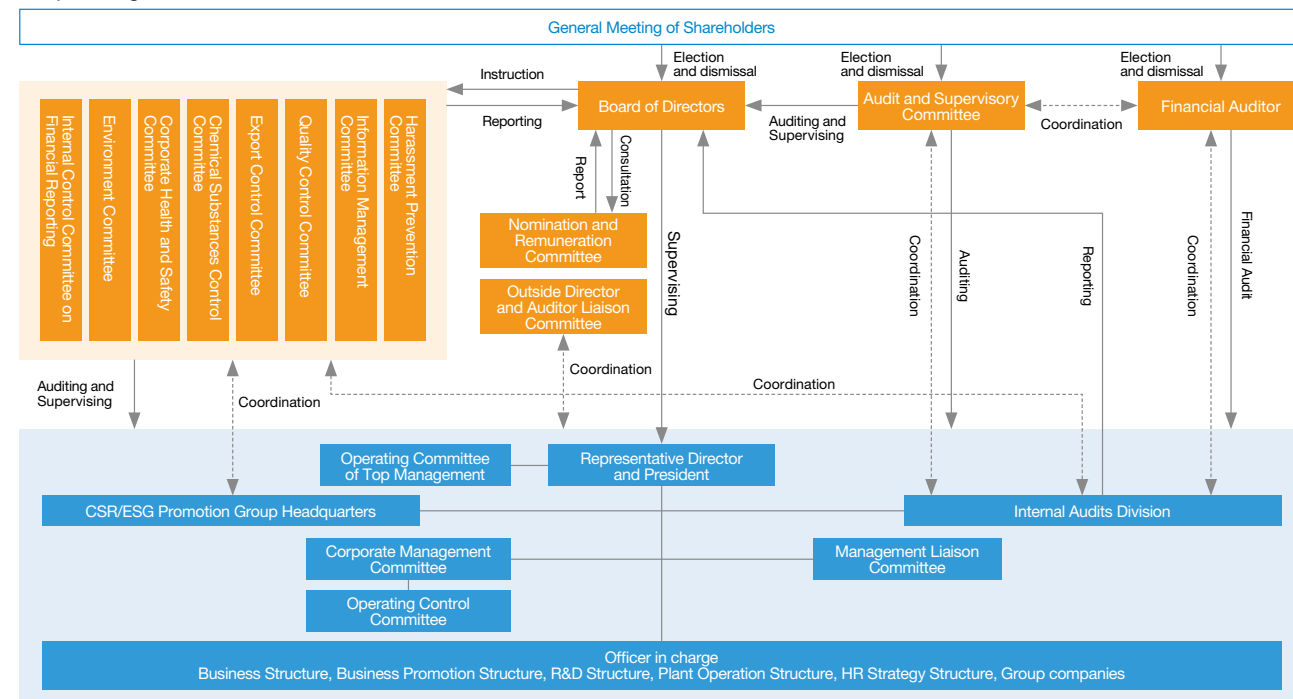
Governance

Guided by our corporate philosophy, precept, and our business creed “Full Achievement,” the Group establishes internal control systems to ensure sound, transparent, and efficient management. As the core of our ESG-focused management, we strive to enhance corporate governance, continuously challenge ourselves to contribute to a sustainable society and enhance sustainable, long-term corporate value, and grow while meeting the trust and expectations of our shareholders and other stakeholders.

Corporate governance system

As the Company with a Board of Company Auditors, we appropriately supervised and audited the execution of duties by Directors. Furthermore, by electing an appropriate number of Outside Directors, we enabled transparent and rational decision-making within the Board of Directors, facilitated by the active expression of opinions from these Outside Directors from a neutral standpoint.

Corporate governance structure



Decision making and business execution system

Our company clearly defines the scope of decision-making authority and responsibility for significant business execution in our Authority and Responsibility Regulations. Particularly important matters are thoroughly deliberated in appropriate meeting bodies, such as the Operating Committee of Top Management, Corporate Management Committee, or Operating Control Committee, depending on their content, before being submitted to the Board of Directors for decision-making. Matters decided by the Board of Directors are executed under the responsibility of the Director in charge of operations or the Titled Executive Officer in charge. Progress and results of execution are reported to the Board of Directors as necessary. Other matters not deliberated by the Board are decided by the decision-makers designated in the Authority and Responsibility Regulations and executed by the responsible organization. This structure enables rational and prompt decision-making and op-

Pursuant to a resolution at the 122nd Annual General Meeting of Shareholders held in June 2025, we transitioned from a Company with a Board of Company Auditors to a Company with an Audit and Supervisory Committee. By incorporating the perspectives of Director who is an Audit and Supervisory Committee Member into Board decisions, we will strive to further strengthen our corporate governance.

erational execution through appropriate delegation of authority.

Audit system

Our Audit & Supervisory Board enhances the effectiveness of financial audits and operational audits by regularly exchanging information and closely coordinating with the Financial Auditor and the Internal Audits Division. Furthermore, Audit & Supervisory Board Members have the right to attend Board of Directors meetings and other important meetings, request explanations as necessary, and express opinions. They also have the right to inspect important documents such as meeting minutes and approval documents. This enables them to confirm that the Group's decision-making and business execution are conducted lawfully and appropriately, including the status of Directors' execution of duties, the rationality of decision-making in business execution, and the effectiveness of internal controls.

Nomination and Remuneration Committee

The Company has established a Nomination and Remuneration Committee as a voluntary body, composed of three or more directors, a majority of whom are Outside Directors. The Committee operates under its own regulations. The Representative Director and President or other Directors consult with the Committee on important decisions and obtain its recommendations. This ensures the fairness and transparency of decisions made by the Board of Directors and Individual Directors.

Members of the Nomination and Remuneration Committee are elected by resolution of the Board of Directors, with the Chairperson selected by mutual vote from among the Outside Directors. Furthermore, considering the importance of the matters consulted, Outside Audit & Supervisory Board Members may attend as observers to confirm whether deliberations were conducted appropriately. The Committee may also request the attendance of relevant parties concerning agenda items to seek explanations.

The scope of consultation primarily covers matters related to personnel decisions for Directors and Titled Executive Officers, policies regarding the determination of compensation amounts or calculation methods, individual compensation amounts, succession planning, and evaluations of the Board's functionality. If the Representative Director and President or any other Director requesting consultation is a party to the matter under consultation, they are prohibited from participating in that consultation.

Minutes are prepared for the Nomination and Remuneration Committee's consultations and recommendations, confirmed by all attending members, and retained for 10 years.

As of March 31, 2025, the Nomination and Remuneration Committee consists of two Outside Directors and one Inside Director, with Mr. Yoshiaki Nakagawa, an Outside Director, serving as Chairperson.

Outside Director and Auditor Liaison Committee

In addition to holding regular meetings of the Outside Director and Auditor Liaison Committee, which consists of all Outside Directors, our company also convenes meetings as needed. We provide Outside Directors with timely and appropriate information by summarizing key points regarding important matters related to business execution, the status of responses to legal and regulatory changes, and management issues. This meeting serves as an opportunity for Outside Directors to deepen their understanding through the exchange of opinions. By reducing the information gap between inside and Outside Directors, the Outside Directors can freely and openly express their opinions from a fair, impartial, and objective standpoint during Board of Directors, enabling the Board to function as an effective forum for discussion.

As of March 31, 2025, the Outside Director and Auditor Liaison Committee consists of two Outside Directors and two Outside Audit & Supervisory Board Members. No chairperson is designated.

Succession plan for the Representative Director and President

The Company elects candidates for the position of Representative Director and President based on its Standards for

election of Directors. After consulting with the Nomination and Remuneration Committee, the Board of Directors makes the final decision based on the Committee's recommendation.

In electing the Representative Director and President, we consider not only the candidate's age, gender, motivation, and achievements, but also their knowledge, experience, and skills related to items we deem important for Directors' execution of duties and included in our skills matrix. These include leadership and command abilities concerning corporate management and business strategy, as well as knowledge and skills related to CSR, ESG, and compliance. We also consider the balance with the knowledge, experience, and skills possessed by other Director candidates.

Simultaneously, the decision is made after comprehensively considering the candidate's performance and explanations during Board of Directors meetings and other important internal meetings. Currently, we do not have Standards for election of the Representative Director and President or a candidate list for the Representative Director and President distinct from the Standards for election of Directors. However, we believe that by accurately executing these processes, we can sufficiently determine whether a candidate possesses the appropriate qualities to serve as Representative Director and President.

Regarding Koji Takahashi, our Representative Director and President, we evaluate him as an individual who, primarily from a management perspective, has accumulated extensive practical experience and possesses thorough knowledge of all business operations through his involvement in the company's overall affairs. Simultaneously, we recognize him as someone capable of demonstrating strong leadership in corporate management and business strategy. We judge that fully leveraging his experience and insights within the Board of Directors can significantly enhance the effectiveness of the Board's decision-making and supervisory functions. Furthermore, we believe he is central to the steady execution and achievement of the current medium-term management plan announced in June 2024, while also being able to steadily contribute to enhancing the corporate value of the Group.

Evaluation of the effectiveness of the Board of Directors

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

Evaluation summary

Evaluation target	The Company's Board of Directors meetings (5 times in total) held between July and November 2024
Evaluators	The Company's Directors, Audit & Supervisory Board Members, and Titled Executive Officers (16 people in total) * At the Company, Titled Executive Officers also attend Board of Directors meetings as those responsible for business execution.
Evaluation method	Questionnaire (developed with advice from an external organization)
Evaluation items	(1) Board of Directors composition (appropriateness of members, careers, etc.) (2) Board of Directors role (appropriateness of discussions on management strategy and medium-term management plans, results analysis, performance evaluation, etc.) (3) Board of Directors operation (appropriateness of materials, appropriateness of items for discussion and reporting, time allocation for items for discussion and reporting, etc.) (4) Free-form comments (general evaluation)
Implementation period	Conducted in November each year, with results reported to the Board of Directors in December * An opportunity to review the performance of Directors who have been in office for approximately six months is used to assess the overall performance of the directors, identify any issues, and address them in the execution of their duties during the second half of the year.



Results of the analysis and evaluation of the effectiveness of the Board of Directors for FY2025

The analysis and evaluation of the Board of Directors' effectiveness and a summary of the results are as follows.

The Company's Board of Directors is composed of directors with expertise in various fields, elected in a balanced manner. It also includes three Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) with experience in executive roles at other companies or organizations, as well as in auditing and supervising functions, and two Outside Directors who are Audit and Supervisory Committee Members. This composition ensures the Board possesses the necessary knowledge, experience, and skills required of a Board of Directors. The Company judges that this structure sufficiently ensures the Board's effectiveness in decision-making and meeting operations.

The effectiveness of the Board as a whole is specifically ensured through the following methods:

1. Meetings are held monthly as a rule, allowing ample time for deliberation on important matters while maintaining a focused and timely operation.
2. The Board thoroughly analyzes results, such as business plans, during its meetings.
3. When necessary, materials required for Board deliberations are compiled with appropriate content and volume. The Board Secretariat provides explanations on agenda items and the underlying business context in advance, deepening understanding. This enables active discussion and thorough deliberation during Board of Directors.
4. Progress and results of resolved matters are reported to the Board of Directors as appropriate, ensuring proper monitoring and oversight of duty execution.

The Board of Directors conducts an annual survey in November regarding the composition, operation, effectiveness, and appropriateness of the Board of Directors. This survey is administered to Directors and attending Titled Executive Officers. The results are reported at the Board of Directors the following month in December to share information.

For FY2025, the Board of Directors continued to receive generally high evaluations from the previous year regarding both its composition (number of Directors, diversity in terms of career backgrounds, knowledge and understanding of business operations, etc.) and its operations (frequency of meetings, number and content of items deliberated and reported, deliberation time, etc.). However, regarding individual items, while the Board of Directors functions as a venue for constructive discussion on important matters such as management strategy, the current medium-term management plan, and investment plans, the lack of depth in cause-and-effect analysis within Board materials was recognized as a current challenge. It was suggested that further agenda items for broad strategic discussions with a forward-looking perspective are expected going forward. To facilitate active exchange of opinions at the Board of Directors, the monthly Outside Director and Auditor Liaison Committee provides an overview of the content and key points of agenda items to be submitted to the Board.

Furthermore, starting in October 2024, a new "Corporate Management Committee" was established as an operational meeting body. This deepens discussions among Inside Directors on a wide range of management issues and strategies, enhances understanding of various points for resolving challenges, and promptly shares this content with Outside Directors. This ensures that the content and key points of important matters are organized in advance, enabling the Board of Directors to evolve into an even more dynamic forum for discussion.

Furthermore, depending on the theme, separate meetings

with internal officers and responsible personnel are scheduled. This creates flexible discussion forums outside the Board of Directors, increasing opportunities for exchanging opinions.

Transition to a Company with an Audit and Supervisory Committee

The Company proposed and obtained approval at the 122nd Annual General Meeting of Shareholders held on June 27, 2025, to transition from the Company with a Board of Company Auditors to a Company with an Audit and Supervisory Committee. This transition aims to strengthen the auditing and supervising functions over the execution of duties by Directors, further enhance the fairness, objectivity, and transparency of decision-making, and ensure prompt and efficient business execution. As of June 30, 2025, the Audit and Supervisory Committee consists of three Directors who are Audit and Supervisory Committee Members, including two Outside Directors serving in this capacity. This brings the ratio of Outside Directors to the total number of Directors to 50%, further enabling the free and open expression of diverse perspectives by Outside Directors. This enhances the objectivity and effectiveness of discussions within the Board of Directors.

Furthermore, the Audit and Supervisory Committee implements a three-pronged audit approach through strong collaboration with the Financial Auditor and the Internal Audits Division, which is independent from business operations. By having Directors who are Audit and Supervisory Committee Members review each audit result, the Committee enhances the effectiveness and quality of the audits.

Officer's remuneration

The "Policy on Determining the Amount or Calculation Method of Executive Compensation" established as the basic policy regarding compensation for Directors and Auditors is recognized as a significant matter pertaining to management policy and strategy. Its content is reviewed at the Operating Committee of Top Management after which the Representative Director and President consults with the Nomination and Remuneration Committee. The Board of Directors makes the final decision based on the Committee's report.

The annual compensation for Directors shall be within 500 million yen (including up to 50 million yen for Outside Directors; excluding employee compensation). The Board of Directors is authorized to determine the specific amount for each Director, the timing of payment, and other details. This was resolved at the 111th Annual General Meeting of Shareholders held on June 27, 2014. Furthermore, at the 118th Annual General Meeting of Shareholders held on June 29, 2021, it was resolved to introduce a restricted stock compensation system as performance-linked compensation for Inside Directors. The monetary compensation claims paid for granting restricted stock shall be within the aforementioned compensation range, not exceeding 50 million yen annually (excluding employee salaries). The specific timing and allocation for each eligible Director shall be entrusted to the Board of Directors. Within this range, compensation shall be paid based on an appropriate level determined by considering performance, duties, experience, and insight, while also ensuring consistency with employee compensation. The compensation for Inside Directors consists of two components: (1) a fixed monthly base compensation, and (2) stock remuneration based on a restricted stock remuneration system, paid once a year. The compensation for Outside Directors consists solely of (1) base compensation.

The amount of individual base compensation and stock-based compensation is determined and paid as an annual amount reflecting individual performance evaluations, calculated

ed according to the Director's position and rank in accordance with the "Remuneration Regulations for Directors and Corporate Auditors." The position of each Director is determined by resolution of the Board of Directors based on proposals made by the Representative Director and President, considering each Director's expertise, background, and contribution to performance, and after consultation with and receiving recommendations from the Nomination and Remuneration Committee. The rank of each Director is determined by the Representative Director and President after consultation with and receiving recommendations from the Nomination and Remuneration Committee. Furthermore, regarding the determination of individual Director compensation, the Board of Directors confirms that the advice and recommendations of the Nomination and Remuneration Committee are fully respected and then delegates the final decision to the Representative Director and President.

Furthermore, in addition to the above, as a form of performance-linked compensation, management bonuses may be paid when annual performance improves and profits significantly exceed plans. When paying management bonuses, the Representative Director and President proposes the amount, obtains consultation and recommendations from the Nomination and Remuneration Committee, and then submits the matter to the General Meeting of Shareholders for approval.

The basic policy regarding remuneration for auditors is to pay at an appropriate level based on consideration of performance, skills, duties, experience, and insight, while ensuring consistency

Total remuneration for each classification of officer, total remuneration by type of remuneration, and number of Directors and officers covered by the plan (FY2025)

Classification of officer	Total remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of Directors and officers covered by the plan (persons)
		Basic remuneration	Bonus	Restricted stock remuneration	
Directors (excluding Outside Directors)	174	161	—	13	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Member)	32	32	—	—	2
Outside Officers	34	34	—	—	5

Cross-shareholdings and the exercise of voting rights

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

In FY2025, we sold all of our holdings in six stocks and partially sold our holdings in nine stocks, after considering the status of transactions with the companies in which we hold shares, our management strategy, and other factors, and comparing and examining the dividend yield and earnings from transactions on the stocks we hold with our cost of capital.

Furthermore, under the three-year medium-term management plan "TRANSFORMATION for TOMORROW 2027," the Company aims to reduce its strategically held shares by more than 15% over the three-year period from FY2025 to FY2027. For FY2025, the Company achieved a reduction of approximately 3% by fully selling six holdings, partially selling nine holdings, and reducing two holdings through liquidation.

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

< Basic Policy on Cross-Shareholdings >

1. Purpose of holding

Dainichiseika Group acquires and holds shares in its business

with employee compensation and taking into account Director remuneration. Specifically, the 89th Annual General Meeting of Shareholders held on June 26, 1992, resolved that the annual remuneration for auditors shall not exceed 95 million yen, and that the specific amount for each auditor, the timing of payment, and other details shall be determined through consultation among the auditors. In accordance with the "Remuneration Regulations for Directors and Corporate Auditors," only base compensation is paid. Furthermore, similar to Directors, bonuses for officers may be paid.

Furthermore, pursuant to a resolution at the 122nd Annual General Meeting of Shareholders held on June 27, 2025, the Company transitioned from a Company with a Board of Company Auditors to a Company with an Audit and Supervisory Committee. At that same shareholders' meeting, it was resolved that the remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be within 500 million yen per year (of which, up to 50 million yen shall be per year for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members), but excluding employee salaries), monetary compensation claims for granting restricted stock to Inside Directors (excluding Directors who are Audit and Supervisory Committee Members) within the aforementioned compensation shall be within 50 million yen annually (excluding employee salaries), and compensation for Directors who are Audit and Supervisory Committee Members shall be within 95 million yen annually).

partners for purposes other than pure investment (so-called cross-shareholdings) in order to achieve sustainable growth and enhance long-term corporate value.

2. Verification of appropriateness of holding

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

3. Holding and reduction

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

<Criteria for Exercising Voting Rights>

1. Policy on exercising voting rights

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

2. Criteria for exercising voting rights

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



Corporate Governance

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List of Directors and Titled Executive Officers (as of June 27, 2025)

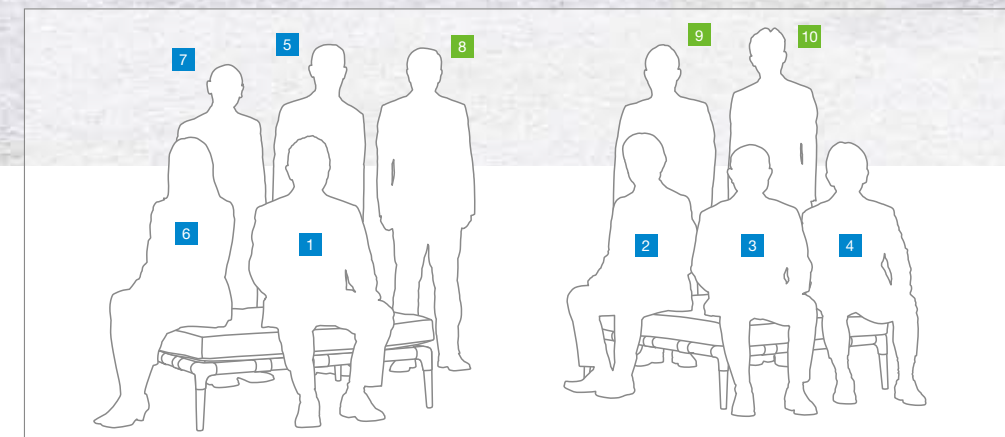


Directors (excluding Directors who are Audit and Supervisory Committee Members)

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

Directors who are Audit and Supervisory Committee Members

	8	9	10	Titled Executive Officers		
Name	Shuichi Murata	Ichiro Wakabayashi	Shuichiro Ikari	Tatsuhiko Komada	Toshio Tani	Takahiro Shoda
Position	Director Full-time Audit and Supervisory Committee Member Designated Audit and Supervisory Committee Member	Outside Director Audit and Supervisory Committee Member Independent Committee Member	Outside Director Audit and Supervisory Committee Member Independent Committee Member	Senior Managing Executive Officer Head of Business Promotion Structure Chief Financial Officer IR Administrator	Managing Executive Officer Plant Operation Structure Administrator	Managing Executive Officer Business Structure Administrator





Corporate Governance

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Skill matrix of Directors and Titled Executive Officers (as of June 27, 2025)

Knowledge/experience/skills, etc. and fields expected	Directors (excluding Directors who are Audit and Supervisory Committee Member)							Directors who are Audit and Supervisory Committee Members			Titled Executive Officers		
	Takahashi	Aoba	Takeda	Aoyagi	Nakagawa	Nagahama	Nakano	Murata	Wakabayashi	Ikari	Komada	Tani	Masada
1. Corporate management/Business strategy/Leadership	●	●	●		●		●		●				●
2. CSR/ESG/Compliance	●	●	●	●	●	●	●	●	●	●	●	●	●
3. Finance/Accounting/Tax affairs	●						●	●	●	●	●		
4. IT/Information systems	●			●							●		
5. Personnel affairs/Labor affairs/Human asset development		●			●	●	●		●	●		●	
6. Technological development/Technological development management		●		●	●							●	
7. SCM/Logistics		●	●								●	●	
8. Industry and industry trends/Marketing/New businesses			●	●			●		●				●
9. Supply/Manufacturing		●	●				●		●		●	●	●
10. Internationality/Diversity	●	●	●	●	●	●	●	●	●	●	●	●	●

Details of each skill and reasons for selection

The Group has defined where we want to be in 10 years as “Become an excellent company in the field of functional materials.” In our three-year medium-term management plan “TRANSFORMATION for TOMORROW 2027,” announced in June 2024, we established the following as our core strategies: “Secure a competitive advantage through technology initiatives” “Expand overseas business to strengthen business foundation,” “Promote ESG-focused management to realize a sustainable society” “Promote HR strategy and DX,” and “Implement capital-efficiency-oriented management.” To ensure the reliable execution of these measures, the Board of Directors has defined the following as particularly important skills: “Corporate management/Business strategy/Leadership,” “CSR/ESG/Compliance,” “IT/Information systems,”

“Personnel affairs/Labor affairs/Human asset development,” “Technological development/Technological development management,” “Industry and industry trends/Marketing/New businesses,” and “Internationality/Diversity.” We elect Directors and Titled Executive Officers with consideration for the skills expected of individual Directors and Titled Executive Officers and the balance of the Board composition.

Furthermore, we transitioned from a Company with a Board of Company Auditors to a Company with an Audit and Supervisory Committee pursuant to a resolution at the 122nd Annual General Meeting of Shareholders held on June 27, 2025. The above represents the skill matrix for all Director who are Audit and Supervisory Committee Members, and Titled Executive Officers.

Skill	Reasons for selection
Corporate management/ Business strategy/Leadership	In order to increase sustainable corporate value, it is important to be able to identify risks and opportunities in corporate management in a timely manner and put them into action. We have therefore selected as necessary items the ability to solve problems based on a wealth of experience and knowledge for appropriate decision-making, and the leadership skills to reliably transform intentions into organizational action.
CSR/ESG/Compliance	The Company recognizes that non-financial information is an important element in improving corporate value. Development of action plans to realize a sustainable society and ensuring the reliability of those results requires a strong internal control system, and is selected as a necessary item for Directors and Titled Executive Officers.
Finance/Accounting/ Tax affairs	As the foundation for providing timely and appropriate financial information and ensuring the reliability of financial information, accurate and appropriate analysis of financial information plays an important role in constructing the business strategy and financial strategy. Also, skills related to tax affairs are selected as a necessary item in order to address the risks of tax compliance.
IT/Information systems	Advanced data analysis is needed to develop business strategies, and the accuracy and freshness of information are essential. At the same time, the accuracy of information processing and the security of information assets are considered important. In promoting DX to improve business efficiency in the future, this skill is selected as a necessary item.
Personnel affairs/ Labor affairs/ Human asset development	The Group considers “human assets” to be its most important management resource. Based on the recognition that it is essential to improve the skills of each employee and to foster a corporate culture full of vitality in which innovation can flourish, as well as our “HR Strategy” that is one basic strategy in the medium-term management plan “TRANSFORMATION for TOMORROW 2027,” we have selected skills related to personnel strategies, labor measures, and human asset development as necessary items.
Technological development/ Technological development management	We have selected skills related to information gathering, technological sense, the ability to break out of the status quo, and market forecasting abilities that capture the changes to customer needs as necessary items in order to match the core technology of the Group and new technology and generate innovation in areas established as ongoing development markets and new development markets.
SCM/Logistics	We recognize that the secure management of chemicals in all parts of the supply chain, from selection and procurement of raw materials to production, sale, and delivery, as well as optimal procurement of raw materials and streamlining of transportation, are important topics. Therefore, we have selected these related skills as necessary items.
Industry and industry trends/ Marketing/New businesses	In addition to tapping into new business areas, we recognize that accurately understanding the Group’s position in the target market and selecting areas in which to focus and invest the strengths of the Group are important issues that directly affect revenue, and we have selected these as necessary items.
Supply/Manufacturing	As a company responsible for supplying manufacturing companies, we have selected these as necessary items based on the recognition that environmental considerations, safety and efficiency of manufacturing sites, and maintenance and management of profitability, while fulfilling our responsibility in terms of safety, quality stability, and continuity, are essential conditions for continuously increasing our corporate value.
Internationality/Diversity	In addition to information gathering for balanced progress in business development in overseas markets, sufficient knowledge, experience, and understanding of local cultures, laws, customs, and trends are required for management and compliance responses. Therefore, skills related to internationality and diversity have been selected as necessary items.

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

The skills possessed by outside Directors contributing to management (FY2025)

Outside Directors	Reason for election
Yoshiaki Nakagawa	In addition to his years of experience in organizational management and administration as a general officer in the Ground Self-Defense Force, his extensive experience and broad insight gained from serving as an advisor to operating companies enable him to provide valuable advice on the Group’s corporate activities, including organizational management and corporate governance, from a broad and sophisticated perspective. He has therefore been re-elected as an Outside Director.
Akiko Nagahama	Possessing specialized knowledge and experience as an attorney, particularly with expertise in compliance and corporate legal affairs, she is expected to contribute to strengthening the Group’s legal risk management and corporate governance. She has therefore been re-elected as an Outside Director.
Kiyofumi Nakano	We have newly elected him as an Outside Director (excluding Director who is an Audit and Supervisory Committee Member) as we judge him to be a valuable individual who can further strengthen and enhance our management structure, such as by enhancing the supervisory function of the Board of Directors following the transition to a Company with an Audit and Supervisory Committee, by leveraging his extensive experience and broad insight gained as a manager at multiple companies, including financial institutions, investment companies, and operating companies.

Contributing to solving societal challenges as an “excellent company in the field of functional materials” we expect accelerated innovation



Yoshiaki Nakagawa
Outside Director

Akiko Nagahama
Outside Director

Building a framework for long-term corporate value enhancement, toward further evolution of our initiatives

Nakagawa: Our Board of Directors fosters an atmosphere where opinions can be freely expressed, with Outside Directors from diverse backgrounds offering perspectives from varied viewpoints.

Companies must establish robust governance to create social value, translate it into economic value, and achieve sustainable development. To enhance the effectiveness of this governance, as an Independent Outside Director entrusted by shareholders, I actively strive to make proposals that contribute to solving the challenges Inside Officers are tackling, aiming for the company’s sustainable growth and long-term enhancement of corporate value.

Originally serving as a Self-Defense Forces officer in the Ground Self-Defense Force, I spent approximately 10 years in the Ministry of Defense’s research and development department. There, I was involved in a full range of activities, from establishing development organizations to project management and evaluating deliverables. I intend to leverage this experience, particularly to contribute to research and development initiatives. I expect the company to focus even more intensely on developing sustainable products.

Nagahama: I am a lawyer, but in recent years, I have increasingly been asked to serve in a supervisory role from a third-party perspective. For example, I am participating more often in various issues at administrative agencies and educational institutions from a third-party perspective, conducting investigations and making recommendations. In terms of providing oversight from a third-party perspective, I feel Outside Directors share a similar stance.

Our Board of Directors engages in in-depth discussions from a broad perspective, considering the company as a whole, and sometimes these discussions become quite heated. Furthermore,

information sharing and explanations provided to Outside Directors before Board of Directors are thorough. In October 2024, the Corporate Planning Division was newly established and began operating a Corporate Management Committee. The minutes of these meetings are shared with Outside Directors in a timely manner, allowing us to understand what issues are being addressed internally and what discussions have taken place. Detailed materials are provided one week prior to Board of Directors, and the Outside Director and Auditor Liaison Committee is held beforehand to facilitate frank exchanges from multiple perspectives. This enables Directors to ask questions about unclear points during the Board of Directors and receive detailed explanations, leading to more substantive discussions.

An annual effectiveness assessment of the Board of Directors is conducted. Most recently, a survey was administered to all Directors in November 2024, and there was an opportunity to review the results. While the effectiveness of the board’s functions was confirmed to be improving, challenges identified for the future include encouraging more active input from Internal Directors and deepening discussions on long-term management.

Nakagawa: For long-term growth, as our core business since founding—colorants—becomes commoditized, we have set the vision for where we want to be in 10 years: “Become an excellent company in the field of functional materials.” We are targeting to expand our business in the functional materials field. I repeatedly convey to management that, as Japan’s population continues to decline and the market shrinks, we must possess a clear sense of mission and urgency about what social value we will create to ensure our survival.

Nagahama: The presence and influence of companies in society are growing. The old mindset that a business company only needs to generate profits is no longer sufficient to keep pace with

the times. To achieve long-term corporate value enhancement, companies must recognize their public role. They must focus on creating products that contribute to society, on taking initiatives for the environment and human rights, and on building systems and a corporate culture that prevent risks damaging corporate value, such as scandals, before they occur.

Integrating the Promotion of HR strategy and DX is crucial



Nagahama: Our current medium-term management plan, “TRANSFORMATION for TOMORROW 2027,” emphasizes the Promotion of HR strategy and DX. To enhance employee fulfillment and engagement, a new personnel evaluation system was introduced in April 2025. This represents a major shift toward a system where achievements are appropriately recognized and transfers are facilitated. We expect this to foster a culture where employees can boldly take on new challenges without fear of

failure. Furthermore, increased personnel rotation will promote cross-departmental interaction, facilitating the circulation of ideas.

Nakagawa: One of our strengths in sales activities is providing meticulous support to a diverse range of customers. However, as Japan’s working population declines and recruitment becomes increasingly challenging, we must advance efforts toward labor-saving initiatives.

While the Promotion of HR strategy and DX is just getting started, these two areas are closely interlinked, making it crucial to advance them in parallel. By collecting and digitizing the scattered technologies and know-how within the company, newly hired employees can also utilize these assets. This also allows us to identify where human assets with exceptional expertise are located. We expect that centralizing employee capabilities and skills into a unified database and promoting human asset allocation across organizational boundaries will foster a corporate culture full of vitality in which innovation can flourish.

To generate corporate value, every employee must embrace the company’s overall vision as “their own responsibility.” Managers, who stand alongside frontline employees facing customers, are pivotal to this. To enable Managers to clearly communicate the corporate vision and their own intentions to subordinates, they must be granted authority, goals, and the means to achieve them. Simultaneously, it is vital to cultivate human assets capable of such robust management and bridge the gap between executive leadership and the field.

Nagahama: The reorganization of the technology departments was carried out as explained to the Board of Directors in April 2025. Moving forward, under the R&D Innovation Center Project, consolidating all company R&D functions is expected to accelerate innovation. This will enable us to better meet customer needs

while advancing research and development of new technologies with a long-term perspective.

Nakagawa: Until FY2025, the technology departments were siloed. However, teams tackling specialized technical themes have transitioned to organizations structured by development stage. This has increased human assets exchange with business divisions and enabled transfers. We’ve actually seen employees transfer from business divisions, and I feel a shift in mindset is progressing.

We have a grand vision and expect swift, company-wide initiatives

Nakagawa: In addition to the Operating Control Committee and the Management Liaison Committee, we started holding the Corporate Management Committee in October 2024. To realize our vision of becoming an “Excellent Company in the Field of Functional Materials,” I want us to deepen discussions from a long-term perspective. This includes defining what that excellence looks like, how we will pioneer new areas, and how we will proceed with M&A and investments to achieve it. I also want us to tackle this with a sense of urgency.

Nagahama: The Corporate Management Committee is operated to gather opinions from many employees, regardless of department or position, and the discussed content is shared with management. Our current medium-term management plan includes M&A in the transportation equipment and information electronics fields both domestically and internationally, and I feel these discussions are also progressing with a sense of urgency. We are at the stage where a new foundation for where we want to be in 10 years is being established, and we are starting to move in earnest. While various challenges will surely arise from now on, it is crucial to address them swiftly.

Nakagawa: Employees hired as new graduates will work for our company for approximately 40 years from now. Considering this, the management team bears a significant responsibility. I want them to approach their work with pride, so that when these employees look back on their entry into the company in the future, they will evaluate the management at that time as “excellent.” To achieve this, the management team, including Executive Officers, must envision a broader future: what form the company should take 100 years from now, and how we will forge that path.

Nagahama: When the management team shares a common vision and communicates it effectively to employees, I believe diverse ideas will emerge from the front lines. Furthermore, I firmly believe that increasing opportunities for dialogue between management and employees, and establishing a cyclical system for gathering opinions, will drive even greater growth.





Corporate Governance

Governance

Statement of Policy by New Outside Director



Kiyofumi Nakano
Outside Director

Role as an Outside Director

Throughout my career, I have been deeply involved in corporate management strategy and engaged with capital markets while working in the finance sector at foreign banks and investment banks. Additionally, at a private equity investment firm, I supported the growth of companies possessing distinctive products or market share, albeit on a smaller scale, through equity investments, referring to them as “Special Little Leaders.”

Subsequently, I built my career as a corporate executive at a listed company, Ultrafabrics Holdings Co., Ltd., which primarily manufactures and sells urethane leather and is a business partner of our company. When I transitioned from Outside Audit & Supervisory Board Member to Director, the company possessed excellent product quality and a stable financial structure, positioning it as a potential Special Little Leader. However, it also faced challenges: aging manufacturing equipment, saturated production capacity, uncertainty about new capital expenditures due to customer concentration, and delays in developing management human assets. The situation was stifling. Furthermore, from a management perspective, the stock price was significantly undervalued.

Amidst this situation, to clarify the path for future growth, we decided to acquire an overseas sales agency that handled over 80% of sales to diversify our customer base. Simultaneously, we committed to building a new factory and making new capital expenditures to double production volume. Consequently, the entire management team and employees had to embrace significant changes, including the drastic organizational shift from acquiring the overseas sales company and increased borrowing to fund the capital expenditures and acquisition.

Thanks to these investments and the combined efforts of management and employees, the company increased its sales revenue, enabling new employee hires and the expansion and renewal of production facilities. I also believe the stock price subsequently reflected these results. Building on this background, I intend to serve diligently as an Outside Director of the company, acting as a bridge between the company, the capital markets, and investors.

Recognition of challenges for medium- to long-term growth

Looking at our company's current situation, we recognize that we must steadily execute and monitor the growth and investment strategy outlined in our current medium-term management plan to “Become an excellent company in the field of functional materials.”

I intend to convey my objective opinions, leveraging my expertise, at the Board of Directors. This is to ensure the path toward realizing the strong commitment of the Representative Director and President to this medium-term management plan and the vision for growth is accurately communicated externally. While significant upfront investments are required to advance the growth strategy, these investments demand the successful execution of measures within the business strategy and the generation of appropriate returns to recoup the investment.

As a finance-trained executive, I actively embrace investments for medium- to long-term growth. I also believe that “cash does not create corporate value,” viewing precise capital expenditure as the very source of growth. I intend to monitor investment execution, progress, and monetization from an investor's perspective.

Toward sustained enhancement of corporate value

My impression of our company's competitive advantage, as seen by the aforementioned company, is that we possess the agility to respond flexibly and swiftly to customer demands compared to competitors, while also boasting superior technological capabilities and market share. Although our scale differs from that company, I believe we are truly a Special Little Leader within our industry. This suggests we possess the full potential to “Become an excellent company in the field of functional materials,” as outlined in our current medium-term management plan.

However, the aspects of our business I have observed thus far represent fragments of diverse operations, each requiring high levels of specialization. Consequently, gaining a deeper understanding of the company will likely take some time. Going forward, I hope not only to maintain an overview of management but also to increase communication at the operational level and delve deeper into understanding the businesses themselves. I will strive to monitor the company from an external perspective and contribute to the sustainable enhancement of corporate value.

Furthermore, as we transitioned to a Company with an Audit and Supervisory Committee this fiscal year, I intend to collaborate with the other Outside Directors and Directors who are Audit and Supervisory Committee Members to contribute to further strengthening our governance framework.

Statement of policy by the Chairperson of the Audit and Supervisory Committee

The Audit and Supervisory Committee is established within the Board of Directors and consists of three or more “Director who are Audit and Supervisory Committee Members,” with a majority being Outside Directors.

It aims to separate business execution and oversight within the Board of Directors, while the Audit and Supervisory Committee, primarily composed of Outside Directors, conducts audits as an organization. Furthermore, each committee member holds voting

Audit & Supervisory Board report

The Audit & Supervisory Board of our company fundamentally conducts audit activities to establish a high-quality governance structure and internal control system that meets social trust. This is done in light of the Group's CSR promotion and ESG-focused policies, to ensure the sound and sustainable growth of the company and the appropriateness of the execution of duties by Directors. In addition, we will monitor and verify whether each system of the internal control system established based on the resolution of the Board of Directors is appropriately responding to risks that may cause significant damage to the company through daily audit activities.

Based on the above basic policy, the Audit & Supervisory Board has selected the following items as continuing and new important issues for FY2025.

- Monitoring and verifying the status of the development and operation of the internal control system
- Strengthening information sharing with the Financial Auditor and evaluating the appropriateness of reappointing the Financial Auditor
- Promoting coordination through regular meetings with the Internal Audits Division, etc.
- Confirming the progress and results of the main implementation themes of the Group
 - Assessing the penetration of management policies and progress of management plans
 - Monitoring and verifying the business environment of overseas subsidiaries
 - Verifying safety management and labor management at production bases
 - Addressing Key Audit Matters (KAM) and other related matters

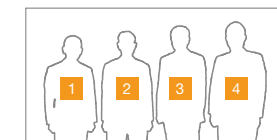
Full-time Audit and Supervisory Committee Member: Shuichi Murata

rights in the Board of Directors and participates in its discussions. Beyond auditing the legality of business execution, each member's involvement as a Director in auditing the appropriateness of business execution contributes to strengthening governance.

We intend to continue playing a role in the Company's development while strengthening coordination with the Financial Auditor and the internal audit department.

Overview of the Audit & Supervisory Board and main activities over the past year (FY2025)

Chairperson	Shuichi Murata
Composition	Full-time Audit & Supervisory Board Member: 2 persons Outside Audit & Supervisory Board Member: 2 persons Staff Members (concurrent roles): 2 persons
Number of times held	17
Main agenda items	● Matters to be resolved: Audit policy and methods, audit plan, audit reports of Audit & Supervisory Board, and plans; Agreement on the proposals for appointing directors serving as Audit and Supervisory Committee members and alternate members, and partial amendments to the Articles of Incorporation, in preparation for transition to a Company with an Audit and Supervisory Committee; Reappointment of the Financial Auditor; Approval of the Financial Auditor's audit plan and audit fees, etc. ● Matters discussed: Details of requests for submission of written confirmation of Directors' performance of their duties, draft agenda for regular meetings of Representative Directors, Audit & Supervisory Board Member discussions on key audit matters (KAM), discussions on revisions (or establishment) of regulations related to the planned transition to a Company with an Audit and Supervisory Committee, etc. ● Matters reported: Monthly operational audit reports (including reports on important documents such as internal approval documents, reports on the content of meetings attended, and reports on the results of on-site inspections of bases and subsidiaries), explanations from the Accounting Department regarding matters related to subsidiaries, Internal Audits Division audit plans and audit results reports, understanding the current situation regarding occupational health and safety at each production base and checking the status of initiatives, etc.
Other activities	● On-site inspections of bases, etc.: 20 cases ● Regular meetings with the Representative Director and President: 2 times ● Overview report on the “Audit & Supervisory Board Member Audit Implementation Plan” and “Key Issues” ● Issues that the company should address, the current situation and future initiatives - The medium-term management plan - The operation of the Corporate Planning Division - The expansion of overseas operations - Securing human assets ● Other issues requiring company action and risks surrounding the company



	Name	Position
1	Hidemi Yamaguchi	Outside Audit & Supervisory Board Member
2	Yoshiro Gamo	Full-time Audit & Supervisory Board Member
3	Shuichi Murata	Full-time Audit and Supervisory Committee Member
4	Ichiro Wakabayashi	Audit and Supervisory Committee Member



Compliance

Governance

The Group believes that compliance extends beyond mere adherence to laws and regulations. It is essential to earn the trust of society and our stakeholders and meet their expectations through sincere and fair business activities aligned with global ethical and moral standards. Under the direction of the Representative Director and President, the CSR/ESG Promotion Group Headquarters collaborates with eight independent internal control system committees to ensure compliance.

Promotion activities

Led by the CSR/ESG Promotion Group Headquarters, we conduct company-wide compliance training and audits of compliance adherence.

The main activities implemented are as follows.

- A compliance message is sent out from the top every month, followed by communication from managers to frontline employees
- To raise awareness among all employees, we regularly distribute “Compliance Letters” and “Compliance Mini Tests” that address problems of compliance in their daily lives
- Compliance training for young employees
- Regular survey on compliance
- Regular harassment prevention course for management-level employees
- As a mechanism for easy consultation to maintain a favorable work environment, all bases have “Harassment Counselors”
- Training for local employees of overseas group subsidiaries to raise compliance awareness

In consideration of effectiveness and efficiency, we utilize face-to-face group training as well as video training through e-learning.

We also regularly conduct periodic compliance audits in the form of questionnaires for all departments, reflecting the results in improving internal systems and shaping future training content.



Compliance training session at DAICOLOR SHANGHAI MFG. CO., LTD.

Compliance with Antitrust and Subcontracting Laws

We strive to ensure fair trade by stipulating compliance with the Antimonopoly Law in the “Code of Conduct for Officers and Employees” and by providing training based on the “Action Guidelines for Compliance with the Antimonopoly Law.” We have also participated in the Declaration for the Establishment of Partnerships and regularly hold seminars on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. No violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors arose during FY2025.

Prevention of corruption and bribery

In light of the Group’s global business expansion and the strengthening of global anti-bribery regulations, we are promoting awareness activities for employees based on the establishment of our “Basic Anti-Bribery Policy” and “Anti-Bribery Regulations,” as well as our “Anti-Bribery Handbook.” We also provide anti-corruption training as part of e-learning compliance programs targeted at young employees. As a result of these efforts, no corruption, bribery or disciplinary action occurred in Dainichiseika Group in FY2025.

Internal reporting system

The Corporate Ethics Hotline has been established by the CSR/ESG Promotion Group Headquarters, Audit and Supervisory Committee Members, and a law firm as a third-party contact for the purpose of early detection and correction of actions violating laws, internal regulations, or social ethics, or matters posing such risks during the corporate activities of the Group. The hotline accepts consultations and opinions from officers and employees via a dedicated telephone number and e-mail address, and the personal information of the person consulting and the content of the consultation are strictly managed to ensure that the person consulting will not be treated unfairly. Eight internal reporting cases arose in FY2025, and we received one case involving a violation of internal regulations. Appropriate disciplinary actions were taken against the violator. To prevent recurrence of similar violations, we are reviewing compliance training programs and considering revisions to internal regulations.

Tax compliance

The Group complies with the tax-related laws and regulations of each country and region, and strives to pay the appropriate amount of tax. Although tax planning that benefits cash flow is implemented, we do not engage in any activities that are intended to avoid taxation, such as profit shifting to lightly taxed countries. For international transactions, we prepare transfer pricing documents in accordance with the laws and regulations of each country, based on arm’s length pricing in accordance with the OECD transfer pricing guidelines, and allocate profits appropriately. We conduct a thorough review of tax risks in advance and seek to mitigate tax risks by providing expert advice and guidance as necessary. There were no statutory violations regarding tax matters for FY2025.



Risk Management

Governance

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

Risk management system

The Group has established the “Risk Management Regulations” and is responding to various risks in the management organization and departments. Risks that may be anticipated during business activities are identified through regular internal investigations and risk management meetings held by management, and risks that should be addressed are prioritized. Matters requiring action are directed by the Directors and Executive Officers of each organizational unit to the operational departments, who manage the progress of risk responses. This information is shared with the Corporate Planning Division, where risk responses are considered in close alignment with management strategy. The status of risk response is reported regularly to the CSR/ESG Promotion Group Headquarters, and is supervised by the Board of Directors and the Audit and Supervisory Committee. During FY2025, we established the Corporate Planning Division to promote risk responses related to business strategy and development. Additionally, we made progress in considering personnel system reforms to contribute to risk responses concerning personnel and labor affairs.

In addition, committees have been established to deal with risk management across the entire company, including health and safety, security and disaster prevention, environmental protection, and chemical substance management. These committees are responsible for formulating policies for reducing risk and supervising business execution.

Potential risks in business activities

Business operations and management strategy	● Risks related to business planning and operations ● Risks related to business strategy and development ● Risks related to overseas business activities
Operations	● Risks related to sales and marketing ● Risks related to technology and product development ● Risks related to production and product supply ● Risks related to purchasing and procurement ● Risks related to personnel and labor ● Risks related to finance and fund procurement ● Risks related to information systems ● Risks related to facilities and equipment
Compliance	● Risks related to financial reporting ● Risks related to export operations ● Risks related to environmental pollution ● Risks related to chemical substance management ● Risks related to quality control ● Risks related to health and safety ● Risks related to information security ● Risks related to violations of various laws and regulation
Crisis management	● Risks related to natural disasters ● Risks related to large-scale accidents and crimes

BCP measures

In order to be able to respond quickly to management crises such as large-scale disasters, the Group has established a crisis management system at our head office and has also set up a disaster response system at each of our business bases. In addition to natural disasters and fires, we consider cyberattacks and the risk of procuring raw materials and fuel,

and we are considering the necessary measures to continue our business as a BCP (business continuity plan). We are also promoting the development of alternative systems for our main businesses and product supply, taking into account the balance with profitability.

Information security

The majority of the confidential information handled by the Group is managed using information systems. If data is tampered with, lost, or leaked due to cyberattacks or unauthorized access, or if systems are shut down due to disasters or other problems, there is a possibility of negative effects like operational stoppages of business activities across the entire supply chain. In order to reduce these risks, we are working on information security measures such as network monitoring, virus countermeasures, and account management, as well as appropriate data preservation such as backups, information security education for employees, and the development of a system to respond to security incidents. In FY2025, no incidents of leakage of corporate or personal information arose.

Management system

The Group has established the “Information Security Management Regulations” based on the “Information Security Policy.” We have clarified responsibilities and roles by appointing “Information Security Managers” to oversee the “Information Security Implementation Managers” in each department and base where the practical work is carried out, and by appointing a “Chief Information Security Officer” to oversee the entire Group, as well as an “Information Management Committee” to evaluate the effectiveness of these activities. To prepare for any potential security incidents, we have established an internal CSIRT (Computer security incident response team) within the company.

Initiatives

The Group implements information security measures through a specialized department to promote DX and our information security management system. These include ensuring appropriate handling of information assets, managing access rights within information systems, and introducing systems to enhance endpoint security. We actively incorporate external information on rapidly evolving cyber threats, and work to improve productivity and reduce the risk of information leaks by promoting education and improving the environment so that officers and employees can handle information appropriately.

We will continue to implement a balanced approach to IT utilization and information security measures.



Dialogue with Stakeholders

Governance

Stakeholders of the Group

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

Stakeholders	Dialogue opportunities	Communication tools
Customers	- Sales activities - Consultation services, such as websites - Quality assurance support - Various exhibitions (results: 8 times a year)	- Product brochures - PR magazines (results: once a year) - Integrated Report - News releases (results: 18 new releases a year on our website) - Release of appropriate publicity to the media - Website - Company introduction video
Employees	- Group intranet - Message from the President at the beginning of the year and on the anniversary of the company's founding - Labor-management council - Training by job level - Company social gathering - Periodic personal interviews (twice a year) - Harassment consultation desk - Internal reporting	- Company introduction video - Integrated Report - Employee surveys - PR magazines (results: once a year) - News releases (results: 18 news releases a year on our website) - Website
Suppliers	- Communication through individual transactions - Various exhibitions - Joint research through open innovation	- Questionnaire survey on the status of CSR promotion - Feedback sheet - Extended Minerals Reporting Template - Integrated Report - Conflict Minerals Reporting Template - PR magazines - Website
Shareholders and investors	- General meeting of shareholders - Individual meetings (including teleconferences and web conferences) (results: 28 meetings a year) - Financial results briefing (2nd quarter, fiscal year end) - Individual investor briefing (results: once a year)	- Consolidated Financial Results - Annual Securities Report - Notice of the General Meeting of Shareholders - Corporate Governance Report - Company introduction video - Integrated Report - Semi-annual report - Timely disclosure - Shareholder newsletter (interim report) - News releases (results: 18 news releases a year on our website) - PR magazine (results: once a year) - Website
Society (community, government, schools)	- Industry-university cooperative projects - Service activities in the neighboring communities - Dispatch of lecturers for lectures and educational opportunities * When the Group provides support for political activities, we comply with the laws and regulations of each country, and we also take into consideration our social position in light of our corporate philosophy. When making political donations in Japan, we strictly adhere to internal procedures, such as examining the content in advance in accordance with the Political Funds Control Act and internal rules on job authority.	- Company introduction video - Integrated Report - Newspapers - Website - PR magazines (results: once a year) - News releases (results: 18 news releases a year on our website) - Magazines



Please refer to this website for our PR magazine “People, Something New, Future” (Japanese only)
<https://www.daicolor.co.jp/csr/newsletter/index.html>



Dialogue with Shareholders and Investors

Governance

Promotion system

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

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

IR calendar



Dialogue results for FY2025

To provide a better understanding of the Group's business activities and ESG management initiatives, we held briefings for institutional investors and sell-side analysts in FY2025. In June, we provided a summary of the previous medium-term management plan and financial results, along with an explanation of the current medium-term management plan “TRANSFORMATION for TOMORROW 2027.” In December, we held a briefing for the 2Q financial results, explaining the strategies of the medium-term management plan, which include the technology development

strategy, sustainable product sales expansion strategy, and the overseas strategy. For individual investors, we held a company briefing in January. We aim to continue enhancing opportunities for dialogue and to disclose information in a timely, appropriate, and equitable manner.

Please refer to this website for the contents of the dialogue and feedback received. (Japanese only)
<https://www.daicolor.co.jp/ir/stock/conversation/index.html>



Company briefing/Financial results briefing

Date	Type	Number of participating companies	
June 2024	Financial results briefing Medium-Term Management Plan briefing	Domestic investors Securities companies Others	7 companies 4 companies 9 companies
December 2024	Financial results briefing	Domestic investors Securities companies Others	10 companies 4 companies 8 companies
January 2025	Individual investor briefing	Individual investors	58 people

Meetings with individual institutional investors

Date	Number of meetings (total)	Number of participating companies (total)	
From April 2024 to March 2025	28 times	Overseas investors Domestic investors Securities companies	7 companies 17 companies 4 companies

Ten-Year Summary of Key Management Indicators

(consolidated)

	FY2016	FY2017	FY2018		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Profit and Loss											
Net sales*1 (millions of yen)	160,770	157,185	167,446		170,394	155,108	138,491	121,933	122,005	119,824	124,760
Operating profit (millions of yen)	9,954	11,982	13,079		8,718	4,850	4,920	7,446	2,635	4,550	7,004
Ordinary profit (millions of yen)	10,379	12,204	13,774		9,264	5,582	5,613	8,315	3,373	5,003	7,764
Profit attributable to owners of parent (millions of yen)	3,946	9,950	8,361		3,876	3,977	6,343	6,166	2,007	3,660	10,289
Comprehensive income (millions of yen)	(376)	13,519	10,177		658	1,267	9,165	8,210	5,343	9,239	14,007
Financial Position											
Total assets (millions of yen)	173,744	188,248	200,948		190,701	187,296	197,717	196,709	192,765	194,852	196,784
Net assets (millions of yen)	76,093	88,439	97,026		96,055	95,675	103,660	110,487	114,301	119,166	130,497
Equity ratio (%)	42.3	45.9	47.3		49.3	50.1	51.5	55.1	58.1	59.9	65.0
Cash Flows											
Net cash provided by (used in) operating activities (millions of yen)	6,246	12,981	11,953		266	12,829	11,522	7,579	3,002	9,020	4,165
Net cash provided by (used in) investing activities (millions of yen)	(2,720)	(2,732)	(8,624)		(6,925)	(3,552)	(3,769)	(6,643)	(2,195)	(1,445)	1,415
Net cash provided by (used in) financing activities (millions of yen)	(6,180)	(3,520)	(4,810)		(1,183)	(3,026)	(358)	(11,424)	(3,836)	(10,209)	(7,000)
Cash and cash equivalents at end of period (millions of yen)	24,380	31,117	29,683		21,419	27,636	34,438	24,879	23,103	21,425	21,696
Per Share Information*2											
Net assets per share (yen)	791.43	4,650.77	5,114.07		5,068.65	5,052.36	5,516.08	5,868.51	6,060.11	6,804.81	7,459.16
Profit per share (yen)	42.51	535.98	450.33		208.81	214.24	341.95	333.70	108.58	207.95	599.63
Dividend per share (yen)	70.00	77.50	85.00		85.00	77.50	45.00	80.00	80.00	110.00	156.00
Price earnings ratio (PER) (multiples)	10.6	7.0	9.7		14.5	11.0	7.2	6.2	16.4	14.4	5.0
Price-to-book ratio (PBR) (multiples)	0.56	0.80	0.85		0.59	0.46	0.44	0.35	0.29	0.44	0.40
Payout ratio (%)	32.9	14.5	18.9		40.7	36.2	13.2	24	73.7	52.9	26.0
Other Indicators											
Return on equity (ROE) (%)	5.3	12.5	9.2		4.1	4.2	6.5	5.9	1.8	3.2	8.4
Return on Assets (ROA) (%)	5.9	6.7	7.1		4.7	3.0	2.9	4.2	1.7	2.6	4.0
Number of employees (persons)	3,698	3,888	3,943		3,904	3,871	3,809	3,750	3,666	3,634	3,594
Capital investment amount*3 (millions of yen)	5,117	5,002	8,189		7,308	7,986	9,107	4,965	4,249	4,779	5,907

*1 Effective from FY2022, the Company has adopted the "Accounting Standard for Revenue Recognition."
*2 Adjusted for the effect of reverse stock split.
*3 Capital investment include property, plant and equipment (including land and construction in progress) and intangible assets.

Non-Financial Data

Environment

Sales of sustainable products (billions of yen)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
	28.05	34.10	33.28	34.58	35.07

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
	99.78	99.99	99.95	100.00	100.00

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
	82.0	85.0	85.2	91.9	94.4

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
	168.4	178.8	152.3	142.5	137.0

Water consumption (domestic group)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
Groundwater (thousand m³)	2,065.0	2,264.7	2,057.9	2,013.5	2,281.7
Municipal water (thousand m³)	137.3	136.4	135.3	141.1	137.8
Industrial water (thousand m³)	305.0	277.7	239.2	209.1	197.0

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
COD(t)	6.6	5.4	6.4	5.6	4.5

CFC leakage (CO₂ equivalent) (domestic group)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
t-CO ₂	595	247	308	509	19
%	416.1	41.5	124.7	165.2	3.7

*including CFC substitutes

Nitrogen oxide (NOx)/Sulfur oxide (SOx) emissions (air pollutants) (domestic group)

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
NOx (t)	9.5	13.0	6.1	6.6	6.6
SOx (t)	0.7	0.8	0.2	0.2	0.1

Targets and results of major waste management initiatives (domestic group)

Initiatives:	Improve yields and reduce generation of nonconforming products in manufacturing processes, and reduce sludge generation in wastewater treatment
Targets:	Increase recycling rate by 1 percentage point from the previous year, and reduce final disposal by 1% from the previous year
Results:	Increased recycling rate by 10.4 percentage points from the previous year, and reduced final disposal by 26% from the previous year

Environmental Management System (EMS) initiatives

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

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
Amount generated (t)	8,417	10,169	8,626	8,235	8,451
Amount discharged from factories (t)	8,417	10,169	8,626	8,235	8,451
Amount recycled (t)	5,785	6,279	5,379	5,654	6,687
Amount landfilled (t)	2,144	3,239	2,885	2,256	1,664
Effective utilization rate (%)	68.7	61.7	62.4	68.7	79.1

Social

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
Number of fatalities due to work-related accidents (persons)	0	0	0	0	0
Number of injured due to non-lost workday accidents (persons)	16	27	18	19	24
Number of injured due to lost-workday accidents (persons)	2	4	15	7	3
Total (persons)	18	31	33	26	27
Total Recordable Injury Rate <TRIR> (persons/million hours)	4.87	7.82	9.13	7.3	7.65

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
Number of accidents (cases)	1	5	5	2	2
Accident rate (cases/200,000 hours)	0.06	0.37	0.28	0.11	0.11

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

	118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
Number of lost workdays (cases)	2	4	15	7	3
Intensity rate (%)	0.001	0.038	0.031	0.064	0.002
Incidence of lost-workdays (person/million hours)	0.61	1.01	4.15	1.96	0.85

Non-Financial Data

Human resource data

		118th Period: 2021/3	119th Period: 2022/3	120th Period: 2023/3	121st Period: 2024/3	122nd Period: 2025/3
Total number of employees (persons)*1	Male	1,230	1,180	1,178	1,145	1,104
	Female	253	263	273	292	301
	Overall	1,483	1,443	1,451	1,437	1,405
Average age (years)*1	Male	43.0	42.4	42.9	42.6	42.5
	Female	35.6	35.8	36.1	36.3	36.5
	Overall	41.8	41.2	41.6	41.3	41.2
Average years of service (years)*1	Male	19.2	18.6	19.0	18.6	18.4
	Female	12.2	12.2	12.6	12.5	12.6
	Overall	18.0	17.4	17.8	17.4	17.1
New graduate hires (persons)*1	Male	63	42	40	56*3	41
	Female	22	22	27	29*3	25
	Overall	85	64	67	85*3	66
Percentage of female employees among new graduate hires (%)*2		26	34	40	34	38
Percentage of female employees (%)*2 *4		17	18	19	20	21
Retention rate for new graduate hires after three years (%)*2	Male	93	91	84	95*3	85
	Female	92	100	100	96*3	85
	Overall	93	94	88	95*3	85
Percentage of mid-career hires (%)*2	Male	34	34	39	37	49
	Female	21	12	10	27	31
	Overall	31	28	30	34	43
Number of employees who retired (for personal reasons excluding those who retired at retirement age) (persons)*2 *5	Male	37	32	41	48	52
	Female	10	7	12	13	19
	Overall	47	39	53	61	71
Turnover rate due to voluntary resignation (%)*2 *5	Male	2	2	2	3	3
	Female	3	2	3	3	4
	Overall	2	2	2	3	3
Total number of employees granted the right to take childcare leave (persons)*2 *4 *6	Male	49	56	52	48	58
	Female	12	11	10	14	16
	Overall	61	67	62	62	75
Total number of employees who took childcare leave (persons)*2 *4 *7	Male	6	17	33	36	40
	Female	12	11	10	14	16
	Overall	18	28	43	50	56
Total number of employees who returned to work from childcare leave during the reporting period (persons)*2 *4 *8	Male	6	15	30	34	45
	Female	17	14	9	13	10
	Overall	23	29	39	47	55
Total number of employees still employed at the company at the end of 12 months after returning to work from childcare leave (persons)*2 *4 *9	Male	—	6	16	28	31
	Female	12	16	14	9	12
	Overall	12	22	30	37	43
Percentage of employees returning to work after childcare leave (%)*2 *4 *10	Male	100.0	100.0	100.0	100.0	100.0
	Female	100.0	100.0	100.0	100.0	90.9
	Overall	100.0	100.0	100.0	100.0	98.2
Retention rate for employees after parental leave (%)*2 *4 *11	Male	—	100.0	93.8	93.3	91.2
	Female	85.7	94.1	100.0	100.0	92.3
	Overall	85.7	95.7	96.7	94.9	92.2
Number of employees using shortened working hours for childcare (persons)*2 *4 *12	Male	10	15	21	23	34
	Female	49	47	40	54	56
	Overall	59	62	61	77	90
Ratio of women, foreign nationals, and mid-career hires in management positions (%)*2		11.0	12.1	12.0	13.3	13.4
Average annual salary (yen)*1 *2		7,123,158	7,073,496	7,363,199	7,056,324	7,307,707
Difference in wages between male and female workers (%)*1 *2 *13	All workers	68.1	69.0	69.8	71.8	73.0
	Full-time employees	69.9	70.5	70.9	71.8	72.2
	Part-time and fixed-term employees	60.8	60.1	63.7	66.1	64.7
Percentage of all employees covered by Collective bargaining agreements (union membership rate) (%)*2 *14		98.5	99.4	99.6	99.8	98.9
Comparison of standard entry-level salaries to regional minimum wages (comparison to minimum wages) (%) *2 *15	Tokyo			151.7	146.2	153.1
	Osaka			159.0	152.9	159.8
	Aichi			165.0	158.4	165.3
	Shiga			175.5	168.2	175.0
	Ibaraki			178.6	170.7	177.1
	Shizuoka			172.3	165.3	172.1
	Saitama			164.8	158.2	165.1
	Chiba			165.3	158.5	165.4
	Kumamoto		— *16	— *16	— *16	— *16
	Fukuoka			164.4	157.3	173.4

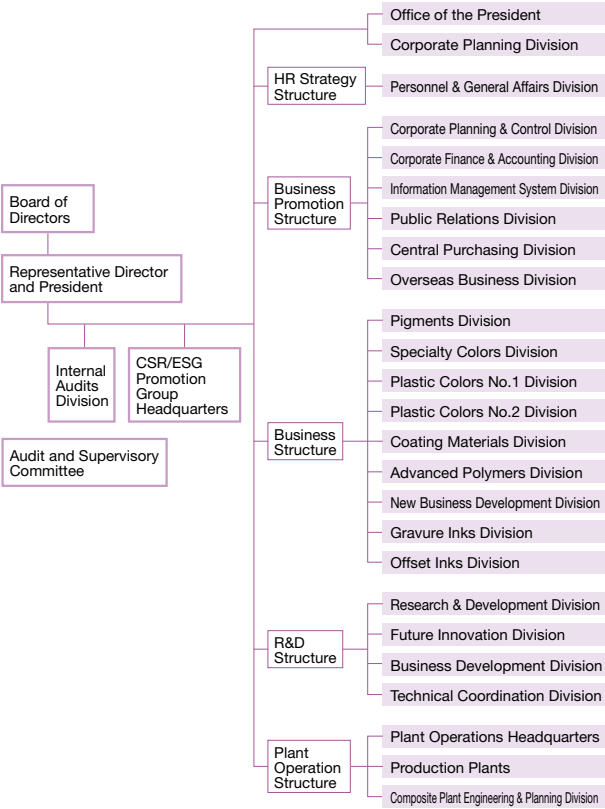
*1 Non-consolidated *2 Domestic Group *3 As of April 1, 2025 *4 All employment types *5 Full-time employees only *6 Male employees: Number of employees whose child's birth date falls within the fiscal year; Female employees: Number of employees whose maternity leave ended within the fiscal year *7 Male employees: Only first leave taken is counted; Female employees: Number of employees whose childcare leave start date falls within the fiscal year after maternity leave ends *8 Number of employees whose childcare leave ended within the fiscal year *9 Number of employees still employed 12 months after the "total number of employees who returned to work from childcare leave during the reporting period" in the previous fiscal year *10 Return-to-work rate = Total number of employees whose childcare leave ended within the fiscal year and who returned to work the day after *11 Retention rate = Percentage of employees who returned to work from childcare leave in the fiscal year prior to the reporting year and were still employed at the end of the reporting year. Total number of employees whose childcare leave ended within the previous fiscal year and who were still employed 12 months later *12 Employees who utilized reduced working hours for childcare purposes or the childcare flex system within the current fiscal year *13 Calculated as the ratio of the average monthly wage for women to the average monthly wage for men. Includes base salary and other fixed wages, overtime and holiday premium pay, and bonuses; excludes severance pay and commuting allowances. *14 Percentage of employees eligible for union membership who are union members. *15 University graduate. Calculated based on each prefecture's minimum wage, 20 days per month, and 7.5 hours per day. Complies with the statutory minimum wage and applies a unified compensation system across genders for the same qualifications and job levels. Includes a life plan allowance of 25,000 yen. *16 No starting salary set as there is no record of new graduate hiring.

Company Profile and Group Network

Company Profile

Company name	Dainichiseika Color & Chemicals Mfg. Co., Ltd.
Head office	1-7-6 Nihonbashi Bakuro-cho, Chuo-ku, Tokyo 103-8383, Japan
Content of business	Manufacturing and sales of: -inorganic, organic, and prepared pigments -colorants for plastics and textiles -printing inks, coating agents, and related equipment -synthetic leather materials and other polyurethane resins -naturally-derived functional polymers -functional materials and CCM systems
Founded	October 16, 1931
Representative	Koji Takahashi, Representative Director and President
Share capital	10,039 million yen (Tokyo Stock Exchange, Prime Market)
Number of employees	Dainichiseika: 1,405 Consolidated: 3,594 (As of March 31, 2025)

Organizational diagram



Group network

Domestic

Sales bases
Total 9 bases

- East Japan Head Branch
- Hokkaido Branch
- Shizuoka Office
- Central Japan Head Branch
- Hokuriku Branch
- West Japan Head Branch
- Chugoku Branch
- Hiroshima Branch
- Shikoku Branch

Group company 1 base

- KYUSHU DAINICHISEIKA CO., LTD.

Production bases
Total 6 bases

- Hokkaido Branch
- Bando Production Plant
- Tokyo Production Plant
- Tokai Production Plant
- Osaka Production Plant
- Shiga Production Plant

Group Companies

Total 5 companies (7 bases)

- UKIMA CHEMICALS & COLOR MFG. CO., LTD.
Sakura Production Plant
- HI-TECH CHEM CO., LTD.
- DAINICHI COLOR COMPOSITE CO., LTD.
Kazo Production Plant
- DAINICHI COLOR COMPOSITE CO., LTD.
Togo Production Plant
- DAINICHI COLOR COMPOSITE CO., LTD.
Katano Production Plant
- KYUSHU DAINICHISEIKA CO., LTD.
- KYUSHU KAKO CO., LTD.

Overseas Group companies

Asia Total 13 bases

- DAINICHISEIKA(HK)LTD.
- DAINICHISEIKA(HK) COLOURING CO., LTD.
- DAINICHISEIKA(SHENZHEN) TRADING LTD.
- DONGGUAN DAINICHI CHEMICAL MANUFACTORY CO., LTD.
- DAICOLOR SHANGHAI MFG. CO., LTD.
- SHANGHAI MITSUI PLASTIC COMPOUNDS LTD.
- TAI CHIN CHEMICAL INDUSTRY CO., LTD.
- AEOLIAN CORPORATION
- SAMBO FINE CHEMICALS MFG. CO., LTD.
- P.T. HI-TECH INK INDONESIA
- DAINICHI COLOR VIETNAM CO., LTD.
- DAINICHI COLOR (THAILAND) LTD.
- DAINICHI COLOR INDIA PRIVATE LTD.

America 1 base

- HI-TECH COLOR, INC.

Europe 1 base

- DAICOLOR ITALY S.R.L.

External Evaluation and Basic Stock Information

External evaluations



Designated as a 2025 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category)



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



Received a B score in the CDP Climate Change Questionnaire 2024

Participation in external initiatives



Signing the United Nations Global Compact



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



Endorsement of the Partnership Building Declaration



Participation in the Japan Clean Ocean Material Alliance (CLOMA)

Organizational memberships

Japan Chemical Industry Association (JCIA)
Japan Dyestuff and Industrial Chemicals Association (JDICA)
JAPAN FASHION COLOR ASSOCIATION (JAFCA)
JAPAN POLYETHYLENE PRODUCTS INDUSTRIAL FEDERATION
Japan PET Tray Association
Japan Printing Ink Makers Association

Third-party verification

To enhance the reliability of the non-financial information disclosed in our “Integrated Report 2025,” the Group has obtained assurance from the independent third-party organization “ASUENE VERITAS Inc.” regarding the calculation of CO₂ emissions (Scope 1 + Scope 2, domestic and overseas) and the resulting figures.

Basic Stock Information

Listed market	Tokyo Stock Exchange, Prime Market
Stock code	4116
Industrial classification	Chemical
Trading unit of shares	100 shares
Total number of authorized shares	50,000,000 shares
Total number of shares issued	18,113,110 shares (Treasury stock 951,919 shares)
Number of shareholders	6,027

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