Color & Comfort

February 13, 2024

Company name	DIC Corporation
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Notice Regarding the Revision of DIC Vision 2030

DIC Corporation hereby announces that it has revised its targets for fiscal year 2025, the final year of Phase 1 of its DIC Vision 2030 long-term management plan, announced on February 18, 2022, as indicated below. Targets for fiscal year 2030, the final year of the plan, will be given careful consideration and will be disclosed at the formulation stage of Phase 2, which will begin in fiscal year 2026.

1. Revised targets for Phase 1 of DIC Vision 2030

(Billions of yen)

	Fiscal year 2023 (Actual)	Fiscal year 2024 (Target)	Fiscal year 2025 (Final year of Phase 1)	
			Original target	Revised target
Net sales	¥1,038.7	¥1,100	¥1,100	¥1,150
Operating income	¥17.9	¥30	¥80	¥40

2. Background to the revision

DIC has positioned the four years from fiscal year 2022 through fiscal year 2025 as Phase 1 of DIC Vision 2030, a period for foundation building to facilitate realization of the Company's vision for itself in the future. During this phase, the Company has been exploring numerous possible new businesses by investing in multiple R&D themes and making acquisitions. While some of these efforts have thus far met with success, because of the resulting dispersal of management resources and delays in selecting from among diverse themes, new businesses have not become profitable as quickly as envisaged for Phase 1 and results have therefore deviated from initial expectations. Furthermore, rapid changes in the business environment—including increasing geopolitical risks arising from, among others, Russia's invasion of Ukraine, along with rising inflation worldwide—subsequent to the formulation of DIC Vision 2030 have made the achievement of Phase 1 goals, such as those set for newly acquired businesses, very challenging. In light of these factors, the Company took the decision to revise its targets for Phase 1 targets.

3. Summary of the amended plan

The vision for DIC in the future and the basic policy set forth in DIC Vision 2030 remain essentially unchanged. However, the Company will prioritize the balanced allocation of management resources, taking into account current operating conditions, and will press ahead with the strategies of Phase 1 while paying particular attention to the following issues:

- Optimize allocation of management resources;
- Swiftly create next-generation and growth businesses;
- Pursue synergies with newly acquired businesses to achieve intended results;
- Accelerate rationalization efforts in businesses in need of structural reform; and
- Promote efficient sustainability strategies.

– Ends –

DIC Vision 2030

Revision of DIC Vision 2030 Phase 1 Targets

February 13, 2024

Takashi Ikeda
President and CEO

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A Message from CEO

DIC Vision 2030 began with a somewhat lofty philosophy and has guided our efforts over the previous two years to address key challenges from various angles. Of note, we took steps to reinforce our core businesses with stable earnings bases, including undertaking major acquisitions in the pigments and polymers businesses. However, owing in part to the impact of external factors, notably changes in the business environment, it is taking time to integrate newly acquired businesses, resulting in a delay in the realization of synergies from quantitative expansion. In addition, searching for new growth businesses in multiple areas has caused the dispersal of management resources, which has, in turn, hindered our ability to achieve significant benefits. Taking into consideration the situation we currently find ourselves in, we plan to revise the plan from three perspectives.

▶ **Pursue structural reforms and greater efficiency**
In addition to accelerating the integration of newly acquired businesses and the transformation of our business portfolio, we will implement exhaustive structural reforms in existing businesses, including cutting costs and shifting our focus to highly profitable products. We will clearly identify priorities in new business development and initiatives such as digital transformation (DX) and others and seek to curtail related costs.

▶ **Create new businesses in the area of “Smart living”**
Over the short term, we will concentrate management resources in Smart living, one of our five priority business areas, which centers on Chemitronics,* with aim of swiftly creating new businesses. We will also promote reforms by adopting a new business creation mechanism that we have dubbed “Direct to Society.”

▶ **Promote stringent cash management to improve shareholder value**
With the goal of returning our price-book value (P/B) ratio to at least 1.0 times as quickly as possible, we will carefully assess and strive to maximize use of all assets. To this end, we will leverage internal and external expertise to optimize our cash allocation, including to returns to shareholders.

Fiscal year 2023 marks the end of operations guided by the management team that oversaw the launch of DIC Vision 2030. In fiscal year 2024, we will embark upon a new era. The basic policy of our long-term management plan remains unchanged. While we are confident that structural reforms over the next two years will lay a foundation for full-fledged growth going forward, the fundamental change in management approach means that it is likely to take time for results to manifest. The revised DIC Vision 2030 is structured around targets that we believe are achievable regardless of changes in the business environment and initiatives that are essential
for growth beyond fiscal year 2026.

Takashi Ikeda President and CEO

* DIC has designated businesses centered on chemicals and materials for electronics applications “chemitronics.” The Company is uniquely positioned to provide solutions in this area, particularly in semiconductor packaging and advanced electronics components.

1

Revision of DIC Vision 2030

Background to the Revision of Targets

● **While the vision for DIC in the future and the basic policy of DIC Vision 2030 remain essentially unchanged, targets for Phase 1*, ending in fiscal year 2025, have been adjusted in light of delays in the execution of plans and recent changes in the business environment.**

Background to revision

- **Dispersal of management resources in new growth businesses and delays in selecting from among diverse themes**
- **New risks and changes in the business environment**
  - Rising inflation worldwide and soaring costs due to high resource prices
  - Economic decline in the People's Republic of China (PRC) and Europe
  - Increasing geopolitical risks arising from, among others, Russia's invasion of Ukraine

・New growth businesses have not become profitable as quickly as envisaged.
・Development and investment costs are rising.

・Realization of the expected benefits of acquisitions has been held up. – it takes time to realize the benefits of rationalization.
・Existing businesses have stagnated.

Phase 1 targets

(Billions of yen)	FY2025 (Final Year of Phase 1)	
	Original targets	Revised targets
Net sales	¥1,100	**¥1,150**
Operating income	¥80	**¥40**

Address challenges currently faced and realize vision for DIC in the future

Targets for final year of plan

Targets will be carefully reviewed and will be disclosed at the formulation stage of Phase 2 **.

Initial Targets for FY2030 (Reference)	
Net sales	¥1,300 billion
Operating income	¥120 billion

* Phase 1 of DIC Vision 2030: Foundation building phase (Fiscal years 2022–2025)

** Phase 2 of DIC Vision 2030: Phase for realizing vision for DIC (Fiscal years 2026–2030)

Actual Results and Targets (Fiscal Years 2022–2026)

- **Newly acquired businesses have stagnated substantially, owing to the deterioration of operating conditions as a consequence of Russia's invasion of Ukraine.**
- **Regarding the creation of new businesses, the decision has been taken to eliminate a core development theme of secondary batteries, the commercialization of which was scheduled for Phase 1.**

  - **The revised target for operating income in fiscal year 2025 is down significantly from the initial target of ¥80 billion.**
  - **Targets for the years up to and including fiscal year 2026 do not assume a significant improvement in the business environment and are expected to be achieved through independent efforts.**
  - **Synergies with newly acquired businesses and the benefits of structural reforms are expected to be realized from fiscal year 2026. Accordingly, a possible range for the revised target for fiscal year 2026 is provided.**
  - **Efforts in fiscal year 2026 will focus on achieving record-level operating income* and bolstering returns to shareholders.**

* Current record: ¥56.5 billion (Fiscal year 2017)

(Billions of yen)

	Phase 1					FY2026 Targets
	FY2022 Actual	FY2023 Actual	FY2024 Targets	FY2025		
				Initial targets	Revised targets	
Net sales	¥1,054.2	¥1,038.7	¥1,100	¥1,100	¥1,150	¥1,200–1,250
Operating income	¥39.7	¥17.9	¥30	¥80	¥40	¥50–60

Segment Operating Income

(Billions of yen)

Packaging & Graphic	¥20.3	¥22	¥22.5	¥27	¥24.5	¥27–30
Color & Display	¥5.1	(¥8.9)	¥4	¥21	¥9.5	¥12–16
Functional Products [Portion of above generated by chemitronics business]	¥23.6	¥15.4 [¥6]	¥15.6 [¥6]	¥31	¥18 [¥8]	¥22–25 [¥10–11]
Others (R&D, etc.) [Portion of above applied to secondary battery development]	(¥9.4)	(¥10.6)	(¥12.1)	¥1 [¥10]	(¥12)	(Approx. ¥11)

Policies for Cash Allocation

- **Generate cash over the three years beginning in fiscal year 2024 by promoting business transformation and structural reforms, as well as by shrinking assets.**
- **Work to realize a sound financial structure and enhance shareholder returns.**

Cash in (Targets for FY2024–2026)

Seek to expand and stabilize cash provided by operating activities through business portfolio transformation and structural reforms in newly acquired businesses.

Take steps to shrink working capital, offsetting increases expected due to expanded sales.

Work to streamline the balance sheet and improve asset profitability by, among others, reviewing cross-shareholdings and promoting business portfolio transformation.

Cash provided by operating activities: ¥190 billion + α

Working capital: ¥10 billion

Shrink assets by ¥40 billion + α

Cash out (Targets for FY2024–2026)

Ordinary investments: Approx. ¥150 billion

Strategic investments: ¥20 billion + α

Reduction in interest-bearing assets: Approx. ¥40 billion

Ordinary dividends: ¥30 billion

Additional returns to shareholders

Be conscious of capital cost and narrowing replacement investments.

- Make next-generation strategic investments in certain businesses.
- Decisions regarding additional strategic investments will be made with a view to potential for securing profits.

Promote financial management that emphasizes maintaining an A credit rating, ensuring stable operations and financing.

Set minimum limit for annual dividends per share of ¥100.

If accelerated and proactive initiative are successful in generating additional cash, such cash will also be applied to returns to shareholders.

	FY2023 (Actual)	FY2025 (Final Year of Phase 1)	FY2026 targets and measures	
Return on invested capital (ROIC)	**1.5%**	**6.0%**	**4.0%–5.0% ≧ Weighted average cost of capital (WACC)**	The target for ROIC will be revised downward because of worsening profitability, a consequence of the deterioration of the operating environment, but structural reforms and a review of the allocation of management resources are expected to underpin a swift improvement.
Return on equity (ROE)	**▲10.6%**	**—**	**7.0%–8.0% ≧ Cost of equity**	Fiscal year 2026 is simply a transit point in the drive to improve capital efficiency and bolster corporate value.
Net debt-to- equity (D/E) ratio	**1.21 times**	**Below 1.0 times**	**1.00–1.10 times**	Thanks to the progress of structural reforms in relevant businesses, a degree of leverage exists, but financial management will continue to focus on maintaining an A credit rating.

2

Achievements to Date and Remaining Issues

Achievements to Date

- **Investing in multiple development themes and making acquisitions has facilitated the exploration of diverse possible new businesses, creating the seeds for business portfolio transformation.**

	Achievements	
Expand businesses through M&As and shift focus to growth businesses	• PCAS Canada Inc.: Secured technologies used in the manufacture of polymers in the PRC • Guangdong TOD New Materials Co., Ltd.: Expanding the coating resins business in China and the securing of a local production base for waterborne resins • Sapici S.p.A.: Gained Ultra Low Monomer (ULM)* technology, thereby establishing a competitive advantage in Europe, where environment-related needs are high	Smart living Sustainable packaging
Promote Value Transformation	• Commenced production of environment-friendly waterborne polyurethane resin • Developed and Launched PFAS-Free Surfactants • Prepared to implement closed-loop recycling of polystyrene • Launched near-infrared (NiR) reflective black pigment	Smart living Sustainable packaging Color science
Conduct joint R&D and commercialize products in new businesses	• Launched resin lithium-ion battery (LiB) electrode binder and made progress in developing other battery materials • Collaborated with various start-ups to add depth to and commercialize biotechnologies (e.g., expanded algae business and launched *fillwith* skincare brand)	Sustainable energy Healthcare
Withdraw from unprofitable, low-growth, noncore businesses and rationalize businesses in need of structural reform	• Consolidated and rationalized production facilities in the publication inks business • Divested noncore business subsidiary SEIKO PMC CORPORATION** and applied proceeds to the acquisition of promising new businesses • Withdrew from unprofitable and noncore businesses (housing materials, building material coatings, alkylphenols and glass photomasks)	

Sustainable energy, healthcare, smart living, color science and sustainable packaging
DIC Vision 2030 identifies five priority business areas at the intersection of environment, safety and health (ESH)-related issues/social changes and DIC's core competencies by taking into consideration market growth potential and social impact

* ULM is a resin raw material containing minimal harmful substances.
** SEIKO PMC is a manufacturer of papermaking chemicals and resins for printing inks.

Despite exploring possibilities in multiple areas, expected profitability was not achieved due the dispersion of management resources and deterioration of the operating environment.

➡ **The time has come to shift from exploring possibilities to delivering results**

Issues to Be Addressed and Future Plans

- **Emphasize measures that will yield swift and consistent results and elucidate the prioritization of management resources allocation.**
- **Pursue synergies with and accelerate rationalization efforts in newly acquired businesses.**

Issues to be addressed		Future plans
Optimize allocation of management resources	● Limits to available resources in the current harsh business environment ➡ Need to prioritize areas of focus	● Concentrate allocation of management resources on growth businesses with the potential to quickly achieve viability and profitability. ➡ For details, see page 11.
Swiftly create next-generation and growth businesses	● Dispersal of management resources into areas where it is difficult to leverage competitive strengths, making it difficult to choose which businesses to prioritize	● Concentrate allocation of management resources in the priority business area to be emphasized over the short term (Smart living). ➡ For details, see page 12.
Pursue synergies with newly acquired businesses to achieve intended results	● Deterioration of profitability of the pigments business in Europe and the Americas as a result of rising fixed costs	● Merge/shutter production facilities. ● Promote a large-scale labor force rationalization. ● Review and implement measures to leverage synergies that take into account changes in the business environment. ➡ For details, see page 13.
Accelerate rationalization efforts in businesses in need of structural reform	● Publication inks: Deterioration of profitability due to market contraction and cost increases ● Thin-film transistor liquid crystals (TFT LCs): Deterioration of profitability due to intensified price competition, a result of late market entrants from the PRC	● Increase the efficiency of production and sales configurations. ● Promote alliances with other company in the same industries. ➡ For details, see page 14. ● Continue to consider a drastic restructuring of the TFT LCs business; reach a decision by the end of fiscal year 2024.
Promote sustainable strategies efficiently	● Need to execute strategies in a difficult business environment	● Promote sustainability initiatives while prioritizing measures. ➡ For details, see page 15.

Optimal Allocation of Management Resources and Business-Specific Measures

- Concentrate management resources on areas that are expected to generate profits swiftly and reliably by leveraging our strengths. ▶ Smart living
- Ensure achievement of vision for DIC in the future despite a difficult business environment by promoting the efficient allocation of management resources.

Strategies for the remainder of Phase 1 (Fiscal years 2024–2025)

Priority business area to be emphasized in Phase 1

Smart living

From the perspective of potential to swiftly achieve viability and profitability, concentrate the allocation of management resources in Phase 1 on the area of smart living.

- **Emphasize reinforcing capabilities in electronics materials**
  - Establish the Chemitronics Business Division.
  - Add depth to core business and strengthen peripheral businesses.
- **Fully leverage synergies with newly acquired businesses**
  - Uncover synergies with PCAS Canada.

Focus on appropriate investment targets in other priority business areas

- Identify investment targets to be given precedence in Phase 1 and strive to realize profitability.
- New strategic investments will be implemented in Phase 2 or later, when profits are expected to improve.

Sustainable energy

Be bold in selecting targets. Withdraw from businesses in which demonstrating competitive strengths is determined to be difficult.

Healthcare / **Sustainable packaging**

Select and discard diffused targets. Choose and focus investments on businesses that are expected to swiftly achieve viability and profitability.

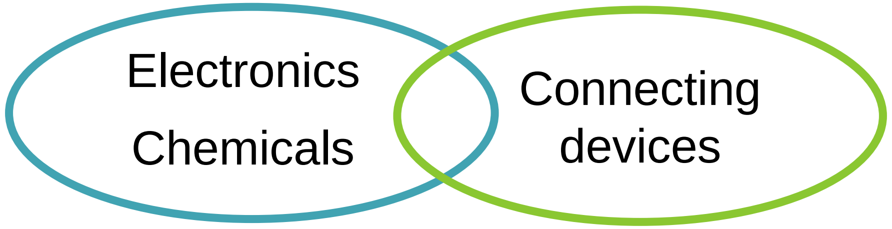
Color science

Promote rationalization efforts to improve profitability in the Colors & Effects pigments business.

Initiatives Aimed at the Swift Creation of Next-Generation and Growth Businesses (Functional Products / Smart living)

- **Designate business centered on chemicals and materials for electronics applications “chemitronics” and concentrate the allocation of management resources in this business.**
- **Provide uniquely DIC solutions, focusing on materials for semiconductor packaging and cutting-edge electronic components, both of which are expected to grow in the future.**
- **Target for the chemitronics and related business: ¥5 billion–¥7 billion increase in operating income from the fiscal year 2023 level by fiscal year 2026.**

Chemitronics



Resins for electronics materials, surfactants, etc.

Bonding materials, functional films, etc.

Develop products that contribute to society		
Reduce environmental impact	Surfactants that contain no perfluoroalkyl and polyfluoroalkyl substances (PFASs)	
Contribute to an increasingly digital society	Low-dielectric resins Resins for next-generation semiconductors	
	Binders for storage batteries Bonding materials for next-generation batteries	
Promote recycling and reuse	Materials that can be easily joined and disassembled	

Expand businesses that straddle the two areas by adopting a “Direct to Society” business creation mechanism

Create new businesses by envisaging future needs and providing solutions and value (materials, devices and services) directly to society.

Provide value in the electronics market centered on our materials

- Existing products, products under development, business channels
- Design and production technologies for chemical materials, notably polymers
  - A solid track record as a producer of stable quality, ultra-low-impurity materials for electronics applications

Promote initiatives to strengthen capabilities

- Established the Chemitronics Business Division
  - Integrated information with the aim of adding depth to market-focused strategies/created integrated production, sales and R&D configurations and expedited decision making
- Acquired PCAS Canada Inc.

Structural Reforms in the Pigments Business in Europe and the Americas (Color & Display)

- **Create configurations in Europe and the Americas that maximize synergies by promoting structural reforms and measures to heighten efficiency, including the merger and shuttering of production facilities and labor force rationalization, thereby improving earnings structures, particularly for the newly acquired Colors & Effects pigments business.**

Merged and shuttered production facilities

- Optimized pigments production configuration* in Europe, taking into account future demand

  * Downsized 4 sites and optimized 12 sites

Rationalized labor force

- In addition to rationalizing operations, a policy since acquisition, rationalized the labor force* in response to the deterioration of the business environment

  * Phased implementation began in fiscal year 2022. The largest-scale labor force rationalization to date began in fiscal year 2023.

Transformed product portfolio

- Rationalized production of conventional pigments (azo, phthalocyanine, diketopyrrolopyrrole (DPP))
- Expanded high-value-added products (perylene pigments, effect pigments, pigments for displays)

Return to a growth trajectory by promoting structural reforms

Bolster production efficiency and cut costs

- Total structural reform–related costs for fiscal years 2023–2026 will be approximately ¥16 billion.
- The annual improvement in operating income attributable to rationalization is expected to be ¥10 billion-plus from the fiscal year 2022 level as of fiscal year
- Continue to promote additional structural reforms from fiscal year 2027 on to further boost operating income.
- Seek to restore profitability by implementing structural reforms aimed at streamlining assets and personnel reforms.

Invest in strategic growth products

- Bolster profitability and grow businesses by expanding production of perylene pigments, effect pigments, and pigments for displays, demand for which is increasing for specialty applications.

Strive to achieve sustainability

- Establish a more competitive production structure by reducing CO_2 emissions through the optimization of locations and processes.

Structural Reforms in the Publication Inks Business (Packaging & Graphic)

- **Maintain profitability across the publication inks business by optimizing production structure and implementing rationalization measures in preparation for shrinking demand, customer migration and other changes in the competitive environment.**

Formed business alliances in Japan and streamlined production structure in other countries and territories

- Japan: Formed alliances with other company in the same industry, improving the efficiency of production facilities and promoting effective use of logistics capabilities
- Asia–Pacific region: Streamlined production structure by merging facilities close to demand centers and transferring operations to mother plants
- Europe: Optimized production across the region by merging certain production facilities and shuttering others

Plan to implement further rationalization measures in accordance with demand trends

- Japan: Plans include scaling back production capacity, reorganizing sales configuration to improve efficiency and developing alliances in the areas of production and logistics
- Europe and the Americas: Implement rationalization measures optimized to reflect the speed of market maturation; explore effective utilization of the site as a way to improve profitability

Achieve rationalization through business reforms

- Promote structural reforms in Japan and other countries and territories with the goal of achieving cumulative savings from rationalization of ¥2.5 billion for fiscal years 2024–2026.
- Continue exploring various additional rationalization measures in anticipation of market trends and the responses of competitors.

Sustainability Initiatives

Our plans to lower CO2 emissions have made steady progress until year 2023. Explore promoting Groupwide measures and setting a timeline with the aim of achieving a 50% reduction from the fiscal year 2013 level by fiscal year 2030.

Initiatives to date (Fiscal years 2022–2023)

- Achieved a reduction of CO_2 emissions of 22% from the fiscal year 2013 level as of fiscal year 2022; made steady progress in fiscal year 2023 thanks to converting to green electricity in all plants inside Japan and switching from coal to liquefied natural gas (LNG) boilers.
- Concluded a comprehensive partnership with the city of Yokkaichi and conducted a demonstration test for a polystyrene product recovery system. Explored diverse possibilities for use in the recycling of food containers.
- Began providing carbon footprint information to customers.

Policies going forward (Fiscal years 2024–2025)

- Formulate a roadmap for reducing CO_2 emissions by 50% from the fiscal year 2013 level by fiscal year 2030 and explore various approaches to purchase green power that take into account regional characteristics and scale and scheduling considerations.
- Broaden response to rising demand for the disclosure of nonfinancial information (including European sustainability disclosure legislation).
- Expand lineup of products to be developed for environmental design and a circular economy.

Priority issues in sustainability initiatives

- In working to reduce CO_2 emissions by 50% from the fiscal year 2013 level by fiscal year 2030, be mindful of the need to balance the two priorities of resolutely achieving this target and ensuring robust cost competitiveness.
- In addressing a circular economy, realize a recycling-based society and bolster the competitiveness of DIC products and solutions by leveraging our strengths and uniqueness.

3

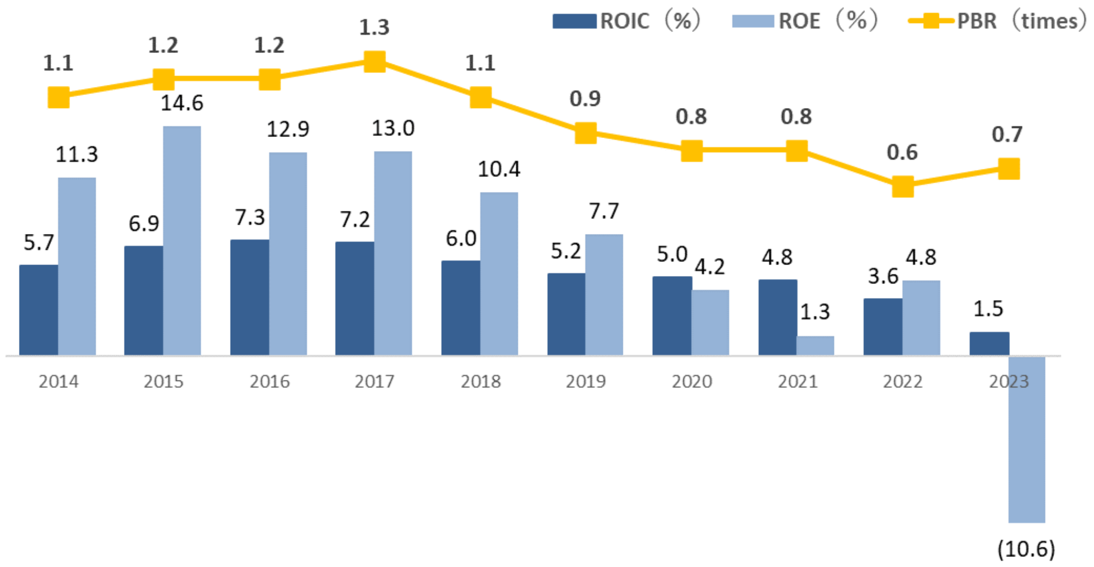
Measures to Improve Corporate Value

Measures to Implement Management that is Conscious of Capital Costs and Share Price

Analysis of current situation

- The price-book value (P/B) ratio has been below 1.0 times since fiscal year 2019.
- Despite active investment in business portfolio transformation, there has been a delay in newly acquired businesses becoming profitable, resulting in a decline in ROIC, a measure of capital efficiency.
- While WACC has been pushed down by an increase in interest-bearing debt, ROIC is currently lower.

P/B Ratio, ROIC and ROE (Fiscal years 2014–2023)



Initiatives for improvement

Policy and targets

- DIC recognizes improving return on capital as a key management challenge and works to improve capital efficiency by promoting selectivity and concentration.
- Target: ROIC of 4.0%–5.0%, exceeding WACC, by fiscal year 2026.

Specific initiatives

● Promote business portfolio transformation ➡ For details, see page 10.

- Prioritize the balanced allocation of management resources.
- Promote structural reforms to improve profitability in and leverage synergies with the Colors & Effects pigments business.
- Withdraw from unprofitable and noncore businesses.

● Clarify policy for cash allocation ➡ For details, see page 7.

- The final stage of strategic investments in business portfolio transformation has been reached.
- Streamline the balance sheet by shrinking cross-shareholdings and other assets.
- Pursue approach to financial management centered on maintaining an A credit rating and achieving a net D/E ratio of 1.0–1.10 times.
- Set a minimum limit for annual dividends per share of ¥100. Any additional cash generated will also be applied to returns to shareholders.

● Reduce capital costs

- Strive to reduce capital costs by, among others, working to ensure a stable operating performance, achieving consistent dividends through the setting of a minimum dividend limit.

● Strive to improve corporate value

- Establish the Corporate Value Improvement Committee, which will explore the role of companies in society from a high-level, broad viewpoint and advise the Board of Directors from a third-party regarding the improvement of corporate value over the long term.
- Appoint outside directors and external experts to be committee members, emphasizing independence and objectivity.
- Themes for deliberation are general matters related to ensuring management is conscious of capital costs and share price and include measures to improve ROIC and make effective use of owned assets and management of Kawamura Memorial DIC Museum of Art.

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