

# DKS Report 2025



# DKS's Vision for 2030

With our daily lives affected by environmental issues such as global warming and resource depletion, along with social challenges such as the declining birthrate and aging population, DKS aims to respond to customer needs. As an R&D-oriented company promoting a "Uni-Top" strategy, we strive to be chosen for our comprehensive proposal capabilities. To achieve our new Medium-Term Management Plan SMART 2030, we place an emphasis on employee growth and challenges, while boosting motivation to drive initiatives and advance health and productivity management. At the same time, we pursue our belief that **"chemistry provides a solution"** to protect our environment and to enhance the safety and comfort in people's lives.



**Vision**  
(Prospects)

**Mission**  
(Purpose)

Electronics & IT

Environment & Energy

**Purpose**  
(Raison D'etre)

**Contributing to the**



Digital society

Electronics & IT



# Value

(Code of Conduct)

1. Provide value based on the Company's mottos

Engage in business activities based on the principles of Quality First, Cost Reduction, and R&D Efforts

2. Responsible consumption and production

Protect the global environment and contribute to the realization of a sustainable society

3. Empathy, respect, and growth

Promote empathy and respect among employees, customers, and partners as well as mutual growth

## SMART 2030

Become a smart chemical partner that can solve various issues in society

Sustainability

Mission

Action

Reliability

Transformation

## Chemistry provides a solution

Develop new technologies and products to contribute to the digital society

Life & Wellness

Protect lifestyles and health through health-conscious products and services

Propose materials that have a low environmental impact and promote a decarbonized society

Core Materials

Utilize fundamental technologies to help realize a sustainable, circular society

## nation and society through industry



Decarbonized society



Healthy society



Circular society

Environment & Energy

Life & Wellness

Core Materials

# Key Points We Would Like to Share

## About DKS Report 2025

We created DKS Report 2025 to share the following four key points with our stakeholders.

## Four key points

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### Vision for 2030

Our daily lives are surrounded by various social issues, including environmental problems such as global warming, and resource depletion, as well as social challenges such as the declining birthrate and aging population. As a “smart chemical partner that solves problems for society,” we believe that “chemistry provides a solution” to enhance the safety and comfort of our environment and everyday lives.



YAMAJI Naoki, President & CEO P.8-13

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### About our new Medium-term Management Plan SMART 2030

We will continue to create corporate value, refine our code of conduct and strive to improve our human resources. With three keywords, “Uni-Top,” “Sustainability,” and “Challenge,” we will strive to implement reforms that will link the maximization of intangible assets, including human capital, with corporate growth.



SAKAMOTO Mami, Director P.25-30, 60

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## Sustainability

The chemical industry needs to reduce its environmental footprint and transition to a circular economy. We are focusing on the development of biomaterials, innovation in the field of recycling technologies, increased energy efficiency, and promotion of GX and DX. Through our progress in our material issues, we demonstrate our implementation of reforms that link the maximization of intangible assets, including human capital, to corporate growth.



SHIMIZU Shinji, Representative Managing Director & CFO

P.31-34, 63

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## Deepening corporate governance

DKS's reform of its governance is still in its development stage. Our fundamental approach to corporate governance is to position and work on the deepening of governance as one of our most important priorities. This is to establish the foundations of our business, earning the trust of society and engaging in transparent and fair corporate activities rooted in corporate social responsibility (CSR).



NAKANO Hideyo, Outside Director

P.27-28, 72-77



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### DKS Report 2025 Editorial Policy

In 2016, the DKS Group began to publish its integrated annual report (DKS Report), which added information about the Company's finances and management strategy to what had been in its Environmental and Social Report. From 2017, we referred to the International Integrated Reporting Framework promoted by the International Integrated Reporting Council (IIRC\*), which became part of the Value Reporting Foundation in a June 2021 merger.

We are also continuously publishing an English-language edition. As our business activities become increasingly international in nature, we aim to communicate to all our stakeholders including those overseas. Starting with the disclosure of environmental, social and governance (ESG), and non-financial information associated with DKS's sustainable growth, we will also convey management's vision, business results, growth strategy, capital policy and other information.

In this Report, by visualizing those "invisible assets" that raise corporate value, we attempt to describe the Company's current conditions and its journey to the future, so as to be able to inform the readers of the creation of value across the short, medium and long terms. Looking to the future, we will use the DKS Report as a communication tool with all our stakeholders.

Please refer to our official website for detailed information about the financial and nonfinancial information of the DKS Group.

\* In June 2022, IIRC was integrated into ISSB, the IFRS foundation.

**Organizations Covered by this Report** DKS Co., Ltd. ("DKS" or "the Company") and Group companies (collectively "the DKS Group" or "the Group")

**Period Covered by this Report** In principle, this Report contains our activities and data during fiscal 2024 (from April 1, 2024, to March 31, 2025).

**Reference Guidelines** International Integrated Reporting Framework by the IFRS Foundation, "Guidance for Collaborative Value Creation 2.0" by the Ministry of Economy, Trade and Industry, "Environmental Reporting Guideline 2018" by the Ministry of the Environment, "Environmental Accounting Guideline 2005" by the Ministry of the Environment, "Environmental Accounting Guideline for Chemical Industries (November 2003)" by the Japan Chemical Industry Association (JCIA)

### [Forward-Looking Statements]

Statements contained in this report regarding the plans, projections and strategies of DKS that are not historical facts constitute forward-looking statements about future financial results and are subject to risks and uncertainties. As such, actual results might differ significantly from these forward-looking statements due to changes in various external environmental factors. Consequently, DKS hopes for your understanding as it does not guarantee the certainty of such forward-looking statements.

### [Disclaimer]

This English translation is provided for reference only. In case of any discrepancies, the Japanese version shall prevail.

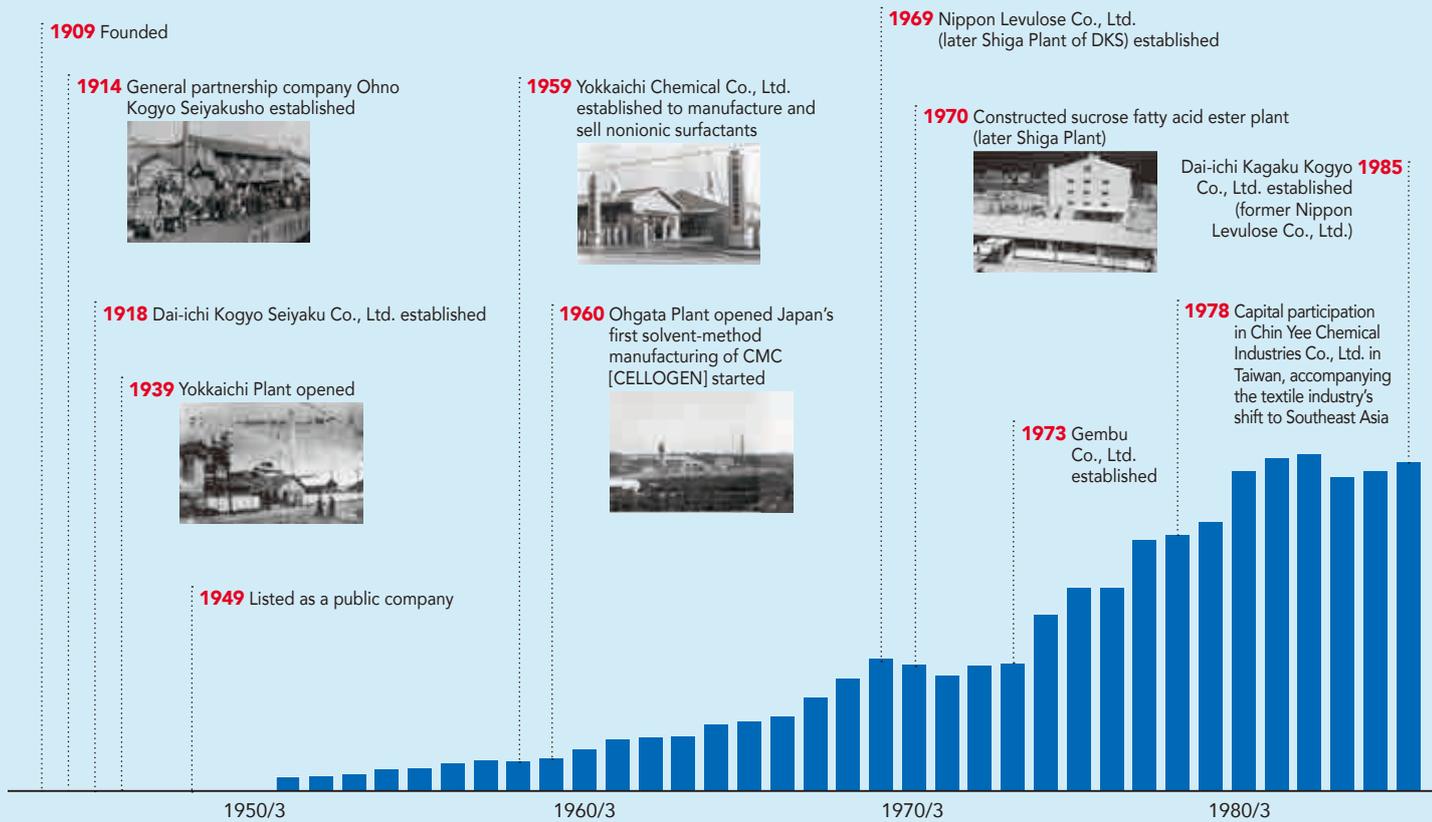
### Posted on the Website

#### ESG Data Book >>

<https://www.dks-web.co.jp/english/sustainability/index.html>



# Philosophy in Practice—The History of Society and DKS



**1900s**  
**Rapid Growth of the Spinning Industry**  
 With the advent of World War I, the spinning industry undergoes dramatic growth. Textile goods exceed 50% of Japanese exports.  
 1909 SILKREELER cocoon unwinding agent (chemical agents for spinning)  
 1915 Gembu Marseille Soap (industrial soap for textiles)

DKS products that respond to societal changes

Trademarks of the Company (from left: Seiryō, Suzaku, Byakko and Gembu)

**1930s-1950s**  
**Industrial Modernization, Shift to Synthetics**  
 Following World War I, the industry undergoes a period of modernization, during which time the textile industry sees an accelerating shift from natural fibers to synthetic alternatives.  
 1934 MONOGEN higher alcohol-based detergent  
 1950 CELLOGEN synthetic thickener  
 NOIOGEN nonionic surfactant  
 CATIOGEN cationic surfactant

Main products of this time

**1909s-1950s**  
**Founded as an Oil Agent Manufacturer, Aimed to Become a Comprehensive Chemical Industry Manufacturer**

- Founded in 1909 based on the "Dai-ichi Kogyo Spirit," the Company developed and sold the silkworm cocoon unwinding agent, a chemical for spinning waste cocoons.
- In 1915, the Company introduced Gembu Marseille Soap, the first domestically produced soap into the textile industry, which had been previously completely dependent on imported soap.

**1960s**  
**Establishing a Foundation for Future Growth**

- In 1960, against the backdrop of intensifying price competition in

The Growth of DKS

industrial fields, the Company expanded the scope of and diversified its industrial products. In anticipation of the future potential of the polyurethane market—positioned as a downstream sector within the petrochemical industry—the Company commenced its Polyether business. Moreover, the Company launched a series of businesses that would serve as a foundation for the future, including flame retardants and sucrose fatty acid esters.

**1980s-1990s**  
**Becoming a Leading Highly Functional Chemical Products Company**

- In the transition to high-value-added products, the Company enhanced research and development in the priority areas of "Resources and Energy," "Electronics and IT," "Food, Pharmaceuticals and Cosmetics," and "New materials."

**Dai-ichi Kogyo (DKS) Spirit and DKS Mottos**  
 The Dai-ichi Kogyo (DKS) Spirit states that "We must demonstrate the traditional spirit of the Japanese people—the Yamato spirit—in our industry, always realize coexistence and co-prosperity between ourselves and others based on the concept of service, and maintain sincerity to contribute to the prosperity of the nation, society and mankind." Sincere efforts to manifest this spirit continue to be passed down through our three Company Mottos: "Quality First," "Cost Reduction," and "R&D Efforts."

The foundation of DKS

**Thoughts on Cost Reductions**  
 To truly promote the spirit of service as a manufacturer, we must not only manufacture quality products, but also, as our founder says, we must "make our existing quality products widely known to the public," and at the same time "distribute quality products so that the public can purchase and consume them freely and easily." Since the Company's founding, the idea of not only pursuing cost reduction, but also doing business for the benefit of the world and people, has taken root.



### 1960s-1990s

#### Growing Environmental and Safety Concerns Lead to High Value-Added Materials

Following the oil shocks of the 1970s, the industry transitions to high value-added products. In the 1990s, greater interest is placed on environmental consideration and safety, which accelerates the greater functionalization of existing materials.

- 1969 PYROGUARD flame retardant for plastics
- 1970 DK ESTER food emulsifier
- 1981 NEW FRONTIER UV/EB-curable monomers and oligomers
- 1982 SUPERFLEX waterborne polyurethane
- 1990 EIMFLEX polyurethane resins
- 1992 HITENOL polymerizable surfactant

### 2000s-

#### Qualitative Change and Second Renaissance

- Since 2004, the Company has constructed a business portfolio for a highly profitable structure and promoted the development and expansion of new high value-added businesses.
- In 2009, the Company celebrated the 100th anniversary of its founding. With the aim of qualitative change, the Company started a six-year management plan and promoted the transition to a business division system, management infrastructure development and a shift away from petrochemicals, and the strengthening our financial position. The Company transformed its corporate structure, placing emphasis on the DKS Credo and created a platform for further growth.
- In 2015, the Company formulated a five-year plan for new value creation. In

### 2000s

#### Highly Functional Chemicals Sector Developments Resolve Social Issues

Japan's chemical industry begins to see the development of highly functional sectors that actively create and deliver added value to society.

- 2005 ELEXCEL IL ionic liquid
- 2013 RHEOCRISTA cellulose nanofibers
- 2017 TRIBIO polylactic acid resin modifier
- 2018 Japonica-Bombyx Fungus (health food), Sudachin (citrus sudachi peel extract powder)
- 2021 Announcement of Naturido, a new active ingredient expected to improve cognitive function
- 2022 TENCHUKASOU (health food)
- 2023 Kainou Tochukasou (food with functional claims), NIOCAN (deodorizing and disinfecting spray)

the same year, the new Kasumi Plant was constructed in Yokkaichi of Mie Prefecture, as a mother plant with the aim of integrating production, sales and development functions, preparing the foundation for a second renaissance.

#### Launch of Life Sciences business, Full-Scale Shift to DREAM businesses

- With its full-scale entry into the business field of life sciences in 2018, the Company acquired Biococoon Laboratories, Inc. and IKEDA YAKUSOU CO., LTD. as wholly owned subsidiaries.
- In 2023, we completed the notification for a Food with Functional Claims (FFC) for a product using I. Japonica Bombyx Fungus, which contains Naturido.

### A Corporate Culture of Respect for Quality

As early as 1922, uniform product standards were developed and the division of duties clearly stated that research staff were responsible for quality checks. In 1951, a quality management committee was established to cultivate a corporate culture of respect for quality and engage in organizational development. In the 1960s, QC circles were actively developed at plants across Japan led by young engineers, and in 1974, these activities were unified, and together with research efforts DKS established a reputation as a technology company.

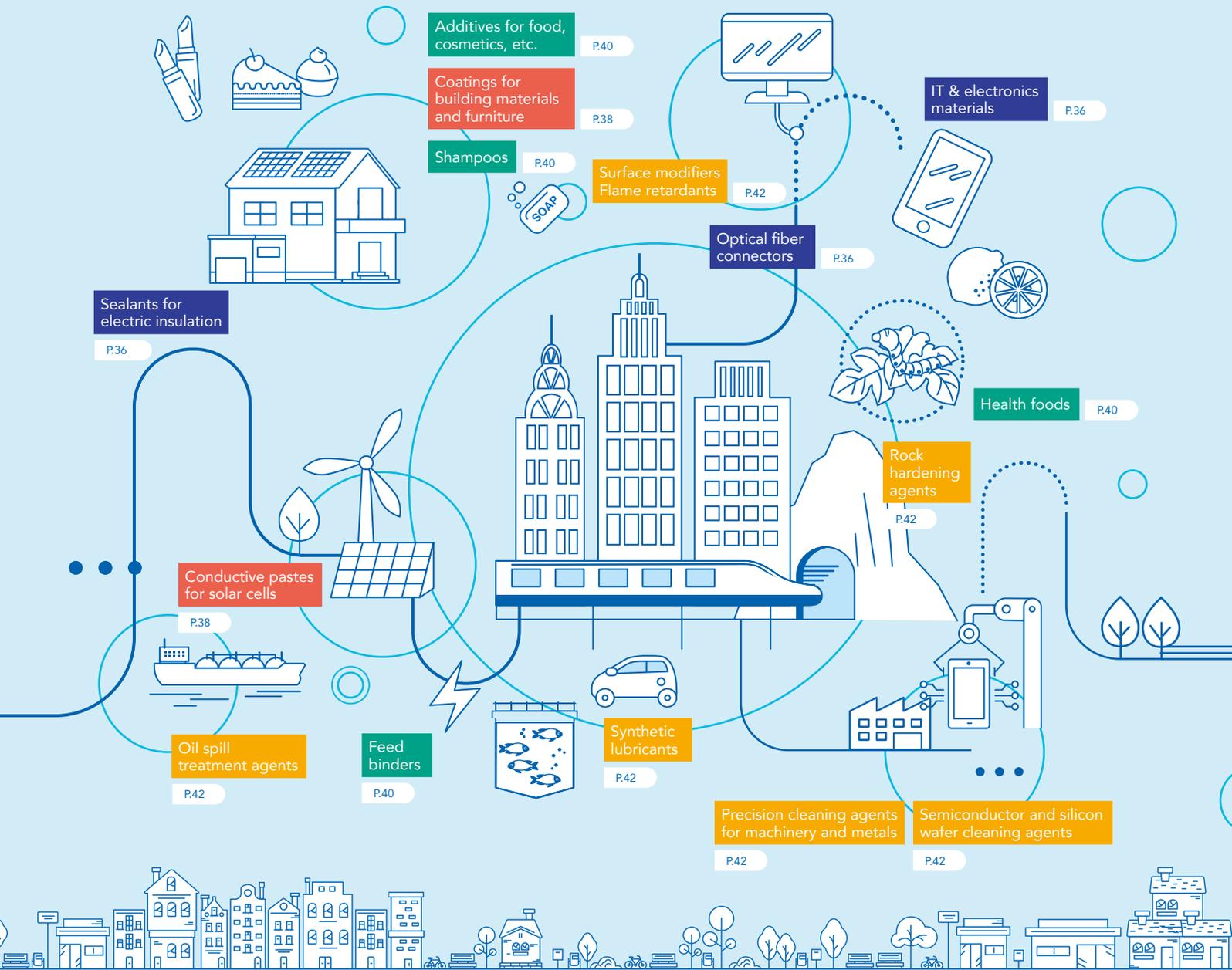
### Source of Original Technologies

During the post-World War I recession, the Company constructed laboratories in 1918, research incentives were stipulated in 1919 and "inventor award provisions" were enacted one after another in 1920 to encourage the creation of new products. The Company created superior new products and patents and strove to conduct research. In 2002, the Company implemented a patent incentive system ahead of other companies, contributing to the development and creation of new businesses such as the current Life Sciences business.

# DKS's Raison D'etre and Vision for 2030



DKS Group products support a variety of other products used in our daily lives. Here are some examples found in society and our living environment.



## Four Business Segments

DKS revised its disclosure segments as part of its growth strategy targeting 2030. By reorganizing from six segments based on materials into segments organized by markets and applications, we will further deepen our relationships with customers, identify potential needs, and propose well-aimed solutions to issues. This change will clarify DKS's vision and strengthen the foundations for sustainable growth.

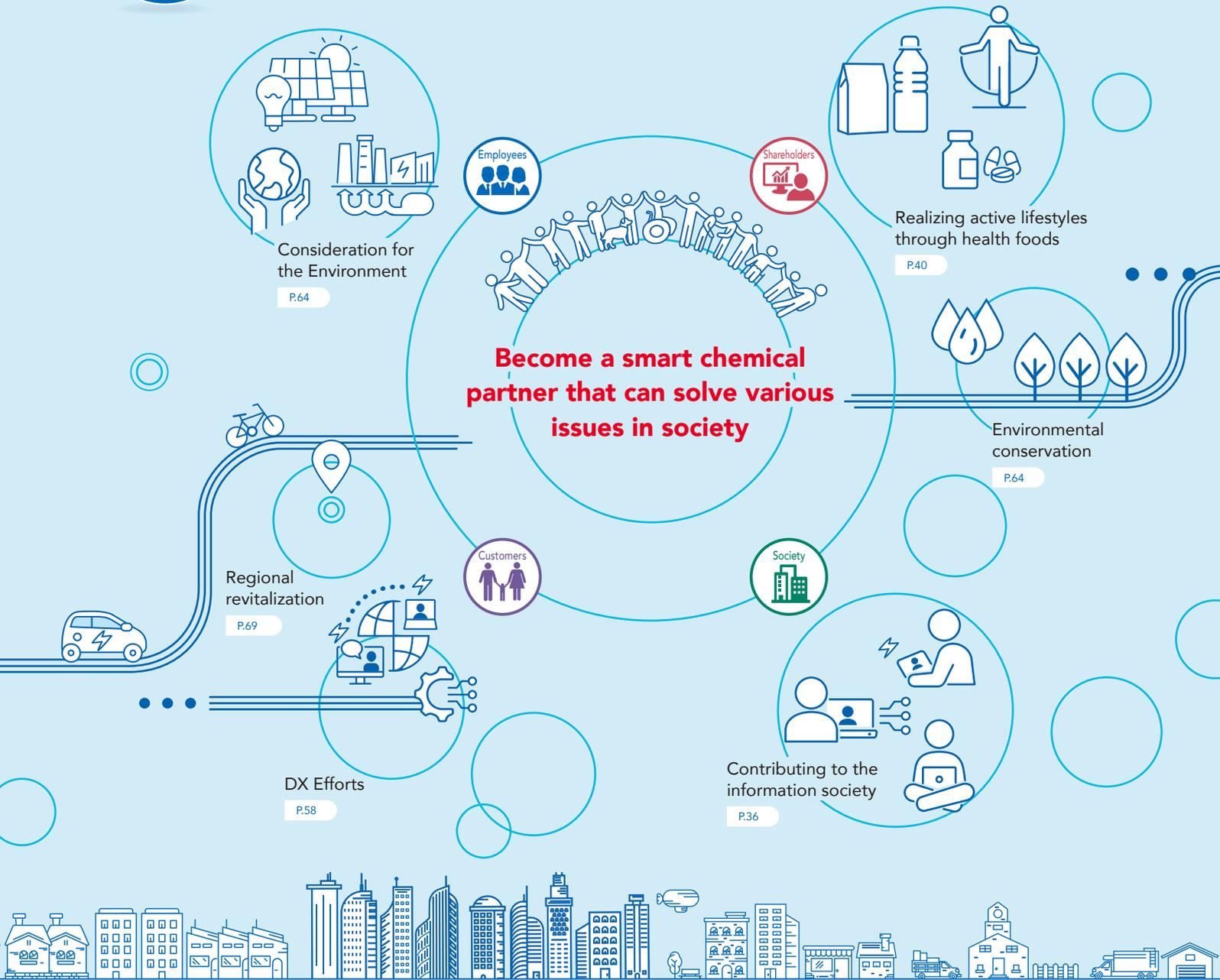


### Digital society Electronics & IT

The Electronics & IT segment provides materials that enhance the performance of components used in IT and electronic materials, including those for computers and smartphones.

**Vision for 2030**

In the year 2030, Japan will be facing social challenges from major impacts to employment, health care, and social security due to a shrinking workforce caused by an aging and declining population. Environmental challenges, such as global warming, marine debris, biodiversity loss, and climate change, are also important issues for companies to address. The DKS Group aims to become a smart chemical partner that solves various problems for society by using the power of chemistry.



Decarbonized society

**Environment & Energy**

The Environment & Energy segment promotes initiatives aimed at achieving the SDGs and carbon neutrality, focusing on contributing to a decarbonized society and reducing environmental impact. The segment offers environmentally friendly products and products for the energy field.



Healthy society

**Life & Wellness**

The Life & Wellness segment provides materials and peripheral technologies for a comfortable living environment, contributing to a healthy society. These materials and technologies are used widely in various fields surrounding our daily lives, including detergents, cosmetics, food, pharmaceutical products, deodorants, and health foods.



Circular society

**Core Materials**

DKS products are widely used in a variety of materials and components in our daily life, making our living environment more convenient and comfortable.

# Message from the President



**YAMAJI Naoki**

President & CEO

**Under the new Medium-Term Management Plan SMART 2030, DKS is pressing ahead with business reorganization and human capital investment to transform into a company that can flexibly adapt to change.**

**We will take on challenges without fear of failure, and work with all our might to solve social issues and create sustainable value.**

## Previous Medium-Term Management Plan FELIZ 115: Results and Issues

Over the past five years, the business environment surrounding us has changed dramatically. Corporate activities were severely hit by a myriad of outside factors, including the COVID-19 pandemic, semiconductor shortages, rising prices for energy and raw materials and constraints on the supply of rare metals as a result of the war in Ukraine, as well as the depreciation of the yen and inflation. In addition, the chemical industry is also facing a wave of transformation. The industry is seeing a shift towards green chemistry, the use of plant-derived raw materials, growing demand for recycled and upcycled waste materials, and a surge of interest in new materials such as bioplastics and high-performance materials. Especially in China, the construction of massive new chemical plants is intensifying price competition in the commodity chemicals market and forcing chemical manufacturers to shift towards higher value-added products.

Confronted with such changes in the environment, we have been working to improve profitability and strengthen our business foundation under our previous Medium-Term Management Plan FELIZ 115. We have made steady, incremental reforms, including withdrawing from or rationalizing products that have no potential and do not

contribute to profit, improving the productivity of older plants through DX, concentrating management resources on selected areas and exercising appropriate human capital management. As a result, we succeeded in achieving our targets under the plan, posting record high net sales of ¥73.2 billion (up 16.1% year on year) and record high operating income of ¥5.3 billion (up 157.6%). For FY2024, we adopted “Commitment to results” as our annual slogan and worked together in unison. We are still at an early stage, but the continued dedication of all employees to “results” have led to meaningful achievements.

Although we have felt tangible progress, issues remain in our R&D approach, and also in the HR and organizational structures. No matter how well-crafted the plan is, it is individual employees at our sites who execute it. If the plan is not well communicated or if individual employees do not clearly understand their roles, the plan will be difficult to achieve. In light of this, under our new Medium-Term Management Plan, we positioned the strengthening of our R&D framework and rebuilding our people and organizational structures as important themes, and will strive for more effective management.

## Message from the President

### The Future as Depicted in Our New Medium-Term Management Plan SMART 2030 - Emphasis on a Challenging Spirit

Our new Medium-Term Management Plan SMART 2030 (the “New Plan”) clearly sets out a vision for the future, specifically DKS’s vision for 2030. We aim to become a smart chemical partner that can solve various issues for customers and society with flexibility and creativity.

Our three keywords for achieving this vision are “Uni-Top,” “Sustainability” and “Challenge.”

“Uni-Top” means establishing a unique position in niche yet globally applicable areas of technology and aiming for the top through uniqueness rather than scale. Our goal is to be a company that is chosen by customers for its comprehensive proposal capabilities, including its technologies, quality and services. Thanks to these efforts, we have succeeded in launching products that hold promise for numerous applications, as described later. We will work to further strengthen these initiatives.

Moving on to “Sustainability,” we are not only expanding products that contribute to the environment, but also focusing on reducing CO<sub>2</sub> emissions throughout the entire supply chain and improving energy efficiency in manufacturing processes. Since becoming a signatory to the UN Global Compact, we have established a procurement policy that takes into consideration human rights and working conditions, and have gradually introduced dialogue and audits with suppliers. Moreover, we are committed to strengthening human capital and deepening corporate governance, aiming for sustainable growth.

The final keyword is “Challenge.” This means taking on challenges to transform the corporate culture itself. I believe “Challenge” will be the driving force that allows us to carve out our future. We will maintain collaboration and flexibility as we take on the challenges of technological innovation while addressing environmental concerns. We will not rest on the experience and track record we have accumulated so far but will rise to the challenge of change, a mindset I am confident will take our growth to the next level. In a rapidly changing era, maintaining status quo is equivalent to falling behind. I am, therefore, also considering introducing a new evaluation system that recognizes employees who took on challenges and have begun creating mechanisms that encourage a challenging spirit across the entire organization. One such mechanism is an awards program. Two years ago, we switched to an awards mechanism in which all employees participate. The awards are the “Corporate Value Improvement Award,” decided by a vote of all employees, the “Three Financial Statements Contribution Award,” decided based on the extent of contribution to profit, and then the “President’s Award,” chosen by myself. The awards ceremony is streamed across the Company on the website and, together, we honor employees who have worked to create new value with a challenging spirit. I intend to cultivate a culture that praises new ideas and the very act of stepping up even if no visible results are produced.

### Focusing on R&D: Strengthening Both Hard and Soft Aspects

Something I consider especially important is technological innovation in R&D. Bringing a flexible mindset and innovative ideas to the table and rising to the challenge of new technologies is the source of our competitiveness. I believe that an accumulation of even the smallest steps will eventually lead to great success. Moving forward, DKS will be a company where “taking on challenges is the norm.” I will personally lead the way in creating an organization in which each employee is encouraged to

take on new challenges proactively.

To support this challenging spirit, under the New Plan we intend to make growth investments of around ¥35 billion over four years, including capital investment. We consider this investment not merely as an expansion in scale, but as a move to nurture the shoots of new growth by prioritizing investment in R&D and in developing next-generation human capital. We will also focus on introducing analytical and evaluation instruments that will

allow us to conduct the same level of evaluation and testing as our customers, and further expand our pilot plants and prototype equipment. To accelerate R&D, the introduction of cutting-edge, high performance analysis equipment and the latest measuring instruments is essential, and I think it is important to develop a structure that allows us to carry out evaluations internally that meet customer needs. Through this approach, we will be able to actively focus on R&D in semiconductor-related fields, where high growth is expected in the future, as well as the development of battery-related materials. Along with the strengthening of such hard aspects, we will also focus on the soft aspects, including training engineers and building skills.

The purpose of this investment is not simply to update

equipment, but to go beyond that to create new products and solutions, and also establish fields that will become future business pillars. In addition to our first business pillar, the semiconductor field—especially high-end servers—battery materials have also grown into a second business pillar. We are steadily starting to see results in semiconductor cleaning agents, another promising market for future growth. Going forward, we will carefully select and make investments to develop our third and fourth business pillars. To survive in a rapidly changing environment, it is essential to take on challenges and make strategic investments to support them. I will ensure that we steadily advance these two drivers to achieve DKS's next growth stage.

## Aim of the Four New Business Segments

We revised our disclosure segments to set out our business direction more clearly and accelerate the allocation of resources to growth areas. By shifting away from traditional segmentation based on materials and reorganizing our business into four field-based segments: "Electronics & IT," "Environment & Energy," "Life & Wellness" and "Core Materials," we have adopted a more strategic business structure that hinges on the future potential of markets and the uniqueness of technologies. Another reason for the change is to strengthen the provision of information to external parties including stakeholders, with the aim of increasing understanding of our business.

To coincide with this reorganization, we have transitioned to a business-headquarters organizational structure that integrates R&D with sales functions ("R&D and Sales Integrated Model"). Each business division that belongs to a business headquarters is responsible for determining and prioritizing research themes, managing scale and progress and reallocating management resources where necessary. This allows them to develop products and build a track record more quickly and effectively. The integration of sales and research has resulted in a structure where the roles and growth paths of each segment are clearer, enabling us to adapt to market changes more flexibly and quickly. In addition, we have

established the Production Technology R&D Division and the Kyoto Central R&D Division as organizations under the direct control of the President.

I believe the Production Technology R&D Division is an extremely important division, where our researchers will consider scaling up the products they have designed for mass production and rapidly respond to quality claims about existing products, in collaboration with Production Headquarters. I used to feel every operation base needed such a function from the early stages of R&D. In my younger days, when I presented a design I created to the production shop floor, I was often scolded by more experienced plant workers, who would say, "You think we can make something like that?!" When pipeline products are scaled up, it is essential to design with consideration to shop-floor operations and cost. The Production Technology R&D Division plays an important role as a bridge between the research and production team. In addition, the Production Technology R&D Division will take a leading role in promoting innovation, including working with shop floor workers to solve specific issues for the social implementation of research findings.

The Kyoto Central R&D Division is a specialist division focusing on medium- to long-term themes that are a step ahead of the research themes handled by business divisions. As an R&D-oriented company, we will not rest

## Message from the President

on our current product lineup, but will systematically move forward by linking promising research themes with market trends. The DKS Credo is “Contributing to the nation and society through industry.” We must make people happier and make their lives more comfortable by solving the problems faced by customers and society, and we must also develop environmentally friendly products. Our approach to manufacturing is not a product-out approach but rather a market-in (market-oriented) approach. I believe this is fundamental to research and development.

The latest reorganization is not merely an organizational change. We consider it to be a strategic move for realizing sustainable growth in the future. We will keep leveraging this structure to ensure we grow into a successful company.

Promising markets will be mobbed by newcomers. This is why we will ensure our success by being quicker off the mark than anyone else. I believe the recent reorganization of our business segments and integration of sales and R&D have laid the foundations for achieving this and, as such, are extremely significant.

## Solving Social Issues and Fully Using Intangible Assets

Based on our vision to “become a smart chemical partner that solves various problems for society by using the power of chemistry,” we have continuously worked to develop products and technologies that can help build a sustainable future. We have given special priority to research themes aimed at reducing environmental impacts and effectively using resources.

In the field of sugar derivatives, for example, we are pressing ahead with the development of surfactants by creating new sugar derivatives, with an eye on expanding applications in the future. Meanwhile, cellulose nanofiber (CNF) materials are attracting attention for their unique rheological, emulsifying, and dispersing properties and have been applied in a wide range of products, including ballpoint pen ink and ceramic binders. Our research focuses on the application of CNF materials in achieving

stable dispersion of materials which are hard to disperse such as carbon nanotubes and carbon black, and we have our sights set on commercialization in the future.

Development is also underway in the field of battery materials, and we are in the process of establishing a structure that will allow us to carry out evaluations comparable to those of our customers.

Such contributions to social issues are underpinned by the intangible assets we have built up over more than 100 years—in other words, our “human capital,” “technology” and “trusted relationships with our customers.” I believe it is precisely the visualization and cultivation of individual skills, the pursuit of reliable quality and other forms of invisible value that will be the source of our competitiveness in the future.

## Growth Strategies and Initiatives to Improve Corporate Value

The numerical targets under the New Plan of ¥100 billion in net sales and ¥10 billion in operating income are not an extension of our targets to date. If anything, they assume a transformation in our corporate structure and clarification of our growth drivers and serve merely as milestones on the path to further growth. To achieve these targets, we will make investments in intangible assets such as human capital, ESG and DX. Our policy is to actively invest in human capital in particular, and we will

develop training mechanisms and environments that will allow employees to actively make their own choices.

In terms of promoting DX, we will also put effort into leveraging DX in production reforms. We are working on initiatives such as improving yield, optimizing capacity utilization and preventing quality problems by visualizing production processes and analyzing data, and these initiatives are leading to results in terms of increased productivity and lower costs. While steadily implementing

Based on the belief that “chemistry provides a solution,” we are committed to realizing a sustainable future.



reforms at production sites, we will also apply DX to R&D and all our work processes in the future for quicker, more accurate decision-making.

Furthermore, we have set a 2030 dividend payout ratio target of 40% as part of our capital policy and will seek to strike a balance between sustainable profit growth and stable shareholder returns. We are also considering the optimal allocation of retained earnings based on an assessment of reinvestment opportunities and the level of ROIC and will aim for management that balances financial soundness and growth potential.

Looking into the future, I would like to aim for net sales of ¥200 billion by around 2035 as a path for future growth.

This will be our next challenge after reaching our ¥100 billion net sales target under the New Plan. I believe the essence of the challenge we face is not to simply expand in scale but rather to evolve into a company that generates value considered necessary by society in a sustainable manner. To achieve this, we will accelerate the shift towards high value-added domains and will also focus on creating products and technologies that will help solve social issues. I believe that, in this new age, creating products that not only meet immediate market needs but also show an in-depth understanding of the issues faced by society and customers and realize a value proposal that resonates will greatly influence a company's growth.



## To Our Valued Stakeholders

Since its founding over 100 years ago, DKS has continuously contributed to society through the power of chemistry. Our commitment to society remains the same today and, based on the belief that “chemistry provides a solution,” we are working with employees, shareholders, customers, local communities and all other stakeholders to realize a sustainable future.

The one thing I value as an executive is to seriously take on board employees' opinions, actively participate in dialogue with those outside the Company, and build trust not just through words but through actions. I believe this

will ultimately lead to our sustainability as a company and improvement of our corporate value.

Now when the social and industrial structure is changing dramatically, DKS aims to be a company that not only responds to the changing times but also generates change itself. To this end, I will join all employees in repeatedly taking on challenges and engaging in dialogue and advancing steadily, step by step. I sincerely ask for your kind understanding and strong support for DKS going forward.

# Value Creation Process of the DKS Group

Based on its technologies and trust accumulated over the past 116 years, the DKS Group applies originality and imagination to limited resources in delivering materials that enrich our way of life.

<b>DKS Credo</b> ▶ <b>Contributing to the nation and society through industry</b>	<b>DKS Mottos</b> ▶ <b>Quality First, Cost Reduction, R&amp;D Efforts</b>
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## Inputs Business Model

Fiscal year ended March 31, 2025

**Financial capital**

Net assets: ¥44,504 million  
Interest-bearing debt: ¥29,414 million

**Manufactured capital**

Manufacturing bases: 14 (including 4 overseas)

**Intellectual capital**

Patents held: 1,003 (of which held overseas: 443)

**Human capital**

Employees (consolidated): 1,138  
(Ratio of female employees: 22.1% (Non-consolidated)  
Overseas employees: 210)

Ratio of employees with disabilities: 2.7%

**Social and Relationship capital**

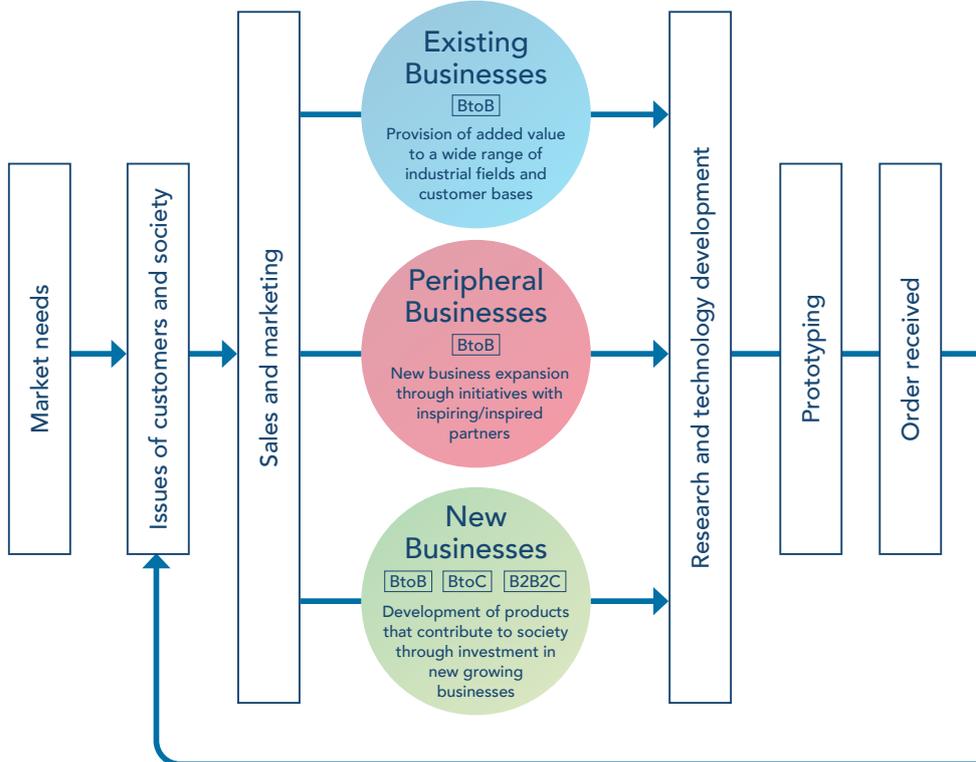
Inspiring/Inspired Partners (specific business partners with whom DKS can keep a mutually-inspiring relationship)  
Cooperation with local governments & universities

**Natural capital**

Energy consumption: 22,400 kL/year  
Raw materials used: Petroleum, coal, ores, wood, plants, and other biological materials

**Uni-Top strategy**

Aim for the top through uniqueness, without — A company that is chosen by customers for proposal capabilities, including its technologies,



## Medium-Term Management Plan "SMART"

<b>DKS's Six Critical Issues of Importance</b> (Important themes and material issues)	Research and Development	P.44
	Human Capital Management	P.54
	Consideration for the Environment	P.64



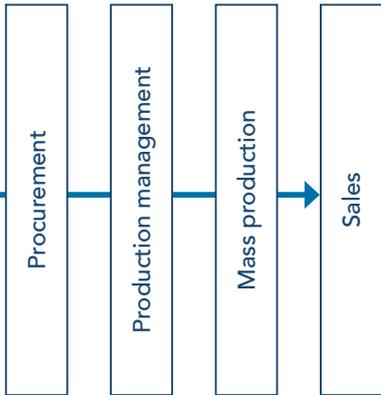
▶ **Outputs** ▶ **Outcomes**

Fiscal year ended March 31, 2025

pursuing scale  
its comprehensive  
quality and services —

Uni-Top

Unique × Top



Inspiring/Inspired Partners

Partners who anticipate end user needs, inspire each other with new approaches, and can collaboratively create value

2030''

P.25

Contributing to a Collaborative Society

P.69

DX Efforts

P.58

Organizational Resilience

P.60

**Four core business segments**



Digital society

**Electronics & IT**



P.36



Decarbonized society

**Environment & Energy**



P.38



Healthy society

**Life & Wellness**



P.40



Circular society

**Core Materials**



P.42

**Financial capital**

Shareholders

Total assets: ¥97,113 million  
Dividend per share: ¥100  
Free cash flows: ¥5,390 million  
Total shareholder return for the past 10 years: 79.2%

**Manufactured capital**

Customers

Yokkaichi Chemical Co., Ltd.:  
expanded plant facilities  
Capital expenditures: ¥2,147 million

**Intellectual capital**

Customers

Number of patent applications: 79  
(of which filed overseas: 34)  
R&D expenses: ¥3,759 million

**Human capital**

Employees

Ratio of female employees in managerial positions: 10.6%  
Retention ratio of employees with disabilities: 60.0%  
Percentage of paid leave used: 74.8%  
Had been selected as a Health & Productivity stock for five consecutive years

**Social and Relationship capital**

Society

Regional revitalization, local community engagement

**Natural capital**

Society

Contributions to an environmentally sustainable circular society (CN2050)  
Energy consumption per unit: 5.0% reduction  
GHG emissions: 43,300 tons (Increase of 3,400 tons)  
Generated waste amount: 17,895 tons (Increase of 3,600 tons)

# Explanation of the Value Creation Process

In developing and executing a strategy, the DKS Group uses six types of capital to continuously create both financial and non-financial value. We have outlined the results that can be achieved by investing our capital via our business model and how these results lead to the provision of value to many different stakeholders, including employees, shareholders, customers and society.



Outcomes		
<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>Total assets: ¥97,113 million (up 2.7% YoY)</li> <li>Dividend per Share: ¥100 (up ¥30)</li> <li>Free cash flows: ¥5,390 million (up 6.0% YoY)</li> <li>Total shareholder return for the past 10 years: 79.20%</li> </ul>	<p>Create value</p>
<b>Manufactured Capital</b>	<ul style="list-style-type: none"> <li>Expanded plant facilities: 4 locations</li> <li>Capital expenditures: ¥2,147 million (down 21.2% YoY)</li> </ul>	<p>Maintain value</p>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>Number of patent applications: 79 (down by 9 cases YoY) of which held overseas: 34 (down 17.1% YoY)</li> <li>R&amp;D expenses: ¥3,759 million (up 19%)</li> </ul>	<p>Create value</p>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>Ratio of female employees in managerial positions: 10.6% (down 1.0%)</li> <li>Retention ratio of employees with disabilities: 60.0% (down 21.8%)</li> <li>Percentage of paid leave used: 74.8% (up 0.2%)</li> <li>Had been selected as a Health &amp; Productivity Stock for five consecutive years</li> </ul>	<p>Create value</p>
<b>Social and Relationship Capital</b>	<ul style="list-style-type: none"> <li>Regional revitalization, local community engagement Network activities for the protection of Lake Biwa, etc.</li> </ul>	<p>Create value</p>
<b>Natural Capital</b>	<ul style="list-style-type: none"> <li>Contributions to an environmentally sustainable circular society (CN2050)</li> <li>Energy reduction rate: 5.0% (down 0.9%)</li> <li>GHG emissions: 43,300 tons (up 8.5%)</li> <li>Generated waste amount: 17,895 tons (up 25.5%)</li> </ul>	<p>Maintain value</p>



Providing value to stakeholders

Shareholders	Customers	Society
 Create value	 Maintain value	 Maintain value
 Maintain value	 Create value	 Maintain value
 Maintain value	 Create value	 Maintain value
 Maintain value	 Maintain value	 Create value
 Maintain value	 Create value	 Create value
 Maintain value	 Create value	 Create value

# Risks and Opportunities

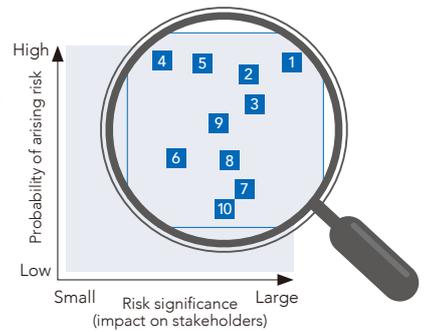
Risks and opportunities change in accordance with the social situation and business environment, and the way they are addressed can influence corporate value. We regularly identify, analyze and handle important risks and opportunities to enhance our corporate value.

Significant risks and opportunities		Impacts from risks and opportunities	Impacts on stakeholders
1	Risks Cost increases resulting from the fluctuation of raw material prices, reliance on external procurement, carbon taxes, and stricter environmental regulations	<ul style="list-style-type: none"> <li>Deterioration of profitability due to the fluctuations of the cost ratio.</li> <li>Price negotiations to maintain profit margin, and the potential for market share decline and customer loss.</li> <li>Increased procurement and production costs due to the introduction of a carbon tax on fuel and environmental regulations.</li> </ul>	
2	Risks Climate change-related risks (restrictions on GHG emissions, business impact from extreme weather, and water resource risks)	<ul style="list-style-type: none"> <li>Increased costs due to the introduction of carbon pricing.</li> <li>Damage to production sites, discontinuation of operations, increasing difficulty of raw materials procurement and disruption of supply chains due to extreme weather (e.g., storm surges, floods).</li> <li>Deterioration of production capacity due to shortage of water resources.</li> <li>Restrictions on business activities due to insufficient or delayed responses.</li> </ul>	
3	Risks Tighter environmental and human rights regulations, and demands from society (product safety and human rights issues in the supply chain)	<ul style="list-style-type: none"> <li>Restriction on business activities due to insufficient or delayed responses.</li> <li>Increased risks of lawsuits in relation to regulations regarding natural capital, strengthened international norms, extended producer responsibilities, etc.</li> <li>Reputational risks regarding quality defects and safety issues, and product liability lawsuits.</li> <li>Human rights violations in the supply chain leading to business suspension and serious reputational damage.</li> </ul>	
4	Risks Deterioration of competitiveness due to the intensification of global competition and the improvement of emerging nations' technological capabilities	<ul style="list-style-type: none"> <li>Declining earnings due to replacement by low-cost products from other companies.</li> <li>Concerns about decreased competitiveness in domestic and overseas markets due to the improvement of the technological levels and productivity of emerging countries.</li> <li>Increasing concerns regarding patent infringements overseas.</li> </ul>	
5	Risks Business continuity risks (disruption of supply chains, infectious diseases, cyberattacks, problems due to aging equipment, transactions concentrated on major customers)	<ul style="list-style-type: none"> <li>Decrease in earnings due to delayed or discontinued raw material procurement and product supply.</li> <li>Interruption and restriction of production, sales and R&amp;D activities due to large-scale disasters, geopolitical risks or the spread of infectious diseases.</li> <li>Cyberattacks or system failures causing information leakage, the suspension of business, delay of operations, loss of trust or pressure on earnings.</li> <li>Manufacturing trouble, quality issues, rising rate of industrial accidents, decline of productivity due to aging equipment.</li> <li>Possibility of changes in agreements with a major customer, cancellation of contracts, decline in demand for a product or deterioration of the business conditions of a major customer, and other factors, will adversely affect our business performance and financial condition.</li> </ul>	
6	Opportunities Develop environmentally friendly products and expand their sales (contribution to GX strategy and a circular economy)	<ul style="list-style-type: none"> <li>Capture demand from environment-conscious customers and markets, and increase sales and market share.</li> <li>Increase profitability by creating new high value-added products.</li> <li>Enhance the corporate image and brand value and obtain a higher ESG rating.</li> </ul>	
7	Opportunities Improvement of productivity, utilization of new technologies and streamlining of business by promoting digital transformation (DX)	<ul style="list-style-type: none"> <li>Reduce manufacturing costs and improve productivity by optimizing and automating production processes.</li> <li>Reduce response times and costs of all departments by streamlining business operations.</li> <li>Use data to accelerate decision making and increase accuracy.</li> <li>Creation of new values and establishment of competitive advantages by utilizing new technology such as generative AI.</li> </ul>	
8	Opportunities Propose solutions which contribute to the resolution of social issues and develop high-performance products	<ul style="list-style-type: none"> <li>Accelerate the shift to high-profit products by capturing new market needs in accordance with changes in society.</li> <li>Using the advantage of having customers in a wide range of sectors broadens the scope of the solutions proposed.</li> <li>Corporate social contribution activities are appreciated, improving brand image and reputation.</li> </ul>	
9	Opportunities Stricter quality controls, rigorous compliance practices and improvement of trust and corporate value using certifications	<ul style="list-style-type: none"> <li>Earn the trust of customers and society and improve our brand value and reputation.</li> <li>Leverage certifications such as FSSC 22000 to enable access to new business opportunities (e.g., the food sector).</li> <li>Offer product value even in niche areas and establish competitive advantages.</li> </ul>	
10	Opportunities Promote human capital management and secure and develop diverse human capital	<ul style="list-style-type: none"> <li>Strengthen companies' competitiveness and ability to innovate by securing and retaining talented human capital.</li> <li>Enhance employee engagement and productivity while revitalizing the corporate culture.</li> <li>Build a flexible, sustainable corporate structure through system reforms in response to societal changes.</li> </ul>	

### Identifying Significant Risks and Opportunities

1	Confirmation of risks and opportunities recognized in the organizational risk management system
2	Identification of risks and opportunities that should be recognized in the four business segments
3	Matrix analysis based on the importance of each risk (the degree of impact on stakeholders) and the probability of risk becoming evident (possibility of negative impact due to occurrence/disclosure)
4	Extraction of significant risks and opportunities from the viewpoint of material issues in the integrated annual report
5	Analysis of impact and response to those risks when they occur

Prioritization of the 1 – 10 significant risks in the table below



Responding to risks	Opportunities	KPI	Relation to material issues
<ul style="list-style-type: none"> <li>Thorough survey trends of raw materials, market prices and other companies.</li> <li>Gathering of information from business partners. Prompt price revisions (securing profit).</li> <li>Consideration of introduction of pricing formula linked to raw material prices.</li> <li>Enhancement of collaboration with dealers, suppliers, and customers.</li> </ul>	<ul style="list-style-type: none"> <li>Cost reduction, diminishing production costs, and optimization of inventory levels.</li> <li>Transitioning to non-fossil and renewable raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Operating profit margin</li> </ul>	1 Research and Development ▷P.44 3 Consideration for the Environment ▷P.64 4 Regional Society Contributions ▷P.69
<ul style="list-style-type: none"> <li>Assessment of impact of climate change on business and planning of countermeasures (scenario analysis).</li> <li>Implementation of GHG emission reduction initiatives based on green transformation (GX) strategy.</li> <li>Efforts for water risk assessment and water resource conservation.</li> <li>Improve anti-disaster measures and resilience of production sites.</li> </ul>	<ul style="list-style-type: none"> <li>Expand strategic GX targets with awareness of society-wide sustainability.</li> <li>Develop environmentally friendly products and expand their sales (e.g., low-carbon and decarbonized products).</li> <li>Advanced initiatives and the disclosure of information to obtain higher ESG ratings and secure advantages in fund procurement.</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse gas emissions</li> <li>Energy consumption per unit</li> <li>Generated waste amount per unit</li> <li>Rate of final waste disposal</li> <li>Modal shift rate</li> <li>Environmental assessment agencies' evaluation scores</li> </ul>	3 Consideration for the Environment ▷P.64 4 Regional Society Contributions ▷P.69
<ul style="list-style-type: none"> <li>Promotion of initiatives based on The Ten Principles of the UN Global Compact.</li> <li>Strengthening of environmental, and human rights due diligence through promotion of supply chain engagement.</li> <li>Gathering of information on chemical regulations and nature-related regulations, and strengthening of in-house check systems.</li> <li>Use of PL insurance to mitigate liability risks.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of social credibility through rigorous compliance practices and sustainable business operations.</li> <li>Development and expansion of biomass-derived chemical products and recycling systems contributing to circular economy.</li> <li>Creation of a rewarding workplace.</li> </ul>	<ul style="list-style-type: none"> <li>Emissions of substances with environmental impact</li> <li>Rate of implementation of human rights due diligence by suppliers</li> <li>Compliance training participation rate</li> <li>ESG rating agencies' ratings</li> </ul>	3 Consideration for the Environment ▷P.64 4 Regional Society Contributions ▷P.69
<ul style="list-style-type: none"> <li>Promotion of a differentiation strategy through the proposal of solutions, cost reduction, Japanese quality and customization.</li> <li>Open innovation with companies, universities, and other organizations.</li> <li>Strengthening of the IP department and IP asset management, and investigation of the IP asset rights of other asset holders.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate the shift to high-profit products through solution proposals based on closer customer relationships and product customization.</li> <li>Use the Uni-top strategy to establish advantages in niche markets.</li> <li>Strengthen the IP strategy to secure technological advantages and create new business opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Operating margin</li> <li>Overseas sales ratio</li> <li>R&amp;D investment amount/sales revenue R&amp;D ratio</li> <li>Number of patent applications/registrations</li> </ul>	1 Research and Development ▷P.44
<ul style="list-style-type: none"> <li>Strengthen measures based on BCP (e.g., wider range of locations and review of manufacturing sites and logistics bases to distributed inventory holdings).</li> <li>Diversify raw material procurement sources.</li> <li>Provide security literacy education for employees and create an incident response flow.</li> <li>Consider and discuss structural reform through DX.</li> <li>Promote production system enhancements and improved production efficiency by making the Kasumi Plant a mother plant.</li> <li>Establish a business foundation less influenced by trends affecting specific major customers, including the acquisition of new customers.</li> </ul>	<ul style="list-style-type: none"> <li>Promote work-style reform through working from home and telecommuting.</li> <li>Increase operational efficiency and maintain communication with customers by utilizing online meetings.</li> <li>Establish digital infrastructure based on the digital road map and improve efficiency and profitability by promoting DX.</li> <li>Perform regular repairs utilizing data, strengthen management of preventive maintenance and visualize aging factories with digital technology and improve profitability.</li> <li>Establish a security system trusted by customers.</li> </ul>	<ul style="list-style-type: none"> <li>Number of cybersecurity incidents</li> <li>Equipment utilization rate/failure rate</li> <li>Degree of achievement of the DX promotion project</li> </ul>	5 DX Efforts ▷P.58 6 Organizational Resilience ▷P.68
<ul style="list-style-type: none"> <li>Invest in R&amp;D and cooperate with suppliers with the goal of transitioning to non-petrochemical derived and renewable raw materials.</li> <li>Focus on the development of environmentally friendly products (e.g., low-carbon and decarbonized products, and biomass plastics).</li> </ul>	<ul style="list-style-type: none"> <li>Capture changes in the market, proactively develop products that comply with environmental regulations and establish advantages in the market.</li> <li>Develop and expand new materials and technologies contributing to the circular economy, such as biomass-derived chemical products and plastic resource recycling systems.</li> <li>Seize new business opportunities through product design based on an awareness of the entire product lifecycle.</li> </ul>	<ul style="list-style-type: none"> <li>Amount of GX-related R&amp;D investments</li> <li>Sales ratio of environmentally friendly products</li> <li>R&amp;D expenses-to-sales ratio</li> </ul>	1 Research and Development ▷P.44 3 Consideration for the Environment ▷P.64 4 Regional Society Contributions ▷P.69 6 Organizational Resilience ▷P.68
<ul style="list-style-type: none"> <li>Formulate a digital roadmap and promote the establishment of digital infrastructure.</li> <li>Develop specialists in the promotion of DX and cooperate with outside partners.</li> <li>Optimize costs and review ROI by managing IT assets.</li> </ul>	<ul style="list-style-type: none"> <li>Mitigate aging equipment issues and improve profitability by digital visualization.</li> <li>Perform regular repairs utilizing data and strengthen management of preventive maintenance.</li> <li>Automate routine work by introducing RPA and using AI to increase the sophistication of demand forecasting and quality control.</li> </ul>	<ul style="list-style-type: none"> <li>Productivity improvement rate (labor productivity and equipment productivity)</li> <li>Cost savings achieved through business streamlining</li> <li>Amount of DX-related investments</li> <li>Number of times RPA was introduced/work hours saved by RPA</li> </ul>	5 DX Efforts ▷P.58
<ul style="list-style-type: none"> <li>Cultivate close relationships with customers, understand potential needs and promote joint development efforts.</li> <li>Revise product composition under SMART 2030 and focus on the product groups with a larger contribution to earnings</li> <li>Co-creation through deeper relationships with inspiring/inspired partners.</li> </ul>	<ul style="list-style-type: none"> <li>Improve and expand the lineup of high-performance chemicals geared for the important issues in society, such as chemicals for mobility (EV-related materials), medical and health care, ICT and home building materials.</li> <li>Improve solution proposal skills to comprehensively solve customers' problems.</li> </ul>	<ul style="list-style-type: none"> <li>Net sales of products for priority fields</li> <li>Net sales of solution proposal-type businesses</li> <li>Number of joint development projects/number of jointly developed products launched onto the market</li> </ul>	1 Research and Development ▷P.44
<ul style="list-style-type: none"> <li>Strengthen quality control systems and meet customer-specific requirements through core tool operations.</li> <li>Swiftly collect information about the revision of laws, intensify the in-house check system and ensure thorough compliance.</li> <li>Develop the system and make efforts to acquire and maintain certifications.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance takes root as a part of corporate culture and promote transparent business activities.</li> <li>Promote the development and supply of environmentally and user-friendly products and improve trust of products.</li> <li>Develop long-term transaction relationships by making customers feel secure.</li> </ul>	<ul style="list-style-type: none"> <li>Number/rate of complaints from customers</li> <li>Status of acquisition of FSSC 22000 and other certifications</li> <li>Number of violations of laws or regulations</li> </ul>	6 Organizational Resilience Quality management ▷P.68 ▷P.78
<ul style="list-style-type: none"> <li>Strengthen coordination with associations and educational institutions to help secure human capital.</li> <li>Implement a human capital training program and support career development.</li> <li>Promote health and productivity management, advance diversity, and thoroughly respect human rights.</li> <li>Promote work-style reform (develop systems for working from home, child-care leave, reemployment after life events, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Consider and implement personnel system reforms in response to societal changes.</li> <li>Promote the development of a good working environment and supporting the work-life balance of our employees.</li> <li>Build an energetic organization by strengthening health and productivity management and supporting the mental and physical health of our employees.</li> <li>Promote human capital management in specific ways to enhance corporate value.</li> </ul>	<ul style="list-style-type: none"> <li>Employee retention rate/turnover rate</li> <li>Employee engagement scores</li> <li>Diversity promotion indicators (e.g., ratio of female managers, ratio of non-Japanese employees)</li> <li>Length of time spent receiving training/training expenses per person</li> <li>Percentage of paid leave used/percentage of childcare leave used (men and women)</li> </ul>	2 Human Capital Management ▷P.54

For more information, please refer to our Risk Management page: <https://www.dks-web.co.jp/english/sustainability/governance/risk-management/>

# Material Issues

## ESG Basic Policy

We are confronted with a broad range of issues, including environmental problems such as global warming, resource depletion, and a crisis of biodiversity, as well as food resource and energy problems caused by population growth, amid rapid globalization and an increasingly information-based

society. We address these important ESG challenges by striving to protect our environment and daily lives, improving safety and levels of comfort, and pursuing our philosophy, "chemistry provides a solution," thereby contributing to the establishment of a sustainable society.

## Important Issue Identification Process

At DKS, we are identifying material issues, tackling important issues from a long-term perspective in management. Based on existing social issues and our corporate philosophy, we have identified six important themes from the two perspectives of their significance to DKS and our stakeholders. At the same time, we have specified the

material issues of challenges toward addressing these themes. In the identification of those material issues, we have referenced the UN's Sustainable Development Goals (SDGs), ISO 26000, and other global guidelines, given the important demands the international society places on DKS as we work to advance business globally.

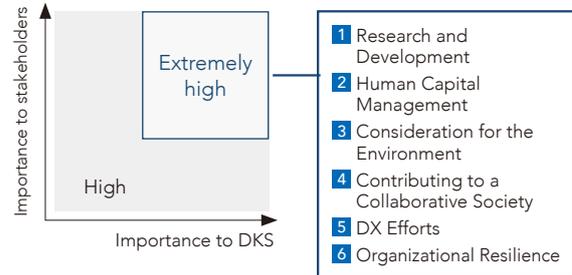


Priority themes	Material Issues for DKS	Relevant stakeholders	KPI
1 Research and Development P.44	• Customer-oriented R&D framework aligned with Uni-Top strategies	Shareholders Customers	• R&D expenses-to-sales ratio of 5.3% or higher
	• Developing environmentally friendly products	Customers Society	• Sales ratio of environmentally friendly products: 30% or higher (FY2029 target)
	• Promoting an intellectual property strategy	Employees Shareholders	
2 Human Capital Management P.54	• Diversity, Equity & Inclusion (DE&I)	Employees Society	• Female manager ratio of 15% or higher
	• Human capital development	Employees	• Investment in education: ¥100 million per year, Training hours: 20,000h per year (FY2029 target)
	• Empowering profitability	Employees	• Labor productivity at ¥9.7 million per person (FY2029 target)
3 Consideration for the Environment P.64	• Responding to decarbonization and reducing environmental burdens	Shareholders Society	• Reduce greenhouse gas (GHG) emissions (Scope 1, Scope 2) for the entire DKS Group in Japan by 30% compared to FY2013 (FY2029 target) • Modal shift rate of 40% (FY2029 target)
	• Contributing to a recycling-oriented society	Society	• 10% reduction in waste generation per unit compared to FY2020 (FY2029 target) • Final waste disposal rate: 0.1% or less (FY2029 target)
	• Appropriate management of chemical substances	Society	
4 Contributing to a Collaborative Society P.69	• Social contribution initiatives	Society	
	• Supply chain management	Society	
5 DX Efforts P.58	• Use and promote digital technology	Employees Shareholders Society	• Action plan execution based on digital roadmap • Advance company-wide DX projects • Update DX certification
	• Cybersecurity measures	Employees Shareholders Customers	• Review Information Security Rules and incident response flow • Provide security education to new employees • Conduct targeted attack e-mail training
	• Digital literacy education	Employees Shareholders Society	• Hold in-house study sessions and developer exchange meetings • Acquire relevant qualifications (Deep Learning for GENERAL (G-Certificate), Deep Learning for ENGINEER (E-Certificate), Fundamental Information Technology Engineer Examination, etc.)
6 Organizational Resilience P.68	• Thorough quality assurance system	Customers	• Reduction in complaints, objections, and anomalies
	• Promoting occupational safety and health	Employees	• Zero occupational accidents (lost time)
	• Further deepening of corporate governance	Employees Shareholders Customers Society	• 10% increase in the number of dialogues compared to last year

## Important Issue Identification Aims

### Issues for society

- **Environmental issues**  
Climate change, energy depletion, biodiversity, etc.
- **Social issues**  
Changes in social structure due to population growth, increased security risks due to technological advances and the advent of the information society, public health, food crises, elimination of disparities, etc.



### Corporate Philosophy and Management Policy

- Corporate mission stated in the founding spirit and the Company Credo
- Happiness-based management

### Medium- to long-term policy

- Uni-Top
- Sustainability
- Challenge

P.26- Medium-Term Management

### Reviewing materiality

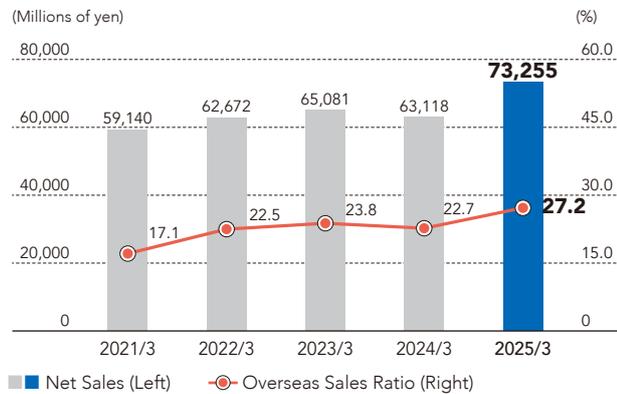
In 2024, we again held discussions for about a year with internal and external stakeholders from a value creation perspective, taking into consideration the further worsening of social issues such as climate change and loss of biodiversity, as well as the DKS Group's strengths and the expectations of stakeholders. With the approval of the Management Committee and the Board of Directors, we integrated and updated material issues for DKS and critical social issues for society.

Initiatives for Stakeholders	Recent performance
<ul style="list-style-type: none"> <li>• Establishment of the Production Technology R&amp;D Division and Kyoto Central R&amp;D Division ▷P.44, 52</li> <li>• Strengthen initiatives with inspiring/inspired partners</li> </ul>	<ul style="list-style-type: none"> <li>• R&amp;D expenses-to-sales ratio of 5.1%</li> </ul>
<ul style="list-style-type: none"> <li>• Promote product development with lower environmental impacts, such as additives for biodegradable plastics ▷P.38, 42</li> <li>• Prompt applications for IP rights and aggressive pursuit of quick IP rights acquisition ▷P.48</li> </ul>	
<ul style="list-style-type: none"> <li>• Provide workplaces and opportunities for the active participation of female employees ▷P.55</li> <li>• Appoint female officers and hire overseas employees ▷P.30, 60</li> <li>• Implementation of a DX human capital development program ▷P.58</li> </ul>	<ul style="list-style-type: none"> <li>• Female manager ratio of 10.6% (FY2024)</li> <li>• Investment in education: ¥13 million per year, Training hours: 8,322h per year (FY2024)</li> </ul>
<ul style="list-style-type: none"> <li>• Strategic staffing ▷P.54</li> <li>• Improve health awareness by adopting a health information app ▷P.56</li> <li>• Efforts to establish exercise habits (DKS Calisthenics) ▷P.56</li> </ul>	<ul style="list-style-type: none"> <li>• Labor productivity at ¥2.2million per person (FY2024)</li> <li>• Presenteeism ratio of 6.8%</li> <li>• Reduction of absenteeism ratio of 1.7%</li> <li>• Improvement of work engagement score of 51.3</li> </ul>
<ul style="list-style-type: none"> <li>• Green transformation (GX) initiatives ▷P.64</li> <li>• Expand use of renewable energy ▷P.66</li> </ul>	<ul style="list-style-type: none"> <li>• 16.4% reduction in GHG emissions (compared to FY2013)</li> <li>• Modal shift rate of 21.0%</li> </ul>
<ul style="list-style-type: none"> <li>• Contribution to a recycling-oriented society through responsible care activities ▷P.64</li> </ul>	<ul style="list-style-type: none"> <li>• 2.2% increase in waste generation per unit (compared to FY2020)</li> <li>• Final waste disposal rate of 0.4%</li> </ul>
<ul style="list-style-type: none"> <li>• Strict compliance with legal regulations ▷P.64</li> </ul>	
<ul style="list-style-type: none"> <li>• Utilize local resources and support community activities ▷P.69</li> </ul>	
<ul style="list-style-type: none"> <li>• Realize a sustainable society throughout the supply chain ▷P.69</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen environmental, human rights, and due diligence through promotion of supply chain engagement</li> </ul>
<ul style="list-style-type: none"> <li>• Create a digital roadmap to 2030 ▷P.59</li> <li>• Promote cross-company DX projects ▷P.58</li> <li>• Acquire DX certification ▷P.58</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented generative AI in General Affairs &amp; Legal Department</li> <li>• DX certification renewed (April 2024–March 2026)</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthen security measures based on Information Security Policy ▷P.59</li> <li>• Security literacy education for employees ▷P.59</li> </ul>	<ul style="list-style-type: none"> <li>• Provided security education as part of DX training for new employees</li> <li>• Conducted information security training for all employees every two months via e-learning (covering ID/password management, device management, incident response, etc.)</li> <li>• Implemented targeted attack e-mail training</li> </ul>
<ul style="list-style-type: none"> <li>• Use digital tools (RPA, workflow, BI tools) ▷P.59</li> <li>• Acquire specialist skills ▷P.59</li> </ul>	<ul style="list-style-type: none"> <li>• Number of DX training participants (cumulative total as of end of FY2024: 545)</li> <li>• Acquisition of relevant certifications (E-certified: 3, G-certified: 19)</li> <li>• Revised the guideline for the use of generative AI</li> <li>• Launch of in-house communities (held generative AI study sessions)</li> <li>• Held digital tool workshops and debriefing sessions to discover approaches for implementing generative AI</li> </ul>
<ul style="list-style-type: none"> <li>• Continuous improvements through the quality management system ▷P.78</li> </ul>	
<ul style="list-style-type: none"> <li>• Continuous improvements through occupational safety and health management systems ▷P.68</li> </ul>	<ul style="list-style-type: none"> <li>• One occupational accident (lost time)</li> </ul>
<ul style="list-style-type: none"> <li>• Strategies for improving medium- to long-term corporate value ▷P.72</li> <li>• Improve effectiveness of the Board of Directors and establish an appropriate remuneration scheme ▷P.72</li> <li>• Strengthening dialogue with shareholders and investors ▷P.70</li> <li>• Create a governance system in line with ESG strategies ▷P.72</li> </ul>	

# Financial and Nonfinancial Highlights

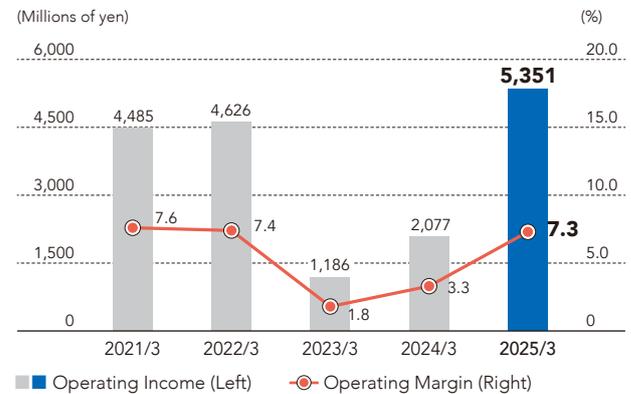
## Financial Highlights

### Net Sales/Overseas Sales Ratio



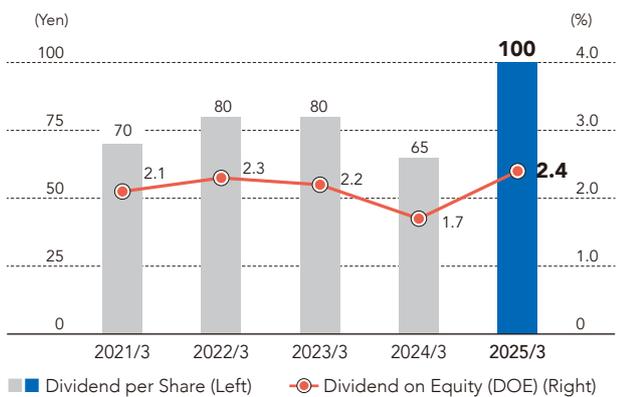
Net sales for the fiscal year ended March 31, 2025, were ¥73,255 million (up 16.1% year on year), reflecting a significant increase in sales of low-dielectric resin materials for high-end servers and new battery materials. The overseas sales ratio was 27.2% (up 4.5 percentage points year on year).

### Operating Income/Operating Margin



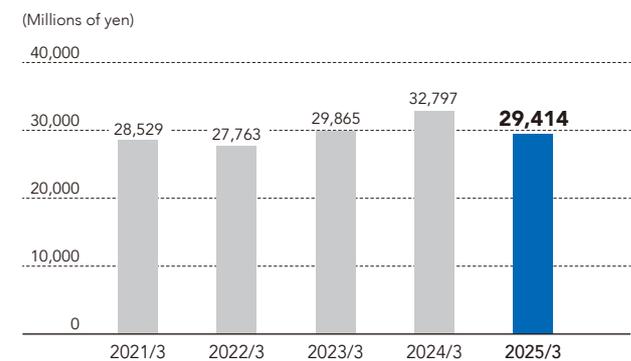
Operating income for the fiscal year ended March 31, 2025, was ¥5,351 million (up 157.6% year on year), benefiting from improved profitability driven by growth in net sales. The operating margin was 7.3% (up 4.0 percentage points year on year).

### Dividend per Share/Dividend on Equity (DOE)



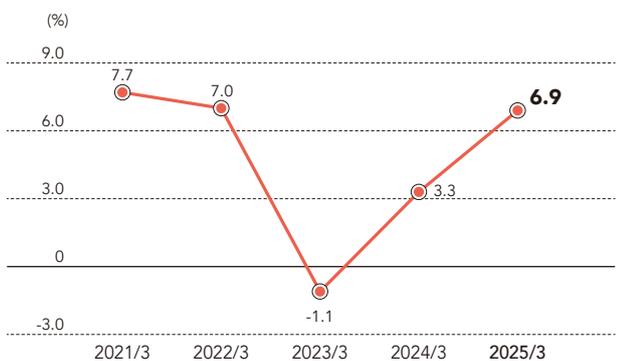
The annual dividend per share was comprehensively set at ¥100 in consideration of the Company's financial conditions, future business development, and enhanced shareholder returns.

### Interest-Bearing Debt



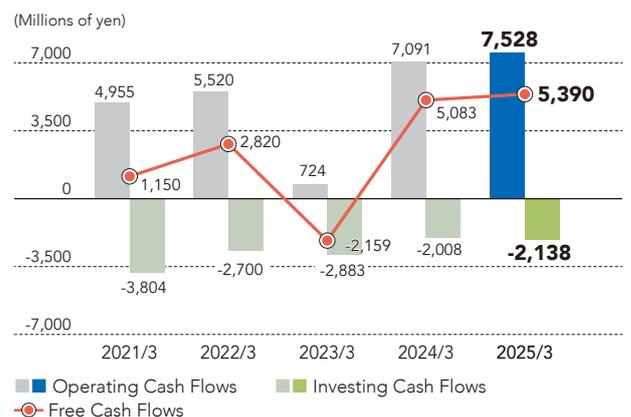
Interest-bearing debt at the end of the fiscal year ended March 31, 2025, declined by ¥3,383 million to ¥29,414 million due to a decrease in long-term borrowings.

### ROE



ROE increased to 6.9%, up from the previous year, due to the significant increase in net sales driving an increase in the total capital turnover ratio, while increased profits also raised the profit margin.

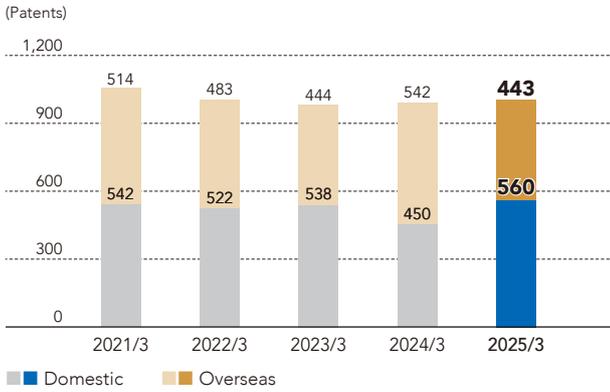
### Cash Flows



▷ For more details, see p. 31.

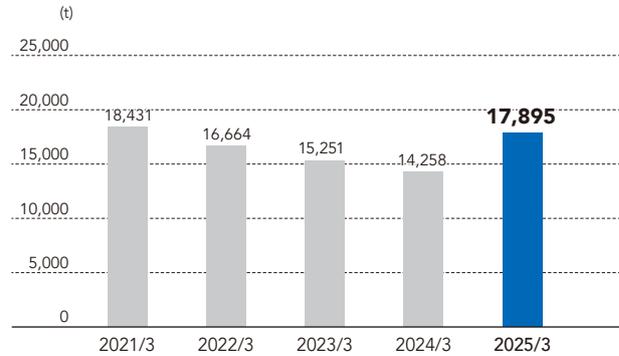
## Nonfinancial Highlights

### Number of Patents Held (Group)



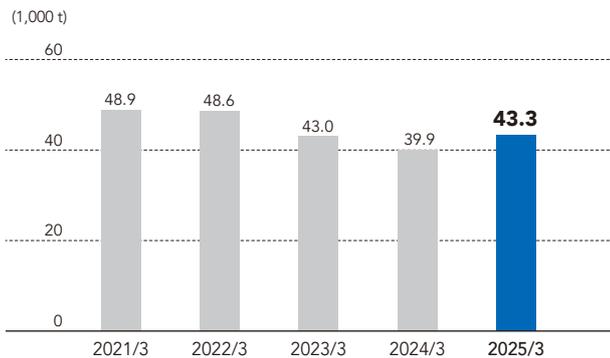
The number of patents held increased by 11 from the previous year to 1,003, reflecting our proactive efforts to file and obtain intellectual property rights based on R&D findings for future business expansion.

### Amount of Waste Generated (Group)



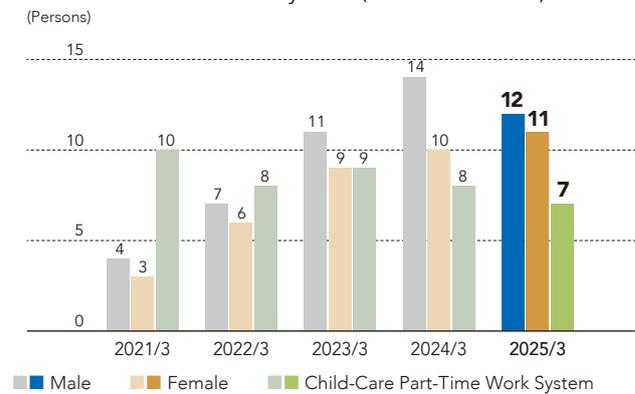
The amount of waste generated was 17,895 tons (up 3,637 tons year on year).

### Greenhouse Gas Emissions (Group)



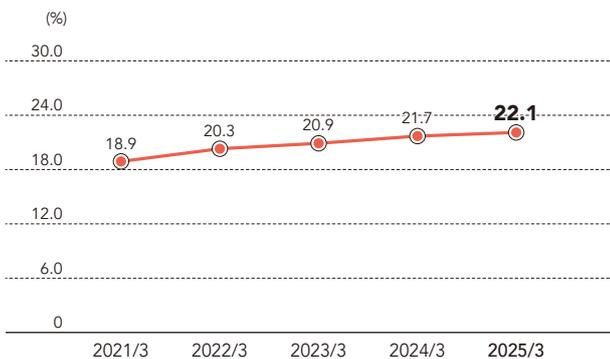
Greenhouse gas emissions totaled 43,300 tons (up 3,400 tons year on year), reflecting higher capacity utilization rates among other factors. From the standpoint of preventing global warming, we will work to introduce renewable energy, improve energy efficiency, and take other actions.

### Number of Employees to Utilize the Child-Care Leave/Child-Care Part-Time Work Systems (Non-consolidated)



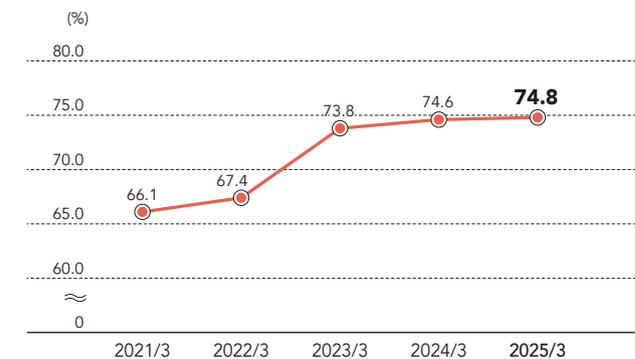
In terms of employee benefits, 23 employees used the child-care leave system (down by 1 from the previous year), while 7 used the child-care part-time work system (down by 1 from the previous year).

### Ratio of Female Employees (Non-consolidated)



The ratio of female employees to total employees was 22.1% (up 0.4 percentage point year on year). We will continue to carry out measures to promote women's active participation in the work phase.

### Annual Paid Leave Rate (Non-consolidated + Assigned Employees)



The percentage of paid leave used was 74.8% (up 0.2 percentage points year on year).

# Review of the Medium-Term Management Plans

<b>REACT1000</b> — Act for a Leap — April 2015–March 2020		<b>FELIZ 115</b> April 2020–March 2025 (5 years)																			
Targeted Figures	Consolidated net sales ¥75 billion	Ratio of ordinary income to sales 8.0%	<table border="0"> <tr> <td>March 2025</td> <td>Net sales</td> <td>¥85 billion</td> <td>March 2025 (revised)</td> <td>Net sales</td> <td>¥70 billion</td> </tr> <tr> <td></td> <td>Operating income</td> <td>¥10 billion</td> <td></td> <td>Operating income</td> <td>¥4.5 billion</td> </tr> <tr> <td></td> <td>Operating margin</td> <td>11.7%</td> <td></td> <td>Operating margin</td> <td>6.4%</td> </tr> </table>	March 2025	Net sales	¥85 billion	March 2025 (revised)	Net sales	¥70 billion		Operating income	¥10 billion		Operating income	¥4.5 billion		Operating margin	11.7%		Operating margin	6.4%
March 2025	Net sales	¥85 billion	March 2025 (revised)	Net sales	¥70 billion																
	Operating income	¥10 billion		Operating income	¥4.5 billion																
	Operating margin	11.7%		Operating margin	6.4%																
Vision	<p style="text-align: center;"><b>Practicing the concept of “chemistry provides a solution,” we will take up the challenge of carrying out our management plan REACT1000</b></p>		<p><b>Vision for 2030</b></p> <ol style="list-style-type: none"> <li>Highly profitable Uni-Top intermediary materials manufacturer</li> <li>Technology developer pursuing progress and innovation</li> <li>A company balancing corporate value and stakeholder satisfaction</li> </ol> <p><b>Targeted Corporate Image</b></p> <ul style="list-style-type: none"> <li>As a Uni-Top company, we will conduct management while sharing happiness with our four stakeholders.</li> <li>In brief, we will be evaluated for our uniqueness and will enhance corporate value with a shared sense of excitement.</li> </ul>																		
Management Policies	<ol style="list-style-type: none"> <li>Create new corporate value</li> <li>Create a clear corporate image</li> <li>Ensure more profound corporate governance</li> <li>Maintain and increase optimal ROE levels</li> <li>Create advantages through collaboration</li> <li>Accelerate and enhance mother plant functions</li> </ol>		<p><b>Basic Policy</b></p> <ol style="list-style-type: none"> <li>Achieve qualitative enhancements in ACTUAL (existing) businesses, expand and reinforce NEXT (peripheral) businesses, and develop and cultivate DREAM (new) businesses.</li> <li>Maximize the use of total assets (asset turnover ratio target of 1.0 times).</li> <li>Establish a headquarters system; optimally allocate management resources. Continue employee happiness-based management with a performance evaluation system that rewards contributions.</li> </ol>																		
Plan Outline	<p>There are five priority qualitative targets for implementing the management policy.</p> <ol style="list-style-type: none"> <li><b>RETURN: pursuing profitability</b> = sharing returns with stakeholders (appropriate distribution of profits)</li> <li><b>EXPORT: improving overseas sales ratio</b> = global strategies responding to paradigm shifts (overseas sales ratio of 20%)</li> <li><b>ADVANCE: moving forward with new plant investment</b> = pursuing efficiency for core businesses (restructuring domestic bases)</li> <li><b>CREATE: establishing new businesses</b> = quickly commercializing newly developed materials (new business creation fund)</li> <li><b>TRAIN: systematic human resources training</b> = fostering personnel to pursue ‘leaps’ (coordinating with consulting companies)</li> </ol>		<p><b>Priority Measures</b></p> <ol style="list-style-type: none"> <li><b>Restructure management resources</b> Withdraw from noncontributing businesses within the first 1–2 fiscal years.</li> <li><b>Enhance earnings power</b> Realize early returns on advanced business investments in the Kasumi Plant and other areas.</li> <li><b>Strengthen the management foundation</b> Revise the performance evaluation and remuneration systems; establish a system corresponding to contributions.</li> </ol>																		
Review	<p>On the quantitative side, sales were revised downward in the third year of the plan due to an extreme slump in solar cell sales, but the operating income target was left unchanged, and in the first half of the plan reached a record high for the third consecutive year. After that, however, rising production costs for 5G materials, which far exceeded expectations, insufficient response to soaring raw material prices, and the COVID-19 pandemic led to operating income of ¥4.1 billion in fiscal 2019, the final year of the plan, unfortunately resulting in our falling short of the targets. The 20 items in the matrix, which are qualitative elements, have all launched or are in progress. As a result, our view is that the foundation for creating the future has been laid according to plan.</p>		<ul style="list-style-type: none"> <li>Profits improved on the back of efforts to promote selection and concentration following a review of the business portfolio during fiscal 2020 to fiscal 2021.</li> <li>In fiscal 2022, despite record-high net sales, targets were unachieved owing to the pressure placed on profits by a variety of factors, including economic stagnation due to the novel coronavirus infections and the conflict in Ukraine, as well as rising raw material and energy costs.</li> <li>Performance has been recovering since fiscal 2023 due to robust trends in radcure resin materials for high-end servers and the positive turnaround in sales.</li> </ul>																		
Evaluation	△		△																		
Successes	<ul style="list-style-type: none"> <li>Expanded business peripheral areas (NEXT) and efforts to create new businesses (DREAM)</li> <li>Focused on business development with new capital investment and R&amp;D expenses</li> <li>Changed the balance sheet composition and increased total assets 1.3 times compared with the end of the final year of the previous plan</li> <li>Brought life sciences-related Biococoon Laboratories Inc. and IKEDA YAKUSOU CO., LTD. into the Group</li> <li>Laid the foundation for realizing business income and profits commensurate with total assets, including up-front investment in new businesses</li> </ul>		<ul style="list-style-type: none"> <li>Withdrawn from noncontributing products <b>Management that prioritizes the degree of contribution</b> • Built an earnings base through a review process • Rebuilt the business portfolio</li> <li>Increased contributions from aging plants <b>Maximization of the use of resources</b> • Implemented various measures, including the reduction of inventories and promotion of DX across manufacturing operations • Shifted toward showroom-type plants</li> <li>Created proactive business models centered on solution-based businesses <b>Shift from passive to active businesses</b> • Increased profitability through price revisions</li> <li>Shortened the product development period by focusing on product development <b>Integration of the sales, research, and production functions</b> • Integrated development themes</li> <li>Created profitable patterns and eliminated hidden losses <b>Improvement of business processes</b> • Implemented behavioral management of customer activities • Commenced digital marketing</li> <li>Eliminated work that does not contribute to customers or DKS (work-style reform) <b>Work-style reform</b> • Maintained Health &amp; Productivity Stock Selection • Promoted standardization and automation through DX</li> <li>Strengthened appropriate human capital management and revised evaluation systems <b>Corporate culture reform</b> • Introduced a goal management system • Revised the incentive program</li> </ul>																		
Issues	<ol style="list-style-type: none"> <li>Insufficient precision in market forecasting</li> <li>Delays in reorganizing unprofitable businesses</li> <li>Vague customer countermeasures (selection &amp; concentration)</li> <li>Negative effects of the business division system</li> </ol>		<p><b>Ongoing issues regarding development and technology as well as personnel and organization</b></p> <ol style="list-style-type: none"> <li>Active business model: Critical need to collect additional market information</li> <li>Integration of the sales, research, and production functions: Lack of sales, research, and production coordination</li> <li>Corporate culture reform: Continue to forge a culture where achievements are made continuously.</li> </ol>																		

Evaluation criteria: ○: Achieved △: Partially achieved ✕: Not achieved

# Overview of the New Medium-Term Management Plan SMART 2030

The DKS Group has developed SMART 2030, the new Medium-Term Management Plan (the “Plan”) for the period ending March 31, 2030. Under this Plan, guided by the philosophies of “Uni-Top,” “Sustainability,” and “Challenge,” we will implement reforms that will link efforts to maximize intangible assets, including human capital, with corporate growth. We will contribute to solving social issues with our R&D capabilities and comprehensive proposal capabilities, aiming for the sustainable enhancement of our corporate value.

## DKS’s Vision for 2030



**Vision Prospects**

### SMART 2030

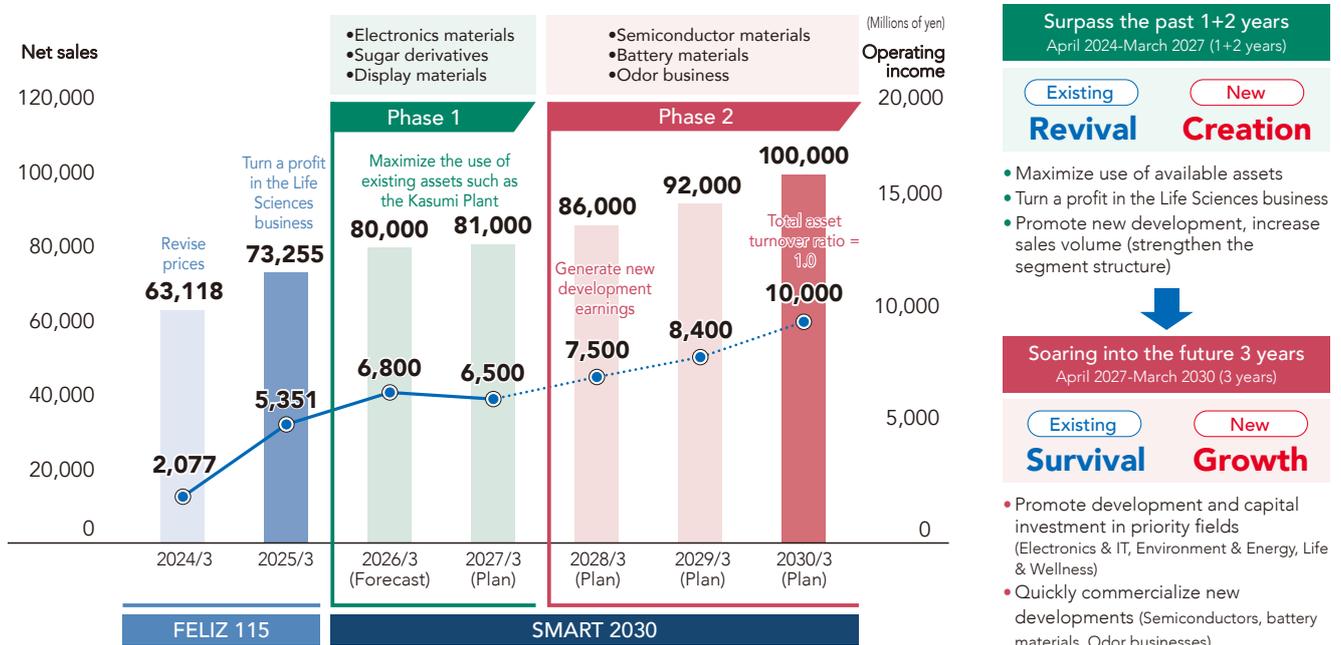
Become a smart chemical partner that can solve various issues in society

Sustainability
Mission
Action
Reliability
Transformation

We analyzed our business environment, including the growth of the global economy and the semiconductor market towards 2030, the environmental measures required in the chemical industry, and the population aging of Japan. At the same time, we sincerely reflected on the fact that although we achieved record net sales under the previous Medium-Term Management Plan FELIZ 115, we were not able to achieve our targets, mainly due to soaring raw material prices.

Based on this environmental analysis and self-evaluation, we held discussions under the leadership of the management team led by President Yamaji and set our 2030 vision: becoming a smart chemical partner that can solve various issues in society. As the roadmap to achieve this vision, we have formulated the Plan, aimed at creating corporate value further.

## Scenario Targeting 2030



**Phase 1 (April 2024 – March 2027):**  
**Surpass the past <Existing : Revival, New : Creation>**  
 We will focus on enhancing the profitability of our existing businesses. Specifically, we will make maximum use of the Kasumi Plant and other existing assets and will strive to increase sales volume in areas such as electronic materials and display materials. We will also clarify the path to profitability in our Life Sciences business and solidify the foundation for future growth.

**Phase 2 (April 2027 – March 2030):**  
**Soaring into the future <Existing: Survival, New: Growth>**  
 This phase focuses on accelerating growth. We will fully proceed with the commercialization and monetization of new development themes forged in Phase 1, including semiconductor materials, battery materials, and the Odor business. At the same time, we will actively invest in focus areas, mainly Electronics & IT, aiming to achieve a total asset turnover ratio of 1.0.

# Overview of the New Medium-Term Management Plan SMART 2030

## Outline of Strategy Towards 2030



## Non-Financial Strategy

- Stakeholder engagement**
  - Promote constructive dialogue between investors and management (Company briefings and plant tours, etc. at least 4 times a year)
  - Enhance shareholder returns
  - Upgrade and expand disclosure, increase awareness
- Promote ESG and sustainability strategies**
  - Expand products that contribute to the environment
  - Promote a GX strategy to help realize a decarbonized society as well as measures aimed at reducing environmental impact
  - Actively disclose non-financial information on a variety of issues, including climate change, human capital, and intellectual property
- Measures to improve employee engagement**
  - Overhaul personnel systems (job grades, assessment, pay)
  - Develop framework and educational programs to foster career development
  - Review in-house awards systems
  - Implement measures based on the health and productivity management strategy map (maintain and improve employee health)
- Increase labor productivity by promoting DE&I**
  - Reallocate management resources in a bid to optimize the direct ratio
  - Acquire specialist human resources by establishing diverse recruitment methods
  - Achieve a female manager ratio of 15% (2030 target)

### Outline of Strategy Towards 2030

We developed the Plan by taking a backcasting approach. First, we set a net sales target of ¥100.0 billion and operating income target of ¥10.0 billion for the fiscal year ending March 31, 2030, and then worked backward to map out the path to achieving those figures.

#### (1) Business portfolio transformation and introduction of a business headquarters system

As the core initiative of the strategy, we reorganized the previous six material-based segments into four new business segments of “Electronics & IT,” “Environment & Energy,” “Life & Wellness,” and “Core Materials” in view of growth markets and social issues. This segment reorganization will enable us to plan strategies based on the characteristics of each field. It is also aimed at promoting stakeholder understanding of our business operations and to achieve efficient business administration.

Aligned with the new segments, we adopted a business headquarters-based system as our organizational structure. In each headquarters, sales and research functions are integrated to build a system that will enable us to swiftly address customers’ issues and development themes. We will thus make every effort to engage in organizational operations that clearly define business responsibilities and facilitate the autonomous growth of each business.

#### (2) Strengthening cross-functional capabilities in pursuit of company-wide optimization

While each headquarters enhances its operational capability, we will also strengthen cross-functional capabilities to boost the competitiveness of the entire Company. In R&D, the Production Technology R&D Division and the Kyoto Central R&D Division have been established under direct management control as organizations to strengthen company-wide R&D capabilities and accelerate development speed. We will direct our energy toward shortening development periods while increasing business efficiency and competitiveness by classifying themes to be tackled into short, medium, and long terms. Departments such as production and administration will also provide cross-sectional support to the business headquarters, seeking company-wide optimization to create a system that maximizes Group-wide synergy.

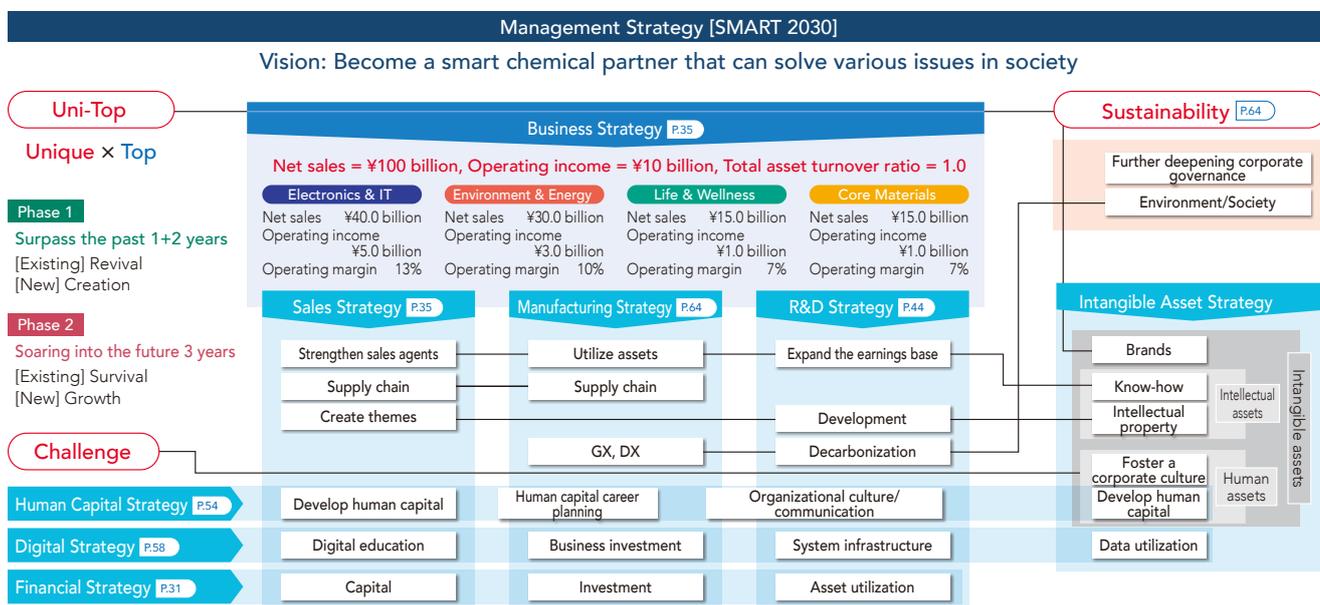
#### (3) A personnel system reform supporting strategies

The most important foundations supporting the execution of these strategies are our human capital. We will introduce a new personnel system to develop a corporate culture where achievements are fairly evaluated, and employees are praised for taking on challenges. By creating a system in which the personal development of each employee contributes to the Company’s growth and improving labor productivity, we aim to achieve SMART 2030 goals through company-wide collaboration.

Work toward clarifying DKS’s vision by changing disclosure segments



## Relationships Between Strategies



### Three principles for achieving our growth strategy

Under the Plan, we have set three principles — “Uni-Top,” “Sustainability,” and “Challenge” — as driving forces in the creation of corporate value, and translated them into specific strategies and targets.

#### (1) Uni-Top: Aim for the top through uniqueness

This is a strategy of aiming for the top through uniqueness, without pursuing scale. Based on the technological capabilities that we have cultivated throughout our history of more than 116 years, we aim to be the leader in high-growth fields, such as semiconductor materials and battery materials, by leveraging our unique products and technologies that other companies do not possess. We will aim for the top position in each of the four newly established business segments. In particular, for the Electronics & IT field, which we positioned as a growth driver, we have set ambitious targets for the fiscal year ending March 31, 2030, namely net sales of ¥40.0 billion and an operating margin of 13%. As an R&D-oriented company, we truly believe that “chemistry provides a solution” to customer issues. Based on that belief, we aim to be a company selected by customers for the strength of its comprehensive proposal capabilities.

#### (2) Sustainability: Promote sustainable growth

Our basic policy is to address important ESG issues, protect our environment and people’s lives while enhancing safety and comfort.

Guided by the belief that “chemistry provides a solution,” we aim to contribute to the establishment of a sustainable society. To reduce the burden on the environment and transition to a circular economy, which are critical tasks for the chemical industry, we will develop environmentally friendly products and achieve green transformation (GX) initiatives. Specifically, we aim to reduce GHG emissions by 30% from the fiscal 2013 level by 2030. We will contribute to building a decarbonized, healthy, circular society through business activities.

#### (3) Challenge: Meet the challenge of technological innovation and address environmental concerns

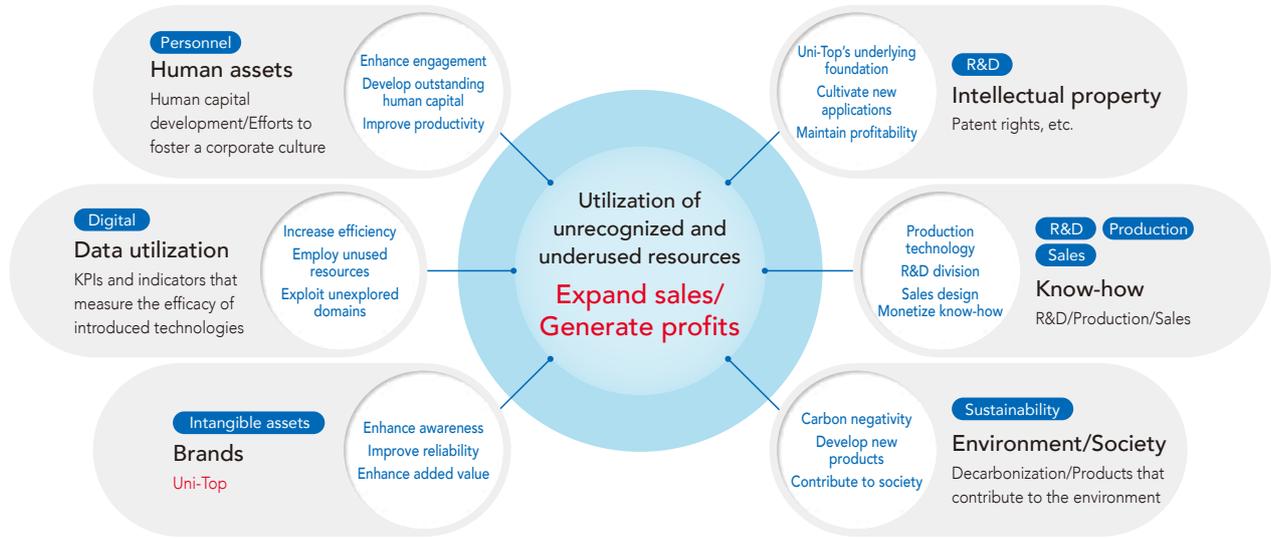
We will work together collaboratively and flexibly to meet the challenges of technological innovation and environmental initiatives across the Company. We will foster a corporate culture encouraging the creation of new value without fearing failure, aiming to achieve challenging business targets of net sales at ¥100.0 billion and operating income at ¥10.0 billion. As the foundation for corporate culture, we will introduce a new personnel system to build a structure in which employees who take on challenges are evaluated fairly and recognized for their efforts. We also aim to create an environment where diverse talents can thrive, targeting a 15% ratio of women in managerial positions by 2030.

Formulate conduct guidelines and secure the human resources for each strategy in line with aspirations

	Uni-Top	Sustainability	Challenge
Group-wide	Aim for a top share in the industry through differentiated products	Create environmental value with a view to long-term growth	Take proactive steps to enter emerging markets and seize growth opportunities
Sales	Cultivate the future together with customers through unique technologies	Contribute to a sustainable society through environmentally friendly products	Take on the challenge of new themes on an ongoing basis with an eye toward the future
Production	Achieve high quality while forging a unique position through proprietary technologies	Reduce the environmental impact of production by increasing energy efficiency	Promote continuous improvement and work to increase productivity
R&D	Continue to lead the industry through cutting-edge technologies	Focus on the R&D of technologies that help reduce environmental impact	Take on the challenge of entering unexplored fields and create innovation
Personnel	Develop top human capital who excels in its fields of expertise	Secure sustainable growth by leveraging the power of human capital	Foster a culture of change that welcomes each challenge and is not afraid of failure
Finance	Create unique value through the comprehensive procurement of funds and indicator management	Balance the need to contribute to a sustainable society with efforts to secure a return on investment	Strengthen the Company’s financial position to solidify the management base

# Overview of the New Medium-Term Management Plan SMART 2030

## (1) Uni-Top —Use of Intangible Assets—



## (2) Sustainability —Increase Corporate Value by Addressing ESG Issues—

**ESG Basic Policy** DKS looks to take on important ESG issues and to protect our environment and way of life while improving safety and levels of comfort. To do these things, we believe that “chemistry provides a solution” and shall contribute to the establishment of a sustainable society.

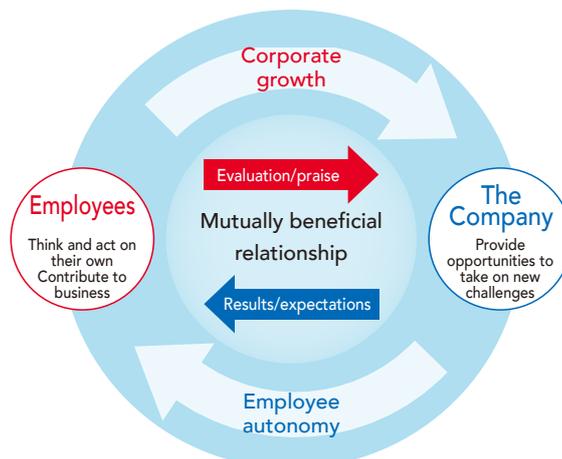
E: Environment	S: Society	G: Governance
<p><b>Climate change/ Circular economy</b></p> <ul style="list-style-type: none"> <li>Environmentally friendly products Sales ratio: 30% or higher</li> <li>Reduce GHG emissions GHG emissions: Reduce by 30% (compared with 2013)</li> <li>Modal shift Modal shift rate: 40% or higher</li> </ul>	<p><b>Respect for human rights/ Human capital</b></p> <ul style="list-style-type: none"> <li>Respect for human rights Business activities that respect human rights</li> <li>Strategic human capital development Total annual training hours: 30 hours or more/person</li> <li>DE&amp;I promotion Female manager ratio: 15% or higher</li> </ul>	<p><b>Further deepening corporate governance</b></p> <ul style="list-style-type: none"> <li>Management that integrates the operating and executive functions Appropriate distance, relationships of trust</li> <li>Role of outside officers Supervise management and support sustainable growth</li> <li>Data governance Strengthen the reliability and security of data</li> </ul>

## (3) Challenge —Employee Autonomy x Corporate Growth—

**DKS Challenge Cycle** A mechanism through which autonomous employees continue to actively take on challenges, encouraged and supported by the Company, to generate mutual benefits

### Qualities we look for in employees

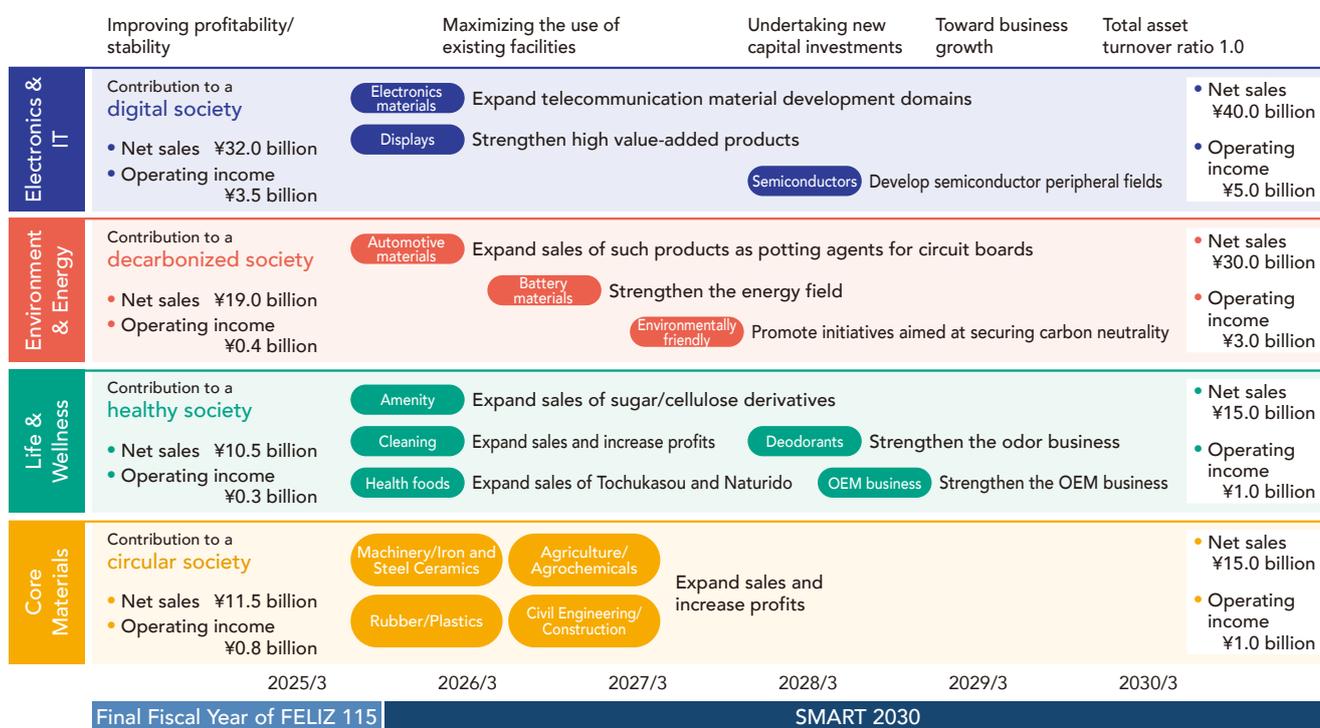
- Continuously taking the initiative to gain additional knowledge
- A strong commitment to achieving goals
- A flexible and proactive approach
- Team-oriented behavior
- A spirit to take on new challenges, unafraid of change



### Mindset needed for the Company

- A system that recognizes challenges
- Efforts to upgrade and expand the support system for enhancing skills
- A culture that tolerates failure
- Diverse career paths
- Opportunities to participate in projects

## Focus Area: Strategy Roadmap



## DKS's technological strengths

Our greatest strengths are the wide range of fundamental technologies cultivated over more than 116 years, with surfactants the leading example, as well as our track record of applying those technologies in diverse industrial fields. Under the Plan, we will drive sales and manufacturing strategies with these strengths at the core.

## 1. Sales and manufacturing strategies underpinned by technological capabilities

(1) **Sales strategy:** Under our new business headquarters-based system, we will build an integrated sales-and-R&D framework to uncover customers' potential needs and promptly propose solutions. By shifting from material-centric proposals to market and application-based proposals by sector, we aim to deepen our relationships with customers. For example, in the Electronics & IT segment, we will be quick to identify technological trends in cutting-edge fields, such as 5G/6G communication and power semiconductors, and provide solutions leveraging our core technologies, including radiation curing and nano-dispersion technologies. We aim to be chosen by customers for these comprehensive proposal capabilities.

(2) **Manufacturing strategy:** We will start by making maximum use of the Kasumi Plant and other existing assets in Phase 1, thereby thoroughly increasing plant utilization rates and improving efficiency. We will use the cash this generates in Phase 2 for strategic capital investments in focus areas that drive growth. In addition, the Production Technology R&D Division, which is directly under the management, will develop next-generation production technologies, such as energy-saving processes and flow synthesis, to simultaneously shorten

the development periods, increase cost-competitiveness, and reduce environmental impact.

## 2. An intangible asset strategy that supports growth

SMART 2030 consists mainly of initiatives to maximize the value of intangible assets, such as human and intellectual capital, and link the value to our corporate growth.

(1) **Intellectual capital:** Our diverse technologies which are the source of our competitiveness, include surfactant design, synthesis, and blending technologies, as well as emulsion polymerization, radiation curing, and cellulose derivative technologies. These technologies are our most important intellectual capital. We will deepen these technologies by aligning them with the strategies of our four new segments and leveraging advanced technologies, such as computational chemistry and AI, to enhance the efficiency and precision of our development efforts. We will also disclose intellectual property information proactively to inform our stakeholders of their value.

(2) **Human capital:** We will introduce a new personnel system based on our belief that employees' development is the growth engine of a company. We will improve the engagement of all employees by developing a culture where achievements are evaluated fairly and taking on challenges is rewarded. We will establish a system for career development and training, and apply diverse recruitment methods to secure human resources with higher levels of expertise. We will also promote DE&I and build an environment where diverse employees can fully demonstrate their capabilities, including aiming to increase the female manager ratio to 15% by 2030. In addition, we believe that we have an important duty to advance health and productivity management to support employees' physical and mental health.

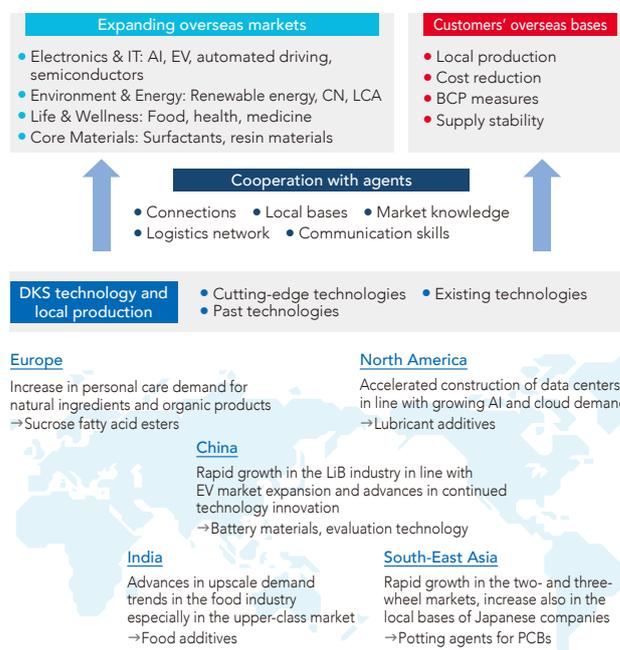
## Overview of the New Medium-Term Management Plan SMART 2030

### Expanding Into Growing Overseas Markets

Given expectations that the global economy, particularly the Asian market, will continue to grow strong, expansion into overseas markets is essential for the growth of the DKS Group. In addition to continuing our existing approach of exporting products, we will step up market-oriented business expansion, seeking to deeply understand local needs, and provide optimal technologies. To achieve this, we will first focus on our core areas of Electronics & IT and Environment & Energy, identify countries and regions which are expected to grow, and accurately identify market potential.

Above all, the market for semiconductor-related electronic materials, which is expected to grow rapidly towards 2030, will be a priority. Next, we will identify customers who could be local key players and seek to build partnerships with them with a view to joint development and other initiatives.

In regions with expected business expansion, we also need to consider establishing production bases in advance to ensure a stable supply and prompt response to customers. To succeed with these overseas strategies, we will systematically develop globally competitive human capital.



### Major KPIs and Their Linkage with Remuneration for Officers

We have set key performance indicators (KPIs) in both financial and non-financial aspects, so as to measure the level of achievement of the Plan. We will set the fiscal 2029 financial targets of net sales of ¥100.0 billion, operating income of ¥10.0 billion, ROE of 10.0%, and ROIC of 8.0%. Total asset turnover ratio is an indicator of capital efficiency, and we have set a target of 1.0.

In non-financial terms, we will increase the new product conversion rate, an indicator of R&D achievements, to 25.0%

and raise labor productivity, which is an achievement of human capital strategy, to ¥9.7 million per person. We aim to reduce GHG emissions by 30% (compared to fiscal 2013) to contribute to sustainability. We are considering the introduction of a system that links progress in the Plan with remuneration for officers to clearly express our commitment to achieving the above KPIs. We will enhance incentives to improve our corporate value.

#### Management Objectives

	FELIZ 115	SMART 2030	
	[Results] FY2024 (2025/3)	[Phase 1] FY2026 (2027/3)	[Phase 2] FY2029 (2030/3)
Net sales	¥73.2 billion	¥81.0 billion	¥100.0 billion
Operating income	¥5.3 billion	¥6.5 billion	¥10.0 billion
Operating margin	7.3%	8.1%	10.0%
Profit attributable to owners of parent	¥2.5 billion	¥3.5 billion	¥5.0 billion
Total asset turnover ratio	0.76	—	1.0
ROE	6.9%	8.0%	10.0%
ROIC	5.2%	5.5%	8.0%
R&D expenses-to-sales ratio (consolidated)	5.1%	5.3%	Over 5.3%
New product conversion rate (non-consolidated)	3.9%	12.0%	25.0%
Labor productivity (non-consolidated)	¥2.2 million/person	¥4.7 million/person	¥9.7 million/person
Reduction in GHG emissions (compared with 2013)	16.4% reduction	18% reduction	30% reduction

[Calculation standards] New product conversion rate (non-consolidated) : Sales of products brought to the market over the past 3 years/Net sales  
Labor productivity (non-consolidated) : Operating income/Number of employees = Operating income per person

# Financial and Capital Strategy under the New Medium-Term Management Plan SMART 2030

## Financial Position

Looking at our financial position as of the end of the fiscal year ended March 31, 2025, we had total assets of ¥97.1 billion (up 2.7% year on year), net assets of ¥44.5 billion (up 7.8% year on year), equity of ¥38.7 billion (up 5.4% year on year), and an equity ratio of 38.9% (up 1.0 percentage points year on year). Regarding cash flows for the fiscal year ended March 31, 2025, operating cash flow was ¥7.5 billion (up 6.2% year on year), and capital investments decreased to ¥2.1 billion from ¥2.7 billion the previous year.

As a result, investing cash flow was negative ¥2.1 billion, resulting in a positive free cash flow (FCF) of ¥5.4 billion. Financing cash flow was negative ¥5.0 billion, reflecting the repayment of long-term borrowings, and interest-bearing debt also decreased to ¥29.4 billion (down 10.3% year on year). Net D/E ratio fell from 0.46 in the previous year to 0.33 due to an improvement in on-hand liquidity. As a result, the cash balance at the end of the period increased from ¥15.9 billion in the previous period to ¥16.5 billion.

## Financial Analysis of the Period of the Previous Medium-Term Management Plan FELIZ 115

We achieved a remarkable V-shaped recovery in our business performance. Net sales reached a record high of ¥73.2 billion, mainly reflecting significant year-on-year growth in net sales in Functional Materials (26.6%) and Electronic Device Materials (46.0%), respectively, in the fiscal year ended March 31, 2025. On the profit front, net profit declined to ¥0.4 billion in the fiscal year ended March 31, 2023, due to soaring raw material prices, but a powerful recovery was achieved in the fiscal year ended March 31, 2025, with operating income having increased 157.6% year on year, to ¥5.3 billion, among other achievements.

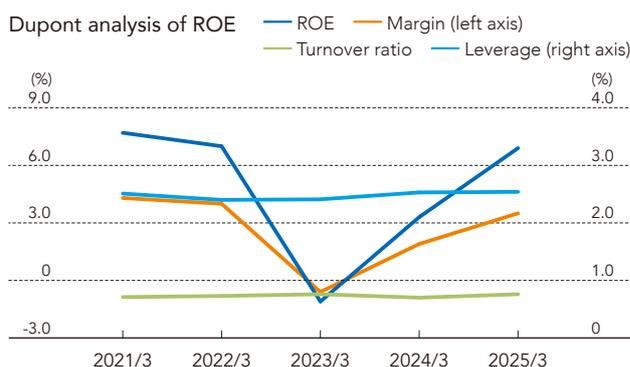
While this recovery was driven by the Functional Materials segment, where sales of high value-added radcure resin materials

and other products were strong, the Polyurethane Materials and Life Sciences Segments continued to post operating losses, making the improvement of profitability a future challenge.

On the financial front, while total assets increased by more than ¥12.0 billion in the five years, the equity ratio has remained stable at around 40%. We steadily reduced interest-bearing debt by repaying long-term borrowings and thus improved our financial soundness. On the back of this recovery in performance and financial improvements, we significantly increased annual dividends for the fiscal year ended March 31, 2025, from ¥65 in the previous fiscal year to ¥100, thus enhancing shareholder returns.

(Millions of yen)	FY2020	FY2021	FY2022	FY2023	FY2024
Net Sales	59,140	62,672	65,081	63,118	73,255
Operating Income	4,485	4,626	1,186	2,077	5,351
Ordinary Income	4,314	4,192	1,200	2,060	5,737
Net Profit	2,563	2,492	(407)	1,174	2,585
Capital Expenditures	4,617	1,925	3,172	2,724	2,147
Depreciation	3,263	3,430	3,295	3,216	3,223
R&D Expenses	2,821	2,946	3,236	3,170	3,759
Net Cash Provided by (Used in) Operating Activities	4,955	5,520	724	7,091	7,528
Net Cash Provided by (Used in) Investing Activities	(3,804)	(2,700)	(2,883)	(2,008)	(2,138)
Free Cash Flow	1,151	2,820	(2,159)	5,083	5,390
Equity Capital	34,648	36,767	34,346	36,747	38,729
Total Assets	85,033	86,469	85,025	94,537	97,113
Interest-Bearing Debt	28,529	22,763	29,865	32,797	29,414
ROE	7.7%	7.0%	(1.1%)	3.3%	6.9%
Margin	4.3%	4.0%	(0.6%)	1.9%	3.5%
Turnover Ratio	0.71	0.73	0.76	0.70	0.76
Leverage	2.51	2.40	2.41	2.53	2.54

Our ROE has been changing markedly, mainly reflecting profit fluctuations. It was relatively stable in the fiscal year ended March 31, 2021, and the fiscal year ended March 31, 2022, having been 7.7% and 7.0%, respectively. However, in the fiscal year ended March 31, 2023, when soaring raw material prices placed pressure on profits, ROE fell sharply to -1.1% due to a significant decline in the net profit margin. Later, reflecting the V-shaped recovery of business performance, ROE also began to recover. It was 3.3% in the fiscal year ended March 31, 2024, and 6.9% in the fiscal year ended March 31, 2025, approaching the level before the sharp fall. In this period, there were no significant fluctuations in financial leverage (total assets/equity) or total asset turnover ratio. This shows that the fluctuations of ROE were caused mainly by changes in profitability.



## Financial and Capital Strategy under the New Medium-Term Management Plan SMART 2030

### Improvement of Capital Efficiency

We have taken steps to improve capital efficiency, recognizing the situation where price book-value ratio (PBR) remained under 1.0 as a business challenge. Our return on equity (ROE) declined to -1.1% in the fiscal year ended March 31, 2023, due to soaring raw material prices. However, as a result of subsequent profitability improvement, we achieved a V-shaped recovery to 6.9% in the fiscal year ended March 31, 2025.

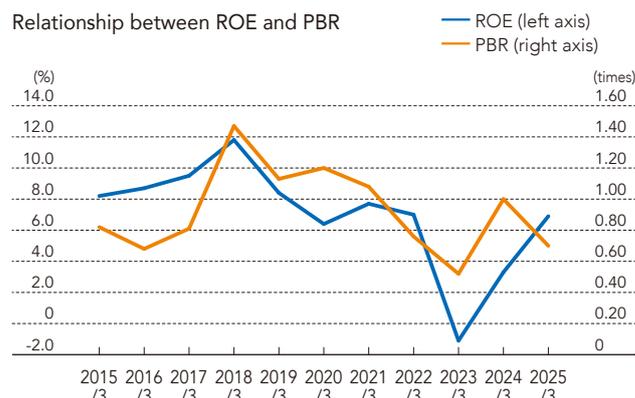
In the meantime, we bolstered our financial base by reducing interest-bearing debt, attaching importance to financial discipline. As a result, net D/E ratio improved to 0.33 as of the end of the fiscal year ended March 31, 2025.

While continuing R&D investments (fiscal 2024: ¥3.7 billion) for sustainable business growth, we were also proactive in

<b>PBR</b>		<b>ROE</b>		<b>PER</b>
Share price	=	Earnings per share (EPS)	×	Share price
Book value per share (BPS)		BPS		EPS

returning profits to shareholders, reflecting the recovery in profitability and improved financial soundness. In the fiscal year ended March 31, 2025, we significantly increased the amount of annual dividends from ¥65 in the previous fiscal year to ¥100. We took these initiatives in our efforts to enhance our corporate value.

Relationship between ROE and PBR



### Financial Policy Under the Medium-Term Management Plan SMART 2030

Under the Plan, we aim to achieve consolidated net sales of ¥100.0 billion and operating income of ¥10.0 billion for the final fiscal year (fiscal 2029). As our business targets, we prioritize capital efficiency and aim to achieve an ROIC of 8.0% or higher and an ROE of 10.0% or higher.

We will allocate cash flow to be generated, with top priority given to capital investments in the range of ¥30.0 billion in the five-year period for achieving sustainable growth. At the same time, we will enhance shareholder returns by increasing the consolidated dividend payout ratio in the future, while maintaining stable dividends in principle, in pursuit of the optimal balance with maintenance of a sound financial base.

	SMART 2030	
	[Phase 1] FY2026 (2027/3)	[Phase 2] FY2029 (2030/3)
Net sales	¥81.0 billion	¥100.0 billion
Operating income	¥6.5 billion	¥10.0 billion
Operating margin	8.1%	10.0%
Profit attributable to owners of parent	¥3.5 billion	¥5.0 billion
Total asset turnover ratio	-	1.0
ROE	8.0%	10.0%
ROIC	5.5%	8.0%

### Enhancement of Corporate Value and Cash Allocation

The DKS Group will implement disciplined financial and investment strategies based on the awareness of cost of capital towards achieving the Plan.

#### 1. Our approach to cash allocation

We will optimally allocate net cash generated by operating activities to the following three purposes, aiming to maximize our corporate value:

**(1) Growth investments:** We give top priority to capital investments and R&D investments, which are aimed at achieving sustainable growth.

**(2) Shareholder returns:** We aim to return more profits in accordance with our business performance and increase consolidated dividend payout ratio in the future while

maintaining stable dividends in principle.

**(3) Reinforcement of our financial base:** We will maintain a sound financial structure in preparation for future growth opportunities.

#### 2. Fund procurement policy

We will use our own funds (cash flows from operating activities) as our main source of financing. For large-scale growth investments, however, we will flexibly procure funds from external sources, using the optimal means while maintaining a balance with financial soundness. Specifically, we have signed a commitment line contract of ¥7.8 billion, in addition to borrowing from banks and issuing corporate bonds, in our efforts to secure stable funds.

### 3. Investment policies (growth and capital investments)

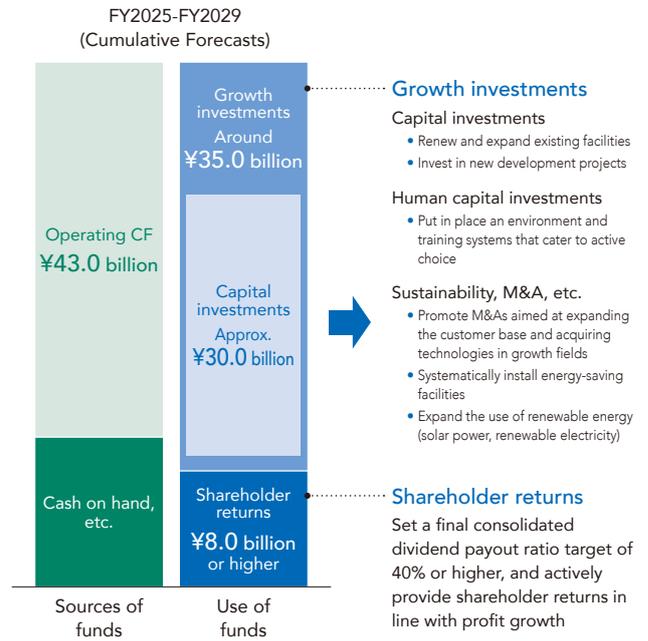
We make all investment decisions rigorously based on the criterion that ROIC exceeds WACC.

(1) **Capital investments:** We plan to make capital investments in the ¥30.0 billion range within the five-year period.

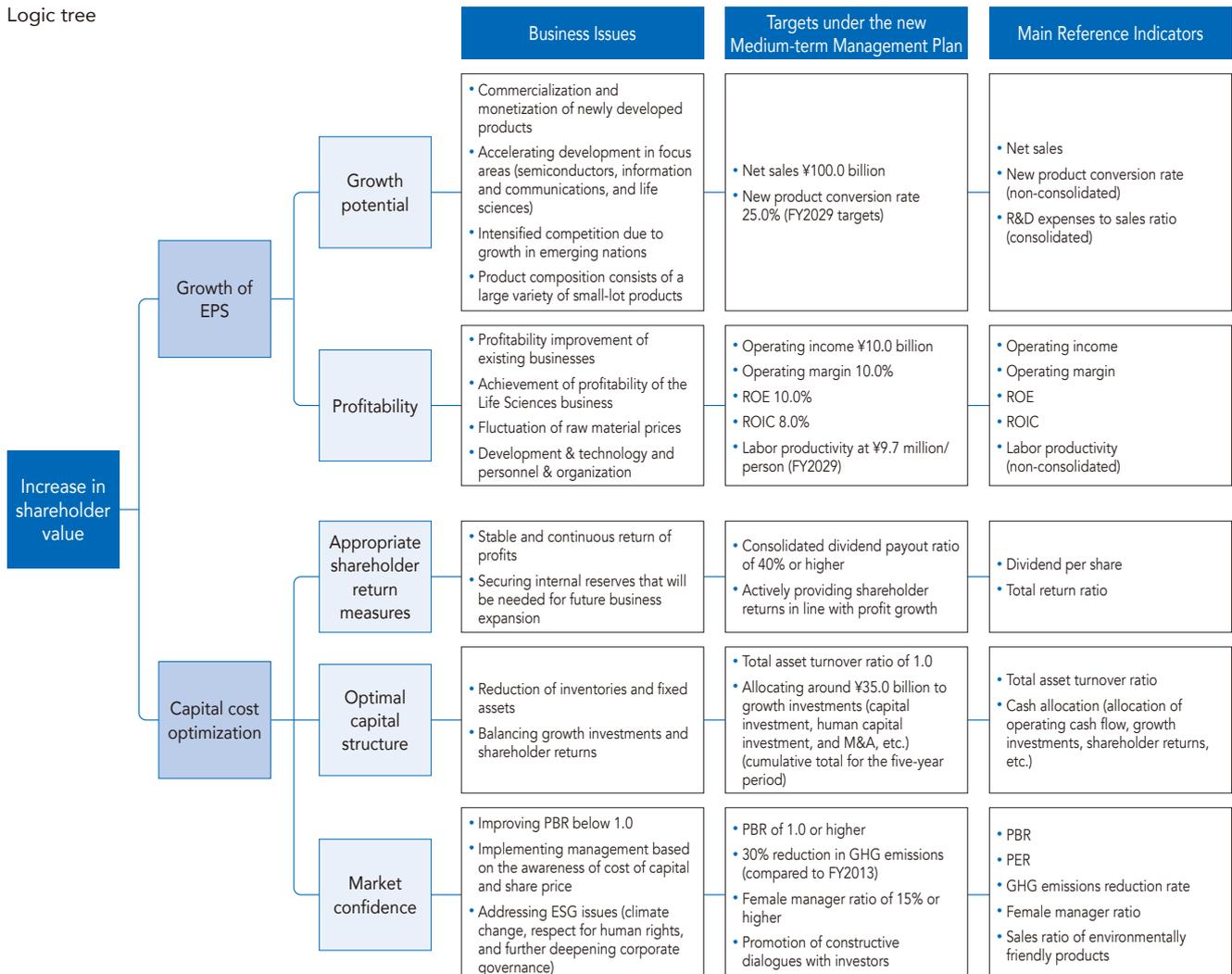
(2) **Growth investments:** We will make investments primarily in Electronics & IT, Environment & Energy, and Life & Wellness, which are our priority fields. In particular, we will accelerate R&D and enhance production capacity for high value-added products that will be consistent with future technology trends, such as next-generation semiconductor materials, battery materials for EVs, and low-dielectric resin materials for next-generation high-speed communications. Regarding M&A strategy, we constantly create an opportunity to consider M&A for business portfolio optimization.

(3) **Maintenance of financial soundness:** We also attach importance to maintaining a solid financial base to surely capture future growth opportunities. We endeavor to control interest-bearing debt and enhance equity, thus ensuring stable, flexible management.

### Cash Allocation



### Logic tree



## Financial and Capital Strategy under the New Medium-Term Management Plan SMART 2030

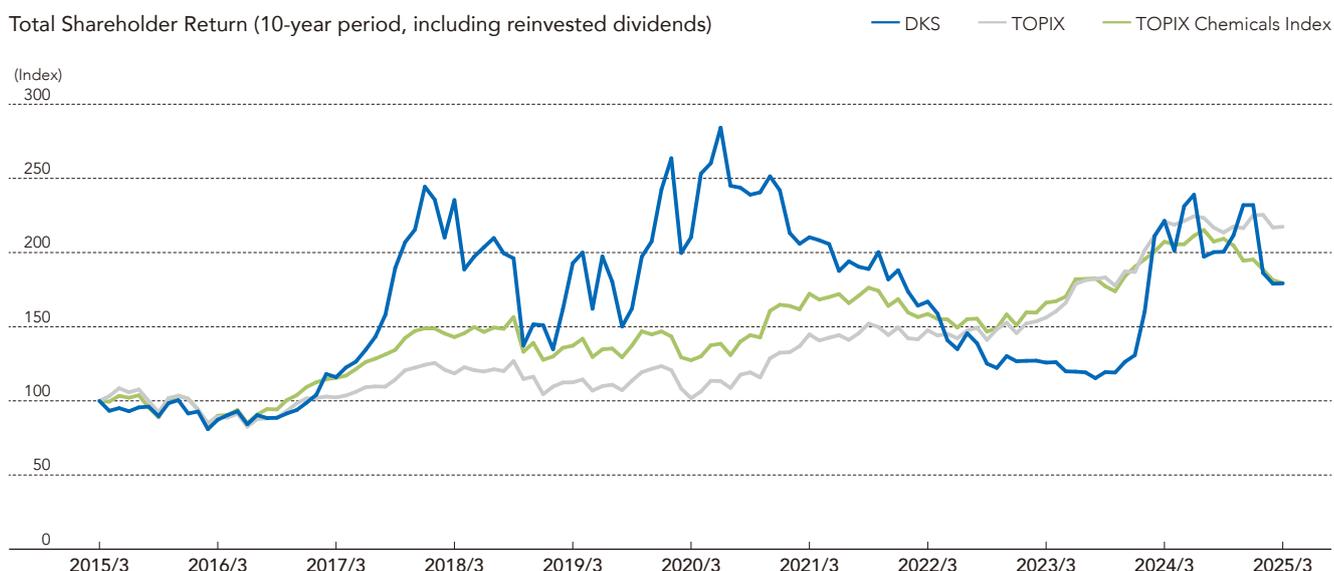
### Changes in Total Shareholder Return

Our total shareholder return (TSR) in the past ten years is as indicated below. As of the end of March 2025, the return for the past ten years was +79.2% and the annualized rate was approximately 6%. This was below the return in the overall market (TOPIX) but was almost on par with the average for the chemical sector. During this period, the fall in share prices that started at the beginning of 2025 had a particularly significant impact. This resulted in -22.3% for the past one year and -16.1% for the past five years, which are

regrettable results. Under the Plan, we will attach importance to ROIC in making investments and strive to achieve growth of EPS and capital cost optimization, thus enhancing corporate value, as part of our efforts to improve TSR over medium to long term.

In the past year, the high share price volatility has also been an issue. We will increase market confidence with appropriate information disclosures and meticulous IR activities, aiming to control the share price volatility.

Total Shareholder Return (10-year period, including reinvested dividends)



Note: Share price trends including dividends (closing price data for March 31, 2015 = 100)

### Future Financial Strategies/Shareholder Returns

	1 year	3 years		5 years		10 years	
		Cumulative total	Annual rate	Cumulative total	Annual rate	Cumulative total	Annual rate
DKS	-22.3%	8.6%	2.8%	-16.1%	-3.4%	79.2%	6.0%
TOPIX	-1.5%	47.2%	13.8%	113.4%	16.4%	117.4%	8.1%
TOPIX Chemicals Index	-13.5%	13.1%	4.2%	40.8%	7.1%	79.4%	6.0%

Note: The annualized conversions are geometric averages of cumulative returns.

### Shareholders' Return Policy

We believe that balancing investments for sustainable growth and return of profits to shareholders leads to enhanced corporate value. During the period of the Plan, we will prioritize allocating generated cash flow and internal reserves to growth investments (including capital investments of ¥30.0 billion in the five-year period) as the source of corporate value enhancement. With this initiative, we will reinforce the foundation for future profits, without wasteful fund retention, aiming for an efficient use of capital.

Regarding shareholder returns, we aim to increase the consolidated dividend payout ratio in the future while maintaining stable dividends in principle. We have set the fiscal 2029 annual dividend target at ¥200 and the dividend payout ratio target at 40%. We will enhance returns in line with profit growth.

We will flexibly consider the purchase of treasury shares by giving comprehensive consideration to the future business environment, share price, and other factors.

# Business Strategy

Carving out a future through both sales and research, and promoting chemistry that “provides a solution” to social issues.



KITAO Masahiro

Director & Senior Executive General Manager,  
Business Headquarters

As the person responsible for overseeing sales and research, I would like to explain my determination to realize DKS's recently launched Medium-Term Management Plan SMART 2030, along with the specific initiatives to achieve it.

## Building on the Achievements and Insights of FELIZ 115 and Rising to Challenges Under a New Structure

As our President Yamaji stated, the business environment surrounding us has changed dramatically. Despite such conditions, the entire company worked together on profit structure reforms in accordance with our previous Medium-Term Management Plan FELIZ 115, achieving record high net sales and operating income. This achievement reflects the strong dedication to our previous annual slogan, “Commitment to results,” at our production sites and shows the tangible outcomes of that dedication. At the same time, as the person in charge of our production sites, I take seriously the issues pointed out by the President regarding our approach to R&D and our corporate structure which will be our starting point for implementing the new medium-term management plan.

Central to SMART 2030 is the concept, “Challenge.” It is through sales and research working in tandem that we will give shape to this concept of “Challenge.” Our plan hinges on a new organizational structure integrating sales and research. Under this new structure, we will put into practice our belief that “Chemistry provides a solution” by increasing the speed and depth of our R&D to solve the issues faced by customers and, ultimately, society.

Specifically, we have reorganized our business segments into four fields (“Electronics & IT,” “Environment & Energy,” “Life & Wellness,” and “Core Materials”) based on market future

potential and the uniqueness of technologies. Our hope is that, under the new structure, social issues faced by customers will be accurately grasped by our sales division and will quickly become the subject of our R&D. By thinking from our customers' perspective and facing the market together, we will accelerate the application and evaluation of our research. We have created a structure where business divisions will take charge of everything from the determination of research themes to the allocation of resources and where we will ensure success by being quicker off the mark than anyone else.

Under this integrated sales and research structure, we will give shape to the key themes of our plan “Uni-Top,” “Sustainability,” and “Challenge.” Through the integration of sales and research and in-depth dialogue with customers, we will identify those areas of technology where we can be the best in a truly worthwhile niche market, in other words, where we can become “Uni-Top.” In fields such as low dielectric resin materials for high-end servers, and battery materials, sales will run alongside research from the development stage, and we will accelerate development with an eye to future expansion of applications. In terms of “Sustainability,” we will go beyond developing environmentally friendly products and aim to be a partner that works together with customers to solve social issues.

## Supporting Growth through a Culture that Embraces Challenges

Underpinning all of this is a corporate culture that embraces “Challenge.” The growth investment of ¥35 billion over four years factored into the plan will be a major asset, supporting us in taking on challenges. We will strategically introduce cutting-edge analysis, evaluation equipment, and prototype equipment that will allow us to match the level of evaluation of our customers, and we will dramatically increase the accuracy and speed of development and strengthen our ability to propose solutions to customers. To nurture the next growth opportunities following battery materials and semiconductor cleaning agents, we will develop a culture that encourages all employees to boldly take on challenges and celebrates their very efforts.

Our FY2029 targets of net sales of ¥100 billion and operating income of ¥10 billion and our long-term vision beyond that will not be smooth sailing, by any means. However, we have enduring intangible assets built up over more than 100 years: our “human capital,” “technology,” and “relationships of trust with our customers.” I am fully confident that with solid teamwork between sales and research and with dialogue with customers as our starting point, we can make full use of these intangible assets and achieve our targets.

I ask all our stakeholders for their continued understanding and support for DKS as we rise to the challenge of becoming a company that drives change.

# Business Activities Report



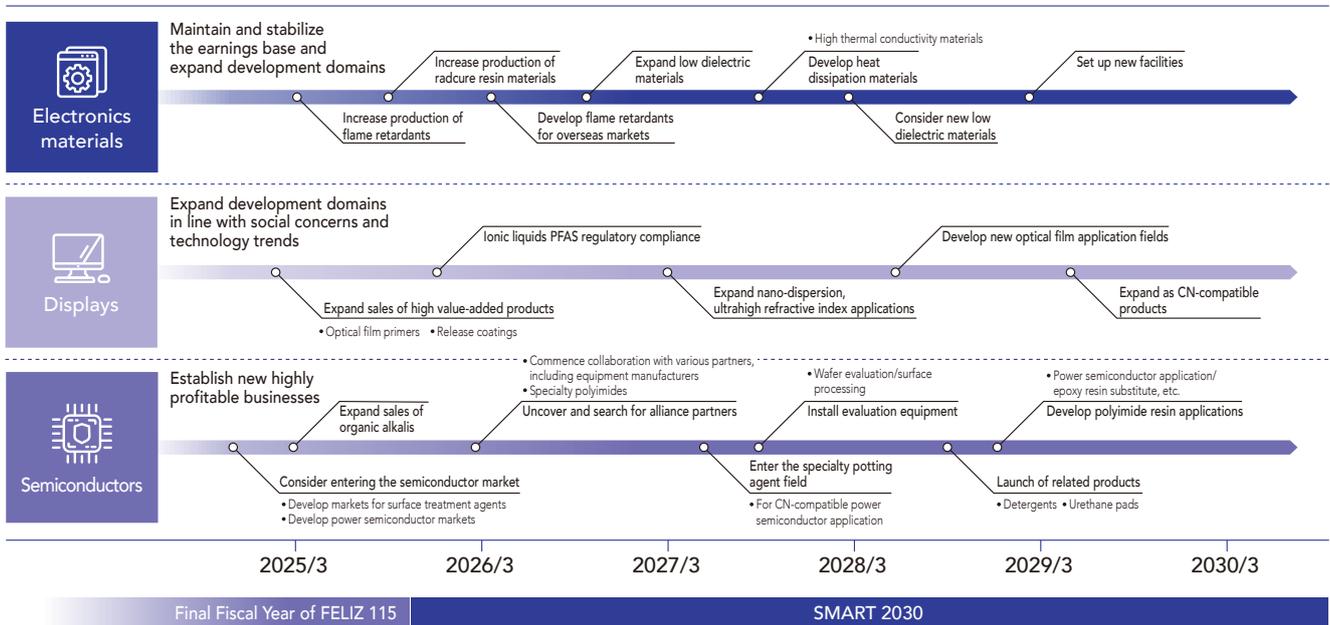
## Electronics & IT

Material Issues (P.20)	Initiatives
1 Research and Development	<ul style="list-style-type: none"> <li>Deepening customer orientation in line with Uni-Top strategies and promoting the development of environmentally friendly products</li> </ul>

We provide high-performance resin products and additives, including photocurable monomers and oligomers, flame retardants, and waterborne polyurethanes, to the IT and electronic materials sector, such as products for communication equipment and displays. We flexibly address the diverse product-related needs of a digital society using our evolving technologies, including materials technologies.



Contact: Marketing Group, Business Support Department Phone: +81-3-3275-0569

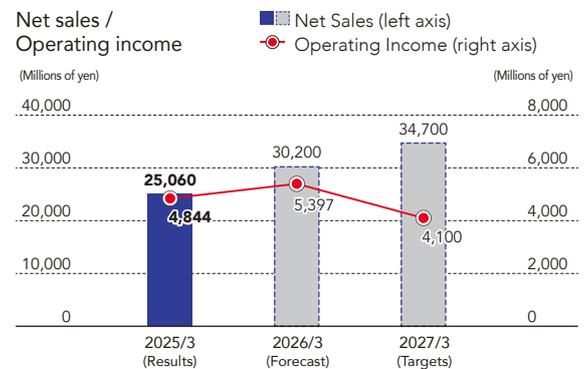


### Review of FY2024 and initiatives to solve issues

Overall, net sales in this segment increased substantially in the fiscal year ended March 31, 2025. In Japan, sales of special nonionic surfactants for use in the monitors for display materials remained strong. Sales of low-dielectric resins for electronics materials increased significantly. Overseas, sales of flame retardants for use in frames for display materials dropped significantly, while sales of low-dielectric resins for electronics materials rose significantly.

We need to work on the following.

- Expand telecommunication material development domains
- Strengthen high value-added products for display
- Develop semiconductor peripheral fields



#### Business domain and scale

- Displays
- 5G/6G communication components
- Power semiconductor potting agents
- Optoelectronic components
- Edge devices

#### Proprietary technologies

- Low-dielectric resin modification
- Oxidative polymerization
- Low thermal expansion
- Low dielectric
- Flame retardation
- Potting
- Radiation curing
- Heat conductivity/dissipation
- Nanodispersion
- Refractive index control
- 3D printing
- Organic alkalis

## Uni-Top strategy

### Action Policy

This business division contributes to a digital society through the development of new technologies and products. In the electronic materials sector, we will expand sales of low dielectric materials compatible with next-generation high-speed communication to broaden the domain for the development of communication materials and stabilize our revenue base. In the display sector, we promote the

development of cutting-edge materials in line with social issues and technical trends and improve high value-added products. In the semiconductor sector, we advance the development of our competitive, unique technologies in peripheral areas and seek to enter the market of next-generation semiconductor materials and establish profitable businesses.

### Growth strategy targeting 2030

#### Low-dielectric resin

**Opportunity:** Contribution to a digital society

**Risk:** Actions to address product obsolescence and changes in the market resulting from the acceleration of technological innovation



Sales: I.R

Research: O.R

#### Technological topics and marketing strategy

In recent years, with the popularization of generative AI, components for next-generation high-speed communication have been increasingly required to enable high-speed, large-capacity and low-latency communication. Accordingly, the demand for resin materials with lower dielectric constants has been increasing. Expanding our core interface control technologies into the fields of polymer modification and functional design, we are developing products such as thermal cross-linking low dielectric resins with low dielectric properties that meet market needs, as well as hydrocarbon-based thermosetting resins, which are next-generation materials designed to achieve even lower dielectric constant.

To meet the increasingly sophisticated needs of the market and keep pace with the speed of development, we will build and strengthen our in-house application and evaluation system and provide materials that contribute to 5G high-speed large-capacity data communication technology which is rapidly becoming ubiquitous.



Substrate mounting materials, print circuit board materials



- Low dielectric thermosetting oligomer resin with a vinyl group
- Curable without an initiator and highly compatible with many different resins
- Combining low dielectric properties with high Tg (high heat resistance)

#### Ionic liquid

**Opportunity:** Contribution to a digital society

**Risk:** Ability to compete with non-fluorinated alternative technologies



Sales: S.M

Research: M.T

#### Technological topics and marketing strategy

Our ELEXCEL AS, MP Series are fluorinated ion liquids that feature our cation synthesis technology and unique anion structure, and are not categorized as PFAS (Per- and Polyfluoroalkyl Substances). The product is highly regarded by the market as a high-performance antistatic agent that contributes to the enhancement of the performance of tapes used in the components of displays, electronic devices, and semiconductor processes.

As there is an international trend toward defluorination, we are also focused on the development of non-fluorinated ion liquids. By digitalizing the structural characteristics of ion liquids, we will create a unique database to establish an efficient method for proposing materials. Furthermore, we will bolster efforts to develop high-mix low-volume production processes using a flow reactor that can easily switch between different product classes, unlike the batch production process. In this way, we will provide materials that meet the needs of the market.



High-performance anti-static agents  
(secondary battery electrolytes, lubricating oil)



- Ionic liquids with an anion structure compliant with PFAS regulations
- Exhibits low viscosity and low melting point, and demonstrates top-level ionic conductivity among existing ionic liquids
- High-performance anti-static agents capable of sufficiently demonstrating their performance even when added in small quantities

# Business Activities Report



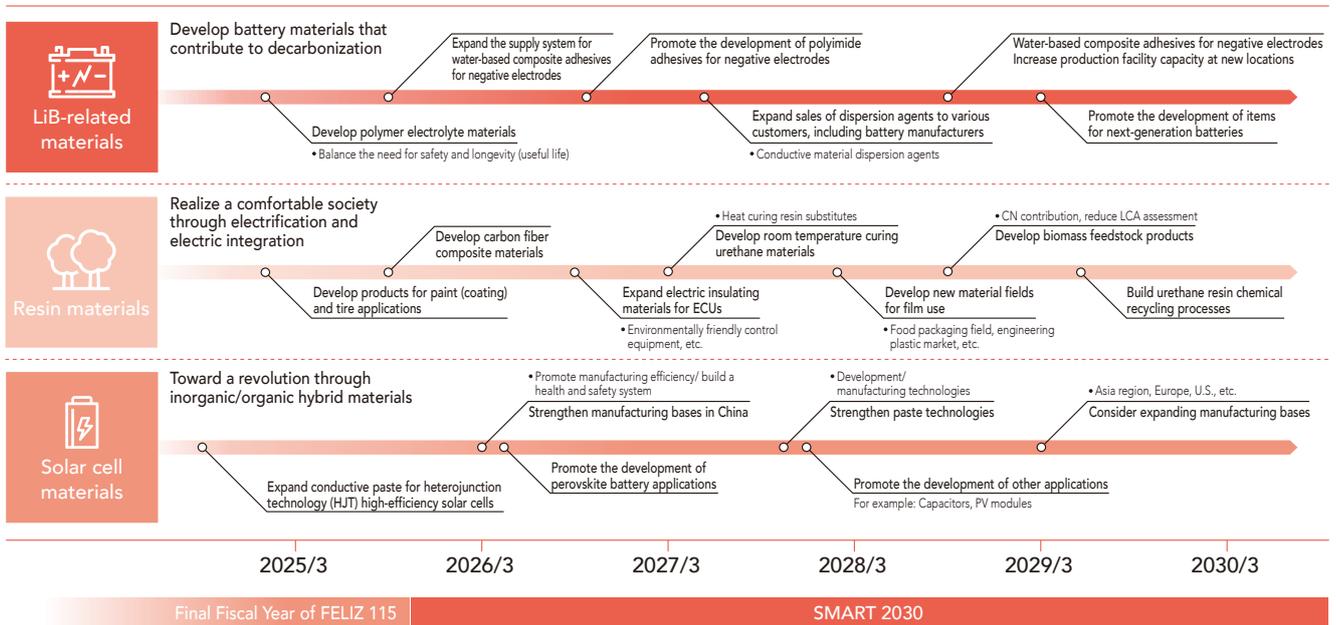
## Environment & Energy

Material Issues (P20)	Initiatives
1 Research and Development	• Deepening customer orientation in line with Uni-Top strategies and promoting the development of environmentally friendly products

Focusing on the development of decarbonization and electrification technologies, we provide lithium-ion battery materials, sealants for electronic circuit boards, solar cell conductive pastes and other materials compatible with an environmental and energy-conscious society. We support the popularization of EVs and the promotion of photovoltaic power generation systems, aiming to contribute to a sustainable society. At the same time, we are promoting our development activities in globally recognized growing sectors that significantly contribute to the realization of a decarbonized society.



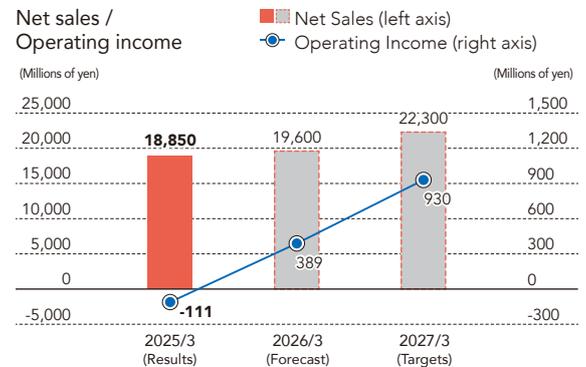
Contact: Marketing Group, Business Support Department Phone: +81-3-3275-0569



### Review of FY2024 and initiatives to solve issues

Overall, net sales in this segment increased substantially in the fiscal year ended March 31, 2025. In Japan, sales of environmentally friendly synthetic lubricants related to CFC regulations were sluggish. Sales of sealants for circuit boards and adhesives for use in mobility electronic components increased significantly. Sales of high-performance conductive pastes for solar cells also rose significantly. Our sales overseas increased greatly due to the year-end launch of water-based composite adhesives for negative electrode materials for batteries. We need to work on the following.

- (1) Expand sales of such products as potting agents for circuit boards
- (2) Strengthen the battery materials field
- (3) Promote initiatives aimed at securing carbon neutrality



- | Business domain and scale           |                                   |                              |
|-------------------------------------|-----------------------------------|------------------------------|
| • Transportation equipment industry | • Batteries                       | • Recycling                  |
| • Electric vehicles                 | • Solar panels                    | • Bioplastic                 |
| • Sensors                           | • Environmentally friendly resins | • Waterborne coatings/resins |

- | Proprietary technologies |                                 |   |
|--------------------------|---------------------------------|---|
| • Adhesion               | • Particle surface modification | • Ion conduction                                  |
| • Peeling                | • Potting                       | • Cellulose, sugar and polysaccharide derivatives |
| • Composite              | • Electronic conduction         | • Resin recycling                                 |
| • Films                  |                                 | • Water-based systems                             |

## Uni-Top strategy

### Action Policy

This business division proposes materials whose environmental impact is lower and promotes the transition to a decarbonized society. Regarding LiB-related materials, the division promotes the development of battery materials to contribute to a sustainable society and improve the energy sector. Regarding resin materials, we contribute to the development of a comfortable, recycling-oriented society through electrification

and electric integration, with a focus on sealants for electronic circuit boards and other products. Regarding solar cell materials, we will facilitate the popularization of renewable energy by enhancing the performance of products by, for example, creating hybrid inorganic and organic products. We will use our proprietary technologies to expand growing sectors and achieve carbon neutrality.

### Growth strategy targeting 2030

Battery materials	Opportunity: Contribution to a decarbonized society	Risk: Uncertainties regarding technological competition and investment recovery
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Sales: O.S

Research: S.K

#### Technological topics and marketing strategy

The characteristics of LiBs include their high energy density and long service life. Supported by the government, the market for LiBs has been rapidly growing in recent years. We have developed an additive for positive/negative electrodes and separators using our surfactant technology, an electrolyte material that contributes to the improvement of safety, and an anti-chain explosion agent that is expected to increase heat dissipation and shock resistance. By popularizing these batteries, we help achieve a sustainable society.

The ELEXCEL CR Series of silicone negative materials bind conductive materials to resins. They are instrumental in making batteries last longer by curbing the collapse of their electrode structure, which may be a result of the active silicone materials that expand and contract greatly. Going forward, we will invest nearly 3 billion yen in a phased manner and aggressively develop a supply system for the continued expansion of our business.



- Additives for positive/negative electrodes and separators: Featuring dispersibility, greater adhesiveness and a longer cycle life
- Electrolyte materials: Voltage increase, liquid leakage prevention, and flame retardancy
- Anti-chain explosion agent materials: Improvement of battery safety and reducing energy through fast curing

Polyurethane materials	Opportunity: Contribution to a decarbonized society	Risk: Technical activities in response to the increased sophistication of reliability requirements
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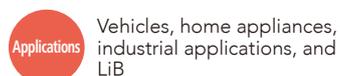


Sales: F.A

Research: H.T

#### Technological topics and marketing strategy

As autonomous car driving and IoT technologies advance, electronic component reliability requirements are becoming increasingly strict. The EIMFLEX Series of electrical insulation materials are a display of the urethane technologies that we have accumulated over our many years as a polyol manufacturer. They protect ECUs and sensors against dust, humidity and other environmental concerns, safeguarding electronic components even under severe external environments. We can begin in the design stage to create polymers that have broadly ranging properties, from low-hardness, rubber-like elastic objects to hard resins with high cross-link density. In recent years, we have been developing products to prevent fire propagation in lithium-ion batteries, as well as eco-friendly water-based insulation materials and UV-curable materials.



- The use of our urethane materials in electronic circuit boards protects electronic components from dust, humidity, etc.
- Our lineup includes products with flame-retardant properties, as well as others with high hardness and transparency. They contribute to the greater durability and longer service life of electronic components for use in automobiles, household appliances, etc.

# Business Activities Report



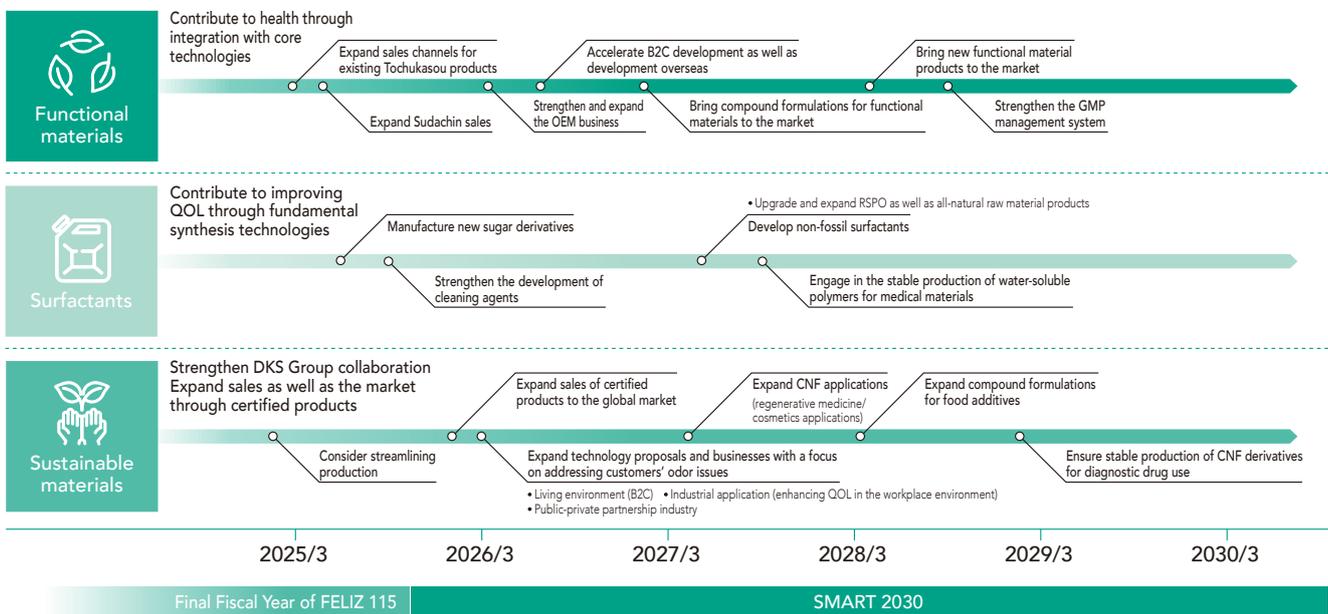
## Life & Wellness

Material Issues (P.20)	Initiatives
1 Research and Development	• Deepening customer orientation in line with Uni-Top strategies and promoting the development of environmentally friendly products

We supply materials to help create a healthy society, focusing on food, pharmaceuticals, cosmetics, and toiletries. We focus our research and product development on natural raw materials and technologies for extracting, concentrating, and mass-producing substances derived from natural sources, and we offer health food products such as TENCHUKASOU (I.Japonica-Bombyx Fungus powder) and Sudachin (Citrus *sudachi* peel extract powder.) Aligned with the priority areas set forth in the SDGs Implementation Guiding Principles—"Achievement of Good Health and Longevity" and "Revitalization of Rural Areas"—we aim to address the social challenges posed by declining birthrates and aging populations.



Contact: Marketing Group, Business Support Department Phone: +81-3-3275-0569

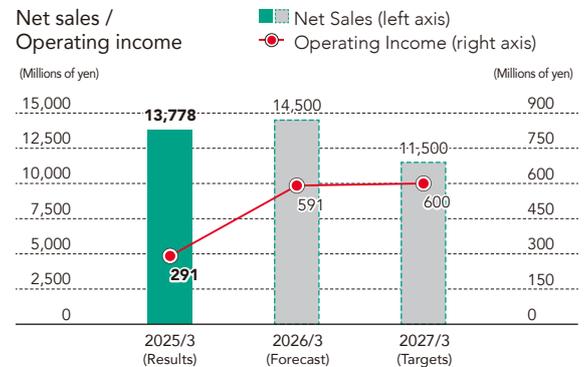


### Review of FY2024 and initiatives to solve issues

Net sales in this segment were generally firm in the fiscal year ended March 31, 2025. In Japan, sales of materials for soap and detergent grew significantly, as did sales of sucrose fatty acid esters for food use. The OEM business for pharmaceutical additives and health foods made through the concentration and pulverization of extracts from natural materials was robust. Overseas, sales of sucrose fatty acid esters were robust in personal care (cosmetics) applications and grew significantly for food applications.

We need to work on the following.

- (1) Expand sales of sugar/cellulose derivatives
- (2) Strengthen the Odor business
- (3) Strengthen the new OEM business



Business domain and scale		
• Food	• Pharmaceutical raw materials	• Cleaning
• Food additives	• Plant extract	• Cosmetics
• Health food	• Deodorants	• Soap/detergents

Proprietary technologies		
• Natural material use	• Pulverization	• Biosensor/diagnostic
• Emulsification	• Extraction	• Sugar/cellulose derivatives
• Dispersion	• Deodorization	
• Solubilization	• Sanitization	

## Uni-Top strategy

### Action Policy

This business division contributes to protecting health and ways of life through health-focused products and services.

We aim to expand into a variety of fields based on our surfactant technology, and we are advancing our material development for new applications. In the field of detergents and cosmetics, this technology is utilized for its excellent feel, stable emulsifying, and dispersing properties, using it as a cosmetic thickener and stabilizer. For food and pharmaceutical additives, it offers superior emulsion stabilization and

foaming, and also prevents starch retrogradation, making it widely used as an emulsifier, thickener, and lubricant. In the deodorization field, we also offer low-cost, highly effective deodorants to control odors in factories, restaurants, and other settings. In the health food field, we also developed KAINOU TOUCHUKASOU, a functional food product derived from Isaria Japonica, contributing to maintaining cognitive function. Moving forward, we will continue to enhance our collaboration within the DKS Group to expand sales.

### Growth strategy targeting 2030

#### Foods and cosmetics

Opportunity: Contribution to a healthy society

Risk: Population decline in Japan



Sales: M.H

Research: K.Y

#### Technological topics and marketing strategy

We manufacture and sell sucrose fatty acid esters as highly safe, naturally derived emulsifiers, made from sucrose (sugar) and plant-derived fatty acids. We also have several products on the market that make use of these esters, including DK ESTER, a food additive, COSMELIKE for use in cosmetic products, and formulated food emulsifiers blended with sucrose fatty acid esters.

While the domestic market is shrinking due to recent population decline, we aim to expand sales to the global market while ensuring compliance with relevant laws, regulations, and certification systems. Most of our compound formulations were originally aimed at the domestic market, but after reviewing our formulas, we are focused on expanding overseas and strengthening our approach to the global market. There is increasing demand for naturally derived emulsifiers in the cosmetics field, and we are working to propose sustainability-conscious products.

Applications Foods and cosmetics

Features

- Changing the substitution ratio of fatty acid esters makes it possible to manufacture a wide range of HLB products, from hydrophilic to lipophilic
- For food use: can be used as an O/W emulsifier in beverages, offering lubricating properties, interaction with starch, resistance to heat-resistant bacteria, and more
- For personal care products: can be used as an EO-free, high-HLB emulsifier, demonstrating dispersion and oil gelling properties in low-HLB products

#### Odor

Opportunity: Contribution to a healthy society

Risk: Ensuring product differentiation and price advantages



Sales: A.K

Research: O.S

#### Technological topics and marketing strategy

Today, where there is a strong desire for comfortable living conditions, social standards related to odors are becoming increasingly strict. In response, AIRKEM, our natural based counteractant and deodorizer, offers a low-cost and effective response to odors near manufacturing plants, restaurants, and more. Made from natural plant-based essential oils, it is extremely safe and can be used without worries.

NIOCAN is a product created through the application of olfactory measurement skills developed to eliminate odors in industrial spaces to odors in living spaces. The odor neutralization method, which is the mechanism used to eliminate odors, is highly unique, and NIOCAN has been highly rated not only as an everyday solution but also as a product for solving issues related to inbound tourism.

We will continue to offer optimal deodorizing methods for our customers, making use of our ample experience and know-how to solve each odor problem.

Applications Deodorization

Features

- AIRKEM: made from natural, plant-derived oils, it lowers the odor sensation by neutralizing and offsetting smells. It offers immediate results and can be used at low cost
- NIOCAN: made from 99% naturally derived ingredients. It has been certified to be non-irritating to skin and eyes by an external testing agency. Can be used to neutralize a wide range of everyday odors

# Business Activities Report



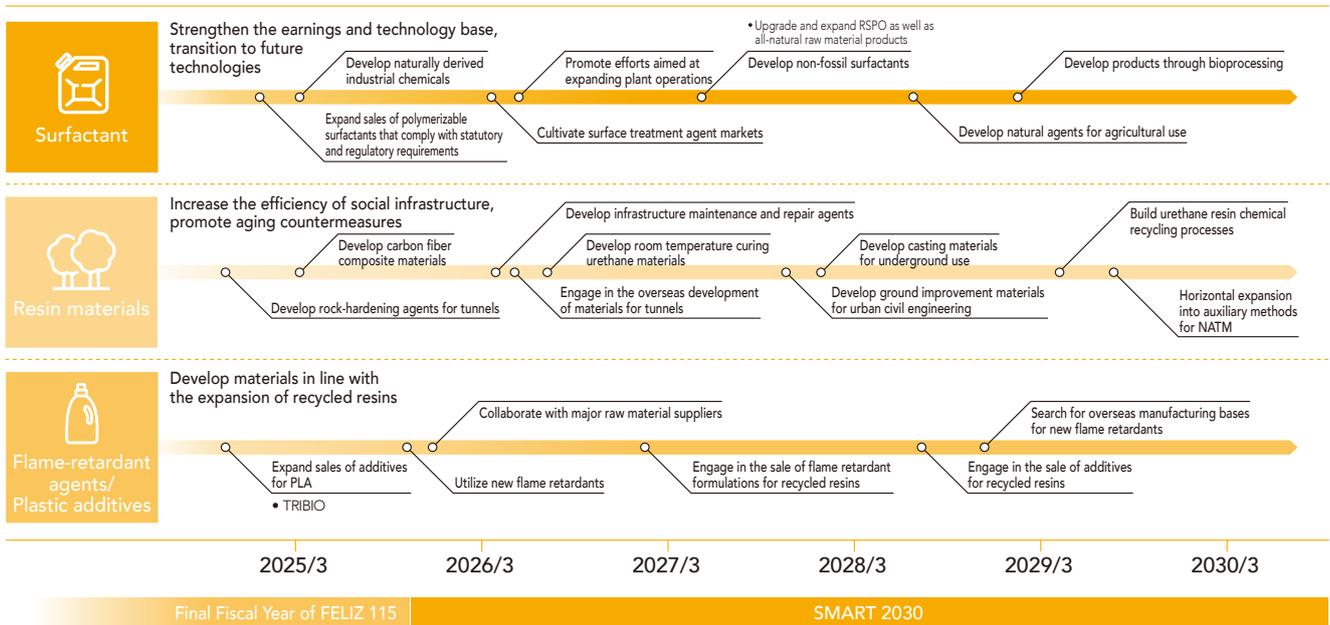
## Core Materials

Material Issues (P20)	Initiatives
1 Research and Development	• Deepening customer orientation in line with Uni-Top strategies and promoting the development of environmentally friendly products

Since our founding in 1909, we have utilized our core technology to develop businesses in a wide range of industries. Centered on our core surfactant technology, we offer B2B products that demonstrate high value-added functionality across a wide range of fields and applications. Our technology is widely used around the world as a sought-after solution. In recent years, we have been focusing on the development of environmentally friendly products to help realize a sustainable society.



Contact: Marketing Group, Business Support Department Phone: +81-3-3275-0569

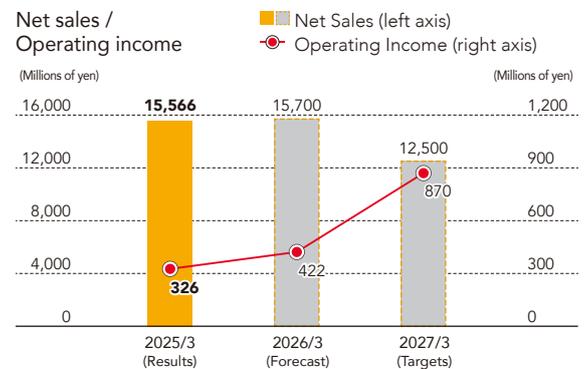


### Review of FY2024 and initiatives to solve issues

Net sales in this segment were generally firm in the fiscal year ended March 31, 2025. Sales for machines, metal, paint, and coloring material applications were robust. Sales of tunnel collapse prevention agents for civil engineering and construction applications were also robust. Overseas, sales for textile applications were robust, as well. Sales for paint and coloring materials fell, as did sales of flame retardants for rubber and plastic applications.

We need to work on the following.

- (1) Expanding environmentally friendly products
- (2) Contributing to social infrastructure through materials, including those used in tunnels
- (3) Improving profitability of the flame retardants business



Business domain and scale		
• Textile and paper industry	• Civil engineering and construction	• Tunnel collapse prevention agents
• Iron and steel	• Paint	• Flame retardants
• Non-ferrous	• Ink	• Dispersants
• Agriculture	• Rubber/plastic	• Emulsifiers
• Agrochemical		

Proprietary technologies	
• Surfactant design/synthesis/blending	• Water-soluble polymer synthesis
• Emulsion polymerization	• Urethanization
• Alkylene oxide addition	• Flame retardation

## Uni-Top strategy

### Action Policy

This business division contributes to the realization of a sustainable, circular society by utilizing our core technologies. For more than 100 years since our founding, surfactants have provided added value by imparting functions such as emulsification, solubilization, penetration, and surface modification across diverse fields of daily life. More recently, we have been developing environmentally friendly products that align with the growing

global environmental concerns. Rock hardening agents for civil engineering are crucial for infrastructure development, and further growth is expected due to the progress in the construction of highways and high-speed rail lines. Brominated flame retardants demonstrate superior flame resistance and stability in rubber and plastics, and we are developing materials in response to the expansion of recycled resin.

### Growth strategy targeting 2030

Paints and adhesives	Opportunity: Contribution to a circular society	Risk: Decrease in costs
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Sales: I.H

Research: T.M

#### Technological topics and marketing strategy

In recent years, the adoption of waterborne formulations in paints and adhesives has accelerated from the viewpoint of the SDGs. Emulsion polymerization, a process that depends heavily on surfactants, is typically used to produce polymer dispersions, which serve as the primary component in these formulations. Using reactive surfactants instead of conventional ones enables the creation of waterborne coatings that offer superior water resistance and strong adhesion. They also help minimize surfactant bleed-out from the dried coating, which reduces the risk of environmental leaching over time. We offer an extensive lineup of surfactants and can propose products that meet our customers' needs. We continue to develop eco-friendly, high-quality, and high value-added products that help our customers solve their challenges.

**Applications** Waterborne coatings and various types of adhesives

- Features**
- Minimal environmental leaching
  - Produces a polymer dispersion with excellent low-foaming, defoaming, mechanical and chemical safety, and freeze-thaw stability
  - Achieves a coating with superior water resistance and strong adhesion
  - Minimal impact on adhesive strength

Detergents and surface treatment agents	Opportunity: Contributing to improvements in final product quality	Risk: Changes in required performance
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Sales: N.Y

Research: K.K

#### Technological topics and marketing strategy

In the field of industrial cleaning agents, demand for waterborne detergents is expanding due to increasing awareness of environmental conservation and safety. Surfactants are the main component of waterborne detergents. As performance requirements become more stringent, we are able to design detergent products that meet diverse customer needs by utilizing surfactant-related expertise and technology gained over the years. We are also developing products in the surface treatment field that utilize our surfactant technology. We offer a variety of processing agents, ranging from antirust agents for steel products in the past to release and antistatic agents for rubber and plastics, as well as more recent surface modifiers for electronic materials. Moving forward, we will continue to develop products matching advances in processing technology and precision as we contribute to improvements in the quality of our customers' products.

**Applications** Metal, glass, rubber, plastic, semiconductor peripheral materials, circuit board, and electronic materials

- Features**
- Detergent: offering optimal cleaning agents for specific contaminants and substrates  
Safe neutral cleaning agents optimal for cleaning lightweight processing oils and particles  
Alkaline cleaning agents that are effective at cleaning heavy processing oils, waxes, and other oil-based contaminants  
Acidic cleaning agent optimal for removing oxidized film and light metal etching
  - Surface treatment agents: offering customized treatment agents for specific purposes such as rust and oxidation prevention for metals, hydrophilic treatment for films

# Message from the General Manager of the Kyoto Central R&D Division



## Becoming a company that creates added value

SHOSU Takeshi

General Manager, Kyoto Central R&D Division

The newly established Kyoto Central R&D Division pursues its mission, which includes: 1. Creating medium- to long-term (3-10 years) research themes and introducing and implementing new technologies; 2. Early commercialization of new businesses; 3. Role as a cross-divisional organization to facilitate internal and external communication, ensure safety and health, and develop human capital; and 4. Discovering, disseminating, and utilizing intangible assets.

### Creation of Medium- to Long-term (3-10 Years) Themes and Introduction and Implementation of New Technologies

Based on our technologies, we will conduct R&D activities, including open innovative activities, to meet the needs of customers and society. The objectives of medium- to long-term development activities tend to lack clarity, and it is easy for the speed and accuracy of research to deteriorate. Regarding this matter, we balance the reform of our corporate culture and the harvesting of tangible results by implementing our OKR (Objectives and Key Results) mechanism to practice what President Yamaji has referred to as the spirit of taking on "challenges." We are encouraging organizations to collaborate and share data throughout the Company to increase our employees' motivation and enable them to recognize their own contributions to the organization.

The added value generated by research enables us to reap benefits in the form of net sales and profits from new products.

As the part of value creation that enables the early generation of new businesses, we are implementing the Odor business, sustainable materials, and the solubilization technology for poorly soluble substances. The Odor business is a new business built on the deodorization research that DKS has been engaged in for many years. Sustainable materials include, for example, environmentally friendly products such as RHEOCRISTA which incorporates cellulose derivative technology. Regarding our solubilization technologies, we are developing applications of our sucrose fatty acid ester technology for the life sciences sector. The accuracy and speed of our commercialization of our R&D activities will be increased by strengthening our cooperation with outside partners including government agencies and downstream companies, and by streamlining our in-house research and development activities.

### Activities as a Cross-Divisional Organization

#### Identification, dissemination, and utilization of intangible assets

Research results can only become products by sharing them externally and engaging in dialogue with stakeholders. We have consistently held technical gatherings with our customers. In cooperation with the Public & Investor Relations Department, the Kyoto Central R&D Division will strengthen its dissemination of technical information via websites and press releases. We will also cooperate with other divisions such as the Human Resources Strategy Department and relevant business divisions in the development of human capital.

I was in charge of the Intellectual Property Department for about ten years until fiscal 2024. By engaging in operations relating to intellectual property, I learned about the originality of our technologies developed over our long history, our relationships with customers, and the success stories of the products that contribute to our sales and revenue. Through cooperation both within and outside the Company, I have come to appreciate the importance of interorganizational cooperation. Leveraging on these insights, we will create new products that will contribute to our customers and society, provide a solution with chemistry, and increase our sales and profits.

DKS boasts an optimal combination of technological strengths that address the function and manufacturing method-related needs of each customer through customized proposals.

	Electronics & IT	Environment & Energy	Life & Wellness	Core Materials
Proprietary Technologies	Low-dielectric resin modification, oxidative polymerization, low thermal expansion, low dielectric, flame retardation, potting, radiation curing, heat conductivity/dissipation, nanodispersion, refractive index control, 3D printing, organic alkalis	Adhesion, peeling, composite films, particle surface modification, potting, electronic conduction, ion conduction, cellulose, sugar and polysaccharide derivatives, resin recycling, water-based systems	Natural material use, emulsification, dispersion, solubilization, pulverization, extraction, deodorization, sanitization, biosensor/diagnostic, sugar/cellulose derivatives	Surfactant design/synthesis/blending, emulsion polymerization, alkylene oxide addition, water-soluble polymer synthesis, urethanization, flame retardation

## Organizational Structure and Outline of Kyoto Central R&D Division

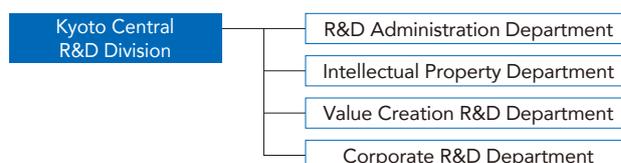
Within the Kyoto Central R&D Division, there are departments which handle company-wide research and medium- to long-term research, as well as departments which engage in administrative affairs related to research. The Corporate R&D Department and the Value Creation R&D Department are engaged in the former, while the Intellectual Property Department and the R&D Administration Department are engaged in the latter.

The Corporate R&D Department is divided into subgroups: the Data Science Group is assigned to the implementation of what we call materials informatics (MI), the Sustainable Materials R&D Group develops environmentally friendly products, the Odor Research Group works to expand our Odor business, and the Analytical R&D Group conducts the analyses that are necessary for the acceleration of our research and to facilitate our business operations. The Value Creation R&D Department consists of

the New Materials Group and the Biotechnology R&D Group. These two groups handle medium- to long-term research in the chemical sector and in the bio-life science sector, respectively.

The Intellectual Property Department has expanded its focus beyond intellectual property to include other intangible assets, and the R&D Administration Department's activities encompass administrative affairs related to research and the collection and analysis of data that is necessary to increase the efficiency of R&D.

Organizational structure and outline of Kyoto Central R&D Division



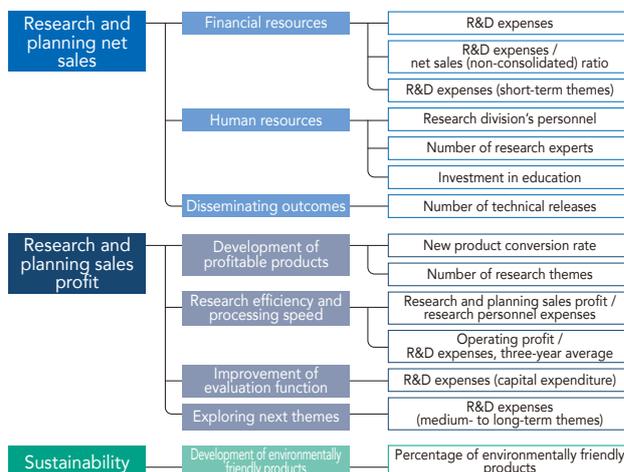
## Key Challenges for the Kyoto Central R&D Division under the New Medium-term Management Plan

SMART 2030 links our R&D activities to the business divisions, the Life Sciences research division, and the Production Technology R&D Division. Our R&D activities encompass medium- to long-term research activities in cooperation with the business divisions and other units, as well as company-wide initiatives such as MI, environmentally friendly products, and analytical research. To ensure that we achieve meaningful results five and ten years in the future, we will collaborate with our business divisions to develop human capital on a medium- to long-term basis, implement evaluation methods to aid in our decision making regarding the commercialization of products, build the organization that takes on challenges that our President has envisioned, and develop a research culture where we share stories about our failures and the information we have learned.

At the same time, to generate added value as a research division, we must pursue new products that will generate net sales and profits (research and planning net sales and sales profit). For this purpose, we will unflinchingly achieve the goals of the Medium-Term Management Plan by classifying and prioritizing the necessary approaches and observing indexes such as the new product conversion rate, our research portfolio, and our pipelines. Regarding laboratory automation (LA), we pursue collaboration with robots instead of full automation. Applied evaluation adapted to the customer's

specialized field is an important step in addressing customers' issues using DKS's proprietary technologies. DKS researchers make decisions regarding evaluation methods through dialogue with customers. Accurate and consistent robots play a role in the applied evaluations, increasing the sophistication of DKS's culture of research and its efforts, enhancing its accuracy and speed.

Key challenges for the Kyoto Central R&D Division under the new Medium-Term Management Plan



### Technological topics

#### Accelerating development capabilities through technologies and automation

With the goal of streamlining and accelerating R&D activities, we are pushing forward with innovation in the fields of both analytical technologies and robot utilization. In terms of technologies, for example, we have developed a new method that enables the in-house quantitative analysis of our product Naturido, a cyclic peptide contained in Japonica-Bombyx Fungus, and we continue to explore simpler methods. Regarding the utilization of robots, we have introduced the human collaboration robot, COBOTTA,\* and are pushing forward with laboratory automation. We are pursuing the robot-based automation of the collection of data in synthesis, blending, evaluation, analysis, and other processes which have conventionally been performed manually by researchers. The accumulated data, irrespective of whether it is the result of a success or a failure, is analyzed using AI-based machine learning technology, increasing the accuracy and speed of our R&D activities. Currently, we are building a foundation for applying laboratory results at factories, and we believe it will make us more competitive in the future.

\*COBOTTA is a registered trademark of DENSO CORPORATION.



Research: O.K

# Strategies of Research and Intellectual Property

## R&D Strategy

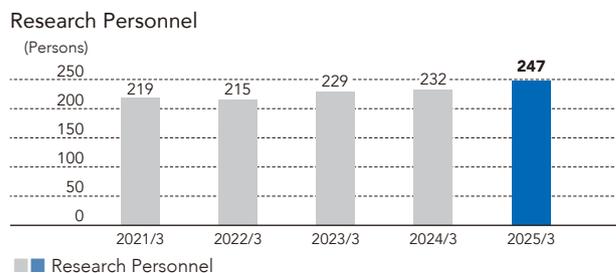
President Yamaji’s vision for taking on “challenge” is not only about research results, but also the medium- to long-term reform of our corporate culture. The goal of our R&D strategy is to establish a culture where challenges are encouraged, and failures are accepted. We will build a system where our R&D activities, which reflect our spirit of taking on challenges, generate added value at an early stage. In our new organizational structure, we

will cooperate with one another on everything—from potential needs to medium- to long-term themes and research and cost reduction efforts—to achieve results. The evaluation technologies equivalent to those of our customers, improvement of R&D efficiency, dissemination of technologies, development of human capital and many other activities will result in the creation of Uni-Top products.

## R&D Investment

Under our Medium-Term Management Plan SMART 2030 (the “Plan”), we will implement focused R&D investments in the areas of specific challenges with the goal of achieving an R&D expenses-to-sales ratio of 5.3%.

In the fiscal year ended March 31, 2025, the proportion of personnel expenses in R&D costs increased slightly, and capital expenditures within R&D costs rose. The Evaluation Laboratory was established as an investment with the goal of achieving results in the short, medium and long term.



## Establishment of Evaluation Laboratory

To strengthen our development capabilities, we established a laboratory specialized in evaluation. We have streamlined our evaluation process to be more consistent by centralizing previously dispersed evaluation equipment and introducing a new highly functional press machine. This enables evaluations in conditions close to actual customers’ use, dramatically accelerating both product performance optimization and problem resolution. This initiative is positioned as

an important investment contributing to the expansion of our businesses in growing domains, leading to shorter development lead times and increased customer satisfaction. In the short term, it addresses the needs of the market for resin materials for high-end servers, and in the medium to long term, electronic materials such as those for semiconductors.



## Open Innovation

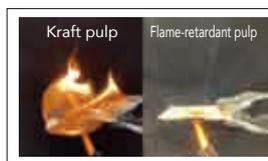
We partner with many universities and companies and actively encourage open innovation. Incorporating advanced knowledge and technologies from outside the Group broadens our R&D activities and accelerates the creation of new value which leads to solutions to social problems. In particular, through joint research with universities, we combine basic and practical knowledge

and efficiently implement technologies in society. We have concluded agreements with universities regarding two comprehensive joint research projects that are under way. Including undisclosed projects, we have 27 joint research projects with university labs that are under way as of the end of March 2025, and, filing of joint patent applications with universities are increasing.

### Technological topics

#### Flame-retardant pulp

A new lightweight cellulose material that is highly flame retardant has been developed through joint research with the University of Tokyo’s Graduate School of Agricultural and Life Sciences and Osaka University’s Institute of Scientific and Industrial Research (ISIR). This material is a compound of TEMPO oxidized pulp and inorganic compounds, making it flame retardant without the use of phosphorus or halogen compounds, which contributes to the reduction of environmental impact. Another characteristic of this new material is that the weight increase remains at only about 20% compared to TEMPO oxidized pulp. As society moves towards carbon neutrality, cellulose materials are drawing attention, and it is expected that the product we developed will have a high market value as a sustainable material. Going forward, we will expand the material applications in a wide range of fields, including wallpapers, interior materials and packaging materials, contributing to a sustainable society.



Research: S.K

## Source of Innovation

### Interview Professor Kondo of University of Shizuoka × IWAKI Toru, Manager at DKS

#### KONDO Hiromu

Professor, Dept. of  
Pharmaceutical Engineering &  
Drug Delivery Sciences, School  
of Pharmaceutical Sciences,  
University of Shizuoka

Professor Kondo was the Head of the Dosage Form Research Office within the Formulation Laboratory of Astellas Pharma Inc. and a visiting professor at Kyushu University's Faculty of Pharmaceutical Sciences whose focus was drug delivery systems before he assumed his current role in April 2018. He is committed to basic research with the goal of achieving patient-oriented manufacturing through the unique design of formulations and the development of new formulations and drug delivery system (DDS) technologies.



#### IWAKI Toru

Manager of New Materials  
Group, Value Creation R&D  
Department, Kyoto Central  
R&D Division

Since joining DKS, Mr. Iwaki has been engaged in research on the synthesis, evaluation and blending of many different surfactants, mainly sucrose fatty acid esters (SEs). Currently, as a leader of a project expanding SEs into the formulation sector, he makes presentations at numerous academic conferences and interacts with customers while engaging in R&D.

## Application of Food Additives in the Formulation of Pharmaceuticals

DKS has started research for applying materials derived from natural ingredients that can be used as food additives in the formulation of pharmaceuticals. Currently we are collaborating with Professor Kondo of the University of Shizuoka, in a joint research project. Why is it possible to apply food additives in the formulation of pharmaceuticals? In the following, Mr. Iwaki answers questions from Professor Kondo, an expert in the pharmaceutical formulation industry.

**KONDO** You and our university are doing joint research in the area of sucrose fatty acid esters (SEs). Mr. Iwaki, how did you get involved with SEs?

**IWAKI** Well, I have been involved in the development of surfactants since I joined the Company. I spent a long time working on food SEs in particular. SEs are non-ionic surfactants made of natural sucrose and fatty acids. The Joint FAO/WHO Expert Committee on Food Additives (JECFA), an international institution, recognized SEs' safety. SEs were also approved for use as a food additive in Japan in 1959. SEs have a broad range of applications other than in foods, such as in cosmetics. We also propose combinations adapted to applications, and we have developed many different formulations to cater to customers' needs.

**KONDO** How did you get involved in pharmaceutical formulation, the area we are specialized in?

**IWAKI** When we entered the life sciences sector in 2018, our Intellectual Property Department suggested the theme of using SEs in the formulation of pharmaceuticals and presented an offer to me as I had experience in the development of SEs. Although we understand the characteristics of SEs, our knowledge about the formulation industry was limited, which is why we contacted you.

**KONDO** You said you had a lot of experience before returning to your SE research. Now you are working on applying SEs in the formulation of pharmaceuticals. How has your work progressed?

**IWAKI** I was assigned to polymeric dispersants following the emulsification, solubilization, and control of fat crystallization using SEs. Looking back, I handled the technologies that were necessary for solid dispersion in a sequential order. It looks like the current research will be the culmination of my experiences to date.

**KONDO** Your company values technologies and the SE technologies your company has accumulated are a part of your identity. That's why you were able to resume your research

after such a long interval. Why are SEs attractive to you?

**IWAKI** It is possible to obtain totally different properties depending on the structure of the SEs. SEs have two ingredients, and changing their proportions can give the material functions that are suitable for specific applications. Our research found that it is possible to make an amorphous compound water soluble by using the right proportion of SEs.

**KONDO** The joint research project is beginning to bear fruit. What do you find interesting about it?

**IWAKI** SEs may enhance both the solubility and absorbency of pharmaceutical ingredients. There are many different types of surfactants, but the recently obtained data seems to show that SEs have unique characteristics.

**KONDO** If we can elucidate the mechanism by which they act, we may be able to maximize the potential of SEs. Are you also actively engaged in open innovation?

**IWAKI** To continue to increase sales, we must pursue the cross-application of materials and explore more fields. We have many different materials and technologies related to research into applications for these materials. When we need a new technology like we do now, we are willing to engage in open innovation together with universities.

**KONDO** Lastly, could you talk about your aspirations regarding SE research?

**IWAKI** I want us to enter the pharmaceutical industry using our advantages in the area of SEs. People assume that I work for a pharmaceutical company because in Japanese, the name of our Company includes the word "seiyaku" which has the meaning of pharmaceuticals, but we are actually a chemical manufacturer. Many of our employees, including me, have had this conversation. I will ensure this project is successful at any cost, so that we will be able to proudly call ourselves a contract manufacturer of solid dispersions for pharmaceutical formulations.

**KONDO** Let's continue to work together and do our best.

# Strategies of Research and Intellectual Property

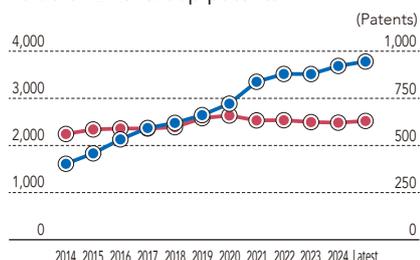
## Intellectual Property Strategy

DKS is an R&D-oriented company that uses chemistry to provide a solution, in line with the DKS Credo of "Contributing to the nation and society through industry." Our business models and the sectors of our customers are diverse, and we explore intellectual property (IP) activities according to the type of business model and sector. For example, in joint development with partners, we sustain our strengths over the medium and long term, and protect the customer product sales by limiting patent filings and enhancing the management of trade secrets shared in our internal research reports. In business models based on the proposal of our own technologies, we prioritize the early filing of patent applications for our research findings and focus on making proposals and communicating information about our technologies once patent applications have been filed. Where the business model is B2C, we also attach importance to the creation of brand value and implement a mix of intellectual property consisting not only of technology but also designs and trademarks. To continue

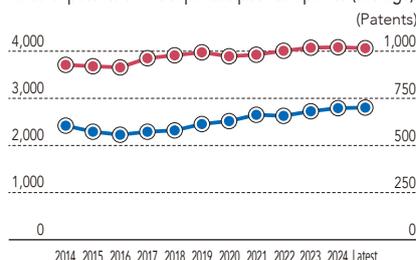
generating net sales and profits through the appeal of our technologies and products, we conduct these IP activities focused on patents and trade secret management.

One outcome of our early patent application filings for our R&D results and our utilization of the accelerated patent examination system, is that an increasing number of subsequent patent applications reference our filings. This is becoming a stable trend regardless of the field of technology, as evidenced by evaluation using the Patent Score provided by Patent Result Co., Ltd., which shows that the value of the Group's patents is rising steadily. Although our patent count falls short compared to other companies in our industry, our patent value surpasses theirs. According to our own internal assessment, the Group's ratio of patents to net sales is high compared to our industry peers. This strategic approach enables us to further advance our Uni-Top technology, aligning it with our customer-centric approach to drive technological competence and profitability.

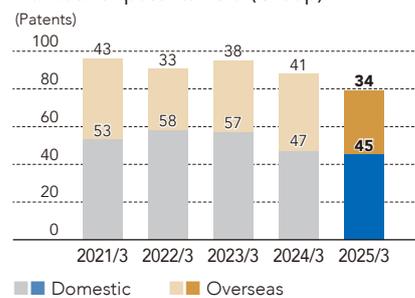
Value of DKS Group patents



Value of patents of five Japanese peer companies (average)



Number of patents held (Group)

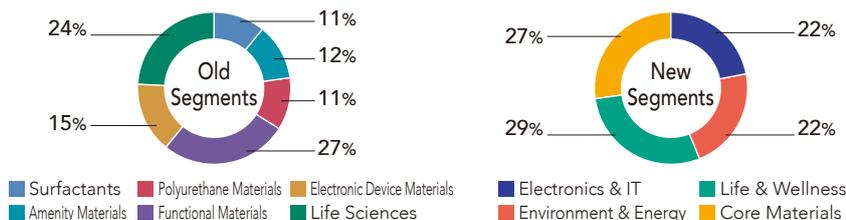


● DKS Group: Rights holder score (left axis)  
● DKS Group: No. of active patents (right axis)

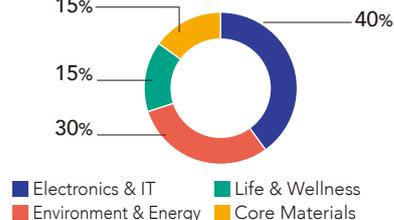
● Domestic industry peers (five-company average): Rights holder score (left axis)  
● Domestic industry peers (five-company average): No. of active patents (right axis)

\* Five domestic industry peers: Five major companies belonging to Japan Surfactant Industry Association \* Created by BizCruncher® (Patent Result Co., Ltd.)

Number of domestic patent applications (last five years)



Fiscal 2030 net sales target



We have set the commercialization of R&D findings within five years as a performance indicator. Working backwards, our current patent portfolio is an indicator of the future portfolio that will generate the net sales of segments in the final fiscal year of the Plan. The technologies and patents in the Core Materials segment are fundamental technologies that will produce other applications, and we continue to pursue new R&D efforts even after basic patents expire. Our patents in this segment include patents for surfactants, flame retardants and chemical products for civil engineering. In the Life & Wellness segment, we are at the stage of proposing our own technologies, and we are increasing the accuracy and speed of our

efforts to turn our many technologies and patents into even more promising products. The Electronics & IT segment is a field where we have many patents as well as many trade secrets related to technology shared in research reports. In the Environment & Energy segment, the number of patent acquisitions is increasing, such as our efforts to develop applications for urethane resins cured at room temperature.

Going forward, our IP Department will also encourage researchers to either file patent applications or manage trade secrets by business model and by segment with the aim of preventing the imitation of our important technology assets.

## Uni-Top Through Collaboration Between Departments and IP Activities

Extremely close four-way collaboration between materials researchers, researchers investigating applications, evaluation engineers, and IP staff is the source of our R&D capabilities. Materials researchers can

consult in-house researchers who are investigating applications at DKS, to develop new applications. This is the start of our "Do it in-house" approach. What is crucial here is knowledge of the industry

in which the technology will be applied and evaluation technology to support the application. DKS has evaluation technologies that have been fine-tuned through our experience of having worked closely with customers to solve their technological issues. We can quickly evaluate the results of our “Do it in-house” approach with an objectivity that meets market needs.

Our IP Department is also closely involved from an early stage of the research process and support development through investigation of the IP landscape and patent literature. Among our patent applications filed in Japan over the past five years, 13% resulted from collaboration between inventors from different fields. The water-based composite binders for negative electrodes we are currently focusing on were invented through such a framework. In-house analysis of the

combinations of inventors by patent application showed that joint inventions involving inventors of different departments are common, and that invention triggers also vary. We are committed to further accelerating our Uni-Top strategy, which seeks to create value through the approach of rolling out proprietary technologies to different fields and combining technologies. As a unique presence that uses chemistry to provide solutions to problems, we are striving to establish a unique technological position that sets us apart from other companies.

**Ratio of patents for R&D combining in-house technologies**

■ Invented by person(s) belonging to more than one department  
■ Invented by person(s) belonging to a single department



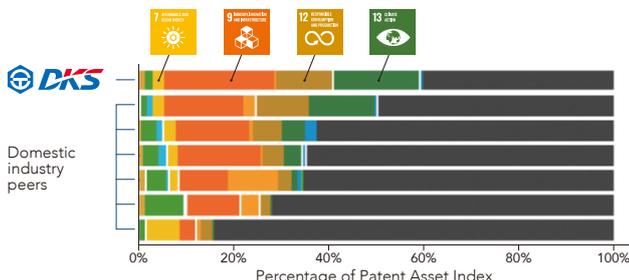
**Sustainability Initiatives Activities**

DKS has stepped up the “sustainability” efforts championed by President Yamaji, and prioritizes the mitigation of environmental impacts and effective use of resources. Particularly, we are focusing on the development of sugar derivatives, cellulose derivatives and other environmentally friendly products that incorporate the technologies we have built up over many years.

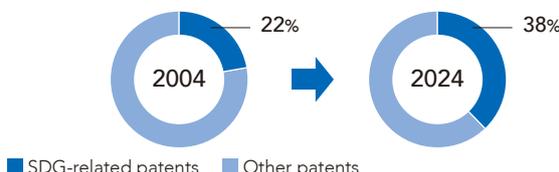
Evaluation using the LexisNexis® PatentSight+ patent analysis tool showed that DKS has a high value percentage of SDG-related

patents compared with our domestic industry peers. The contribution of our patents to SDGs 7, 9, 12, and 13 is especially noticeable, reflecting our advanced technological capabilities, particularly in battery technology. A comparison of our own data shows that the percentage of our SDG-related patents has increased over the period from 2004 to 2024. The Plan also positions sustainability as a key policy theme, and we aim to contribute to a sustainable society through a wide range of intermediate chemicals.

Comparison of SDG-related patents held by DKS with those held by industry peers



Percentage of SDG-related patents at DKS



**Participation in Research and Studies on IP Management Disclosures Commissioned by the Japan Patent Office**

Our proposal for “Research on IP management disclosure that contributes to constructive dialogue with stakeholders” was selected as part of the Japan Patent Office’s Research on Industrial Property Rights System Issues for fiscal 2024. As a result, an expert was dispatched to our Company, met with representatives of each division and fielded various questions, giving us the opportunity to explore our strengths in depth. Partly because this coincided

with the preparatory period for the Plan, the experience reaffirmed the importance of a direction that befits DKS, for example, our strategy of combining niche and high end. We were also praised for good communication and openness between divisions. Through continued collaboration between divisions, we will rise to the challenge of disclosing the relationship between sales and profit margins and our technological capabilities.

**Technological topics**

**Promotion of Data Utilization and Results**

We established the Data Science HUB, an internal information sharing site to promote the use of MI and data science. Information is updated and transmitted on the site at least once a month. The site highlights examples of the use of MI within the Company and explains the use of analysis tools. We are also working to improve employees’ data science literacy through seminars. As a result, data utilization is increasing in all activities, including R&D.

To give an actual example, we were contacted by a customer regarding a decline in product performance. While we were unable to identify the cause based on our own production data alone, by combining and analyzing our data and data provided by the customer, we identified factors behind the decline in performance and proposed countermeasures. Data utilization helped us solve the problem quicker. Going forward, we will continue concentrating on improving our problem-solving capabilities and R&D capabilities through data utilization, aiming for sustainable improvement in corporate value.



Research: K.Y

# Transforming the R&D Structure and Taking on Challenges for the Future

Under the Medium-Term Management Plan SMART 2030, the Company's research departments have transitioned to a division structure, and have also newly established the Production Technology R&D Division and the Kyoto Central R&D Division as organizations directly under management. We will work to improve business efficiency and competitiveness by categorizing our research themes into short-term and medium- to long-term themes, and by shortening development time.



## Transformation of the R&D Structure and Cooperation Between Divisions

**MORI** From fiscal 2025, we newly established the Production Technology R&D Division. This division was established to address short-term issues related to existing products, and is made up of two departments: the Product Technology Department and the Production Technology Department. The Product Technology Department focuses on themes directly connected to business profitability such as maintaining stable quality, dealing with changes in raw materials, improving formulations and reducing costs. Meanwhile, the Production Technology Department concentrates on process implementation, including scaling up from the lab to plant, mass production design, and equipment implementation.

**MIZUKAMI** I feel the Production Technology R&D Division is a very worthwhile initiative from the viewpoint of strengthening existing technology. In the past, everything, including research and development themes, problems at plants, and business continuity planning, was all dealt with by the same research department, leading to the dispersion of management resources.

**MURAKAMI** Yes, that's true. The latest structural changes have made roles clearer. We are also seeing improvement in the collaboration among sales, research, and production, which was still an issue under the previous Medium-Term Management Plan. As the research division, we recognize the need to work even more closely with sales to gain an in-depth understanding of customer needs and technological issues, and to propose timely solutions.

**SAITO** Close cooperation with the Production Technology R&D Division is essential for us in Life Sciences Headquarters as well. We are already cooperating with the Production Technology R&D Division in the areas of scaling up and transitioning to mass production, and I believe the speed with which we achieve mass production and stable quality will be key to the profitability of the Life Sciences business.

**MIZUKAMI** In the Core Materials Business Division, we deal with the core technologies that DKS has developed over many

years such as surfactants, sugar derivatives, urethanes, and flame retardants. Under the Medium-Term Management Plan SMART 2030 (the "Plan"), we intend to properly cooperate with other divisions, such as the Electronics & IT Division and the Environment & Energy Business Division as well as Life Sciences Headquarters, not only in existing business areas but also with a view to steadily expanding into growing fields.

**NISHIKAWA** The Battery business was established based on the technologies of the core materials business and by combining them with DKS's battery evaluation technology. In the early days of development, there was no sales business unit, and product development was also based on a product-out approach; however, under the Plan, the battery business has become the Environment & Energy Business and product development has been integrated with sales. It is only a few months since the Plan was launched, but I feel we are rapidly acquiring new customers.

**SHOSU** Alongside the Production Technology R&D Division, the Kyoto Central R&D Division has also been established. This division is responsible for the early commercialization of new businesses and fostering cooperation between R&D divisions, serving as a cross-cutting force for research. Our organization's role is to consider all research from a medium- to long-term perspective. Likewise, performance management should be considered in the context of this medium- to long-term perspective, rather than as isolated figures. Given the constraints on human capital, funds and other management resources, I believe that how strategically we select and implement research themes will be key.

**MURAKAMI** With the technological cycle getting quicker and quicker, situations are arising where it is difficult to address customer needs using only our current arsenal of technologies. At the same time, we are well aware of customer needs and the technologies that will be necessary in the future, and we intend to collaborate with the Kyoto Central R&D Division to create new

core technologies and to bring these technologies to the table in proposals to customers.

**SHOSU** Yes, that's true. I believe that people and technology are closely connected. The Kyoto Central R&D Division intends to cooperate with all research fields to cultivate researchers, which is one of the division's key missions.

**MURAKAMI** For the creation of new technologies, we also aim to have researchers move from their divisions to the Kyoto Central R&D Division and then return to their divisions once they have mastered the relevant technologies.

**SHOSU** The rotation of personnel is also helpful for cultivating human capital. The Kyoto Central R&D Division would like to achieve both improvement in technological capabilities and the cultivation of human capital.

**MIZUKAMI** Regarding the rotation of personnel, we would like to see this in the Production Technology R&D Division as well. This will lead to researchers being responsible for the products they developed right through to the production stage. I would like researchers to realize that even a 1% cost reduction generates significant profit.

**MORI** We would like to deepen not only cooperation with

the Production Technology R&D Division, but also cooperation between researchers and production staff. Technology exchange sessions between researchers and production staff will also continue being held periodically as before. I believe that if researchers and production staff understood each other better and communicated more, this would definitely lead to increased profitability and greater business contributions.

**SHOSU** In terms of cooperation, Life Sciences Headquarters has a network with various external organizations, primarily universities. While there seems to be limited cooperation between Life Sciences Headquarters and other business divisions, effectively connecting them would surely also result in the creation of new products.

**MIZUKAMI** Yes, that's true. Biocompatible resins are currently under development as new materials and our core cellulose nanofiber technology could potentially be used in the life sciences field. There is a world of possibilities.

**SAITO** By leveraging each other's strengths and collaborating, we intend to increase the speed and efficiency of the commercialization process.

## Taking on Challenges for the Future under Medium-Term Management Plan SMART 2030 —

**SAITO** While we have social missions such as extending healthy life expectancy and improving QOL, we want to produce business results first. By leveraging our external network and cooperating internally, we intend to quickly build the Life Sciences business into a reliable business pillar.

**MIZUKAMI** In terms of social issues for the future, I believe that sustainability will be an important keyword. Besides developing materials such as cellulose derivatives and sugar derivatives, which are DKS's core technologies, we also need to fulfil our responsibilities as a chemicals manufacturer by improving processes to conserve energy and reduce CO<sub>2</sub> emissions.

**MORI** These are issues that the Production Technology R&D Division also intends to address collaboratively.

**SHOSU** Decarbonization-oriented manufacturing will become increasingly important going forward.

**NISHIKAWA** After many years of trial and error, our Battery business is finally beginning to produce results in addressing the social issue of decarbonization. This business has an extremely fast business cycle, and unless we keep incorporating new materials, it will just be mere improvement. What is more, batteries are a combination of various parts and materials and cannot perform well on the strength of DKS's materials alone. Cooperation with outside parties, especially customers, is also extremely important, and we need to further strengthen cooperation.

**MURAKAMI** In the Electronics & IT field, we want DKS technology to have a good reputation. This is our latest goal. We are also in the process of strengthening the evaluation of applications of our technology, and we will build relationships of trust with customers.

**MIZUKAMI** Evaluation technology that allows us to match the level of customer evaluations is important for increasing the speed of R&D. In the case of product development in growth fields, evaluation has become difficult with our existing equipment and evaluation systems alone. In cooperation with the Electronics & IT Business Division, we will also put in place the evaluation equipment environment required for semiconductor-related fields.

**NISHIKAWA** Regarding the equipment environment, we would also like to focus on leveraging automation. The larger the volume of data, the longer it takes to perform measurements. I believe that if measurements could be automated, researchers could concentrate on development, and R&D efficiency would dramatically improve. We will take this into consideration moving forward.

**MORI** We will also gradually put in place evaluation equipment at plants. We aim to enhance on-site problem-solving capabilities by increasing the ability to make decisions and resolve issues at our plants. I believe that increasing quality stability and the problem-solving capabilities of plants will also help raise the level of production technology companywide.

**SHOSU** Based on a policy of becoming a company that creates added value, we aim to double the productivity of researchers. Let's all work together, with cooperation and cultivation of human capital as key concepts, aiming to maximize our limited management resources, draw up strategies to ensure we don't miss out on opportunities, and create technologies that will be DKS's new business pillars.

### Business stage

#### Kyoto Central R&D Division

- Creation of medium-to-long-term themes
- Early commercialization of new businesses
- Utilization of intangible assets

#### Each R&D division

- Development of new customers through integration of sales and research
- Early reaping of rewards from short-term themes
- Acquisition of new themes

#### Production Technology R&D Division

- Early resolution and prevention of problems
- Shortening of the period and process of expansion test
- New process development

# Production Technology R&D Division: Connecting Development and Production



## The Production Technology R&D Division Pioneering the Future of DKS

A center for cultivating “on-site capabilities” to thrive through change and “human capital” to lead the next generation

MORI Yoshiyuki

Senior Executive General Manager, Production Technology R&D Division

DKS has started implementing its Medium-Term Management Plan SMART 2030, and we are transforming into a company that can flexibly adapt to change. We established the Production Technology R&D Division as a key component of this major transformation. At our manufacturing sites, this division plays a crucial role in putting into practice the “challenge” advocated by the President and supporting sustainable growth through technology.

### Purpose and Role of the Division: a Problem-Solving Hub

In recent years, the environment surrounding the chemical industry has changed dramatically, and product specifications demanded by our customers have become increasingly sophisticated. To continue to respond to these needs quickly and accurately, the top priorities of our manufacturing sites are to stabilize processes and quickly address quality issues. The Production Technology R&D Division is a specialized unit that helps all plants address these challenges and implement solutions.

As mentioned in the President’s message, we will actively pursue digital transformation (DX) to facilitate the

visualization of manufacturing processes, enhance production yields through data analysis and prevent quality issues. We will work closely with the Company’s new organizational structure, in which R&D and sales divisions operate as a unified team, to contribute to the optimization of the entire value chain by facilitating the mass production of new products and enhancing the quality of existing products. The Production Technology R&D Division’s goal is to be a hub for the Production Headquarters and the Business Headquarters, leading the Company in working together as one team to solve various issues.

### Ultimate Goal: Fostering Autonomous Workplaces and Cultivating Human Resources to Lead Management

Our short-term goal is to resolve issues at manufacturing sites. However, our ultimate goal is to encourage an autonomous approach where each on-site staff can resolve issues independently. The Production Technology R&D Division aims to actively transfer its knowledge and enterprise to the workplace, enhancing each plant’s technical capabilities and improving the organization’s overall problem-solving abilities.

Another crucial mission is to make the Division a platform for developing human capital, where employees accumulate expertise, broaden their perspectives, and above all, adopt an attitude of embracing challenges through complex problem-solving processes. We envision a future in which

employees who gain experience in this Division will eventually lead production activities throughout the entire DKS Group, and advance into managerial positions, helping drive the Company forward.

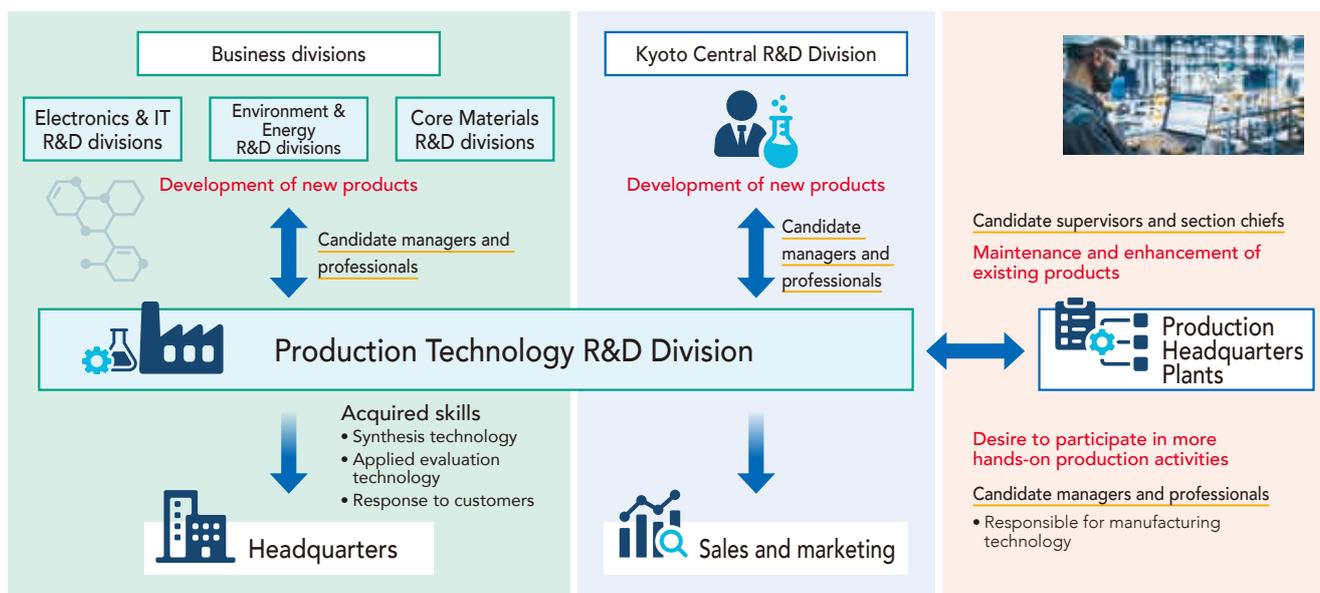
We are committed to strengthening the foundation of the Company’s *monozukuri* (manufacturing) and significantly contributing to the achievement of the ambitious targets set in the Medium-Term Management Plan SMART 2030, net sales of ¥100 billion and operating income of ¥10 billion.

We intend to innovate in the field of production technology and develop human capital to support DKS’s next phase of growth.



- (1) Expansion of sales and increase of profitability through stable production and accelerated development activities
- (2) Enhancing company-wide awareness of the production processes
- (3) Creation of a supportive environment for the development of human capital and the advancement of their careers

## Collaborative relationships involving the Production Technology R&D Division



**Responsible for new manufacturing processes and the design of new equipment**

**Production Technology Department**

- (1) Installation of new equipment, change of designs
- (2) Support for prototype scale-up
- (3) New commissioned projects
- (4) Development of new processes

**Responsible for product designs**

**Products Technology Department**

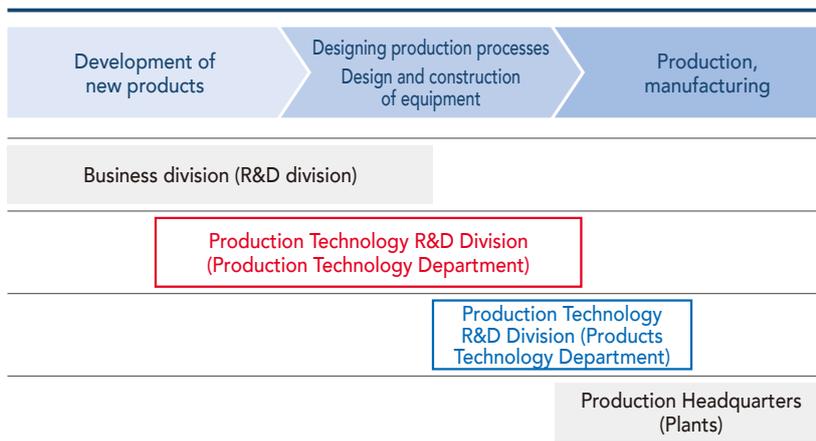
- (1) Addressing current issues (stable manufacturing), addressing and handling complaints and problems
- (2) Improvement activities (gradual cost reductions, quality first)
- (3) Activities for maintaining products and sales

## Roles of the Production Technology R&D Division

### Workflow

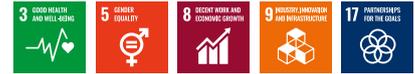


Palm size



Human body size or larger

# Human Capital Management



Material Issues	KPI (FY2029)
<ul style="list-style-type: none"> <li>Human capital diversity (Diversity, Equity and Inclusion)</li> <li>Human capital development</li> <li>Health and productivity management initiatives</li> <li>Earnings power</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of women in managerial positions: 15% or higher</li> <li>Amount of training investment ¥100 million/year, Training hours 20,000 hours/year</li> <li>Labor productivity ¥9.7 million/person</li> <li>Reduction of presenteeism ratio to 5.5% or less</li> <li>Reduction of absenteeism ratio to 1.5% or less</li> <li>Work engagement score of 53.0 or higher</li> </ul>

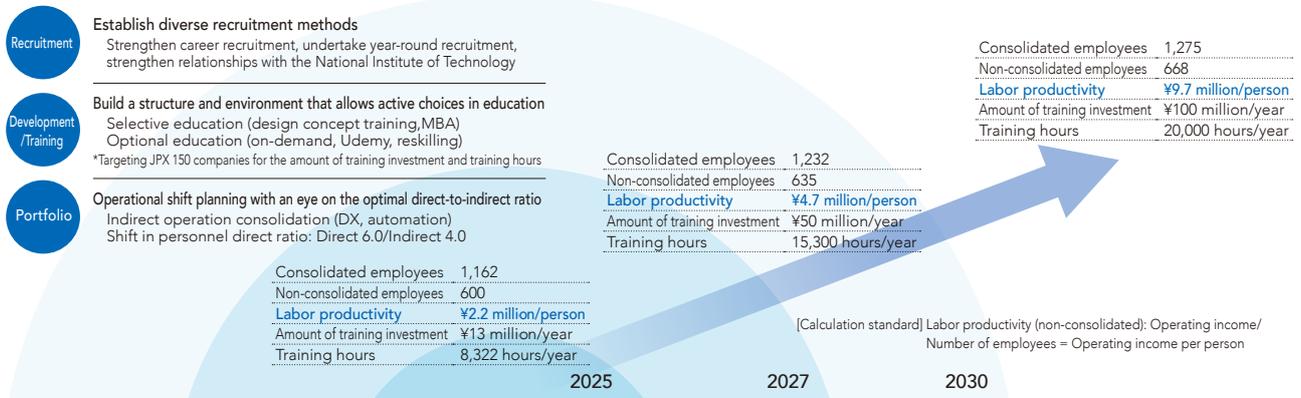


## Human Capital Strategies to Enhance Labor Productivity

NAKAMURA Masaru

General Manager, Human Resources Strategy Department, Strategy Division, Administrative Headquarters

The Company's goal is to achieve net sales of ¥100 billion and an operating income of ¥10 billion by the fiscal year ending March 2030. To achieve these goals, we need to dramatically increase labor productivity beyond where it is today. Each employee is expected to thoroughly reassess their work and organizational structure, think flexibly, and embrace challenges beyond existing frameworks. To achieve this transformation, we promote human capital strategies focused on fostering an organizational culture that encourages employees to take on challenges, improving individual skills and enhancing organizational capabilities.



## Fostering an Organizational Culture That Encourages Employees to Take on Challenges

In April 2025, the Company introduced a new personnel system as part of its human capital strategy to enhance labor productivity. This system replaces the traditional seniority-based approach with a competency-based job grading system, establishing a mechanism for fairly evaluating individuals who take on challenges. Additionally, we will actively invest in the education of personnel who embrace challenges and work to develop their careers independently by establishing a dual-track career system for managerial and professional positions, tailored to employees' characteristics and aspirations. By providing management training for managers, we will work to cultivate a corporate culture in which on-site leaders encourage their subordinates to take on challenges. We plan to develop a system that encourages supervisors to engage in a dialogue with their subordinates and motivate them to take on challenges through the creation of career plan forms by all employees. In

addition, we will provide career design training to assist employees in the design of their careers, empowering them to think independently about their future and to grow continuously. We will also provide training to enhance women's workforce participation and support their healthy work-life balance (including childcare and long-term care). Furthermore, we promote diverse work styles and employee's career development activities.

To encourage employees to learn proactively, we offer various opportunities for independent learning, including elective and selective educational programs.

### Total annual training hours

FY	Number of attendees	Hours of attendance
2023	272	9,578
2024	565	9,344

### Initiatives to Promote Diversity

Having set up an Employee Participation and Advancement Promotion Committee chaired by the top management, we are aiming to become a human capital group capable of successfully contributing to the Company's success and growth. We are creating environments in which we can maximize the abilities of diverse employees, and enable them to take an active part in our Company.

#### Promotion of women's participation and advancement

In addition to fostering a work-friendly environment that supports long-term careers, we maintain employment environments that enable female employees to develop their careers.

We have implemented measures aimed to increasing the ratio of women in managerial positions to 15% or more by 2030. (As of March 31, 2025, the ratio was 10.6%)

Since fiscal 2019, we have created an environment conducive to the active participation of women at our manufacturing sites. Female employees are taking advantage of their diverse skills in various divisions of manufacturing sites such as administration, quality control, and production.

#### Gender pay gap

As of fiscal 2023, we have publicly announced the gender pay gap. The results are 76.2% for regular workers, 67.5% for non-regular workers, and 75.8% for all workers.

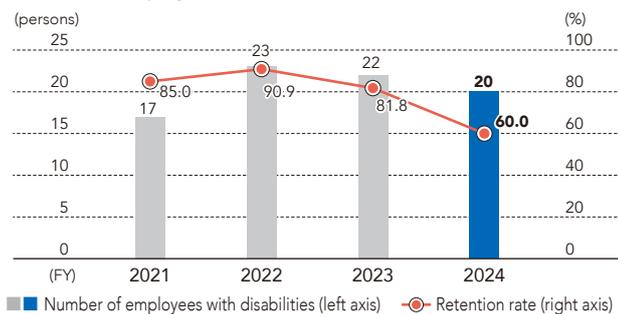
#### Gender pay gap FY2024 results

FY	Women	Men	Pay gap
Regular workers	5,878,910	7,714,825	76.2%
Non-regular workers	2,863,276	4,241,941	67.5%
All workers	5,666,041	7,478,804	75.8%

#### Employment of people with disabilities

DKS has been working to assign people with disabilities to workplaces that leverage their individual personalities and strengths, and they are currently working as valuable assets in various departments, such as our Human Resources Strategy Department, General Affairs & Legal Department, and Digital Strategy Department. In February 2022, we established the "Special DKS Group", a specialized team dedicated to the employment of people with disabilities. By centralizing operations and sharing knowledge and best practices across our business sites, the Group helps ensure effective collaborations. In September of the same year, we received recognition from Kyoto prefecture for actively employing individuals with disabilities; this certification is known as "Kyoto Disability Employment Promotion Company" (commonly referred to as "Kyoto Heartful Company"), and our efforts have been well-received and acknowledged.

#### Number of employees with disabilities and their retention rate



### Retiree reemployment system

By reemploying retired applicants as "Platinum Staff" members, DKS preserves the skills and expertise of senior employees, leveraging their years of experience to support DKS's *monozukuri* (manufacturing craftsmanship) activities.

#### Platinum staff employment

FY	Number of retirees	Number of rehires	Reemployment rate
2022	9	8	88.9%
2023	8	8	100.0%
2024	12	10	83.3%

### Introducing a New Awards System

We introduced a new awards system in fiscal 2023, and have been holding a performance awards ceremony based on this new system since June 2024. The purpose of the changes to the system was to involve both award winners and non-award winners through our performance awards, creating a framework that fosters mutual motivation and encourages continuous achievements of results. To increase employees' sense of involvement and selection transparency, we adopted an arrangement whereby entrants give presentations and employees then cast votes. This made employees feel that they are part of the process as judges and significantly helped increase their sense of involvement.

In addition, the awards ceremony serves as an opportunity for award winners to share their knowledge and expertise directly, and for executives to directly convey their recognition and appreciation, motivating both award winners and non-award winners.

By further improving and promoting such initiatives going forward, we will create a positive cycle in which all employees praise each other and also aim to win awards, helping the change of our corporate culture.



June 2025



# Human Capital Management

## Health and Productivity Management

DKS has a proactive corporate culture toward employee health management, as evidenced by the fact that in 1919, the year after its founding, DKS began implementing health checkups on all employees. Underlying this is our corporate philosophy that people are our valuable assets and must be treated with respect and care. In 2017,

DKS announced its Healthy Company Declaration and began health and productivity management initiatives. One of the goals of our Medium-Term Management Plan SMART 2030 is the increase of employee engagement, and we are working to maintain and improve the health of our employees, which is essential to achieving this goal.

**Healthy Company Declaration: Regarding its employees as Company assets, DKS will strive to maintain and improve their health.**  
 YAMAJI Naoki, President & CEO, DKS Co., Ltd.

### Concept of Health and Productivity Management

**Health and Productivity Management ("Kenko Keiei") Initiatives**

We aim to bolster the Company's productivity, and thus its corporate value, by maintaining and improving the health of our employees.

Health and Productivity Management ("Kenko Keiei") is a registered trademark of the NPO Kenkokeiei.

These initiatives are reported to meetings attended by officers in charge to obtain approval for plans formulated based on these results.

### Efforts in Health and Productivity Management

We believe that efforts to maintain and improve the health of our employees will enhance our corporate value in the future. From a managerial perspective, DKS is striving to maintain and improve the health of its employees under its Healthy Company Declaration. We have clearly stated specific healthy actions for employees in our Employee Healthy Action Guidelines, and have established a Health and Productivity Management Promotion Committee to promote health across the Company.

#### Efforts to establish exercise habits

We are working to establish exercise habits by using an app that registers the number of steps taken on a daily basis. We hold company-wide walk-a-thons regularly and motivate employees by establishing rankings for each individual and department. In addition, we have implemented a system to increase physical activity during the workday, which includes radio calisthenics before work and DKS Calisthenics (a DKS

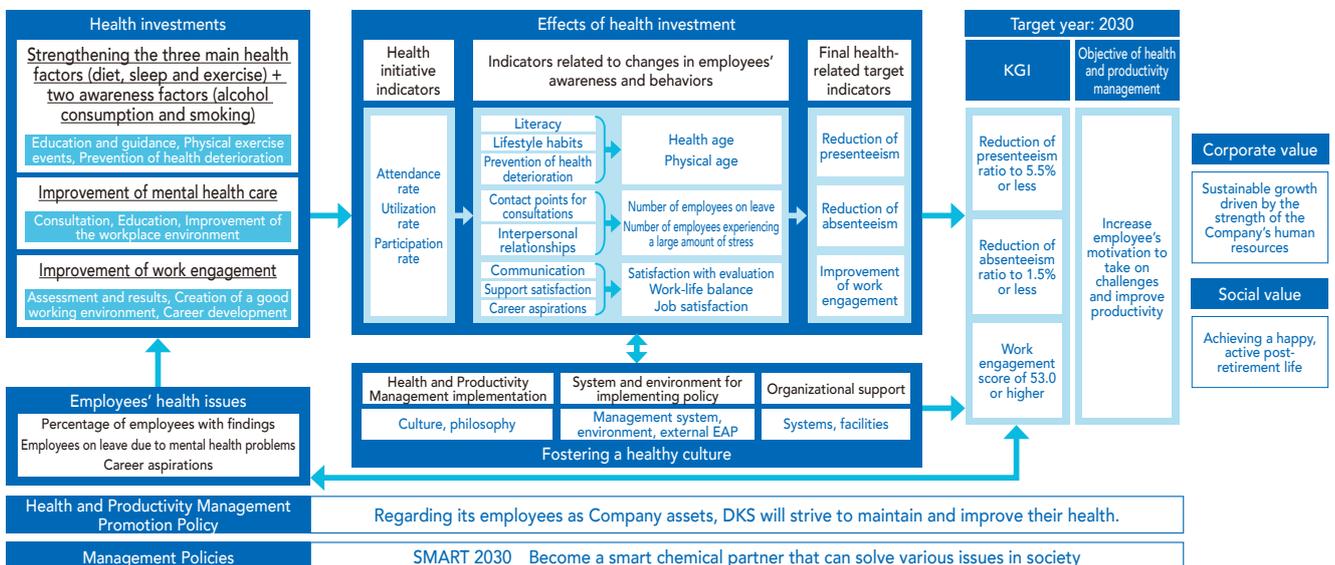
original) at 3:00 p.m., as a preventive measure against illness. The physical fitness test that DKS has been implementing company-wide since last year measures six components, including the sit-and-reach test, a three-minute walk, and whole-body reaction time, and calculates each employee's physical age. We expect that visualizing physical age will encourage employees to implement necessary lifestyle improvements. We inform employees of their fiscal age on the same day of the test and post rankings for each measurement item on internal social media, which fosters conversation in the workplace and promotes communication among employees.

As a result of these efforts, the percentage of employees aged 40 and above with exercising habits increased from 13.6% in fiscal 2016 to 27.1% in fiscal 2024.



Physical fitness test

### Strategy map



### DKS Trim Waist Award

After distributing a DKS original measuring tape to all employees and educating them about abdominal circumference, we have employees self-report changes in their abdominal measurements over time and give out Trim Waist Awards. In addition to DKS Calisthenics, which incorporates movements focused on reducing belly fat, we also support walk-a-thons, No Snacking Day, and Teetotal Day to raise awareness of the need to reduce abdominal circumference.

#### Measures to prevent the aggravation of health issues

We implemented an exercise program as part of our efforts to reduce the number of individuals over 40 with metabolic syndrome or are at risk of developing it. Participants went to the gym after work for three months, where they stretched, engaged in aerobic and anaerobic exercises, and received dietary advice. As a result, 46% of the participants lost 5% of their body weight. The program received positive feedback in a post-program survey. Participants reported physical changes, such as feeling lighter, increased muscle mass, and

enhanced stamina. Some also noted non-physical changes such as feeling refreshed and improved communication among participants.

#### Mental health measures

As a mental health measure, DKS has introduced an external Employee Assistance Program (EAP), which provides employees with counseling for their concerns via e-mail and video call. Around-the-clock counseling is available to employees and their relatives up to the second degree of kinship. To make counseling more accessible to new employees and newly appointed managers, we encourage them to schedule their own appointments and seek guidance. Participation rate for this initiative is 100%.

In fiscal 2024, EAP services were used in 152 cases. In addition, the participation rate of employees in hierarchical mental health training, which is conducted at milestones such as promotions, was 100%, and the participation rate of mental health education for all employees was 81.3% (both fiscal 2024 results).

### Health and Productivity Management Targets

To increase motivation to take on challenges and improve productivity, we have established the three KPIs below.

	Targets (FY2024) <sup>4</sup>	Results (FY2024)
Reduction of absenteeism <sup>1</sup>	1.5% or less	1.7%
Reduction of presenteeism <sup>2</sup>	5.5% or less	6.8%
Improvement of work engagement <sup>3</sup>	Deviation score of 53.0	51.3

Please see the Glossary p.86- for details on terminology.

- The figures are calculated based on leave applications citing mental or physical health issues.
- The figures are calculated using employees' self-reports of physical and mental health.
- We use the work engagement measurement values included in the stress check service offered by Advantage Risk Management Co., Ltd.
- The target was changed in April 2025 due to a change in the measurement method.

### Health Management Targets

Status of four targets (KPIs and results) regarding employee health issues

	Targets (FY2024)	Results (FY2024)
Prevention of health issues among healthy employees: Percentage of employees who exceeded abdominal girth standards	25.0%	29.9%
Prevention of aggravation among high-risk employees: Percentage of employees 40 years or older at risk for or experiencing metabolic syndrome	22.0%	25.8%
Prevention and early detection of employee mental health issues: Ratio of leave taken by employees with mental health issues	Maintain at 0.20% or below	0.66%
Creation of environment leading to quitting smoking: Percentage of employees who smoke	11.4%	19.1%

### Third-Party Review of Health and Productivity Management

We have been recognized for our efforts and certified as a Health & Productivity Management Outstanding Organization (White 500) for eight consecutive years.

Also, our subsidiary Yokkaichi Chemical Co., Ltd. was certified for the fifth consecutive year as a "Corporation with Excellent Health Management."

Efforts in Health and Productivity Management >>> <https://www.dks-web.co.jp/english/sustainability/society/health/>

Yokkaichi Chemical's Efforts in Health and Productivity Management (In Japanese only) >>> <https://yg-chem.co.jp/company/health-management/>



# DX Strategy



### Material issues

- Utilization and promotion of digital technology
- Cybersecurity measures
- Digital literacy education

### KPI

- Launch of the Management Information Platform
- Implementation of security training for the Risk Management Control Committee
- Addition of security training to the DX human capital development training program for new employees
- Hosting of DX training sessions
- Acquisition of relevant certifications



## Improving Productivity Through Digital Technologies

MORISHIMA Kanae

General Manager, Digital Strategy Department, Administration Division, Administration Headquarters

We will gain an early grasp of customer needs and make the necessary IT improvements to enhance both accuracy and speed of development. We will also improve our information system to facilitate management decision making. Emphasizing the balance between cost control and investment for the future, we are working to utilize IoT and AI, advance environmental and security measures, and update our mission-critical systems. As a trusted partner to our clients, we contribute to improving productivity.

### Company-wide Project

#### Aim of DX Project

At DKS, our DX initiatives aim to increase added value, improve work efficiency, and eliminate inefficiencies. To realize these ideas, we are implementing reforms for client contribution, business contribution, and data-driven management, laying the foundations to achieve our Medium-Term Management Plan SMART 2030.

Digitalization is an essential part of the construction of this foundation, which is why we launched a company-wide DX project in 2021. To implement the basic concept of the DX project, we are working on the following three key themes:

- (1) Digitalization of work
- (2) Digital monitoring of work progress
- (3) Building digital data for intra-organizational activities

To support the digitalization of our operations, we have created approximately 1,200 workflows across the Company. These workflows are digitally monitored by registering them, which enables us to track work progress. This has created an environment where management and on-site teams can access the same data, which reduces the workload for document preparation tasks.

Through our DX project, we are leveraging digital technology to transform productivity and work styles, both in the office and in the field, creating new value, and support the realization of our Medium-Term Management Plan toward 2030.

#### Basic concept of DX project

##### 1. DX from management perspective: Reform the corporate culture from the perspectives of the customer, profit, and overall optimization

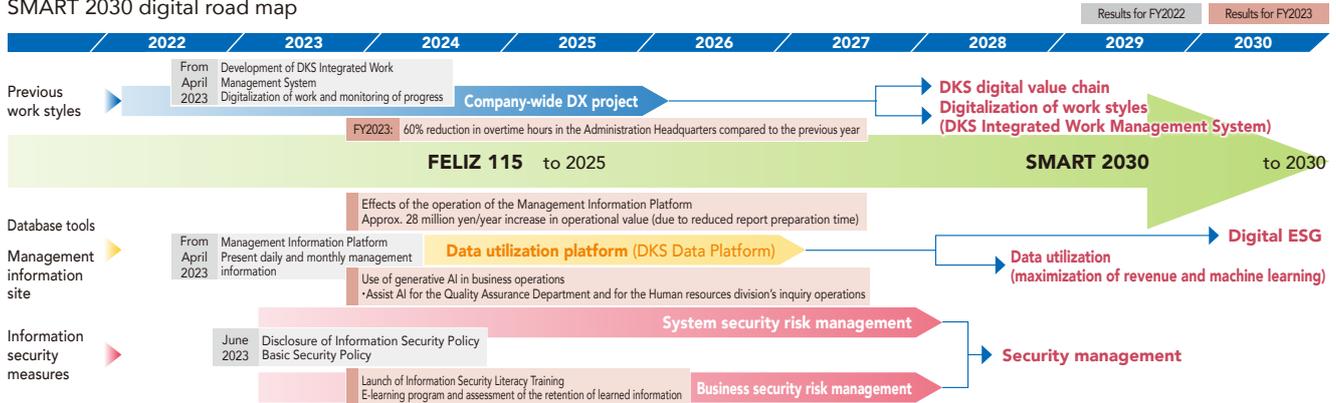
- (1) Build and digitalize a value chain in line with the essence of a fine chemical manufacturer
- (2) Digitalize solutions to the problems faced by the Company
- (3) Promote DX from the five perspectives\* that management wants to focus on
  - \*Perspectives of customers, finance, work processes, human capital development and reform, and SDGs
- (4) Clarify and promote the financial statement improvement effect of the themes we are working on
- (5) Minimum required investment (effective utilization of in-house human capital)

Transform into the Most Valuable Solution Provider

##### 2. Priority of activities: Prioritize the efforts for transforming the corporate culture

- Priority 1** DX for solving company-wide issues: Promote intra-organizational activities as company-wide projects consisting of members of relevant departments
- Priority 2** DX for solving unique issues faced by each Headquarters: Promote within each Headquarters
- Priority 3** DX for solving unique issues faced by each department: Promote within each department

## SMART 2030 digital road map



### Security Management

The advancement of digitization has transformed the way we conduct business and operate, as well as how we engage with stakeholders, not just within the Company but also throughout the entire value chain. This shift has created a need for more comprehensive security measures that go beyond traditional approaches to information security.

At DKS, we have established the Information Security

Policy as our fundamental framework for security management. Based on this policy, we have revised and implemented our information security rules. As part of our broader DX initiatives, we are strengthening the protection of our systems through employee security training and the development of response protocols for various incidents.

[Information Security Policy \(in Japanese only\) >>](#)

<https://www.dks-web.co.jp/sustainability/governance/risk-management/>

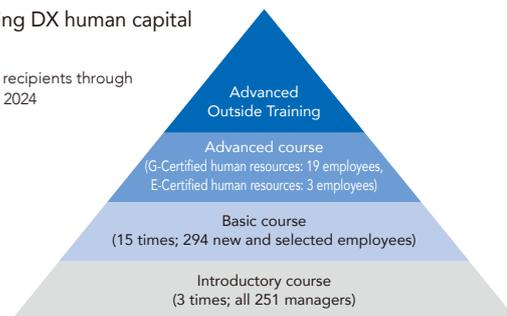
## DX Human Capital Development and Implementation

DKS provides a comprehensive training system to ensure that all employees acquire essential skills for digital literacy. Each year, we offer a basic DX Human Capital Development Training course, primarily for new employees, covering the basics of programming and information security. In the advanced course, we support employees in obtaining certifications, such as the JDLA Deep Learning for GENERAL (G-Certificate) and ENGINEER (E-Certificate) certifications to help visualize their skills. Our trained employees are also given opportunities to use their skills to improve business processes by developing apps using low-code tools. To date, we have developed approximately 80 apps using BI tools, leading to an annual reduction of 7,000 work hours. In our production facilities, we are developing apps to support 5S activities in the workplace and to track the work progress, with some locations currently testing these apps. By sharing these success stories internally,

we aim to inspire further improvement, foster a community of internal developers, and facilitate the exchange of best practices. We encourage employees with advanced skills to collaborate across divisions to promote the improvement of businesses, providing more opportunities for our trained workforce to contribute.

### Training DX human capital

\* Total recipients through fiscal 2024



### TOPIC

#### Promotion of in-house DX leveraging generative AI

One opportunity for our DX human capital to put their skills into practice is by developing in-house apps for business improvement.

In the Quality Assurance Department, efforts to shorten document creation times utilizing generative AI have reduced the time taken to search for internal information by up to 90%, and many have suggested that the system could also be applied to other departments. As a part of a company-wide Assist AI initiative, a Q&A chat bot for the general affairs divisions has been built and is currently operating entirely through in-house resources.

By having the AI instantly respond to general affairs-related inquiries from employees, we have reduced the workload in general affairs departments and improved convenience for employees. Leveraging natural language processing technologies based on our in-house FAQ, we are working to boost the accuracy of responses through ongoing improvements. During development, we received partial support from outside vendors, but the bulk of design, development and operation is handled using in-house resources, and we are now fully driving the use of AI as the foundation for company-wide DX promotion.



Seminar on Generative AI and Ethics held at the headquarters building

# Executives and Auditors' Roundtable Discussion Sustainability Envisioned in SMART 2030



**MIYANAGA Masayoshi**  
Outside Audit & Supervisory Board Member

MIYANAGA Masayoshi worked at The Nippon Credit Trust Bank, Ltd. before becoming Director of Schroder Investment Management (Japan) Limited. While serving as Chief Investment Officer in charge of Stock Investment at Prudential Asset Management Japan Co., Ltd., he became Representative Director of FALCON Research & Consulting, Ltd. (current). He is now concurrently serving as specially appointed professor at Chuo Business School and Outside Director of Universal Entertainment Corporation and S.T. CORPORATION. He has experience in business management and academic knowledge in the areas of corporate valuation, corporate finance, and related fields accumulated as a university professor. He has been serving as an Outside Audit & Supervisory Board Member of the Company since June 2024.



**SHIMIZU Shinji**  
Representative Managing Director & CFO

SHIMIZU Shinji joined the Production Section, Yokkaichi Plant of the Company in 1992, going on to serve as General Manager of Personnel & General Affairs Headquarters, General Manager of an overseas subsidiary in China, General Manager of Financial Division, Financial Headquarters, and Executive Officer and Executive General Manager of Production Headquarters. He became Director in 2022 and Representative Managing Director & CFO in April 2025. He has a wealth of experience and knowledge in administration and planning, production and management of production subsidiaries, and other fields, and is also well-informed about finance and accounting.



**SAKAMOTO Mami**  
Director & Senior Executive General Manager,  
Administration Headquarters

SAKAMOTO Mami was engaged in textile chemical research for 22 years, after joining our R&D Division in 1988. She later served as General Manager of West Sales Department, Surfactants Business Division, General Manager of the President's Special Mission Office, General Manager of the Public Relations and Investor Relations Office, and General Manager of the Administrative Headquarters. She became an Executive Officer in 2020, and Senior Executive Officer in 2024 (current). She is a pioneer in female managerial positions, skillfully balancing work with life events such as marriage and parental care, and contributes to improving the level of comfort at work for women and diversity. She became Director in June 2025.

## Strengthening the Sustainability Structure, with Business Continuity as the Top Priority

**MIYANAGA** The new Medium-Term Management Plan SMART 2030 (hereinafter the "Plan") was formulated in June 2025, when you, Ms. Sakamoto, now a Director, were Executive General Manager of the Strategic Management Division at that time. The Strategy Headquarters' Strategy Planning Department played a central role in developing the Plan in collaboration with each headquarters. The "S" at the beginning of SMART stands for sustainability but I'd like to ask you what this means.

**SAKAMOTO** The "S" means pursuing business in a sustainable manner.

Consideration for diverse stakeholders including local communities, employees, and supply chains is essential for business continuity. President Yamaji attaches particular importance to human capital. Since the technological skills and knowledge of employees underpin all our activities, including research and development, production sites and safety management, we are going to invest in training in an attempt to cultivate the human capital required to maintain business

continuity. Moreover, in this Plan, we use the expression "Jinzai (human capital)" to emphasize that our employees are a valuable asset.

**SHIMIZU** I agree that human capital is of prime importance. Our new Plan clearly advocates strategic human capital development, improvement of labor productivity, and employee autonomy leading to corporate growth, and our policy is to consider employees not merely as human resources but as human capital and to actively invest in it.

**MIYANAGA** At the same time, we must also pay attention to factors outside the Company. As we strengthen group management and expand operations overseas, respect for human rights in the supply chain is a consideration that cannot be overlooked, and concrete measures are required.

**SAKAMOTO** Yes, I agree. First, it is important to share quantitative targets for individual measures across the Company, develop specific measures, and incorporate them into management strategies. This year, we have begun reviewing the structure of the Sustainability Committee, and supply chain divisions are now participating. Starting next fiscal year, the committee will be chaired by the president, and I expect the committee's power to drive measures forward will increase further.

## Carbon neutrality achieved through DKS's unique technologies and materials

**MIYANAGA** Under the new Plan, carbon neutrality (CN) is also an important issue. However, environmental issues are an area where it is difficult to achieve short-term results, so the effort and awareness of each individual is important. How do you plan to accelerate initiatives to reduce greenhouse gas (GHG) emissions and achieve carbon neutrality by 2050?

**SHIMIZU** Since 2002, DKS has been engaged in environmental management, starting with the ISO14001 certification. The Quality Assurance Department (then the Environment, Safety and Quality Department) of Production Headquarters has played a central role in promoting carbon neutrality. By repeating cycles of identifying issues, evaluating

and scoring performance and reflecting areas for improvement in targets, this process has become well embedded. However, it is not yet fully adopted throughout the Company, and under the Plan, the management strategy divisions have taken the lead in initiating companywide activities.

**MIYANAGA** There are many different environmental indicators, and it is important to set the figures of benchmark companies as relative targets. At the same time, internal absolute targets have been set under the Plan of increasing the sales ratio of products that contribute to the environment to 30% or higher, reducing GHG emissions by 30% compared to 2013, and achieving a modal shift rate of 40% or higher.

**SAKAMOTO** More specifically, each department is implementing energy-saving measures, such as increasing the efficiency of steam traps, with the aim of expanding environmentally friendly products and reducing environmental impacts in manufacturing processes. However, it is important to define such products, so the sustainability staff have been reviewing and classifying our existing products according to their environmental contribution. Fortunately, our product lineup contains many environmentally friendly materials and we believe that, through development using these materials, our employees will naturally become conscious of sustainability.

**MIYANAGA** To raise awareness within the Company and ensure company-wide adoption, one effective approach is to link the reduction of environmental impact through environmentally friendly products to incentives and performance evaluations. This can help boost motivation. Additionally, incorporating the contribution of such products to sales growth as an evaluation criterion would also be beneficial.

**SHIMIZU** In fact, we now also have a program for honoring employees who have contributed to corporate value, an idea proposed by President Yamaji. At the same time, sales and

environmental measures tend to run contrary to one another. In fiscal 2024, our net sales increased, but the amount of waste generated also increased. Herein also lies the difficulty for a chemical manufacturer. To address such problems, we need environmental measures that do not negatively impact our sales and profit. To give a specific example, we have developed products from recycled waste through the crystallization of sodium acetate hydrate. With the growing interest in sustainable raw materials, we are currently in the process of evaluating applications with multiple business partners and are also establishing a mass production system. We are also working on reducing energy consumption during transportation by using spray drying technology to turn liquid products into powder. This pulverization technology itself consumes a large amount of energy but we have introduced equipment at the Shiga Plant to reduce this consumption to one tenth of its previous level.



## Introduction of a New Personnel System Based on “Challenge”

**MIYANAGA** The Plan sets forth a strategy of rebuilding the personnel system, and the Company is working to improve employee engagement and transform the corporate culture. To coincide with this, the evaluation system has changed considerably since this April. I heard that reform of the personnel system was very time and labor intensive. How do you think this will help strengthen human capital?

**SAKAMOTO** We made a start on reforming the personnel system in 2020. We spent a year holding discussions, but the process was subsequently put on hold for three years. We spent another year on discussions in 2024, before making a start from this April. A major feature of the new system is that we included the word “Challenge” among the three keywords central to the Plan. Under the new system, people who have outperformed the set targets are fairly evaluated. We aim to foster a corporate culture that acknowledges and celebrates the very act of taking on challenges without fear of failure, regardless of the results of doing so.

**MIYANAGA** This is a very good initiative; however, under this mechanism, evaluation tends to differ depending on the assessor. For example, unlike undergraduate programs, many specialized courses at the business schools and graduate schools where I teach do not have exams or assignments where there is a single correct answer, and subjective evaluations differ depending on the professor. As a result, when some professors give lots of S and A grades, the GPAs of students who take the courses of such professors end up being relatively high. Quite a few graduate schools have, therefore, decided to evaluate students relative to their peers and set a maximum percentage of students receiving S and A grades. DKS also needs to use unified evaluation criteria to increase the effectiveness of the recent reform of the personnel system.

**SAKAMOTO** Differences in evaluation criteria and evaluations among departments can lead to employee dissatisfaction, which has been a frequent concern among employees.



Consequently, we are repeatedly providing training to standardize evaluation criteria to enhance the understanding of managers involved in assessment. Some have pointed out that departments with a lot of routine work tend to receive lower evaluations. Efforts in improving work operations, for example, through use of DX, will also be evaluated. At any rate, we want to share the value of continuing to take on challenges throughout the entire Company.

**MIYANAGA** I think it's a really positive, good initiative. But in reality, people within the same organization tend to go along with the status quo and this is usually not very conducive to taking on challenges. For employees to take on challenges, it is important to make them want to do so. In particular, through dialogue with their managers, employees should feel supported and managers should actively encourage the training and study needed to acquire the necessary skills. The support from organizations, especially from managers, is necessary, right?

**SAKAMOTO** Yes, that's true. All the same, when it comes to taking on challenges, individual initiatives are important. Accordingly, skill development opportunities are voluntary, not mandatory. Furthermore, if we see certain individuals as potential candidates in charge of certain areas in the future, it is important, for example, to suggest during one-on-one meetings that they participate in relevant training programs. Of course, if employees indicate an interest in training themselves, we intend to respect their wishes and support them as much as possible.

**MIYANAGA** Going back to the new personnel system, it would be possible to conduct a survey of employees to assess the impact of this system reform. I think it's important to gather feedback and comments especially from employees who have noticed a change.

**SHIMIZU** President Yamaji has also pointed out the importance of a survey to find out the opinions and thoughts of employees and so we are currently considering collecting data by

## Executives and Auditors' Roundtable Discussion Sustainability Envisioned in SMART 2030

using generative AI to create natural questions for employees to answer. I have always believed that new systems only take root when both people and organizations change, leading to a

shift in employee mindset. Since on this occasion the system was implemented first, I believe it is important to observe how the employee mindset changes with the passage of time.

### Efforts to strengthen human capital of DKS

**MIYANAGA** There have been strong calls about strengthening human capital recently and, given that an organization is powered by people, human capital may be more important than financial capital. While financial control generally follows standard practices and is not very complex, human capital management is highly complex and finding a solution is by no means easy. First, DKS promoted health and productivity management. How do you evaluate the Company's performance in this regard?

**SHIMIZU** Since the days when Senior Advisor Sakamoto was President, we have continuously focused on human capital. We have also created a health and productivity management strategy map, properly determined KPIs, and are properly monitoring health and productivity management targets and health management targets. The change in employee behaviors is evident in the response rate to health checkups and the rate of follow-up health examinations, which are both almost 100%.

**SAKAMOTO** Health management in day-to-day life is also important. DKS employees use an app to take photographs of their meals and calculate the calories, and we organize company-wide walk-a-thons. Participants receive points according to their ranking, which can be exchanged for meal vouchers, Amazon gifts, and other items. The regular exercise habit rate increased from 13.6% in 2016 to 27.1% in 2024, jumping 13 percentage points. Absenteeism has also been steadily falling since 2019.

**MIYANAGA** In connection with human capital management, DE&I is often emphasized. Recently, in the United States, DE&I appears to have become a taboo subject; however, I believe that many aspects of DE&I should still be promoted in Japan. The targets for the Plan include a female manager ratio of 15% or higher. Currently, this rate stands at around 10% and to achieve this target, we probably need to work on creating an environment in which women are encouraged and motivated to pursue managerial positions.

**SHIMIZU** Whether improvement in the ratio of women in managerial positions is achieved in the short term or the medium to long term depends on an organization's approach. I believe that, even without measures to forcibly improve the rate

in the short term, the ratio will still improve naturally over the medium and long term. This is because the ratio of women among both new graduate and mid-career hires is increasing and, provided the foundations for them to continue working with peace of mind are in place, the ratio of women in managerial positions will also improve as a matter of course. Going slightly off topic, but when I was at a subsidiary in China, the subsidiary had around 100 employees, around 80% of whom were women. In China, partly due to the one-child policy, the time spent bringing up children is not so long, and childcare is shared between the parents and the grandparents, creating an environment where both men and women can work. Additionally, women demonstrate strong management skills, and the ratio of women occupying leadership positions is also high.

**SAKAMOTO** The environment is quite different from that in Japan. Granted, many women in Japan do not want to become managers for various reasons; however, recently there is a tendency for men to avoid management positions as well. This is mainly because men think being a manager looks like a lot of work for the pay received. In the latest reform, we, therefore, also reviewed both managers' compensation and work styles. Women are often weighed down by childcare and nursing care responsibilities. Personally, I am still caring for my mother with support, but things were tough when I was looking after both my parents. Fortunately, I was able to continue working without giving up my career, thanks to the Company's employee welfare benefits. We live in an era where human capital outflow is an issue, and flexibility, including showing respect for work-life balance when redeploying labor, will help us secure human capital.

**SHIMIZU** Recently, in a conversation with a female manager at an employment agency, I was told that, from a career perspective, it's better for women to return to work sooner rather than later after giving birth. I was told that although a woman must be given the option to take a long period of maternity leave, measures for filling career gaps and support to enable an early return to work must also be made available to career-minded employees. We must, therefore, be flexible and provide employees who wish to return to work early with childcare support systems and consideration.

### Taking strategic steps to enhance next-generation governance

**MIYANAGA** Finally, I would like to ask you, Mr. Shimizu, who became Representative Director this year, what kind of systems do you think will be needed in future to strengthen DKS's corporate governance? I also believe that the selection of Ms. Sakamoto as DKS's first female Executive Director and the selection of Mr. Kitao as Director at a relatively young age shows that DKS's management team is becoming younger and evolving.

**SHIMIZU** For achieving progressive management at DKS, collaborative creation with younger executives as well as outside officers and other experienced and knowledgeable individuals is important. Over the period of SMART 2030, I intend to strengthen our corporate governance by re-envisioning a new Board of Directors system and advancing

towards this vision. In some cases, the system of a company with three committees, including a Nomination Committee, which was introduced from overseas, has not always produced good results. Meanwhile, the system of a company with an Audit & Supervisory Committee that is unique to Japan has become fairly common. However, compared to companies with an Audit & Supervisory Board, the supervisory function may be weaker because it is not based on individual independence (*dokunin-sei*) among auditors. Going forward, I intend to determine a suitable institutional design for DKS and combine the emerging strengths of the current members with fresh human capital to bring about further business continuity and growth in the future.

## ▶ At the End of the Panel Discussion

— Message from Representative Director Shimizu



DKS must value the intangible assets we have built up to date, and strive for sustainable growth for the future while providing value to stakeholders. I believe that, in a sense, the integrated report provides us with an opportunity to discuss value creation in the short, medium and long term with investors and other stakeholders and to learn from each other. In my discussions with new Director Sakamoto and Outside Audit & Supervisory Board Member Miyanaga, we had a frank conversation about sustainability issues and targets and current initiatives. This reminded me that the two most important forms of capital for DKS are human capital and intellectual capital, and that these interconnect in various ways to create diverse value.

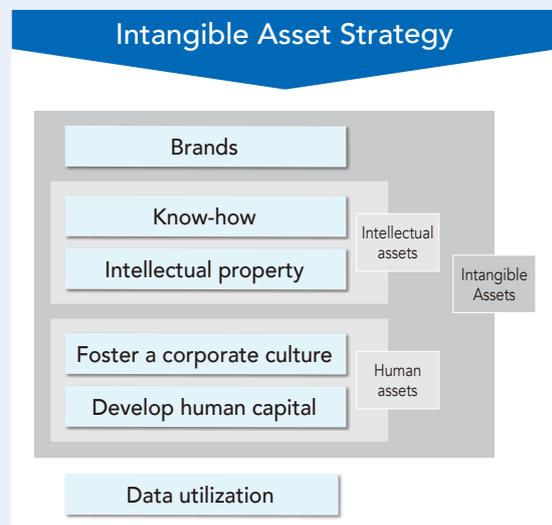
Since I joined DKS, I have gained all kinds of experience and have shared the good and the bad with many colleagues in the DKS Group both in Japan and overseas. Now, my role is to assist President Yamaji in managing the Company. In this capacity, I have enormous faith in our human capital. Our strategies for achieving the targets under the Plan properly incorporate the issues that DKS needs to address, the missions we must fulfill and the actions we must take. To carry through these strategies, we must gain the trust of the partners that are important customers and transform ourselves for the times ahead. I believe that through the steady implementation of such efforts we can contribute to a sustainable society, which will, in turn, lead to DKS's sustainable growth and a contribution to our customers, employees, shareholders and other stakeholders.

To get ourselves on track for sustainable growth, we must leverage our intangible assets. The term, "Intangible Asset Strategy" is also indicated in connection with each strategy as presented in the Plan. Intangible assets are sometimes defined from a financial perspective as the excess of the market value of shareholders' equity over the carrying value but this is no more than the value of one aspect at one moment in time. DKS's intangible assets are made up of human assets and intellectual assets and its brand as a company. Besides intellectual assets such as patents, the know-how accumulated within our people and organizations is important. Meanwhile, human assets represent the value of individual human

capital, and these are developed through our corporate culture, training and experience. Human assets are the result of human capital management. In addition, brand is defined by the trust of our customers who choose DKS to do business with, and the partnerships built as part of our Uni-Top strategy are a good example of this.

"Transformation" (the "T" in SMAR" T") is the currently popular "X" used in expressions such as digital transformation DX, green transformation GX, and human transformation HX. Transformation involves time, money and sometimes pain. However, people have transformed themselves time and time again in response to the changing times in the past. We are also already focusing on these three types of transformation. Especially regarding DX, we are starting to see transformation and creation in a variety of ways as a result of the utilization of data. This should also help strengthen the intangible assets of our organizations.

It is important to assess and evaluate in an integrated manner how to enhance such intangible assets and how to link this to financial value and social and environmental value. This is integrated thinking, and I believe this is the style of management required in the twenty-first century society.



# Consideration for the Environment



### Material Issues

- Responding to decarbonized society and reducing environmental impact
- Contributing to a circular society
- Appropriate management of chemical substances

### GX Strategy Targets (FY2030, Domestic Group Companies)

- Greenhouse gas emissions: 30% reduction (compared to FY2013)
- Energy consumption per unit: 10% reduction (compared to FY2020)
- Generated waste amount per unit: 10% reduction (compared to FY2020)
- Rate of final waste disposal: 0.1% or less (zero emissions)

The Company states its environmental and safety philosophy as “contributing to the sustainable development and realization of happy societies by considering human health, safety and environmental preservation throughout the lifecycle of each product, from development to scrapping,” and promotes responsible care activities.

For more information about our responsible care activities, please visit our website. >>  
<https://www.dks-web.co.jp/english/sustainability/governance/responsible-care/>

For more information about our environmental initiatives, please visit our website. >>  
<https://www.dks-web.co.jp/english/sustainability/ecology/>

## Toward the Reduction of Environmental Impact

### Long-Term Environmental Vision

To protect the global environment and make people’s lives safer and more comfortable, we believe that “chemistry provides a solution.” As a smart chemical partner that solves various problems for society, we strive to achieve sustainable growth and realize a sustainable society.

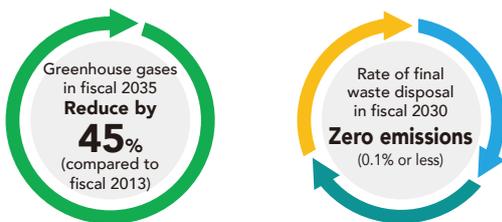
As we look to achieve carbon neutrality by the year 2050, we will reduce the Scope 1 and Scope 2 greenhouse gas emissions of the entire DKS Group in Japan by 30% by fiscal 2030, by 45% by fiscal 2035, compared to fiscal 2013. In regard to the rate of final waste disposal, we will aim for zero emissions (0.1% or less) over the entire DKS Group in Japan by fiscal 2030. We also aim for environmentally friendly products to account for 30% or more of net sales by fiscal 2030.

in fiscal 2021, we have been shifting to a forecasting and analysis approach that is informed by these strategies. As we strengthen our current initiatives, we will also expand our targets to initiatives that take the sustainability of broader society into consideration.

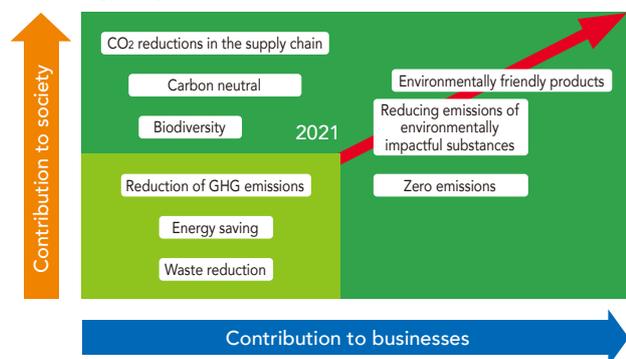
In fiscal 2024, we decided to install energy saving equipment, including a mechanical vapor recompression device. This capital investment will reduce greenhouse gas emissions by approximately 2,000 t-CO<sub>2</sub> per year starting in 2026.

Also, starting in fiscal 2024, DKS has encouraged its employees to take the GX-Certification with the goal of increasing their GX expertise. To date, more than 60 employees have passed the exam. By increasing our human capital’s engagement in the promotion of GX, we will accelerate our GX efforts.

### GX strategy targets



### GX strategy targets



### Biodiversity Conservation

We use raw materials derived from palm oil in the production of some of our products. Although palm oil is efficient to produce due to its high yield per unit area, there are concerns regarding deforestation and human rights violations associated with palm plantation development.



Since 2014, we have been a member of the Roundtable on Sustainable Palm Oil (RSPO) and have obtained Supply Chain Certification. By expanding our lineup of sustainable RSPO-certified products, we aim to contribute to the conservation of biodiversity.

### Conservation of Water Resources

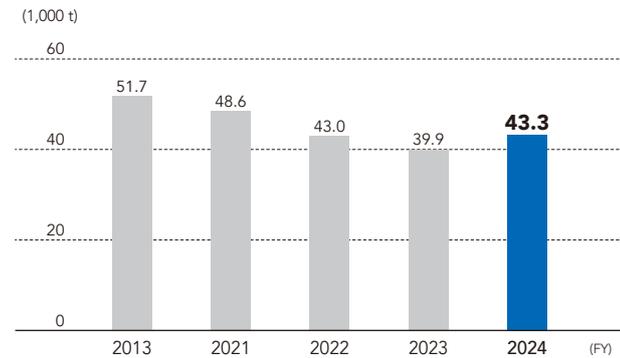
Water resources are essential for developing and maintaining a business. At the same time, it is believed that the amount of water available to people is very limited. We are working to increase the efficiency of our use of limited water resources and reduce overall consumption. In addition, we also seek to improve the quality of the wastewater emitted from our manufacturing plants to minimize its impact on local communities and natural capital as much as possible.

We assess water stress which affects our business operations using the World Resources Institute (WRI)’s evaluation tool, AQUEDUCT. We have identified that one of our major production bases in Indonesia is in a high water stress area in summer.

### Initiatives Based on GX Strategy

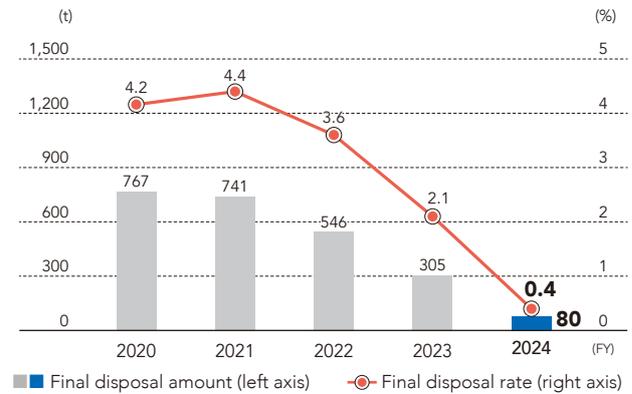
In March 2021, the Company formulated its green transformation (GX) strategies as a long-term plan aimed at achieving carbon neutrality by 2030 and beyond 2050. Starting

### Changes in greenhouse gas emissions (Domestic Group)



\* Including non-energy-derived GHG emissions and Company car fuel emissions.

### Changes in final waste disposal amount and final disposal rate (Domestic Group)



Notes: The final disposal rate is the ratio of the final disposal amount to the total amount generated.

### Environmental targets and fiscal 2024 results

Evaluation A: Significant result B: Result in line with the target  
C: Target unachieved D: Underperformed by a wide margin

Target parameter	Reference years	Medium-term environmental targets (FY2024)	GX strategy targets (FY2030)	Target scope	FY2024 results	Evaluation
Greenhouse gas emissions	FY2013	12% reduction	30% reduction	DKS Group (Domestic)	16.4% reduction	B
Energy consumption per unit *Based on the standards of the Act on the Rational Use of Energy	FY2020	4% reduction	10% reduction	DKS (Parent Only)	19.0% reduction	A
				DKS Group (Domestic)	5.0% reduction	B
Generated waste amount per unit *To amount produced	FY2020	4% reduction	10% reduction	DKS Group (Domestic)	2.2% increase	D
Rate of final waste disposal <sup>1</sup>	—	0.1% or less	0.1% or less	DKS (Parent Only)	0.1%	B
	—	0.5% or less	0.1% or less	DKS Group (Domestic)	0.4%	B

Target parameter	Management items	FY2024 targets	FY2024 results	Evaluation	FY2025 targets
Reduction of environmental impact substance emissions	SOx emissions	Reduce emissions of environmental pollutants into the air	Up 16.1% YoY	D	Year-on-Year Reduction in SOx Emissions
	NOx emissions		Up 28.1% YoY	D	Year-on-Year Reduction in NOx emissions
	Dust emissions		Up 29.0% YoY	D	Year-on-Year Reduction in dust emissions
	Water discharge	Reduce emissions of environmental pollutants into water	Down 1.6% YoY	B	Year-on-Year Reduction in water discharge
	COD emissions		Down 28.6% YoY	A	Year-on-Year Reduction in COD emissions
Proper management of chemical substances	PRTR Regulation-designated substances emissions	Reduce emissions of PRTR Regulation-designated substances	Up 7.6% YoY	C	Year-on-Year Reduction in PRTR Regulation-designated substances emissions
Promotion of green procurement		Improve green procurement ratio for paper and stationery	70.4% (up 12.3 percentage points YoY)	B	Improve green procurement ratio for paper and stationery
Comply with environmental laws and regulations		Comply with environmental laws and regulations	Violation of environment-related laws and regulations: 0	B	Violation of environment-related laws and regulations: 0
Environmental management system		Promoting our environmental management system	Maintained	B	Promoting our environmental management system

1. The ratio of the final disposal amount to the generated waste amount

▶ For detailed data on energy, waste, environmentally impactful substances, and chemicals subject to the PRTR Regulation, see the ESG Data Book (<https://www.dks-web.co.jp/english/ir/library/index.html>)

## TOPIC

### Received the highest ranking in the DBJ environmental rating

Since formulating our GX strategy in March 2021, we have strengthened our initiatives to address climate change and disclosed sustainability-related information. In March 2025, we received a loan under the DBJ Environmentally Rated Loan Program of the Development Bank of Japan Inc., and were rated at the highest level for our particularly advanced eco-friendly initiatives. Our Medium-Term Management Plan SMART 2030 sets forth improvements of initiatives for reduction of GHG emissions with a view to achieve carbon neutrality by 2050. Going forward, our entire workforce will pull together to promote our environmental management under our basic philosophy and basic policy on environment and safety.



On March 31, 2025, we received an environmental rating loan from the Development Bank of Japan Inc. (DBJ) and were rated as particularly advanced for our eco-friendly initiatives.

The DBJ Environmentally Rated Loan Program is the world's first loan program in which the Development Bank of Japan Inc. (DBJ) evaluates companies' environmental management activities using a proprietary evaluation (rating) system and selects excellent companies.

# Initiatives to Tackle Climate Change

## Material Issues

- Responding to decarbonization and reducing environmental impact

In March 2022, DKS pledged its commitment to the Task Force on Climate Related Financial Disclosures (TCFD), based on a recognition of how important the risks and opportunities of climate change are to our business. We will promote the disclosure of information regarding the impact of climate change on our business activities, and aim to achieve a sustainable society by striving to realize a decarbonized society throughout the entire supply chain.



For details on climate change-related disclosures, please visit our website >>

<https://www.dks-web.co.jp/english/sustainability/ecology/climate-change/>

## Governance

We established the Sustainability Committee as a core sustainability promoting organization. It is chaired by the director in charge of sustainability and consists of members from throughout the Company. The Committee formulates basic policies and targets related to our actions to address climate change, specifies and analyzes material issues, promotes activities and checks their progress. Reports on the discussions



of the Sustainability Committee are regularly reported to the Sustainability Meeting, which is composed of members of the Management Committee. The Sustainability Meeting determines policies, deliberates proposals, makes decisions and checks progress. The Sustainability Committee also submits recommendations and progress reports to the Board of Directors at least once a year, providing a framework to ensure supervision of final decisions regarding strategies, targets, and their integration into our management strategies.

## Strategy

We conduct scenario analyses to assess the impact that climate change risks and opportunities have on our business activities. Referencing the climate change scenarios published by the IEA (International Energy Agency), IPCC (Intergovernmental Panel on Climate Change) and other organizations, we use a below 1.5°C/2°C scenario for transition risks, which presupposes tighter national measures, and a 4°C scenario for physical risks, which presupposes more severe disasters. As risks and opportunities manifest, we quantitatively assess their impact on our operations and finances, formulate measures to address them and increase the resilience of our business strategies.

## Impact Evaluation Based on Scenario Analysis

Classification	Risk /Opportunity	Urgency Level	Impact Level	Impact on Business	DKS Countermeasures
Transition	Increasing environmental awareness (changes in demand)	M	M	<ul style="list-style-type: none"> <li>• Increase in demand for products with low environmental impact</li> <li>• Decrease in demand for petrochemical-derived products</li> </ul>	<ul style="list-style-type: none"> <li>• Development and wider sales of eco-friendly products</li> <li>• Move to non-petrochemical derived and renewable raw materials</li> <li>• Expansion of Life Sciences business centered on natural materials</li> </ul>
Transition	Introduction of carbon pricing	S	M	<ul style="list-style-type: none"> <li>• Greater tax burden due to introduction of carbon tax</li> <li>• Growing demand for renewable energy</li> <li>• Increase in costs due to emissions trading</li> </ul>	<ul style="list-style-type: none"> <li>• Reductions based on GHG emissions plan</li> <li>• Securing long-term and stable renewable energy</li> <li>• Operation of internal carbon pricing</li> </ul>
Transition	Development of energy saving technology	L	M	<ul style="list-style-type: none"> <li>• Less energy consumption with introduction of new technologies</li> <li>• Lower power generation costs with more widespread use of renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Planned introduction of energy-saving equipment</li> <li>• Expanding the use of renewable energy</li> <li>• Conversion to new energy (such as hydrogen and ammonia fuel)</li> </ul>
Transition	Rise in raw material prices	M	L	<ul style="list-style-type: none"> <li>• Increase in procurement costs due to carbon tax passed on to raw material prices</li> </ul>	<ul style="list-style-type: none"> <li>• Switching to non-petrochemical derived raw materials</li> <li>• Risk diversification from multiple purchasing channels for raw materials</li> </ul>
Transition	Rise in fuel prices	M	S	<ul style="list-style-type: none"> <li>• Increase in logistics costs due to carbon tax passed on to fuel prices</li> </ul>	<ul style="list-style-type: none"> <li>• Improving load factor in transportation</li> <li>• Promoting modal shift</li> </ul>
Physical	More frequent natural disasters	M	M	<ul style="list-style-type: none"> <li>• Higher risk of suspended operations at plants and with suppliers</li> <li>• Higher risk of disruption to logistics network (raw material procurement, sales)</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening measures based on business continuity plans</li> <li>• Multiple purchasing channels for raw materials</li> <li>• Wider range of locations and review of manufacturing sites and logistics bases to spread out inventory holdings</li> </ul>
Physical	Rising temperatures, rising sea levels	L	S	<ul style="list-style-type: none"> <li>• Higher risk of flood damage from rising water levels</li> <li>• Changes in the price and quality of plant-derived raw materials</li> <li>• Higher risk of damage to employee health</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening measures based on business continuity plans</li> <li>• Exploration and development of raw material alternatives</li> <li>• Strengthening work environment and heat countermeasures</li> </ul>

Urgency Level **S** (Short Term) within 5 years **M** (Medium Term) within 10 years **L** (Long Term) within 30 years

Impact Level **L** (Large) At least ¥3 bn impact on profits **M** (Medium) At least ¥1 bn impact on profits **S** (Small) Less than ¥1 bn impact on profits

As a result of the scenario analyses, we found that policy risks, such as the introduction of carbon pricing, will have a significant impact, particularly through higher raw material prices due to the introduction of a carbon tax. The impact on factories due to the increasing severity of natural disasters as a physical risk is expected to increase over the medium to long term. Meanwhile, demand for products with low environmental impact is expected to grow due to increased environmental awareness. Our products and technologies give us opportunities to expand our business by meeting new market demands related to climate change mitigation. We will conduct R&D to address climate change challenges, responding to market needs with solutions such as energy-saving products which shorten manufacturing processes and products that contribute to the realization of clean energy to prevent global warming.

### Risk Management

Our Risk Management Control Committee is chaired by the executive general manager in charge of risk management, and it consists of representatives of each division and Group company. The Committee is engaged in activities for reducing the risks that may hamper the achievement of our business objectives to an appropriate level. Climate change risks are integrated into the

Group-wide risk management system, and more important risks are managed by the Committee which assigns employees to be responsible for handling specific risks and monitors and reviews the planning and progress of measures.

### Indices and Targets

We believe that greenhouse gas (GHG) emissions are an indicator for assessing climate change risks. Previously, we set target of reducing the domestic DKS Group's GHG emissions (Scope 1, Scope 2) by 30% compared with the fiscal 2013 level by fiscal 2030. Additionally, we set the new long-term target of reducing these emissions by 45% compared with the fiscal 2013 level by fiscal 2035.

Based on our long-term green transformation (GX) strategy, we encourage energy-saving activities and are pushing forward with decarbonization efforts. Yokkaichi Chemical's Rokuromi Plant switched to electricity derived from renewable energy in June 2022. Chin Yee Chemical Industries Co., Ltd installed solar panels able to generate 491 kW of electricity at its Guanyin Plant and began generating electricity at the end of 2022. In August 2024, we began solar power generation at our new head office. In addition to promoting energy-saving activities, we will continue to increase our use of renewable energy to reduce GHG emissions.

GHG emissions (Scope 1-3) (DKS non-consolidated)

(1,000 t-CO<sub>2</sub>e)

Scope / Category		FY2022 emissions	FY2023 emissions	FY2024 emissions
Scope 1		15.5	12.7	14.3
Scope 2		12.0	11.5	13.2
Scope 3		200.7	184.0	195.1
Category 1	Purchased Goods and Services	173.3	158.2	169.2
Category 2	Capital Goods	4.7	4.3	6.9
Category 3	Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	12.0	10.3	4.3
Category 4	Upstream Transportation and Distribution	5.7	5.8	6.5
Category 5	Waste Generated in Operations	4.8	5.1	8.0
Category 6	Business Travel	0.1	0.1	0.1
Category 7	Employee Commuting	0.2	0.2	0.2

To evaluate greenhouse gas emissions throughout the entire supply chain, we calculated Scope 3 emissions (Categories 1 to 7). Of our total Scope 1, 2, and 3 emissions, Scope 3 emissions are the largest, accounting for 88% of the total, with Category 1 emissions (purchased goods and services) being 87% of Scope 3 emissions. Moving forward, we will pursue initiatives to reduce Scope 3 emissions. Additionally, we will also expand the scope of our calculation of emissions from non-consolidated DKS to include the entire Group and the calculation of Scope 3 emissions downstream from the Group.

### Initiatives for a Decarbonized Society

We transport products from our plants to customers and logistics centers across Japan by land. As the CO<sub>2</sub> emissions per unit of rail freight are approximately one-tenth of those of truck freight, we are promoting a modal shift to rail container

transport for long-distance shipments to reduce emissions. As of November 10, 2023, we were certified as an Eco Rail Mark company, as our share of rail transport for shipments over 500 km exceeds 15%. Our goal for fiscal 2030 is to increase the share of shipments transported by rail to at least 40%.

#### TOPIC

### Selected as a Constituent of the FTSE Blossom Japan Sector Relative Index for the First Time

We have been selected as a constituent for FTSE Blossom Japan Sector Relative Index for the first time. The index is extensively used as a global ESG investment index. This index selects companies that are relatively excellent in their industry in terms of their ESG efforts. Our continued commitment to sustainability has been objectively appreciated in light of global investment standards. As laid out in our Medium-Term Management Plan SMART 2030, in which we have positioned sustainability as the core of our growth strategy, the DKS Group is expanding its environmentally friendly products and acting to address climate change. By continuing to accelerate these efforts, we will balance the growth of our businesses and a sustainable society and strive to maximize our corporate value.



FTSE Blossom  
Japan Sector  
Relative Index

# Initiatives to Ensure Respect for Human Rights

## Material issues

- Diversity, Equity & Inclusion (DE&I)
- Promoting occupational safety and health
- Supply chain management
- Further deepening of corporate governance

## Human Rights Policy and Implementation Systems

The Sustainability Committee, chaired by the Senior Executive General Manager of the Administration Headquarters and overseen by the Board of Directors, reviews the human rights policy, related initiatives, and the status of their implementation.

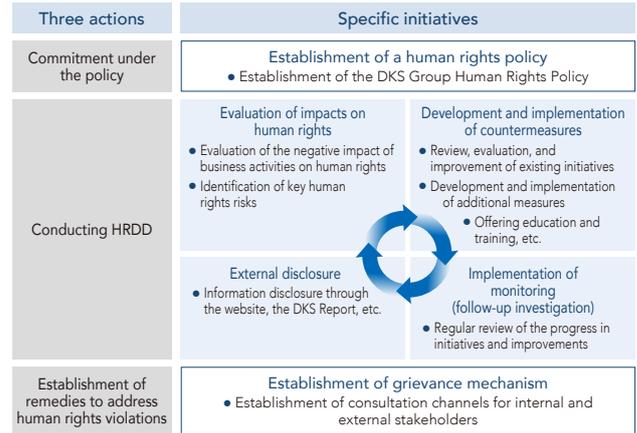
### Activities for Human Rights Education and Awareness

We conduct company-wide awareness training to ensure that our employees respect human rights. The training program is based on the DKS Group Human Rights Policy. Its goal is to increase awareness of the Company's commitment to respecting human rights and addressing issues such as harassment, the rights of people with disabilities, and the rights of foreign nationals.

Of the 1,106 people employed by all of the Group companies in Japan, 744 participated in human rights training conducted in fiscal 2024.

[For more information about the DKS Group Human Rights Policy, please visit our website. >](#)

### Overview of human rights initiatives



<https://www.dks-web.co.jp/english/sustainability/society/human-rights/>

## Human Rights Due Diligence

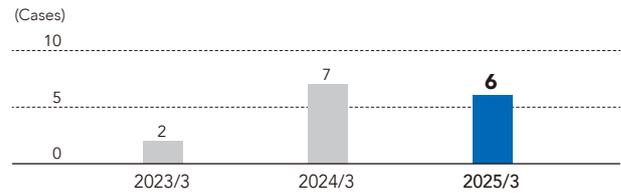
To protect human rights in its business practices, the Group has established a human rights due diligence system in accordance with the United Nations Guiding Principles on Business and Human Rights. We are working to identify, mitigate, and prevent human rights risks not only within the Company and its supply chain but also within domestic and overseas Group companies and their supply chains.

To monitor the entire value chain, we have established a Human Rights and Social Value Promotion Working Group that reports directly to the Sustainability Committee, and we are implementing this initiative in collaboration with relevant departments such as human resources, legal, and quality control.

### Access to Remedies

The Group has established both internal and external channels for stakeholders to report human rights issues or other concerns, or seek advice. When a report is submitted or consultation is made over the hotline, an investigation into the facts of the matter is conducted and strictly managed to ensure the confidentiality of the reporter or consultee.

#### Number of Times the Hotline Has Been Used



## Occupational Safety Initiatives

### Continuous Improvement through the Occupational Safety and Health Management System

We recognize that ensuring the safety and health of our workers is the foundation of our business activities. To this end, we have established policies subordinate to the Environmental Conservation, Health and Safety Management Regulations. We have also obtained the certification of the Occupational Safety and Health Management Systems (JIS Q 45100) at our three domestic plants.

In 2024, one lost-time injury occurred, the same number as in the previous year. We have taken appropriate corrective actions and implemented thorough measures to prevent recurrence. We aim to achieve zero occupational accidents (lost time) in 2025 by strengthening our risk assessments and other safety activities.

### Implementation of Hands-on Safety Training

In February 2017, the Company established the safety training center at the Yokkaichi Plant Kasumi Area to enhance employees' awareness of potential abnormalities and dangers on-site. At the training center, participants can experience simulated work-related accidents and other dangerous accidents using virtual reality and various hands-on training devices. A mini plant has also been established to help employees gain better understanding of the basic principles of equipment and processes. In fiscal 2024, a total of 65 employees participated in hands-on safety training and related programs using these facilities.

[For our fiscal 2024 Initiatives for Sustainable Growth – Securing Safety and Disaster Prevention, please visit our website. >](#)  
<https://www.dks-web.co.jp/english/ir/library/index.html>

# Contributing to a Collaborative Society



## Material issues

- Social contribution activities
- Supply chain management

To fulfill its responsibilities as a member of society, the Group engages in activities that contribute to local communities focusing on three areas: “nurturing the next generation,” “coexisting with the environment,” and “supporting culture and the arts”. Through these activities, our goal is mutual prosperity with the communities where we operate and with our stakeholders.

## Social Contribution Activities

As a member of the Network for Protecting Lake Biwa through Reed Management, we participated in a volunteer event to cut reed grass along the edge of Lake Nishinoko, which flows into Lake Biwa (Shiga Prefecture), on February 1, 2025. The goal of this activity is to use local resources and support community initiatives.

Over 300 participants harvested reed grass across an area of 6,857 m<sup>2</sup>, contributing to the capture of 12.22 tons of CO<sub>2</sub>.

We will continue our efforts to promote coexistence and mutual prosperity with local communities.

### Information about the harvesting of reed grass

- Companies and organizations that participated in the activity: 24 companies and 1 organization
- Number of participants: 319
- Area of land where reed grass was cut: 6,857 m<sup>2</sup>
- Length of reeds (average of a sample of 10 reeds): 367 cm
- CO<sub>2</sub> captured: 12.22 tons



Harvesting reed grass

## Supply Chain Management

The Group has developed a basic sustainable procurement policy and shares it with all of its suppliers around the world.

### Basic Policy

The Group has created a basic sustainable procurement policy as a code of conduct to be followed when obtaining products and services. We aim to foster a sustainable society by encouraging activities aligned with this policy throughout our supply chain.

### Conducting Sustainable Procurement Surveys

As part of our sustainability efforts to promote mutual development and build trust with our business partners, we invite both new and existing supply chain partners to participate in a survey. The goal of the survey is to gather information about their efforts related to ESG practices,

including labor, human rights, environmental stewardship and anti-corruption measures. The results are valuable reference information for making informed decisions when selecting business partners. The fiscal 2024 survey targeted major business partners and was conducted using a tool developed by an external ESG support company. We met with partners as necessary to discuss the survey contents.

Through this survey, we were able to determine more accurately the current status of our business partners’ sustainability activities and assess any risks related to labor, human rights, the environment, and anti-corruption activities. We will consider providing feedback based on the results of the survey to our business partners and promote initiatives to improve their activities.

### Major items in Sustainable Procurement Questionnaires

Evaluation item	Details
1. ESG practices in general	In-house initiatives, supply chain management
2. Environment	Environmental management, greenhouse gases, wastewater and water resources, air, chemical substance management, waste, biodiversity
3. Society, human rights	Forced labor, child labor, working hours and holidays, wages, discrimination and harassment, indigenous peoples’ rights, freedom of association and the right to collectively bargain, occupational health and safety, conflict minerals, emergency response, local community development, health and safety
4. Governance	Business integrity, prohibition of giving or receiving improper benefits, information disclosure, intellectual property, fair business, advertising and competition, whistleblowing system and protection of whistleblowers, privacy, exclusion of anti-social forces, information security, product quality and safety

# Stakeholder Engagement

## Communication with Stakeholders

Since the Company's founding in 1909, we have been committed to the DKS mottos of "Quality First," "Cost Reduction," and "R&D Efforts." Today, as interest in SDGs and ESG management grows, we always keep in mind how we can bring happiness to our employees, shareholders,

customers, and society, the four stakeholders of the Company, under our corporate credo of "Contributing to the nation and society through industry." Through continuous communication, we aim to create new values together with our stakeholders.

	Engagement with stakeholders	Means of dialogue	Results of dialogue
Employees	<p>We are committed to employee happiness-based management, and our most important asset is human capital. As such, we aim to secure excellent human capital and diversity based on a philosophy of valuing people. We recognize employee growth to be the driving force behind the Company's development, leading to broad improvements in corporate value. In addition, under the Medium-Term Management Plan SMART 2030, we have set the goal of the improvement of employee happiness and are promoting health management initiatives to maintain and improve the health of our employees.</p> <p>(▷P.54 Human Capital Management)</p>	<ul style="list-style-type: none"> <li>• Training for employees (on-the-job training, off-the-job training, new employee training, self-development support)</li> <li>• DX human capital development program</li> <li>• Health and productivity management initiatives (exercise habits, mental health measures, etc.)</li> <li>• Publication of in-house portal site, digital in-house magazine "TUNAG," and in-house magazine "DKSCOM"</li> <li>• Whistleblower hotline</li> <li>• Compliance awareness survey</li> </ul>	<ul style="list-style-type: none"> <li>• Average monthly overtime working hours in fiscal 2024 (non-consolidated): down 18.7% (compared to fiscal 2019)</li> <li>• Annual training cost per employee in fiscal 2024 (non-consolidated): ¥26,000</li> </ul>
Shareholders	<p>We believe the proper communication of information to be a prerequisite for constructive dialogue with shareholders. The Public &amp; Investor Relations Department plays the central role in creating opportunities for dialogue, as shown on the right.</p> <p>(▷P.34 Financial/Capital Strategies and Total Shareholder Return)</p>	<ul style="list-style-type: none"> <li>• Financial results briefing sessions and small-group meetings for institutional investors and securities analysts</li> <li>• Company briefing sessions for retail investors</li> <li>• One-on-one meetings</li> <li>• General meeting of shareholders, management briefing sessions</li> <li>• Website (IR &amp; investor information)</li> <li>• DKS report (integrated report), shareholder newsletter</li> <li>• Video distribution via YouTube and the Company's website</li> <li>• Nationwide live radio broadcasts</li> </ul>	<ul style="list-style-type: none"> <li>• Number of individual meetings for analysts and investors held in fiscal 2024 (in Japan and overseas): 147</li> <li>• Dividend per share for fiscal 2024: ¥100</li> </ul>
Customers	<p>We are a chemical materials manufacturer, known as a leader in industrial chemicals. We are working to develop technologies and products with the goal of becoming Uni-Top, a company recognized for its distinctive uniqueness. In 2018, we made a full-scale entry into the life science sector. Through activities such as those on the right, we strive to build long-term relationships of trust with our customers by responding to their requests.</p> <p>(▷P.44 Research and Development)</p>	<ul style="list-style-type: none"> <li>• Daily sales activities</li> <li>• Zenkoku Ichi-Ko Kai (networking event with agencies)</li> <li>• Explanation of R&amp;D</li> <li>• Thorough quality assurance system</li> <li>• Product exhibitions and product press conferences</li> <li>• Website</li> <li>• Company newsletter "TACT"</li> <li>• Technical exchanges with inspiring/inspired partners</li> </ul>	<ul style="list-style-type: none"> <li>• Rate of change in number of complaints in fiscal 2024 (index with fiscal 2017 as 100): 16%</li> </ul>
Society	<p>We are addressing the social issues of urban population concentration and depopulation in rural areas by promoting regional revitalization through our business. We are also working to build new partnerships by collaborating with every partner in our supply chain to promote mutually prosperous co-existence, and together we are conducting business that is consistent with the principles of the SDGs. In addition, we are focusing efforts on local contribution activities to obtain a greater understanding of our business and to build a relationship of trust with the local communities in which our offices and plants are located.</p> <p>(▷P.69 Contributing to a Collaborative Society)</p>	<ul style="list-style-type: none"> <li>• Efforts in cooperation with local governments</li> <li>• Efforts for a healthy and long-lived society</li> <li>• "Building Partnerships Declaration" for mutually prosperous co-existence with suppliers</li> <li>• Presentations and speeches at conferences, forums, and seminars</li> <li>• Plant tours</li> <li>• Science seminars for local children and school visits</li> <li>• Participation in and sponsorship of community events</li> <li>• Community cleanup activities by employees</li> </ul>	<ul style="list-style-type: none"> <li>• Social contribution activities</li> <li>• Communication of information in publications and on website</li> </ul>

# Dialogue with Stakeholders

## Dialogue with employees

We treat employees based on the corporate philosophy that “people are our greatest assets and should be valued.” We believe that the maintenance and improvement of employee health is the foundation for their self-realization, and that the Company can grow together with employees by supporting them in this endeavor. Since maintaining and improving employee health is an important management issue for the Company, we expressed these ideas in our Healthy Company Declaration in September 2017.

In the physical fitness test, which has been implemented company-wide since fiscal 2024, we measure six components, including the sit-and-reach test and three-minute walking, and use the results to calculate each employee’s physical age. Through the same-day return of the test results and the publication of a ranking via in-house social media, we encourage discussion and interaction and also help motivate employees to improve their lifestyle.

These initiatives increased the percentage of the exercise habit rate among employees aged 40 and above from 13.6% in fiscal 2016 to 27.1% in fiscal 2024.



The President and employees in conversation

## Dialogue with customers

We strengthened the Public & Investor Relations Department and put in place a staffing structure that enhances the efficiency and credibility of IR activities. In addition to financial information, we endeavor to provide investors with high value-added information on management strategies and issues, risks and opportunities, governance, and other nonfinancial information.

We hold briefings and small-group meetings for institutional investors twice a year, covering the full-year period in June and the first-half period in November. In fiscal 2024, 57 investors participated in these events. In fiscal 2025, we will also continue to host briefings for retail investors. We believe that constructive dialogue is built on the proper communication of information. The Public & Investor Relations Department will continue to play a central role in maintaining our commitment to the timely and appropriate disclosure of relevant corporate information while fostering open communication with a broad range of stakeholders.



Tokyo management briefing session

## Investor Q&A

### Q1 Why did you change your disclosure segments?

Our policy under the new Medium-Term Management Plan SMART 2030 is to shift from traditional proposals focused on materials to proposals made on a field-by-field basis and rooted in markets or applications. The purpose of the change is to deepen our relationship with our customers, stimulate latent needs, and build a structure that enables us to quickly propose solutions to issues.

P.11, 26

### Q2 What is your policy on investment and M&A?

In Phase 1 (the first two years) of our growth strategy, we aim to maximize use of available assets, promote new development and increase sales volume, and make our life sciences business profitable. In Phase 2 (the final three years), we will quickly commercialize and monetize new developments, promote development and capital investment in priority fields, and achieve a total asset turnover ratio of 1.0 time, with the aim of improving capital efficiency.

P.33

### Q3 What measures do you have in mind for achieving a PBR of 1.0 x or higher?

We consider PBR to be central to our financial and capital strategy. We will aim to increase our PBR through improvement in ROE and ROIC.

- (i) **Setting of targets for ROE (Return on Equity) and ROIC (Return on Invested Capital):** By aiming for a ROE of 10.0% and a ROIC of 8.0% by fiscal year 2029, which is the final fiscal year of the plan, we will seek improvement in capital efficiency and target a PBR of 1.0 x or higher.
- (ii) **Selection of investments for improvement in ROE:** Discussions are being held internally around improving ROE and enhancing corporate value through selective investment in businesses that will generate profit.
- (iii) **Specific investment and capital policy measures:** 1. Prioritization of capital allocation to growth investments, 2. Enhancement of shareholder returns, 3. Strengthening of financial base.

P.32

### Q4 Tell us about future initiatives in relation to human capital.

We will integrate our human capital strategies with our management strategies and implement these together with a human resource development program. We have also joined the Human Capital Management Consortium established by the Ministry of Economy, Trade and Industry, and aim to make effective disclosures through value creation stories, KPI setting, and monitoring.

P.12, 29, 60

### Q5 Which products do you expect will drive growth in the future?

We currently have high expectations for low dielectric resins (for high-end servers) and battery materials (water-based composite binders for the negative electrodes), as well as for growth of chemicals used in semiconductor manufacturing processes.

P.27, P.36-43

# Deepening Corporate Governance

DKS positions corporate governance as the foundation for management, and promotes the development of a corporate governance structure for achieving sustainable improvement in corporate value.

As a company with an Audit & Supervisory Board, we currently achieve both quick decision-making and objective oversight, striking the right balance between business execution and oversight functions. We also strive for improvement of corporate value over the long term through the continuous implementation initiatives aimed at increasing the effectiveness of corporate governance, in accordance with our Internal Control Basic Policy approved in 2006.

For further details of corporate governance, please refer to our [Corporate Governance Report](#). (In Japanese only) >>

<https://www2.jpx.co.jp/disc/44610/140120250605582342.pdf>

## Deepening DKS's Corporate Governance and its Distinguishing Features

DKS engages in business based on our Company Credo "contributing to the nation and society through industry," along with our three Company Mottos—"Quality First," "Cost Reduction," and "R&D Efforts"—which embody the spirit of our founders.

As a company that values the trust of society and seeks sound and open management, in recent years, we have recognized more acutely the importance of corporate governance and are working on corporate management based on an awareness of transparency and fairness.

We will continue positioning the deepening of corporate governance as a material issue, and work to enhance our corporate governance structure and improve its effectiveness.

### Further deepening of corporate governance

Year	Month	Details
2014	June	Appointment of independent outside director: 1 person in total Establishment of new provisions for putting Board of Directors resolutions in writing
2015	May	Establishment of an Outside Officers Committee
2017	June	Appointment of independent outside directors: 2 people in total
2018	June	Disclosure of shareholder meeting materials over the Internet
2020	May	Online exercising of voting rights made available
	June	Partial disclosure of English version of the notice of convocation of general meeting of shareholders
2021	May	Adoption of an online voting platform for institutional investors
	June	Establishment of an Advisory Board Appointment of independent outside directors: 3 people in total (3 of 8 directors being independent outside directors)
2022	June	Appointment of 4 independent outside directors (including 1 female), and disclosure of English translation of the full summary of financial results
2023	June	Appointment of independent outside directors (4 in total, including 1 female) 4 of 8 directors being independent outside directors
2024	June	Appointment of independent outside directors (3 in total, including 1 female), 3 of 6 directors being independent outside directors
2025	June	Appointment of first internal female director, 2 out of 7 directors are female

## Organizational composition and roles

### Board of Directors

The Board of Directors is chaired by the Company's President & CEO, and reviews and decides such issues as matters important for the Group. In June 2025, we added one director to increase the diversity of perspectives, for the purpose of enhancing the effectiveness of the new Medium-Term Management Plan launched in April 2025. The Board of Directors currently consists of seven directors (three of whom are outside directors) and meets once a month, in principle.

#### Main content reviewed at meetings of the Board of Directors in fiscal 2024

- New Medium-Term Management Plan SMART 2030
- Growth strategies (R&D, new businesses, capital investments, etc.)
- Core strategies (personnel system strategy, digital strategy, risk management, sustainability management, compliance)

### Management Committee

The Management Committee, which is chaired by the President & CEO, is comprised of four internal directors, two full-time Audit & Supervisory Board members, four senior executive officers (not including two internal directors), and five executive officers, and generally meets twice a month.

The committee reviews and considers items which need approval prior to meetings of the Board of Directors (primarily accounts, finance, and performance-related matters), as well as important resolutions and reports based on regulations such as the Official Regulations of Administrative Authority or the Official Regulations of Accounting and Finance. The committee also undertakes company-wide coordination and management.

In principle, matters brought before the Board of Directors are first carefully reviewed by the Management Committee, which endeavors to facilitate rational decision making in compliance with laws, regulations, and the Articles of Incorporation.

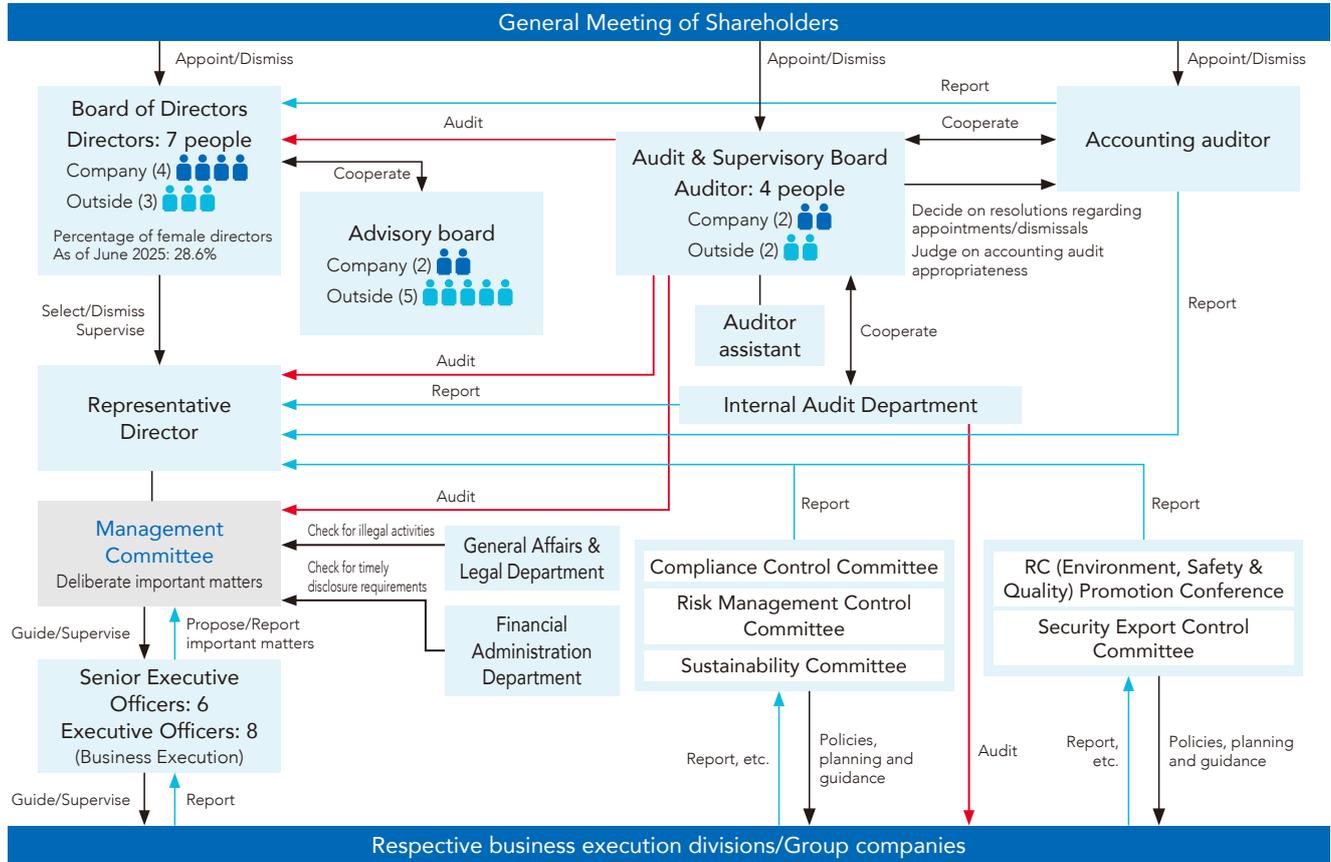
### Advisory Board

The Company voluntarily established an Advisory Board as a supplementary body with the goal of improving the fairness, objectivity, and transparency of the decision-making process of the Board of Directors. Consisting of two representative directors and five outside officers, the Advisory Board is made up of a majority of independent outside officers and is chaired by an independent outside director. Through the Board, we are encouraging outside officers to gain an understanding of the Company's industry and ensuring opportunities for them to actively participate and provide advice.

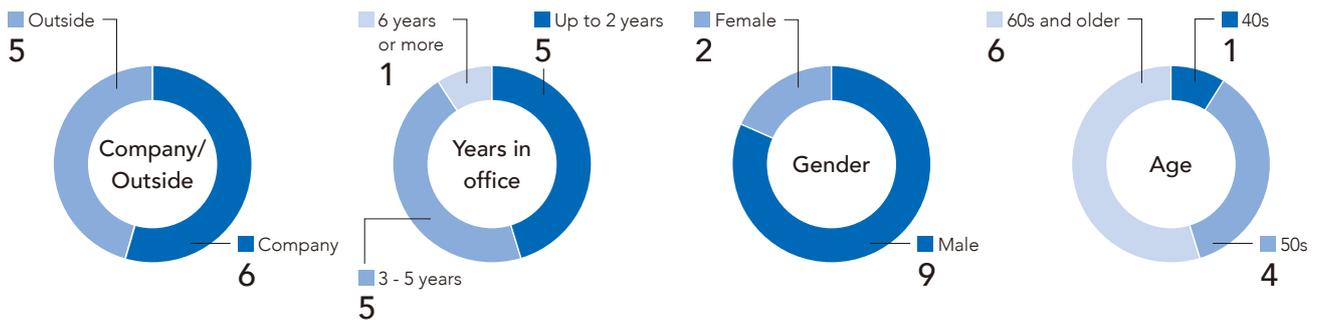
In fiscal 2024, the Advisory Board met four times and held multi-faceted and intensive discussions at these meetings.

Outline of structure

Company Outside



Composition of Directors and Audit & Supervisory Board members (by attribute)



Main deliberations at each committee

	Main agenda	Details of the agenda
Board of Directors	Review of FELIZ 115 and formulation of SMART 2030	With the previous Medium-Term Management Plan FELIZ 115 in its final fiscal year, the Board of Directors verified changes in the business portfolio and held in-depth discussions. The Board of Directors also conducted a review to lay the groundwork for the new Medium-Term Management Plan SMART 2030 (the "Plan"), aiming for structural reform, rationalization of the Group's business operations and expansion of the business domains of each product, notably battery materials.
Advisory Board	Discussion of the main points for the formulation of SMART 2030	In preparation for formulation of the new Plan launched in April 2024, the Advisory Board held discussions focused on the main points of the Plan. To facilitate constructive discussions by the Board of Directors, the Advisory Board explained the ideas behind the original structure, personnel system, growth strategy, and other elements, aiming to enhance understanding for the Plan and refine its content through discussion. From the early stages of consideration of the Plan, members shared opinions that development of a storyline which takes capital efficiency and characteristics into consideration is important for determining priority business domains, and that an overall vision linked to each strategy should be established. The Advisory Board used these discussions as the basis for formulating the main points of the Plan.
Audit & Supervisory Board	Review of finance, corporate governance, risk management, and other matters	In addition to ensuring the reliability of financial reporting, the Audit & Supervisory Board received reports on compliance and risk management, and also discussed the development of the workplace environment and initiatives to meet employee needs. The Audit & Supervisory Board also checked the operation of internal controls and the operating structure of the Board of Directors, and held discussions for maintaining appropriate governance as the Audit & Supervisory Board.

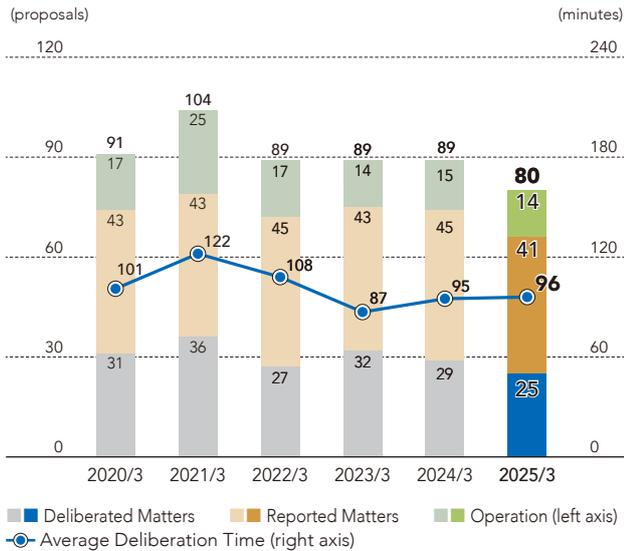
## Deepening Corporate Governance

### Overall Efficacy of the Board of Directors

DKS conducts an annual evaluation of the Board of Directors to verify that the Board is functioning properly and to further strengthen its effectiveness. We also take measures to

thoroughly implement the PDCA cycle for the issues raised in the previous evaluation.

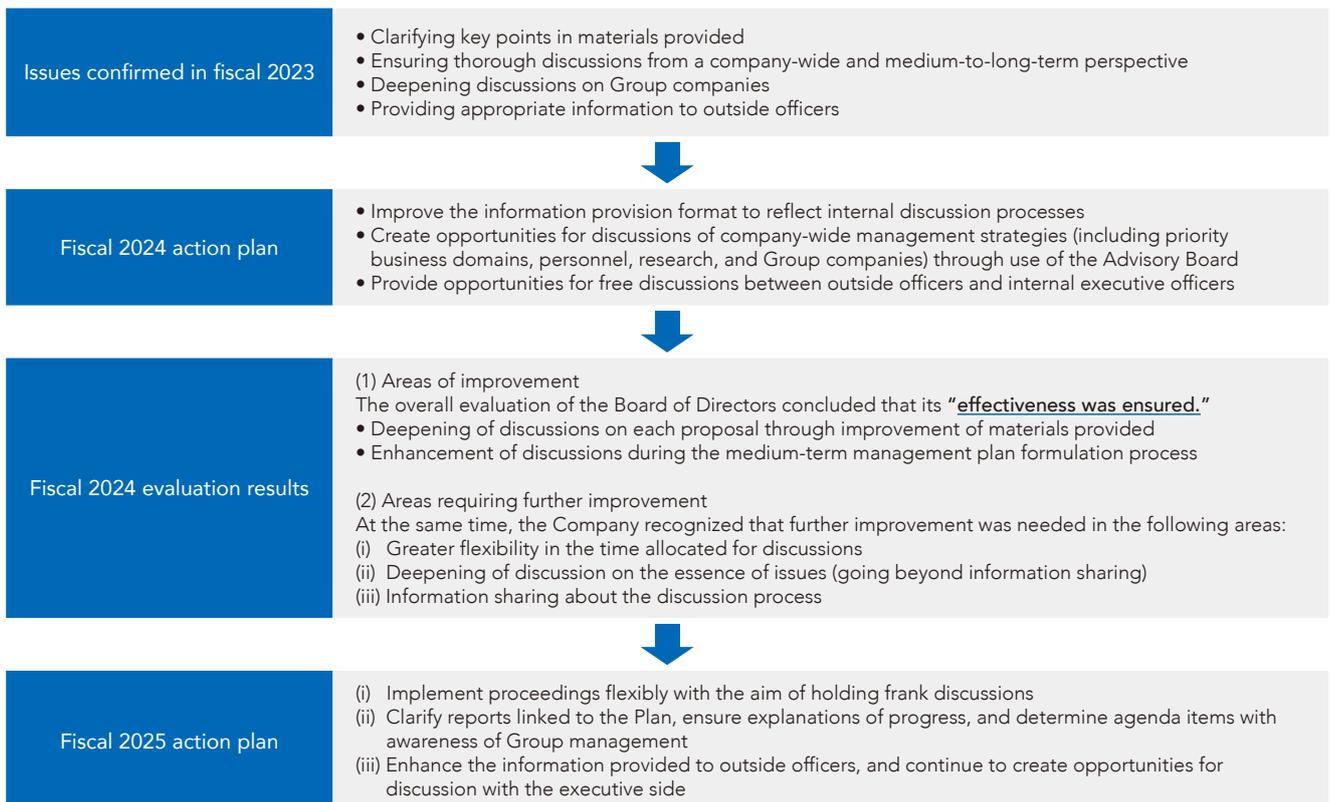
Time spent on deliberations by the Board of Directors and number of proposals



Effectiveness evaluation process

Participants	All six directors and all four Audit & Supervisory Board members for fiscal 2024
Process	<ol style="list-style-type: none"> <li>Survey conducted by the Office of the Board of Directors</li> <li>Analysis and evaluation by outside officers and full-time Audit &amp; Supervisory Board members Analysis and evaluation of the Board of Directors' effectiveness by outside directors and full-time Audit &amp; Supervisory Board members, based on the results of the survey</li> <li>Sharing of evaluation results at the Board of Directors' meeting The independent outside director, chairing the Advisory Board, presents the evaluation at the Board of Directors' meeting for discussion</li> <li>Consideration of issues for the next year and action</li> </ol>
Survey items	<ul style="list-style-type: none"> <li>Composition and roles of the Board of Directors</li> <li>Scope and timing of matters submitted to the Board of Directors, and content of discussions</li> <li>Provision of information to members of the Board of Directors</li> <li>Operation of the Board of Directors</li> <li>Outside officers' evaluation of and expectations for activities of internal officers</li> </ul>

#### Evaluation results and action plan



## Matrix of Expected Skills for Each Officer

To undertake proper decision making and management supervision at a higher level, the Company appoints Directors and Audit & Supervisory Board Members taking into consideration the balance of such factors as extensive experience, performance, and expertise related to the business. In addition, the Company appoints several outside directors and outside Audit & Supervisory Board Members who have a wealth of experience, a high degree of expertise, and a broad range of knowledge and experience in management. One or more persons with experience in

finance and accounting divisions and the appropriate knowledge will be appointed as Audit & Supervisory Board Member(s). In response to the evolving business environment and with the aim of enhancing our structure for sustainable growth, we have newly introduced “Global operations” and “Sustainability” as skill matrix categories.

The following is a matrix of what we expect of our officers in the fields of skills and expertise. Up to five for each officer is listed, but not all the skills and specialized knowledge possessed by each officer are given.

### Expected skills and areas of expertise

Area	Reason for nomination
Corporate management	Ensuring the Company's sustainable growth and strengthening Group management requires sharp insight and strong decision-making capabilities across all areas of management. Accordingly, the Company places high value on the participation of individuals with a proven track record and expertise in corporate management.
Accounting and finance	Enhancing capital efficiency, advancing investment decision-making, and strengthening financial governance necessitate deep expertise in accounting and finance. Accordingly, the Company places importance on securing individuals with professional knowledge in financial strategy.
Legal affairs and risk management	As business operations become increasingly global and complex, strengthening legal risk management and compliance systems has become more important than ever. From the perspective of sound corporate governance, the Company values individuals with expertise in legal affairs and risk management.
Human resources and human capital strategy	Amid growing emphasis on human capital management, the Company has positioned “human capital development” as a key growth strategy in its current medium-term management plan. The Company values individuals with insight into advancing human capital development—its source of competitiveness—through diversity promotion, leadership development, and the cultivation of an organizational culture.
Research technology	The Company pursues the Uni-Top strategy, aiming to become a top-tier company through uniqueness rather than scale. To be chosen by customers through its ability to deliver comprehensive proposals—encompassing technology, quality, and service—by leveraging data science, the Company values individuals who can drive innovation through R&D and technology strategy.
Sales and marketing	The Company emphasizes the participation of individuals with expertise in sales and marketing, as it seeks to formulate and execute effective market strategies in response to increasingly diverse customer needs and evolving market conditions.
Global operations	The Company values individuals with international business insight and the ability to make decisions from a global perspective, including the capacity to develop overseas markets, strengthen global supply chains, and adapt to diverse cultures.
Sustainability	As addressing climate change, human rights, and ESG-related issues become directly linked to corporate value, the Company upholds the belief that “Chemistry provides a solution.” To continue creating value through its core businesses, the Company prioritizes the involvement of individuals who can contribute to the advancement of sustainable management.

### Skills matrix

Name of officer		Outside	Independent	Areas of Particular Expectation for Directors and Audit & Supervisory Board Members							
				Corporate management	Accounting and finance	Legal affairs and risk management	HR and human capital strategy	Research technology	Sales and marketing	Global operations	Sustainability
President & CEO	YAMAJI Naoki			○			○	○	○		○
Representative Managing Director & CFO	SHIMIZU Shinji			○	○		○		○	○	
Director	SAKAMOTO Mami			○	○	○	○				○
Director	KITAO Masahiro			○				○	○	○	○
Director	OKUYAMA Kikuo	✓	✓			○	○	○	○		○
Director	HASHIMOTO Katsumi	✓	✓	○	○	○			○		○
Director	NAKANO Hideyo	✓	✓	○		○	○		○	○	
Audit & Supervisory Board Member	FURUSAWA Yoshiyuki				○	○	○				○
Audit & Supervisory Board Member	HASHIMOTO Masayuki				○		○	○	○	○	
Audit & Supervisory Board Member	TAKAHASHI Toshitada	✓	✓	○	○	○		○			
Audit & Supervisory Board Member	MIYANAGA Masayoshi	✓	✓	○	○	○				○	○

For the reasons for selection of officers, please refer to the notice of convocation of the general meeting of shareholders (P.10-16). >>  
<https://www.dks-web.co.jp/ir/pdf/20250603.pdf>

## Deepening Corporate Governance

### Officer Remuneration System

#### Remuneration decision process

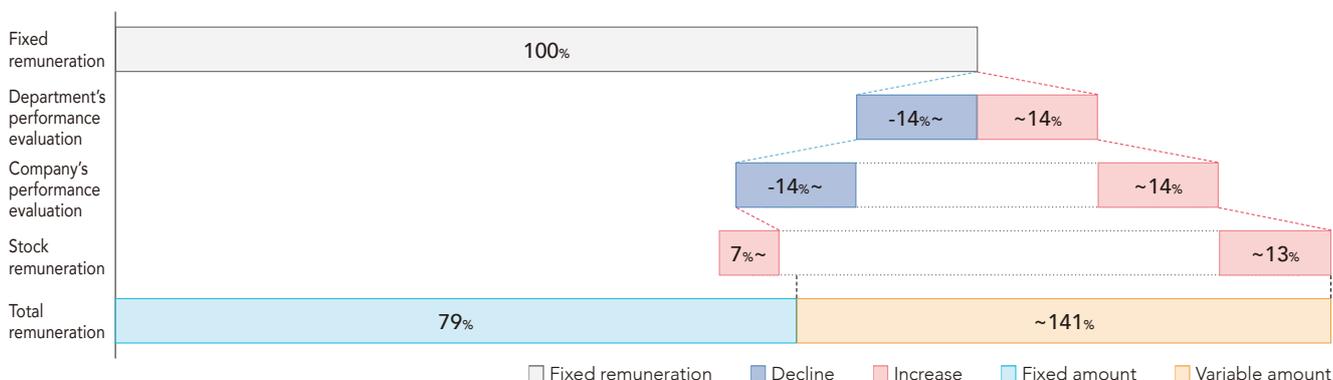
The basic policy regarding director and Audit & Supervisory Board Member remuneration involves a) appropriate compensation for execution of duties, b) remuneration that encourages actions to improve business performance and maximize corporate value, and c) remuneration that deepens value-sharing with shareholders. The following are the KPIs used to determine each type of remuneration and their weight in the amount of remuneration.

#### Composition of remuneration

- Fixed remuneration: amount set based on the size of the role of each officer and position and paid monthly.
- Performance-linked remuneration: Paid monthly, based on two evaluations: the Company's performance from the previous fiscal year, assessed annually, and the achievement of targets set at the start of the fiscal year by each director (excluding Representative Directors), assessed twice a year. (Only internal directors are eligible.)
- Stock remuneration: Restricted shares are granted based on the size of the role of each officer and position.

Items	Percentage	Directors with representative authority	Directors	Outside Directors	Audit & Supervisory Board members
a. Fixed remuneration	—	○	○	○	○
b. Performance-linked remuneration	Target performance evaluation	—	○	—	—
	Company's performance evaluation	○	○	—	—
c. Stock remuneration	—	○	○	○	○

#### Composition of remuneration



#### Calculation method for performance-linked remuneration

Performance evaluation index	Performance evaluation coefficient	Allocation method
Consolidated net sales	0.6%	Calculate 0.6% of the year-on-year change in consolidated net sales for the current fiscal year.
Consolidated ordinary income	5%	Calculate 5.0% of the year-on-year change in consolidated ordinary income for the current fiscal year.
Consolidated cash flows from operating activities	0.3%	Calculate 0.3% of the year-on-year change in consolidated cash flows from operating activities for the current fiscal year.
Total variable remuneration for officers	—	Calculate the ratio of the total adjustment amount above to the base amount for calculating officer remuneration. Use this ratio to adjust each position's total remuneration (excluding department performance-linked portions). The base amount for calculating officer remuneration is the sum of the remuneration for directors who are in office as of June each year (excluding those who resigned in June).

#### Remuneration amount

Officer position	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of applicable officers (persons)
		Basic	Performance-linked	Stock-based	
Directors (excluding outside directors)	177	147	14	15	4
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	43	39	—	3	3
Outside directors	13	12	—	1	4
Outside Audit & Supervisory Board Members	7	7	—	0	3
<b>Total</b>	<b>243</b>	<b>207</b>	<b>14</b>	<b>21</b>	<b>14</b>

#### Notes

- The recipients include one internal director, one internal Audit & Supervisory Board Member, one outside director and one outside Audit & Supervisory Board Member, all of whom retired upon the expiration of their term at the conclusion of the 160th Ordinary General Meeting of Shareholders on June 25, 2024.
- This does not include the salary of employees who concurrently serve as directors.

## Succession Planning and Process for Appointing CEO

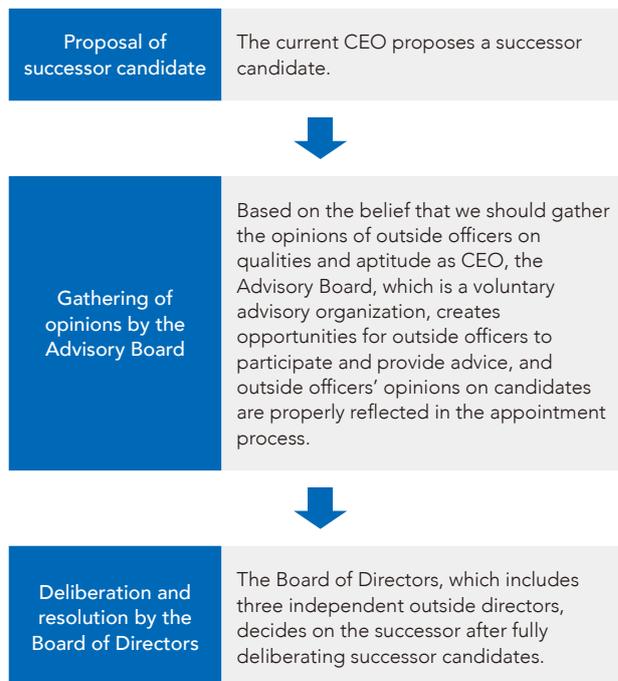
Formulation of the succession plan for officers such as the CEO is the exclusive responsibility of the CEO, who is familiar with all aspects of the Company. Succession planning is the most important matter for the survival of the Company: thus, it is critical to identify both the actual and potential capabilities. When considering potential candidates, the Company considers diverse human resources, taking into consideration not only their specific qualities and career history but also their ability to respond flexibly to changes in the business environment. On the selection of candidates, we attach importance to assessing their suitability from an overall perspective, including how they will contribute to sustainable improvement in corporate value, their leadership skills, sense of judgment, and their ability to build relationships of trust both inside and outside the Company.

When appointing a new CEO, the incumbent CEO proposes a potential successor, and the Advisory Board reviews the qualities aptitude, and future potential of the candidate. The Advisory Board creates opportunities to gather a range of opinions, including the insights of outside officers, and based on their deliberations, the Board of Directors, which includes independent outside directors, conducts the final review and makes the resolution.

Additionally, the Company develops candidates by providing opportunities to broaden their horizons through domestic and overseas management experience,

participation in management meetings, and external training.

### Process for appointing the CEO



## Officer Training

Improvement of the skills of directors and Audit & Supervisory Board Members is beneficial for corporate governance, and we recognize that ensuring training opportunities for this is essential.

Newly appointed directors are encouraged to attend outside seminars on their appointment to acquire the necessary knowledge about business, finance, organizations, and other matters.

Newly appointed full-time Audit & Supervisory Board Members are required to take part in training sessions

organized by the Japan Audit & Supervisory Board Members Association and to learn about the fiduciary responsibility of Audit & Supervisory Board Members.

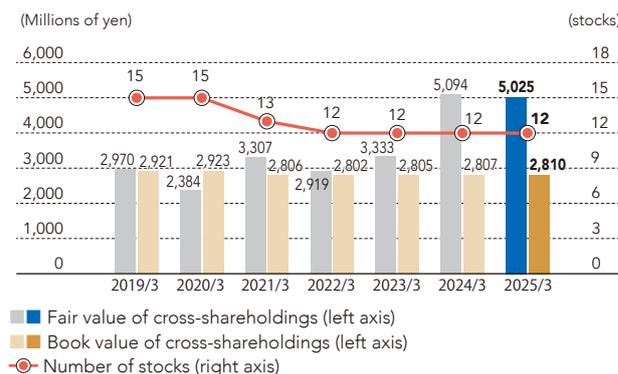
In addition, both newly appointed and reappointed directors and Audit & Supervisory Board Members receive training on an ad hoc basis through training sessions and seminars on legal matters and corporate governance.

These training costs are borne by the Company in accordance with internal regulations.

## Policy on Cross-shareholdings

The Company holds the shares of customers and financial institutions for various purposes, including strengthening the relationship between the two entities. In addition to conducting a verification of holding the shares from a medium- to long-term perspective based on such factors as risk and return, we continue to review whether to hold the shares (appropriateness of holding the shares) taking into comprehensive consideration factors such as the purpose for holding the shares, rationality, and amount invested. As of the end of March 2025, the book value of cross-shareholdings was ¥2,810 million and the fair value amount was ¥5,025 million, with cross-shareholdings accounting for 13% of equity capital. DKS currently deems it appropriate to continue holding these stocks.

### Changes in cross-shareholdings (Listed stocks)



# Quality Management



### Material issues

- Thorough quality assurance system
- Promoting occupational safety and health

### KPI

- Reduction in complaints and abnormalities

To meet the needs of customers and society and earn their trust, it is essential to improve the quality of the products and services we provide. At DKS, we consider quality from the four perspectives of “design and development,” “production,” “sales,” and “customer service,” and we are working to improve quality in cooperation with our customers and suppliers.

For details on quality and safety management, please visit our website. >>

<https://www.dks-web.co.jp/english/sustainability/governance/quality-management/>

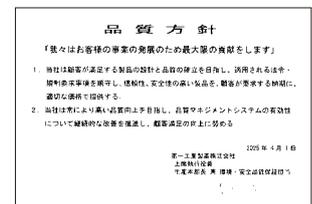
## Quality Assurance/Quality Policy

As a chemical partner conveying the essence of high functionality for the future, we will provide customers with safer, higher-quality products that maximally contribute to the development of their

business. To realize this, we engage in quality control using the PDCA cycle based on our fundamental quality assurance and quality policy in an effort to improve quality and customer satisfaction.



1. We establish quality-related management standards for each department that cover the entire process, from product planning to customer service through design and development, manufacturing and sales. Through the appropriate operation of such standards, we strive to provide high-quality products that are safe and reliable, maintain and improve product quality, and provide quality assurance for our customers.
2. To effectively bring about quality assurance functions throughout the entire Company, we establish, operate, and maintain a quality management system and promote initiatives for ongoing improvements.
3. All our employees must observe this basic concept of quality assurance and carry out tasks in accordance with the Quality Assurance Management Regulations.



## DKS Quality Assurance System

DKS promotes quality assurance activities by each division in charge of the process of product design and development, manufacturing, sales, and customer service. With the President serving as the highest authority for quality assurance, the environment, safety, and quality assurance staff have the authority to raise quality assurance issues, formulate solutions and make recommendations, and are responsible for overseeing the quality management system in order to ensure quality assurance. The General Manager of the Quality Assurance Department oversees

quality assurance in general and establishes and strengthens a quality assurance system through comprehensive coordination between other divisions, and the Quality Assurance (PL) Meetings set the direction of quality assurance and quality control activities.

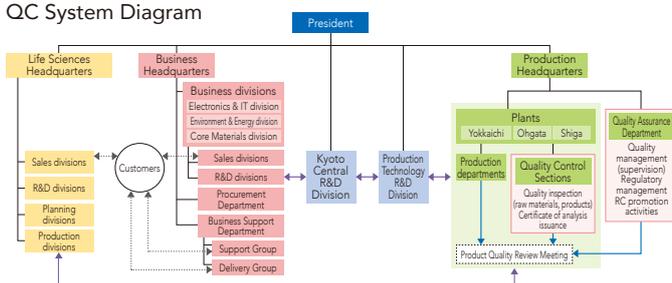
In line with diversifying customer demands and heightened requirements for product quality from a social perspective, we remain committed to working to ensure product safety and quality, as well as preventing quality-related issues before they arise.

## Quality Control System

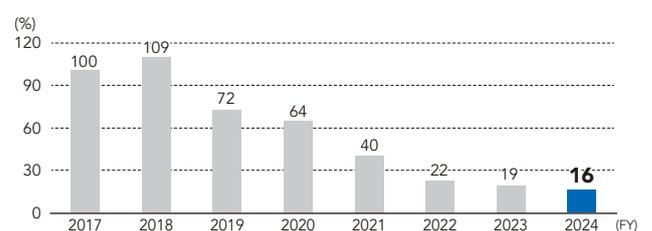
As a chemical product manufacturer, DKS uses ISO 9001 as the basic tool of our quality management system to maintain and improve quality. Through the PDCA cycle, we provide products and services that comply with customer requirements and all applicable laws and regulations. Furthermore, through careful daily activities (production management, corrective actions for nonconformities such as complaints and abnormalities, confirmation of effectiveness, change management, audits, education and training, etc.) and continuous review and

improvement of the management system, we are working to improve customer satisfaction. In 2019, we reconstructed the customer complaint database and visualized progress throughout the Company, including cause investigations, recurrence prevention measures, and reports to customers. In 2024, we focused on patrols at three plants to nip sources of complaints in the bud and to verify the effectiveness of countermeasures. As a result, the number of complaints in fiscal 2024 was reduced to 16% of the fiscal 2017 level, which is set at 100.

QC System Diagram



Number of complaints (compared to FY2017)



## Product Safety Mechanism (Chemical Substance Management from Design Development)

At each stage of product development—from research and exploration to prototyping and mass production—DKS conducts surveys of laws and regulations as well as evaluations of environmental impact, ensuring that design and development prioritize product safety. In addition, by introducing a chemical substance management system, we conduct GHS<sup>1</sup> classification, perform regulatory compliance

checks, create multilingual SDS<sup>2</sup> and labels, and investigate the substances contained in our products, thereby promoting proper communication of information regarding our products.

1. Globally Harmonized System (GHS) of Classification and Labeling of Chemicals
2. Safety Data Sheet (SDS): A sheet containing information on the properties and handling of chemicals when transferring or providing them to other business operators

## Provision of Product and Technical Information

Our products are utilized in a variety of industrial fields, and we provide product and technical information tailored to the characteristics of each product and service. An SDS provides information on items such as hazards and other relevant details to ensure safe handling of the product. For products exported to the US, EU, and Asian countries, we are promoting compliance with the laws and regulations of each country, issuing SDS in compliance with GHS, and displaying product labels. We are also sequentially revising SDS and labeling in line with amendments to laws such as the Chemical

Substances Control Law, the Industrial Safety and Health Act, and the Poisonous and Deleterious Substances Control Act. In addition, we are providing information on chemical substances in products by utilizing chemSHERPA (a common scheme for communicating information on chemical substances in products that can be used throughout the supply chain).

When introducing our products, we strive to maintain close communication with our customers through daily business negotiations, and to provide sufficient information through product pamphlets and technical documents.

## Risk Management

Recognizing that conducting proper risk management is an important management issue, our Group established the Risk Management Control Committee, chaired by the responsible executive officer and composed of representatives of related divisions and Group companies, and is methodically moving forward with activities by regularly holding committee meetings.

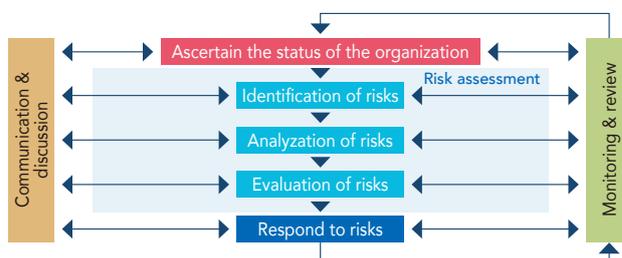
### Risk Management System

We have established a Risk Management Control Committee to reduce risks that could impede the achievement of our business objectives to an acceptable level. The Committee oversees risk mitigation efforts through our risk management system. We also maintain and strengthen our crisis management system to ensure that, in the event of an emergency, risk information is swiftly communicated to all relevant domestic and international affiliates, enabling timely situation assessment and appropriate responses.

We will continue to focus on risk mitigation, including efforts to reduce risks associated with potential geopolitical tensions concerning Taiwan and information security vulnerabilities. We also revised and enhanced our earthquake-related Business Continuity Plan (BCP), provided training, and conducted

disaster drills and safety confirmation exercises to ensure prompt and appropriate action in the event of a disaster.

Basic Process for Risk Management



## Crisis Management

Having positioned implementing countermeasures to corporate risk as a priority issue, we set Risk Management Procedures to address the prevention and mitigation of potential and manifest risks. We created basic policies and a Risk Management Manual as supplementary material for conducting Risk Management Control Committee activities and managing corporate risks, and operate the system as stipulated in the Risk Management Procedures.

In the Risk Management Manual, we establish risk management levels and stipulate that the responsible person for the particular risk

level is tasked with implementing risk management. Furthermore, for risks that impact lives and business, we are implementing and strengthening appropriate responses. There has been an upward trend in the frequency of earthquakes, water damage due to torrential rains, long heat waves, and natural disasters accompanying abnormal weather, such as massive snowstorms. To respond to the impact of these on business, we use information-sharing tools to ensure prompt information dissemination among all parties involved, enabling us to respond quickly in accordance with the management level.

# Board of Directors, Audit & Supervisory Board Members, and Executive Officers



## Board of Directors (as of June 25, 2025)

**1** President & CEO  
**YAMAJI Naoki**  
 April 2022 President & CEO (current)  
 Number of shares held: 19,895 shares

**2** Representative Managing Director & CFO  
**SHIMIZU Shinji**  
 April 2025 Representative Managing Director & CFO (current)  
 Number of shares held: 8,116 shares

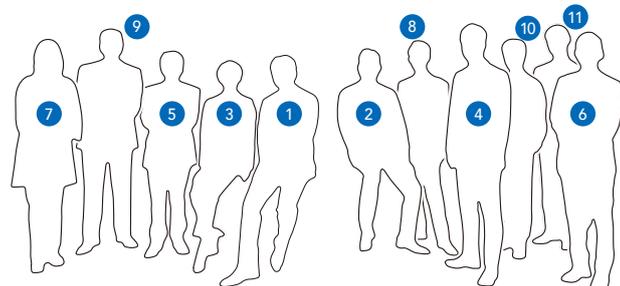
**3** Director  
**SAKAMOTO Mami**  
 June 2025 Director (current)  
 Number of shares held: 2,411 shares

**4** Director  
**KITAO Masahiro**  
 June 2025 Director (current)  
 Number of shares held: 1,577 shares

**5** Director (outside)  
**OKUYAMA Kikuo**  
 April 2013 Appointed Professor Emeritus of Hiroshima University  
 June 2021 Director of DKS Co. Ltd. (current)  
 June 2022 Vice President of The Information Center of Particle Technology, Japan (current)  
 Number of shares held: 598 shares

**6** Director (outside)  
**HASHIMOTO Katsumi**  
 July 2019 Established Hashimoto Accounting Office as a Representative (current)  
 June 2022 Director of DKS Co. Ltd. (current)  
 Number of shares held: 669 shares

**7** Director (outside)  
**NAKANO Hideyo**  
 March 2004 Established Trias Corporation; took up position as CEO (current)  
 June 2021 External Director of HOCHIKI CORPORATION (current)  
 June 2022 Director of DKS Co. Ltd. (current)  
 June 2023 Independent External Director (Audit & Supervisory Committee Member) of NS TOOL CO., LTD. (current)  
 Number of shares held: 487 shares





## Audit & Supervisory Board (as of June 25, 2025)

**8** Audit & Supervisory Board Member  
**FURUSAWA Yoshiyuki**  
 June 2024 Full-time Audit & Supervisory Board Member (current)  
 Number of shares held: 1,450 shares

**9** Audit & Supervisory Board Member  
**HASHIMOTO Masayuki**  
 June 2025 Full-time Audit & Supervisory Board Member (current)  
 Number of shares held: 2,209 shares

**10** Audit & Supervisory Board Member (outside)  
**TAKAHASHI Toshitada**  
 June 2020 Independent Outside Director Standing Audit and Supervisory Committee Member of ITmedia Inc. (current)  
 Audit & Supervisory Board Member of DKS Co. Ltd. (current)  
 Number of shares held: 669 shares

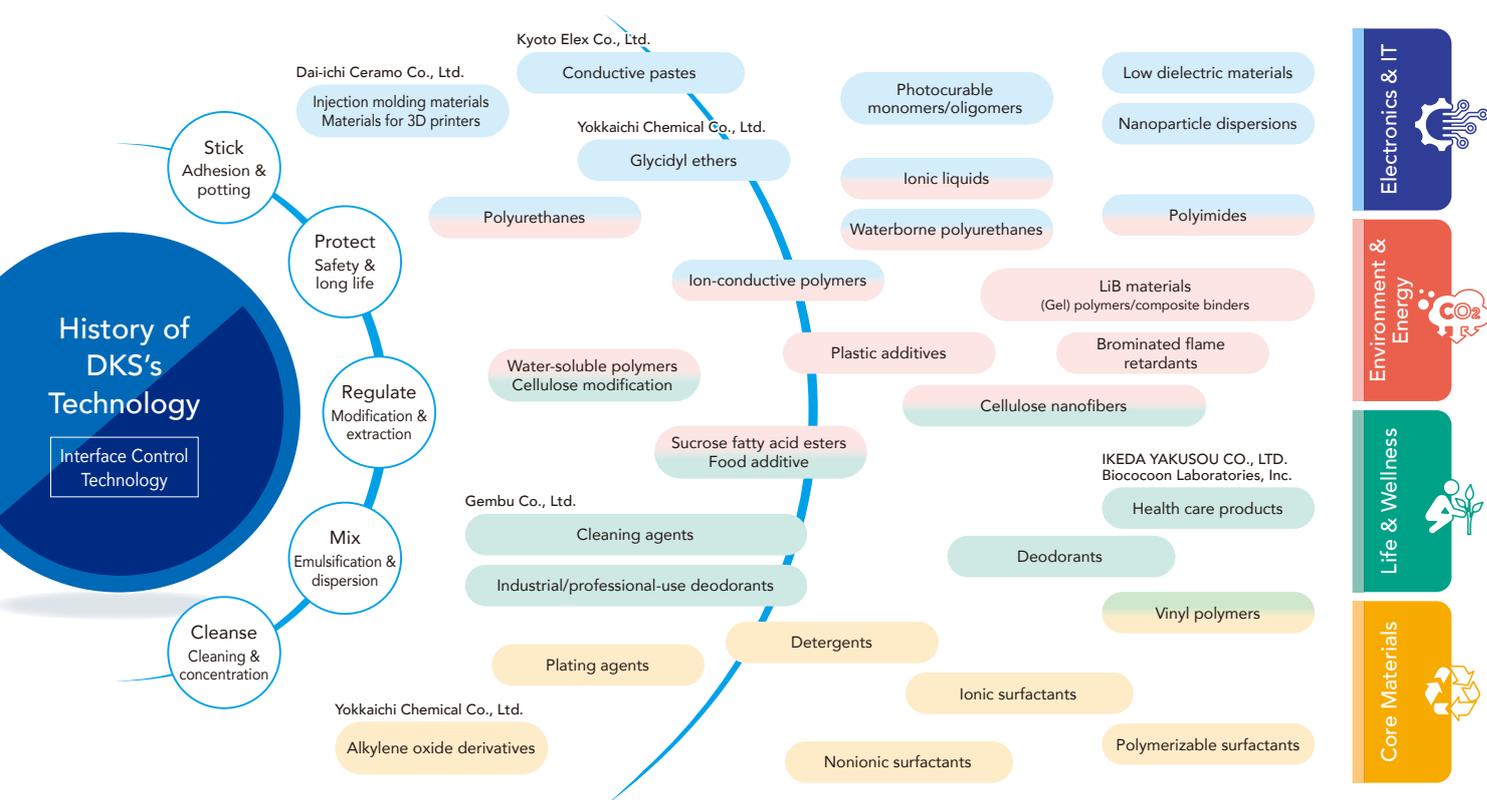
**11** Audit & Supervisory Board Member (outside)  
**MIYANAGA Masayoshi**  
 April 2017 Director of FALCON Research & Consulting Ltd. (current)  
 June 2017 Outside Director of Universal Entertainment Corporation (current)  
 April 2023 Specially Appointed Professor of Chuo Business School (current)  
 June 2023 Outside Director of S.T. CORPORATION (current)  
 June 2024 Audit & Supervisory Board Member of DKS Co. Ltd. (current)  
 Number of shares held: 298 shares

## Executive Officers (as of April 1, 2025)

Senior Executive Officer	<b>KITAO Masahiro</b>	Senior Executive General Manager Business Division	Executive Officer	<b>OWAN Jiro</b>	Executive General Manager Electronics & IT Business Division Business Headquarters
Senior Executive Officer	<b>SAKAMOTO Mami</b>	Senior Executive General Manager Administration Headquarters	Executive Officer	<b>NAGANUMA Junji</b>	Executive General Manager Core Materials Business Division Business Headquarters
Senior Executive Officer	<b>SHIMIZU Koji</b>	Senior Executive General Manager Production Headquarters	Executive Officer	<b>HIGASHIZAKI Tetsuya</b>	Executive General Manager Environment & Energy Business Division Business Headquarters
Senior Executive Officer	<b>NISHIGUCHI Isao</b>	Senior Executive General Manager Life Sciences Headquarters	Executive Officer	<b>YAMAMASU Yukinori</b>	Executive General Manager Administration Division Administration Headquarters
Senior Executive Officer	<b>MORI Yoshiyuki</b>	Senior Executive General Manager Production Technology R&D Division	Executive Officer	<b>WATANABE Toshiya</b>	Executive General Manager Strategy Division Administration Headquarters
Senior Executive Officer	<b>MORISHIMA Kazuto</b>	Senior Executive General Manager DKS Group Management Division Administration Headquarters	Executive Officer	<b>KUZE Takuya</b>	Executive General Manager Shiga Plant Production Headquarters
			Executive Officer	<b>YOKOHASHI Takao</b>	Executive General Manager Ohgata Plant Production Headquarters
			Executive Officer	<b>WATANABE Kisou</b>	Executive General Manager Yokkaichi Plant Production Headquarters

For more information, see the ESG Data Book on our website. »  
<https://www.dks-web.co.jp/english/ir/library/index.html>

# Proprietary Technologies



## Basic Technologies

### Interface/surface control technology

A variety of applications can be achieved with surfactants, for example, emulsification, dispersion, solubilization, wetting/penetration, surface/interface tension control, foaming/defoaming and surface modification. The primary applications of surfactants are emulsification and dispersion enabling normally immiscible substances to blend. For example, although water and oils will separate after being mixed, adding a surfactant as an intermediate between water and oils enables the creation of stable emulsion. When washing dishes to which oil residue has adhered, the surfactant is first absorbed into the oil residue, where it reduces the interface tension between the oil and dishwashing liquid. Next, it enters between the oil residue and dishware via wetting/penetration. Finally, oil residue is separated from the dishware through physical force such as washing by hand. The residue is adsorbed into the micelles formed by the surfactant and then dispersed throughout the liquid, which prevents re-adherence of the residue. Moreover, improving the wettability of paint and adding various functionality (e.g., leveling,<sup>1</sup> water/oil repellent, antifouling, lubricity) can be included as types of technology for surface modification and interface control.

▷ See p.42

1. To make the surface smooth and even

### Alkylene oxide addition technology

This technology adds ethylene oxide (EO) and propylene oxide (PO) to raw materials of higher alcohols derived from natural sources such as coconut oil or palm oil, as well as phenols and amines.

### Alkylene oxide functional design technology

Through the addition mode of alkylene oxide (AO), in addition to EO and PO sequencing such as random polymerization and block polymerization, this technology enables desired control for the number of added moles. This makes it possible to freely design a surfactant composition, which satisfies the required performance.

### Urethanization technology

This technology synthesizes a urethane resin that is a polymer compound possessing urethane bonds in the main framework of the molecular structure. Through diverse combinations of the raw materials polyisocyanate and polyol, it is possible to change the type and length of the structural chain and to change the structure of both ends, thus creating a variety of physical properties. This makes it possible to create substances such as elastic urethane rubber and urethane elastomer, as well as soft/hard urethane foam in conjunction with foaming reaction. By utilizing these properties, these substances can be used in products such as cushions, thermal insulation, molding and coating materials. In addition, waterborne urethane resin can be obtained by emulsifying urethane resin. Our Company's products can be broadly divided into nonreactive and reactive. Nonreactive waterborne urethane resin is an emulsion product of urethane resin. Reactive waterborne urethane resin is produced by protecting the terminal isocyanate groups generated by the reaction between polyisocyanate and polyol with a blocking agent, followed by emulsification.

### Cellulose modification technology

This technology synthesizes anionic water-soluble polymers with cellulose as the main raw material. The CMC (sodium carboxymethyl cellulose) synthesized via this technology can be used in various applications by changing the length of the molecular chain and by the addition of quantities of the carboxymethyl group. CMC is easily dissolved in either cold or hot water and becomes a viscous liquid that is colorless and transparent. It has an extensive record of use as a thickening stabilizer in general, and other uses include as a binding agent for fish feed and pesticides. CMC is also known for functioning as a high-performance dispersion stabilizer. It is applied to products seeking an even higher level of functionality, for example, as a binder for lithium-ion battery cathode paste.

### Sucrose esterification technology

This technology is used to obtain sucrose fatty acid esters (SEs), a non-ionic surfactant where natural sucrose is part of the hydrophilic group and higher fatty acids such as stearic acid and oleic acid are part of the lipophilic group. The high safety of SEs is recognized by international organizations (Joint FAO/WHO Expert Committee on Food Additives), and SEs have been approved as a food additive in Japan since 1959. In addition to food products, SEs are used in a wide range of products such as pharmaceuticals and personal care products. Examples include emulsifiers, viscosity modifiers, anti-aging agents for starches and texture modifiers. Synthesis methods of SEs can be broadly divided into an esterification reaction method that uses fatty acid chlorides and fatty acid anhydrides, a transesterification method with lower alcohol esters of fatty acids and an enzyme method using enzymes such as lipase as the catalyst.

### Cellulose nanofiberization technology

This technology is used to create the new material, cellulose nanofibers (CNFs), by chemically or physically treating the naturally derived cellulose fibers to reduce the fiber width to a nano meter size. Our Company's CNFs are exceptional for their extremely fine fiber width on the single nano level. This fineness is achieved via chemical

## Application Technologies

### Nano-dispersion technology

This technology stably mixes immiscible substances to bring out the diverse power inherent in materials. This technology is expected to support dispersants that enable dispersion in the nano range, various dispersion methods, and applicability to a wide range of materials such as inorganic powder, organic powder and oil. Nano materials can be broadly divided into carbon materials (e.g., fullerene,<sup>4</sup> nano tubes, nano fibers, graphene<sup>5</sup>), metals (e.g., gold, silver, copper) and metal oxides (e.g., silica, titania, zirconia), all of which possess diverse characteristics. This technology disperses these nano materials into mediums such as water, organic solvents and resins.

**Function/usage** Electronic and electric equipment (touch panels for smartphones and tablet PCs), cosmetics (sunscreens), eyeglass frames, etc.

4. Carbon atom cluster

5. Hexagonal lattice carbon allotropes

### Radiation curing technology

This technology instantly dries and cures coatings and paints of radiation-curable resin compounds by irradiating them with ultraviolet (UV) rays or electron beams (EBs). The technology is also called radcure (UV/EB curing). Radcure technology is used in a wide range of diverse fields due to its ability to conserve resources and energy and reduce environmental load. This technology is utilized in our urethane oligomer, and its uses include clear coatings for building materials and furnishings; anti-rust coatings for metal; resistance materials such as semiconductors, dry film and LCDs; coatings for items such as mobile phones, optical fibers, plastics and paper; printing ink; plate-making materials; and adhesives. Our Company's monomers are made from the raw material alcohol using EO precision-addition technology. We offer a full lineup of products with added functionality (e.g., high hardness, low viscosity, low curling).

**Function/usage** Adhesives, paints and coatings, printings and markings

modification processing. Furthermore, by utilizing its exceptional characteristics such as viscosity behavior, emulsification and dispersion stability effect, our CNFs can be used in products such as cosmetics and general industrial products.

### Emulsion polymerization technology

This technology conducts polymerization<sup>2</sup> by using surfactants to emulsify in water the monomers that do not dissolve in water. This enables synthesis of high molecular weight polymers that cannot be obtained via bulk polymerization or solution polymerization. Furthermore, because the polymer system is surrounded by water, it is easy to remove polymerization heat and perform stable temperature management. A polymerizable surfactant is a type of surfactant that possesses a radical polymerizable group<sup>3</sup>. It is used as an emulsifier for emulsion polymerization. Through copolymerization with monomers during the process of the emulsion polymerization, it improves the mechanical stability, chemical stability, freezing/thawing stability and foaming property of polymer dispersion, and improves the water resistance of the polymer film.

2. A reaction in which two or more molecular compounds having a simple structure are combined to form another compound having a large molecular weight. A molecular compound before polymerization is called a monomer.

3. The production of vinyl polymer is an important reaction and refers to addition polymerization in which the growth chain is a radical (free group).

### Flame retardation technology

This technology adds/disperses compounds containing flame-retardant elements such as bromine, phosphorus, nitrogen, boron, silicon and/or antimony to/in polymer materials to make them flame-retardant by a chemical reaction and bonding resulting from it. Attention is being placed on the use of inorganic compounds such as hydrated metal compounds (Mg hydroxide, Al hydroxide) and nanocomposites<sup>6</sup> (MMT<sup>7</sup>, CNT<sup>8</sup>). Flame retardants are broadly divided into halogenated and halogen-free products that are based on phosphorus or inorganic substances. Halogenated flame retardants have superior flame-retarding efficiency and therefore are most widely used as flame retardants for plastics.

**Function/usage** Electronic and electric equipment, OA equipment, construction applications, automotive applications, railway applications, textiles, paper, aircraft, marine vessels, etc.

6. A general term for composite materials in which one material is atomized to a size of 1-100 nm and then kneaded into another material and diffused.

7. Montmorillonite

8. Carbon nanotubes

### Ionic liquid

Generally, ionic liquid is an ion pair compound that remains in a liquid state at/below 100°C. It has no vapor pressure and is nonflammable. Because ionic liquid has high safety and ion conductivity, it is used in electrolyte applications such as lithium-ion batteries and capacitors.<sup>9</sup> Ionic liquid also is attracting attention as a next-generation material in the energy device field and as a green solvent that reduces environmental impact. Ionic liquid is a salt composed only of ions (anions, cations). It dissolves a variety of organic and inorganic compounds and can conduct ions.

**Function/usage** Reactive solvents, extraction solvents; as electrolytes, dye-sensitized solar cells, lithium-ion batteries, electric bilayer capacitors and actuators; lubricants, dispersants and antistatic agents, etc.

9. An electronic component that stores and emits electricity (electric charge), also called a condenser. In addition, there are some electric double layer capacitors that have an order of magnitude larger capacitance than conventional capacitors.

## Special Technology

### Glycidylation technology

This technology belongs to Yokkaichi Chemical Co., Ltd. Via synthesis technology using glycidyl ether, which is a bifunctional aliphatic epoxy

compound possessing a flexible framework in the center of the molecule, the technology generates compounds with improved flexibility, toughness and water resistance of cured materials.

**Function/usage** Electronic materials

# Fundamental Knowledge of Surfactants

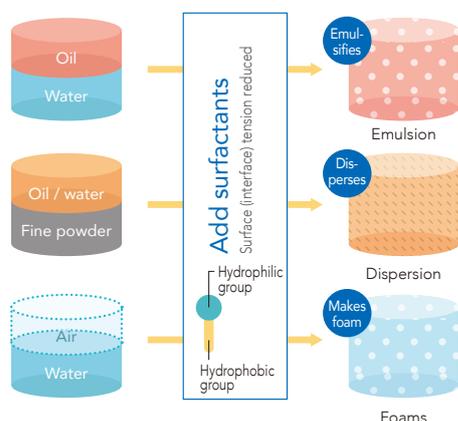
Generally, an “interface” refers to the border area between two materials of different states of solid, liquid or gas. “Surfactants”, short for surface active agents, are chemical compounds that exhibit functions and improve the performance of these interfaces.

## Basic Structure of Surfactants

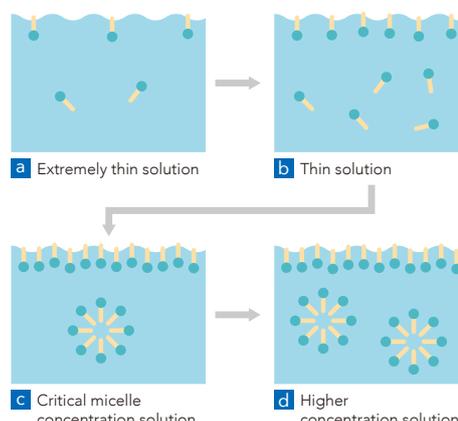
Surfactants have a unique chemical structure that has both hydrophilic (water-attracting) and hydrophobic (oil-attracting) properties. Using this structure, surfactants can achieve a variety of effects such as emulsification, dispersion, foaming, and adsorption by weakening surface tension or forming molecular aggregates or micelles (spheres). When surfactants are dissolved in water and the result is a low-concentration solution, their molecules can easily gather and assemble on the interface (surface) of the solution through a phenomenon

called “adsorption.” If the surfactant concentration is increased, the surfactants form molecular aggregates or micelles (spheres) when they reach what is called “critical micelle concentration” (see illustrations “c” and “d” below). Once micelles have formed, if you add non-water-soluble oil to the solution, the oil can be encircled (solubilized) by the micelles so that from the outside, it looks like the oil has dissolved in the water.

Functions of surfactants by reducing surface tension



Surfactant solutions



## Surfactant Types

Surfactants have four main structural types based on the functions they are molecularly designed to achieve. Of these four types, three are ionic surfactants that transform into electrolytic dissociation ions (atoms or groups of atoms bearing an electrical charge) when dissolved in water, and the remaining type is nonionic surfactants, which do not form

ions. The three ionic surfactants are further subdivided based on the type of ion they form when dissolved in water: anionic (or negative ion) surfactants, cationic (or positive ion) surfactants, and amphoteric (containing both positive and negative ions) surfactants.

Types of surfactants	Characteristics	Main applications	Flagship Product Line
Anionic surfactants	<ul style="list-style-type: none"> <li>• Superb emulsifying and dispersing properties</li> <li>• Good foaming</li> <li>• Not susceptible to temperature</li> </ul>	<ul style="list-style-type: none"> <li>▶ Laundry detergent / Shampoo / Body wash</li> </ul>	HITENOL series products
Cationic surfactants	<ul style="list-style-type: none"> <li>• Absorbed onto fibers and other materials</li> <li>• Antistatic effect</li> <li>• Sterilizing effect</li> </ul>	<ul style="list-style-type: none"> <li>▶ Hair conditioner / Fabric softener / Sterilant</li> </ul>	CATIOGEN series products
Amphoteric surfactants	<ul style="list-style-type: none"> <li>• Non-irritative to the skin</li> <li>• Superb solubility in water</li> <li>• High compatibility with other surfactants</li> </ul>	<ul style="list-style-type: none"> <li>▶ Body wash / Dishwashing liquid / Shampoo</li> </ul>	AMOGEN series products
Nonionic surfactants	<ul style="list-style-type: none"> <li>• Easy to adjust the balance of hydrophilic and hydrophobic properties</li> <li>• Superb emulsifying and solubilizing properties</li> <li>• Low foaming</li> <li>• Susceptible to temperature</li> </ul>	<ul style="list-style-type: none"> <li>▶ Laundry detergent / Emulsifier and solubilizer / Dispersant / Metal processing oil</li> </ul>	NOIGEN series products

## Main Actions and Applications

Function		Actions and effects	Applications	
<b>Emulsification</b>	Mixes incompatible substances	Mixes water and oil to form emulsions.	▶ Food, cosmetics, paints, dyes	
<b>Dispersion</b>	Breaks solid particles into finer pieces and disperses them evenly in a dispersion medium	Mixes inorganic fillers into a dispersion medium to produce nano-dispersions.	▶ Battery materials, information electronic materials, cosmetics	
<b>Moistening, permeating, wetting</b>	Facilitates substrate wetting and liquid permeation	Enhances the wetting properties of a leaf for uniform, thin pesticide application.	▶ Agriculture, pesticides, textile paints, dyes	
<b>Foaming, defoaming</b>	Makes and/or removes foam	Uses a foaming agent to introduce air into concrete for molding.	▶ Civil engineering, construction soaps, detergents, food, cosmetics	
<b>Cleaning</b>	Removes dirt	Adsorbs onto dirt, penetrates between the dirt and the substrate, loosens it, breaks it into smaller particles, emulsifies it, and prevents it from reattaching to the substrate.	▶ Soaps, detergents, electronic component cleaners	
<b>Softening, smoothing</b>	Softens and smooths	Creates soft fabric with gentle feel on the skin. Improves the smoothness of yarns in the spinning and/or knitting process.	▶ Textile finishing agents, metal processing oils	
<b>Antistatic</b>	Prevents static electricity on substrate surfaces	Adsorbs moisture from the air onto substrate surfaces and reduces electrical resistance.	▶ Electronic substrates, films, resins	
<b>Rustproofing</b>	Prevents rust on metal surfaces	Forms a protective film that adheres to metal surfaces to block oxygen and water, which cause rust.	▶ Metal surface treatment films, electronic wiring	
<b>Sterilizing</b>	Removes bacteria	Uses the positive charge of the surfactant to adsorb negatively charged bacteria, disrupting their cell membrane.	▶ Disinfectants, soaps, detergents	

### Environmental Impact of Surfactants

Most household wastewater that contains surfactants is collected and treated at public sewage treatment facilities; however, some may enter rivers or soils untreated.

Because surfactants are biodegradable, they eventually

degrade to carbon dioxide and water by bacteria, even if released into the environment. To preserve the natural environment, products with high biodegradability are being developed and proactively used in Japan.

# Glossary

Terminology	Description
Absenteeism	A situation in which, due to mental or physical distress, an employee is frequently absent from work or misses work without notice.
Antistatic agent	A compound to prevent the electrification of synthetic fibers and plastics caused by static electricity, for which a surfactant is mainly used. It is applied to the surface of target materials by spraying and lets static electricity escape.
BCP	An abbreviation for Business Continuity Plan through which, in the event of a disaster or other crisis, companies ensure that critical operations are not interrupted. Even if business activities are unavoidably disrupted, important functions can be restarted within the targeted recovery time, and strategic preparations for continuing business are carried out in advance to minimize the risks involved in interrupted operations.
Carbon neutrality (CN)	Balancing greenhouse gas (GHG) emissions and removals. The Japanese government has pledged to aim for carbon neutrality by reducing greenhouse gas emissions to net-zero by 2050.
Cellulose Nano Fibers	Very thin nano-sized fibers prepared by detangling cellulose, which makes up the cell walls of plants. The width of the fibers is about 10 nm (nano = one billionth). They are made from wood-derived pulp, and when used in plastics and rubbers, they enhance the strength of these materials while reducing thermal expansion/contraction.
CNF	An abbreviation for cellulose nano fibers. *See "Cellulose Nano Fibers."
Cocoon unwinding agent	An agent to spin silk yarn from silkworm cocoons.
COD emissions	COD is an abbreviation for Chemical Oxygen Demand. The value indicates the oxygen volume needed for oxidizing underwater objects and is one of the major indicators used for water quality.
Composite binders	Material that is composed of resin and multiple conductive materials and used for the negative electrodes of lithium-ion batteries. Improves battery capacity and extends battery life.
Conductive paste	Paste that conducts electrical current and is used in solar cell panels.
Digital transformation (DX)	A response for companies to drastic changes in the business environment by transforming their products, services, and business models through the use of data and digital technologies, based on the needs of customers and society. The objective is to rethink work tasks, organizations, processes, and corporate culture and climate in order to secure a competitive advantage.
Diversity, Equity and Inclusion (DE&I)	A term emphasizing the importance of embracing not only diversity — where people of different genders, generations, abilities/ disabilities, and nationalities are represented in an organization — but also equity, where people are given the support and consideration they need based on their individual circumstances and backgrounds to enable them to participate on equal terms, and inclusion, where diverse individuals respect and recognize each other, working together to contribute to the unity of the organization.
Energy consumption per unit	A figure for expressing energy efficiency. It refers to the overall volume of energy consumption, such as electrical power and fuel, needed to produce a given unit or amount of goods. Generally, it is used as an indicator showing the progress of energy saving measures.
GMP	An abbreviation for Good Manufacturing Practice, which is a set of rules and a system that cover all processes from stocking raw materials to manufacturing and shipping, and ensure consistent quality and safe manufacturing of pharmaceutical products, food products, and the like.
Green purchasing	The practice of selecting products and services whose environmental impact is smaller, considering both their necessity and overall impact when making purchases. This approach encourages environmentally friendly consumer behavior and promotes the development of low-impact products by companies, potentially transforming all economic activities.
Green transformation (GX)	The concept of transforming the global environment by converting to non-greenhouse gas (GHG) emitting green energy, such as renewable energy.
Inspiring/Inspired Partners	Specific business partners of DKS who intuit the needs of end users, collaboratively inspire new approaches, and spark creativity in each other.
Ionic liquid	Compounds completely composed of ions (anions and cations). Salts with melting points generally below 100°C.

Terminology	Description
Low dielectric resins	Oligomer resins with excellent dielectric and thermal properties that are highly adaptable as substrate materials.
Material issues	A term that refers to how essential something is. Originally, it referred to the general rule of importance in the accounting field for items that could have major effects on financial affairs. Recently, important issues in CSR activities are also identified as “material issues,” and many companies are using this approach when conducting CSR activities and reporting the results in integrated reports.
Modal shift	Switching or changing from one mode of transport to another, especially to a means of transport with less impact on the environment.
Naturido	A new and useful ingredient discovered by Biococoon Laboratories, Inc. from medical fungus grown on the pupae of domestic silkworms obtained using sericulture technology.
Odor neutralization	A method that achieves an odor-neutralizing effect by having essential oils react with odor-causing substances, thereby cancelling smells and making them odorless.
Organizational Resilience	The capacity, and initiatives related thereto, for adapting to changes in the business environment and for handling natural disasters.
Polymer dispersions	Dispersions of polymer (resin) particles in water, used as the main ingredient in coatings and adhesives. Commercial coatings and adhesives are fabricated by adding various additives to polymer dispersions.
Presenteeism	The act or state of employees coming to the office and continuing work despite dealing with some type of disease, disease symptoms, or mental/physical distress.
Resist	A protective film, or a substance used to create a protective film, against physical or chemical processing, mainly in industrial applications.
Responsible Care (RC) activities	Voluntary control activities by the companies in the chemical industry that promote the safe handling of materials in every step of the process from manufacturing to distribution, consumption and disposal. First proposed by the Chemistry Industry Association of Canada in 1985. The Japan Responsible Care Council was founded in 1995.
Rock hardening agents	Agents used to prevent structural collapse during tunnel construction for bullet trains, expressways, and other infrastructure projects.
RSPO	An abbreviation for Roundtable on Sustainable Palm Oil. Founded in 2004, a group of seven organizations, including the WWF, responding to the global increase in voices calling for sustainable palm oil that takes environmental impacts into account.
Sucrose fatty acid ester	A nonionic surfactant produced from natural sucrose and fatty acids. It is also known as sugar ester (SE).
TCFD	An abbreviation for Task Force on Climate-related Financial Disclosures. This was established by the Financial Stability Board (FSB) at the request of the G20 to consider how to handle climate-related information disclosure and the responses of financial institutions.
Thermosetting oligomers	Resins with relatively low molecular weights that solidifies and hardens when heated.
United Nations Global Compact	A global framework for achieving sustainable growth announced by then United Nations Secretary-General Kofi Annan at the 1999 World Economic Forum (Davos). The framework states 10 principles in the four areas of human rights, labor, the environment, and anti-corruption.
Waterborne polyurethane	Polyurethane resin is an overall term for polymer compounds possessing urethane bonds. Industrially, they result from a polyaddition reaction between polyisocyanates and polyols, and waterborne polyurethane resin results from the emulsification of this polyurethane resin.
Zero emission	A concept proposed by the United Nations University in 1994 with the goal of achieving zero waste emissions. The goal is to eliminate landfill waste by having industries reuse waste from other industries.

# Domestic/Overseas Network

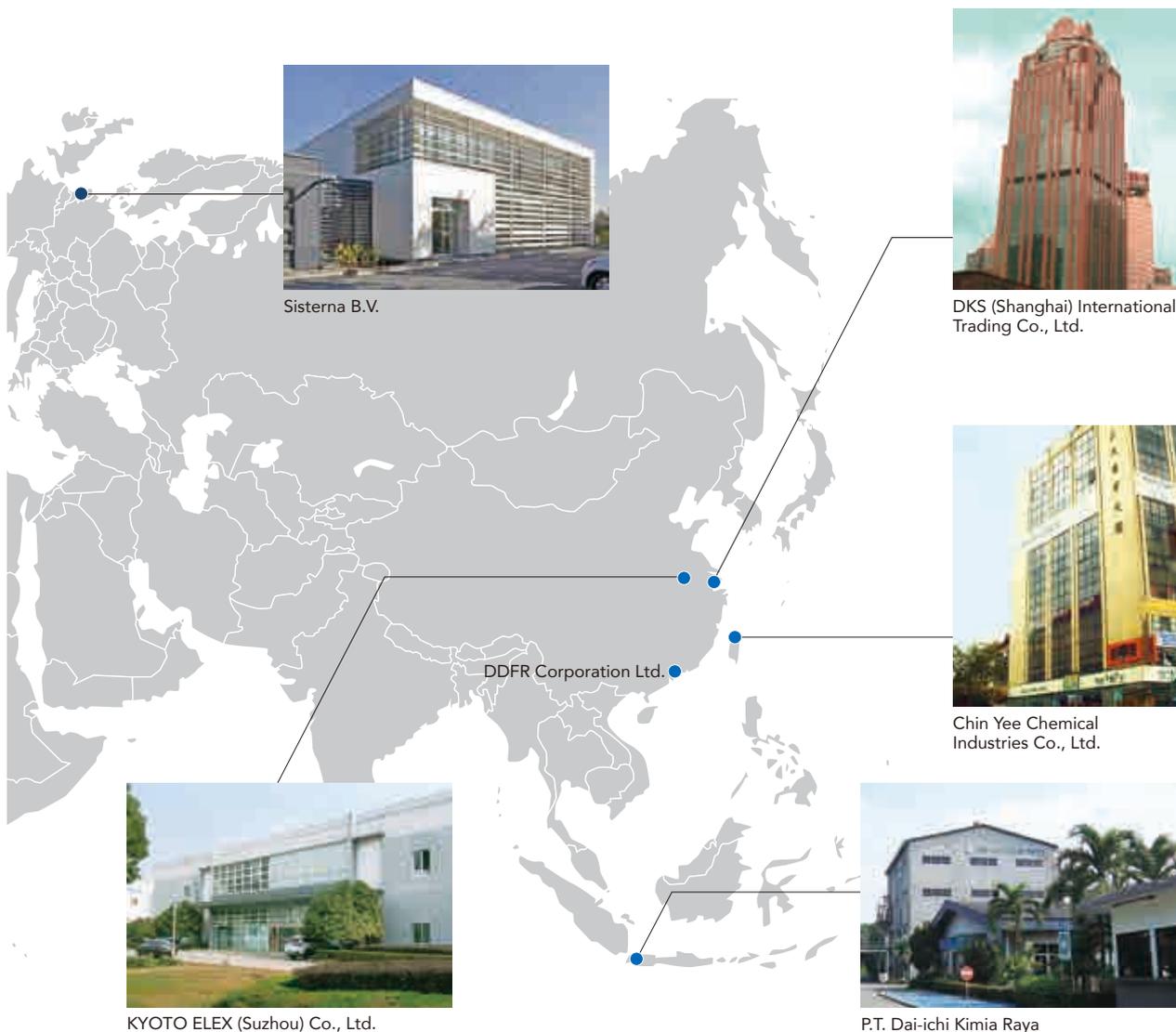
## Domestic Network



### Subsidiary and Affiliated Companies (Japan)

Company name	Location	Business activities	Voting rights ratio
Yokkaichi Chemical Co., Ltd.	2-1 Miyahigashi-cho, Yokkaichi, Mie 510-0843, Japan Phone +81-59-345-1161 Fax +81-59-345-1159	Production and sales of surfactants	100%
Gembu Co., Ltd.	5 Ogawara-cho, Kisshoin, Minami-ku, Kyoto 601-8391, Japan Phone +81-75-323-5740 Fax +81-50-3153-1621	Sales of detergents, finishing agents and equipment for professional laundry Sales of industrial/professional-use deodorants	100%
Kyoto Elex Co., Ltd.	1 Ogawara-cho, Kisshoin, Minami-ku, Kyoto 601-8391, Japan Phone +81-75-326-2883 Fax +81-75-326-2884	Production and sales of electronic materials [Partner] DOWA ELECTRONICS MATERIALS CO., LTD.	50.03%
Dai-ichi Ceramo Co., Ltd.	432 Gokasho Hiyoshi-cho, Higashiomi, Shiga 529-1403, Japan Phone +81-748-48-5377 Fax +81-748-48-5322	Production and sales of feedstock for powder injection molding	100%
Dai-ichi Kenkou Co., Ltd.	8th Floor, Yaesuguchi Daiei Building, 1-3-1 Kyobashi, Chuo-ku, Tokyo 104-0031, Japan Phone +81-3-3275-0583 Fax +81-3-3275-0604	Production and sales of agents for civil engineering and construction	100%
Biococoon Laboratories, Inc.	4-3-5 Ueda, Morioka, Iwate 020-8551, Japan Phone +81-19-613-5564 Fax +81-19-613-5570	R&D regarding drugs and health care ingredients Production of foods and health care products	100%
IKEDA YAKUSOU CO., LTD.	1808-1 Shuzu Nakatsu, Ikeda-cho, Miyoshi, Tokushima 778-0020, Japan Phone +81-883-72-5320 Fax +81-883-72-5005	Production of drug substances and ingredients for health food Production and sales of life sciences products, such as drugs and quasi-drugs	100%
K&D Fine Chemical Corporation	1 Niihama-cho, Chuo-ku, Chiba, Chiba 260-0826, Japan Phone +81-43-262-2039 Fax +81-43-262-4396	Production and sales of surfactants [Partner] JFE Chemical Corporation	50.0%

## Overseas



### Operation Bases (Overseas)

Company name	Location	Business activities	Voting rights ratio
Chin Yee Chemical Industries Co., Ltd.	11F, Lidy Commercial Building, 22 Nanking West Road, Taipei, Taiwan Phone +886-2-2556-9353 Fax +886-2-2558-6833	Production and sales of surfactants and plastic/electronic materials [Partner] Lidy Co., Ltd.	51.0%
Sisterna B.V.	Belder 30A 4704 RK Roosendaal, The Netherlands Phone:+31-165-524730	Application development and sales of sucrose fatty acid esters [Partner] Cosun Holding B.V.	94.9%
P.T. Dai-ichi Kimia Raya	Jl. Maligi II Lot. G-2 Kawasan Industri KIIC, Karawang Barat 41361, Jawa Barat, Indonesia Phone +62-21-8904574 Fax +62-21-8904576	Production and sales of textile agents, paper processing agents, plastic additives and sucrose fatty acid esters	91.53%
DKS (Shanghai) International Trading Co., Ltd.	Room #1104, New Town Center Building, 83 Loushuan Rd., Shanghai, P.R. China Phone +86-21-6236-8080 Fax +86-21-6236-8700	Trading	100%
KYOTO ELEX (Suzhou) Co., Ltd.	Room 101, Building 5, Su Gao Ke (Changshu) Intelligent Manufacturing Innovation Park, No.3 Xinghua Port Area Avenue, Bixi street, Changshu City, China Phone +86-512-6871-2900 Fax 86-512-6871-2901	Production and sales of electronic materials	94.2%
DDFR Corporation Ltd.	25th Floor, One Capital Place, 18 Luard Road, Wanchai, Hong Kong Phone +852-2827-7761 Fax +852-2824-1502	Sales of plastic additives, including flame retardants	50.0%

# Financial and Nonfinancial 11-Year Summary

Financial Data (Millions of yen)	FY2014	FY2015	FY2016	FY2017
Net Sales	55,597	52,782	52,254	56,955
Surfactants	21,573	20,779	19,793	21,416
Amenity Materials	6,856	7,208	6,986	7,502
Polyurethane Materials	9,442	8,934	9,093	9,115
Functional Materials	11,216	11,259	12,517	14,070
Electronic Device Materials	6,508	4,600	3,862	4,850
Life Sciences	–	–	–	–
Overseas Sales (relative to net sales ratio %)	8,743 (15.7)	9,131 (17.3)	8,794 (16.8)	9,929 (17.4)
Operating Income	2,944	3,439	3,944	5,053
Ordinary Income	2,717	3,200	3,773	4,725
Profit Attributable to Owners of Parent	1,782	2,198	2,489	3,351
Capital Expenditures	3,948	8,485	3,786	2,467
Depreciation	2,153	2,087	2,335	2,473
R&D Expenses	2,439	2,380	2,393	2,307
Net Cash Provided by (Used in) Operating Activities	2,322	4,197	3,750	5,017
Net Cash Provided by (Used in) Investing Activities	(3,229)	(7,687)	(3,336)	(1,130)
Cash Dividends Paid	474	528	608	710
Amount of Treasury Shares Acquired	0	0	1,000	1
Net Assets	26,156	26,745	28,044	31,960
Total Assets	64,420	66,057	69,046	73,976
Interest-Bearing Debt <sup>1</sup>	21,322	23,228	24,594	23,863
<b>Per-Share Data (yen)<sup>2</sup></b>				
Net Profit	193.44	208.18	236.98	330.29
Net Assets	2,362.01	2,425.27	2,649.71	2,970.75
Cash Dividend	45.00	50.00	60.00	70.00
<b>Major Indices</b>				
R&D Expenses to Sales Ratio (%)	4.4	4.5	4.6	4.1
Operating Margin (%)	5.3	6.5	7.5	8.9
Return on Equity (ROE) (%)	8.2	8.7	9.5	11.8
Return on Assets (ROA) (%)	2.9	3.4	3.7	4.7
Equity Ratio (%)	38.7	38.8	38.9	40.8
Net D/E Ratio (times)	0.36	0.52	0.54	0.39
Dividend Payout Ratio (%)	23.3	24.0	25.3	21.2
Total Return Ratio (%)	26.7	24.1	64.6	21.2
Year-End Stock Price (yen) <sup>2</sup>	387	328	427	875
PER (times)	10.0	7.9	9.0	13.2
PBR (times)	0.8	0.7	0.8	1.5
Dividend Yield (%)	2.3	3.1	2.8	1.6
<b>Nonfinancial Data</b>				
No. of Employees (consolidated) (persons)	944	982	967	976
No. of Employees (non-consolidated) (persons)	508	495	486	497
No. of Overseas Employees (persons)	163	219	199	213
Ratio of Female Employees to Total Employees (non-consolidated) (%)	15.9	17.0	17.5	17.5
Number of Females in Managerial Positions (persons)				
Ratio of Females in Managerial Positions (%)				
Gender Pay Gap (non-consolidated) (%)				
No. of Employees Who Utilized the Child-Care Leave System (non-consolidated) (persons)	11	9	6	12
No. of Employees Who Utilized the Child-Care Part-Time Work System (non-consolidated) (persons)	9	10	13	10
Annual Paid Leave Rate (non-consolidated + assigned employees) (%)	61.0	64.5	62.4	67.4
No. of Patents Held (overseas) (patents) <sup>3</sup>	735 (297)	763 (316)	855 (378)	924 (427)
Generated Waste Amount (tons)	13,876	13,191	17,364	20,779
CO <sub>2</sub> Emissions (Scope 1, 2) (thousands of tons)	51.3	50.4	51.7	53.6

1. Lease liabilities not included in interest-bearing debt.

2. Per share information and period-end share price data have been retroactively adjusted to reflect the consolidation of five shares into one share implemented on October 1, 2018.

3. The collation method was amended to a legal effective date basis from FY2016.

FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
59,574	61,456	59,140	62,672	65,081	63,118	73,255
21,838	18,970	17,303	18,564	18,976	18,529	19,318
8,031	7,994	7,081	8,092	8,079	8,430	9,130
9,026	8,470	7,484	8,294	8,761	8,870	9,247
16,239	20,848	21,077	19,928	22,574	21,439	27,151
4,199	4,744	5,758	7,316	6,191	5,456	7,967
239	427	435	476	497	392	439
10,139 (17.0)	10,350 (16.8)	10,135 (17.1)	14,076 (22.5)	15,506 (23.8)	14,303 (22.7)	19,946 (27.2)
4,341	4,154	4,485	4,626	1,186	2,077	5,351
4,175	3,524	4,314	4,192	1,200	2,060	5,737
2,581	2,014	2,563	2,492	(407)	1,174	2,585
5,802	6,138	4,617	1,925	3,172	2,724	2,147
2,555	2,724	3,263	3,430	3,295	3,216	3,223
2,765	2,748	2,821	2,946	3,236	3,170	3,759
3,236	3,766	4,955	5,520	724	7,091	7,528
(5,694)	(5,842)	(3,804)	(2,700)	(2,883)	(2,008)	(2,138)
711	711	712	814	840	573	861
0	0	0	0	1,500	0	0
33,591	34,265	37,404	40,383	38,296	41,297	44,504
75,906	81,736	85,033	86,469	85,025	94,537	97,113
23,466	29,946	28,529	27,763	29,865	32,797	29,414
254.11	198.17	251.97	244.81	(41.87)	122.81	270.08
3,082.83	3,114.97	3,405.28	3,610.31	3,593.49	3,839.89	4,044.52
70.00	70.00	70.00	80.00	80.00	65.00	100.00
4.6	4.5	4.8	4.7	5.0	5.0	5.1
7.3	6.8	7.6	7.4	1.8	3.3	7.3
8.4	6.4	7.7	7.0	(1.1)	3.3	6.9
3.5	4.5	3.1	2.9	(0.5)	1.3	2.6
41.3	38.8	40.7	42.5	40.4	38.9	39.9
0.48	0.57	0.45	0.38	0.54	0.40	0.28
27.5	35.3	27.8	32.7	—	52.9	52.8
27.6	35.4	27.8	32.7	—	53.0	37.0
3,480	3,750	3,680	2,759	1,885	3,670	2,752
13.7	18.9	14.6	11.3	(45.0)	29.9	10.2
1.1	1.2	1.1	0.8	0.5	1.0	0.7
2.0	1.9	1.9	2.9	4.2	1.8	3.6
985	1,032	1,061	1,096	1,104	1,111	1,138
512	531	560	571	584	585	594
170	177	178	197	198	201	210
17.8	18.8	18.9	20.3	20.9	21.7	22.1
					18	17
					11.6	10.6
	84.3	84.6	81.9	78.7	77.4	75.8
7	3	7	13	20	24	23
10	12	10	8	9	8	7
68.5	73.2	66.1	67.4	73.8	74.6	74.8
961 (453)	1,012 (479)	1,056 (514)	1,005 (483)	982 (444)	992 (542)	1,003 (443)
21,658	19,605	18,431	16,664	15,251	14,258	17,895
52.6	53.8	48.9	48.6	43.0	39.9	43.3

# Corporate Data (As of March 31, 2025)

Corporate Name	DKS Co. Ltd.
Foundation	April 1909
Incorporation	August 1918
Paid-in Capital	8,895 million yen
Number of Employees	594 (consolidated: 1,138)
Total Number of Shares Outstanding	10,684,321 shares
Share Unit Number	100 shares
Number of Shareholders	6,194
Stock Listing	Tokyo Stock Exchange
Securities Code	4461
General Meeting of Shareholders	Every year in late June
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.

Headquarters	48-2 Higashikujo Kamitonoda-cho, Minami-ku, Kyoto 601-8002, Japan Phone: +81 75 276 3030 Fax: +81 75 276 3031
Main Branch	55 Nishishichijo Higashikubo-cho, Shimogyo-ku, Kyoto 600-8873, Japan
R&D Laboratory	5 Ogawara-cho, Kisshoin, Minami-ku, Kyoto 601-8391, Japan Phone: +81 75 323 5911 Fax: +81 75 326 7356
Tokyo Headquarters	8th Floor, Yaesuguchi Daiei Building, 1-3-1 Kyobashi, Chuo-ku, Tokyo 104-0031, Japan Phone: +81 3 3275 0561 Fax: +81 3 3275 0599
Nagoya Office	11th Floor Dai Nagoya Building, 3-28-12 Meieki, Nakamura-ku, Nagoya 450-6411, Japan Phone: +81 52 856 5561 Fax: +81 50 3156 3585
Kyushu Office	4th Floor, Hakata Ekimae Daiichi Building, 1-2-3 Hakataeki Minami, Hakata-ku, Fukuoka 812-0016, Japan Phone: +81 92 472 6353 Fax: +81 92 472 4989

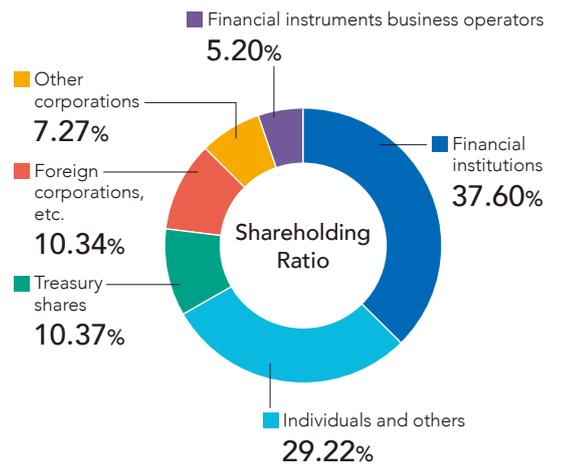
## Shareholding Status

### Top 10 Shareholders

Name of shareholder	Number of shares owned (1,000 shares)	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,007	10.52
Custody Bank of Japan, Ltd. (Trust Account)	632	6.60
The Dai-ichi Life Insurance Company, Limited	552	5.77
Mizuho Bank, Ltd.	427	4.46
The Bank of Kyoto, Ltd.	417	4.35
Shareholding Association of DKS's Business Partners	397	4.15
Asahi Mutual Life Insurance Company	339	3.54
DKS Employee Shareholding Association	303	3.16
Nomura Securities Co., Ltd. (Proprietary Account)	160	1.68
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	149	1.56

\* Figures for number of shares held are rounded down to the nearest thousand.  
 \* The shareholding ratio is calculated by deducting the number of treasury shares (1,108,487) from the total number of outstanding shares.

### Distribution of Shareholders



## External ESG Recognition

2025 Health and Productivity Management Outstanding Organization (White 500) certification

On March 31, 2025, we received an environmental rating loan from the Development Bank of Japan Inc. (DBJ) and were rated as particularly advanced for our eco-friendly initiatives.

Sports Yell Company 2025 certification

Childcare support company certification

RSPO Supply Chain Certification

Certification as an Eco Rail Mark company

Digital Transformation Certification

Sisterna B.V.  
EcoVadis Platinum rating

## Participation in Initiatives

United Nations Global Compact

Task Force on Climate-related Financial Disclosures (TCFD)

## Inclusion in ESG Indices

Constituent of FTSE Blossom Japan Sector Relative Index

# Declaration of Authenticity

## On Publishing the DKS Report 2025

September 2025

### SAKAMOTO Mami

Director & Senior Executive  
General Manager  
Administration Headquarters



Our integrated report is now in its tenth edition since its first publication in 2016. It is a platform for communicating our medium- and long-term initiatives based on our corporate credo of “Contributing to the nation and society through industry,” and in line with our aim to use the power of chemistry to be a smart chemical partner solving various problems people face.

The integrated report is constantly evolving to give stakeholders a deeper understanding of our value creation story. In “DKS Report 2025,” we explain in detail our scenario for achieving sales of ¥100.0 billion and operating income of ¥10.0 billion in fiscal 2029, as well as our new Medium-Term Management Plan SMART 2030, formulated in April 2025. We have also clearly set out our approach to solving issues by indicating material issues for DKS and clear targets for addressing them, as well as specific initiatives and KPIs (key performance indicators) for each year. In addition, to achieve sustainable growth as a company, we have further enhanced our ESG (environmental, social and governance) disclosures, including our approaches to the environment, respect for human rights and human capital, and information on corporate governance.

This report was created under the leadership of the investor relations division through a great deal of serious discussion with relevant business units. As the officer responsible for the investor relations division in charge of creating this report, I declare the process for creating this report to be valid and the information contained herein to be accurate.

Please take a moment to review this report and feel free to share your candid feedback. Through dialogue with our stakeholders, I will continue working to further enhance the content in the future. I hope this report will help you to better understand the DKS Group.

## Editor's Note

This is the tenth edition of our integrated report. In April, we formulated our Medium-Term Management Plan SMART 2030, and made a fresh start, looking ahead to our next challenges.

In face of an increasingly uncertain global situation and social issues that are changing at an accelerated pace, we are seeking value creation through uniqueness rather than scale, based on our Uni-Top strategy. To drive sustainability management, we reorganized our risks, opportunities, and material issues. We demonstrated our serious commitment to addressing the issues of climate change, respect for human rights and a collaborative society. In connection with restructuring, we specified the positioning of the new research structure and the initiatives to be undertaken by each business division.

We also sought to cooperate with the production company to be more creative in improving the report's appearance and structure and making the content more readable and easy to understand. It is our hope that this integrated report will serve to deepen dialogue with our many stakeholders.

We would like to take this opportunity to express our gratitude to all parties concerned for their cooperation in editing this report. We also welcome frank opinions from readers as we prepare for the next fiscal year's publication.



Public & Investor Relations Department



**DKS Group Logo** The DKS Group logo symbolizes "Act for a Leap," our step for globalization. It describes the bridge for growth toward "Challenge to 1000."

## **DKS Co. Ltd.**

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