

JCR Green Loan Evaluation by Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Loan Evaluation Results.

JCR Assigns Green 1 to the Long-term Loan of DIC Corporation

Borrower	:	DIC Corporation
Subject	:	DIC Corporation Long-term Loan
Type	:	Long-term Loan
Lender	:	MUFG Bank, Ltd.
Borrowing Amount	:	Non-disclosure
Execution Date	:	May 31, 2022 (Planned)
Maturity Date	:	May 31, 2027 (Planned)
Use of Proceeds	:	Investment in renewable energy facilities (solar power generation and biomass facilities)

<Green Loan Evaluation Results>

Overall Evaluation	Green 1
Greenness Evaluation (Use of proceeds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

1. Overview of DIC Corporation

Founded in 1908 as Kawamura Ink Manufactory, DIC Corporation ("DIC" or the "Company") is the world's leading printing ink manufacturer. In 1962, the Company changed its name to Dainippon Ink and Chemicals, Incorporated. In 2008, when it celebrated its 100th anniversary, it changed its name from Dainippon Ink and Chemicals, Incorporated to its current DIC Corporation.

DIC boasts the world's top share in pigments for color filters, leveraging its basic technologies in optics and color, organic molecular design, polymer design, and dispersion, as well as a lineup of highly specialized and high-value-added products in resins and electronic materials.

DIC has been eager to expand its business overseas since its foundation, and has made inroads into Asia earlier than other Japanese printing manufacturers. In addition, DIC acquired the graphic arts materials division of Sun Chemical

Corporation of the U.S. in 1986 and the printing inks division of France's TOTALFINA S.A. in 1999. As of the end of December 2021, DIC operates worldwide with 189 group companies in 63 countries, centered in Europe, the U.S., and Asia.

In terms of business segments, the Company has reorganized its previous five product-based segments (Printing Inks, Fine Chemicals, Polymers, Compounds, and Application Materials) into three segments (Packaging & Graphics, Color & Display, and Functional Products) that focus on the value it provides and the market, and it is accelerating its business development.

2. DIC's long-term environmental vision

In June 2021, DICs announced "DIC NET ZERO 2050," which aims to be carbon neutral by 2050. In its "DIC111" medium-term management plan announced in 2019, DIC indicated a 30% reduction (compared to FY2013) in FY 2030 as a long-term target for CO₂ emissions reduction and had been working to reduce them. As the global movements to realize a decarbonized society accelerated and the Japan Climate Initiative (JCI) called on the Japanese government to set an "Ambitious 2030 Target for Japan to Realize the Paris Agreement Goal" in April 2021, DIC Group has endorsed these movements and established the "DIC NET ZERO 2050" based on its determination to further proactively work to realize a decarbonized society.

In February 2022, DICs announced "DIC Vision 2030," its next long-term plan from 2022 to 2030 that will replace DIC111. In the "DIC Vision 2030" it defines "The society to which DIC seeks to contribute" as "Green," "Digital," and "Quality of Life (QOL)" and sets out five priority business areas, and defined two goals: "Build a business portfolio that contributes to sustainable prosperity for society" and "Help achieve sustainability for the global environment and for society" as "DIC in the future." As specific numerical targets, it is stated that it aims to increase sustainable products as a percentage of net sales to 60% and reduce annual CO₂ emissions by 50% by FY2030.

3. About the scope of evaluation

The scope of evaluation is the Long-term Loan (the Loan) for DIC's capital investment in solar power generation and biomass facilities to be installed in its own plants. JCR has assessed that the use of proceeds falls under the category of "renewable energy" in the ICMA Green Project categories. JCR also confirmed that DIC has taken appropriate avoidance or mitigation measures for potential negative environmental impacts and that it is unlikely that negative environmental impacts will occur with this project that would exceed the environmental improvement effects. Based on the above, JCR has assessed that the project for which the Loan is to be used has environmental improvement effects.

JCR also confirmed that the management and operation system of the Green Project, which is the use of the proceeds of the Loan, has been well established and that the selection standard/process and fund management are highly transparent, and that DIC's management considers the environmental issue as a highly important priority issue.

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." As a result, it assigned "Green1" for the overall "JCR Green Loan Evaluation."

JCR evaluates that the Loan meets the standards for the items required in the Green Loan Principles¹ and the Ministry of the Environment's Green Loan and Sustainability Linked Loan Guidelines².

¹ LMA (Loan Market Association), APLMA (Asia Pacific Market Loan Association), LSTA (Loan Syndications and Trading Association) Green Loan Principle 2021 <https://www.lma.eu.com/>

² Ministry of the Environment's Green Loan and Sustainability Link Loan Guidelines <http://www.env.go.jp/press/files/jp/113511.pdf>

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluation

Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated that the use of proceeds was 100% for green projects and assigned the highest rank of "g1" for Phase 1: Greenness Evaluation.

(1) JCR's Key Consideration on This Factor

In this section, JCR first confirms whether the proceeds are used for green projects that have clear environmental improvement effects. Next, in cases where the use of proceeds is expected to have a negative impact on the environment, JCR confirms whether the impact is fully examined by an internal specialist department or an external third party and whether necessary measures have been taken for its avoidance and mitigation. Finally, JCR confirms the consistency with the Sustainable Development Goals (SDGs).

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Environmental Improvement Effects of the Project

- i. **The entire amount of the Loan is expected to be used for the supply facilities of renewable energy to be used in DIC's own plants, which is expected to have environmental improvement effects.**

The Loan is scheduled to be used to finance the acquisition of existing and under-construction renewable energy facilities (solar power generation, biomass facilities, etc.) in the following plants owned by DIC, or to refinance the acquisition funds.

<Outline of use of proceeds>

Eligibility Criteria 1

Location	DIC Tatebayashi Plant
Type of equipment	Solar power generating facilities
Annual generating capacity/Results	Generating capacity: 1,250kW, actual power generation (2021): 1,279MWh/ year
Construction and installation details	Photovoltaic power generation facilities, weed-proof sheets, electrical connection work, land development
Acceptance inspection and start of operation	Full-scale operations started in January 2019 and mid-February 2019
Related laws and regulations to be complied with, etc.	Electricity Business Act, fire prevention ordinances and contractual requirements for grid connection and power purchase
Environmental improvement effects	Electricity supplied by this facility accounts for approximately 15% of the total power consumption at the Tatebayashi Plant.

Eligibility Criteria 2

Location	DIC Kashima Plant
Type of equipment	Biomass boiler facility
Steam energy (planned)	773, 591GJ/ year
Construction and installation details	Biomass facilities, foundation work, building construction (chip room, electric room), electrical instrumentation, piping, and pure water equipment
Acceptance inspection and start of operation	December 2023 (planned)
Related laws and regulations to be complied with, etc.	Factory Location Act, Safety and Health Act Article 88, Soil Contamination Countermeasures Act, Fire Service Act, Building Standards Act, Air Pollution Control Act, Noise Regulation Act, Fire Prevention Ordinance, and Kamisu City Pollution Prevention Agreement. Notifications are being submitted in stages as construction progresses.
Traceability and sustainability of fuel to be procured	The biomass fuels to be used are made from construction waste materials generated domestically (mainly in Ibaraki and Chiba Prefectures).
CO ₂ Emissions Reductions by this project (Estimate)	CO ₂ emissions are 29,540 tons per year compared to the same amount of steam produced by using heavy oil, LNG, and city gas together.

Based on interviews and related materials submitted by DIC, JCR confirmed that projects eligible for the use of funds under this Loan have the effect of reducing CO₂ discharged from DIC plants, and that necessary measures, such as reducing, avoiding, and managing the negative environmental and social impact expected to be caused by the facilities, were being implemented in compliance with relevant laws and regulations.

Based on the above, JCR evaluated the project for which the Loan is to be used as having a high environmental improvement effect.

ii. This use of proceeds falls under the category of "Renewable energy" in the Green Loan Principles, and "Projects concerning renewable energy" in the Ministry of the Environment's Green Loan and Sustainability Linked Loan Guideline.

According to the 6th Strategic Energy Plan³ approved by the Cabinet in October 2021, in order to realize the "Declaration of Carbon Neutrality" in 2050, the 46% reduction of CO₂ emissions in FY2030, and the new reduction target to continue challenging for a further higher 50% level, in the renewable energy sector, the government will ensure that renewable energies become the main source of electricity, based on the basic premise of securing a stable supply and reducing energy costs (S+3E), and will encourage the maximum introduction of renewable energies while reducing the burden on the public and coexisting with local communities by giving the highest priority to renewable energies.

³ METI Agency for Natural Resources and Energy Outline of the 6th Strategic Energy Plan, October 2021
https://www.enecho.meti.go.jp/en/category/others/basic_plan/

Figure 1: Energy Supply and Demand in FY2030

		(FY2019 ⇒ previous energy mix)	Energy mix in FY2030 (ambitious outlook)
Energy efficiency improvement		(16.55 million kl ⇒ 50.30 million kl)	62 million kl
Final energy consumption (without energy conservation)		(350 million kl ⇒ 377 million kl)	350 million kl
Power generation mix	Renewable energy	(18% ⇒ 22-24%)	36-38%
Electricity generated: 1,065 TWh ⇒ Approx. 934 TWh	Hydrogen/Ammonia	(0% ⇒ 0%)	※If progress is made in utilization and implementation of R&D of renewable energy currently underway, 38% or higher will be aimed at. (details of renewable) solar 14~16% wind 5% geothermal 1% hydropower 11% biomass 5%
	Nuclear	(6% ⇒ 20-22%)	
	LNG	(37% ⇒ 27%)	
	Coal	(32% ⇒ 26%)	
	Oil, etc.	(7% ⇒ 3%)	
		solar 6.7% ⇒ 7.0% wind 0.7% ⇒ 1.7% geothermal 0.3% ⇒ 1.0~1.1% hydropower 7.8% ⇒ 8.8~9.2% biomass 2.6% ⇒ 3.7~4.6%	20-22% 20% 19% 2%

(Source: Agency for Natural Resources and Energy, "Outline of the 6th Strategic Energy Plan")

In this plan, renewable energy is positioned as the main power source in FY2030, and solar power generation accounts for the largest share of the renewable energy. Solar power generation is already the world's largest installed capacity per country's land area, making it the world's third largest cumulative installed capacity as the main source of renewable energy in Japan. As with this Loan, it is also expected to be utilized from the viewpoint of regional resilience as a distributed energy resource that conducts self-consumption and local production for local consumption, and further expansion of its introduction is essential.

The biomass facility, for which the proceeds are to be used, is intended to provide steam energy needed in the DIC's product manufacturing process. Conventionally, heavy oil, LNG, etc. are used as fuel for steam energy, and this facility is introduced to reduce CO₂ emissions from the fossil fuel concerned. According to the Ministry of Economy, Trade and Industry (METI)'s Technology Pathways to Decarbonization in the chemical sector⁴, efforts to encourage the conversion of the in-house steam and electricity from fossil fuels to decarbonized fuels are positioned as an important green project in the industry's transition pathway to decarbonization.

⁴ Technology Roadmap for "Transition Finance" in Chemical Sector, December, 2021
https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transition_finance_technology_roadmap_chemistry_eng.pdf

Figure 2: Fuel conversion of private steam, electric power, etc. toward carbon neutrality

3. Technology Pathways to Decarbonization | ①-4 "Inorganic Chemicals/In-house Use" Low-Carbon and Decarbonization Technology for CN

Technology	Overview	Emission Intensity/ Reduction Range ^{*1}	Implementation year ^{*2}	Main References ^{*3}	
Inorganic chemicals Gas industry Soda electrolysis	BPT	✓ Energy-saving/high-efficiency technologies: Introduction of high-efficiency deep-cooling separators etc., use of inverters for pumps and compressors, review of distribution bases, etc.	–	✓ JIMGA Energy-Saving Case Studies	
	BPT	✓ Energy-saving/high-efficiency technologies: Advanced control/Upgrade & use of high-efficiency equipment/Introduction of zero-cap electrolytic cells/Introduction of bipolar electrolytic cells/Heat recovery in concentration equipment, etc.	780,000 tons reduction	✓ Commitment to a Low Carbon Society	
	BPT	✓ Miniaturization of boilers, operation control, energy-saving distillation technology, expanded application range of energy-saving steam traps, cogeneration, heat pumps, etc.	780,000 tons reduction	✓ Commitment to a Low Carbon Society	
In-house steam & in-house electricity, etc.	Fuel switching to natural gas	✓ For in-house electricity and steam, switch from coal, heavy oil, etc. to natural gas	0.32~0.415 ^{*4} (kgCO ₂ /kwh)	✓ Commitment to a Low Carbon Society ✓ Green Growth Strategy Through Achieving Carbon Neutrality in 2050 ✓ BAT reference tables, etc. ^{*5}	
	Fuel switching to biomass	✓ Biomass mixed-fuel firing/mono-fuel firing, etc.	–	✓ IEA ETP2020	
	Fuel switching to hydrogen, ammonia, etc.	✓ Hydrogen power generation, ammonia mixed-fuel firing, ammonia mono-fuel firing technology in gas turbines, etc.	Max. 100% reduction	2020s and beyond	✓ Green Innovation Fund - Social Implementation Plan ✓ Green Growth Strategy Through Achieving Carbon Neutrality in 2050 ✓ IEA ETP2020
	Electrification	✓ Manufacture of steam by electric heating ✓ Introduction of renewable energy (solar cells, hydropower, etc.)	Max. 100% reduction (when using renewable energy)	– ^{*6}	✓ DECHEMA
	Separation and capture of CO ₂ from exhaust gas, etc.	✓ CO ₂ capture from natural gas thermal power plants, chemical processes, incineration, etc. ✓ Chemical absorption, chemical adsorption, physical absorption, membrane separation, etc. ✓ Introduction of CCS	Max. 100% reduction	2030s	✓ Green Growth Strategy Through Achieving Carbon Neutrality in 2050 ✓ Green Innovation Fund - Social Implementation Plan ✓ IEA ETP 2020

^{*1}: Emission factors are for each process and do not include downstream processes such as the production of derivatives and resins.
^{*2}: Regarding the Social Implementation Plan, see the start year of the introduction expansion and cost reduction phase, and for the IEA, see the available year.
^{*3}: References to the year of implementation are underlined.
^{*4}: CO₂ emissions per unit of power generated by natural gas-fired thermal power generation (conventional LNG-fired thermal power generation and GTCC) are listed
^{*5}: Ministry of the Environment - Evaluation of progress in global warming countermeasures in the electric utility sector
^{*6}: Described as TRL 7 in DECHEMA (2017).

(Source: METI Technology Roadmap for "Transition Finance" in Chemical Sector)

b. Negative Impacts on the Environment

DIC set forth the following in its Green Loan Framework for the potential negative environmental impacts of the solar power generation and biomass facilities for which the proceeds will be used, and the response measures to be taken in this matter.

1. Assumed risks

Negative impacts on the general environment and region associated with the installation of renewable energy power generation facilities

- Photovoltaic power generation facilities: Deforestation, landslide, ground subsidence, etc.
- Biomass facilities: Air pollution, dust, etc.

2. Risk mitigation measures

- Photovoltaic power generation facilities:

Deforestation and landslide are not applicable because the facilities are installed on idle land (flat) within our plant.

Ground subsidence was mitigated by using a concrete foundation that can be supported by its own weight.

- Biomass facilities:

Air pollution and dust emissions were addressed by installing bag filters. On the other hand, sensors for measuring SO₂, NO_x, CO, O₂, and soot were installed at the outlet of the exhaust port to monitor the concentrations constantly, and the results were recorded and managed in a monthly operation report. In addition, the concentrations of NO_x and dust are measured every two months and SO_x every six months by an outside contractor to confirm that they are within the specified values, and the results are reported to the Safety and Environment Group in the plant.

In addition, since all of the above facilities will be installed within the premises of DIC-owned plants located within the industrial complex, no explanation has been given to neighboring residents. In addition, these facilities are not applicable to the feed-in tariff system for renewable energy and the guidelines for formulating business plans, because they are facilities for private consumption. Furthermore, the biomass facilities do not fall under the category of the guidelines for formulating business plans (biomass power generation) from the viewpoint of facilities that generate only steam. The management of photovoltaic power generation facilities is managed by a chief electrical engineer, and operational management is described based on the safety regulations, which is notified to METI.

(Source: DIC Green Loan Framework)

JCR also confirmed that the fuel for biomass facilities will be made from construction waste wood chips collected in Japan, and that the supplier is located in a nearby prefecture.

Based on the above, JCR judges that there is little likelihood that the use of proceeds will have a negative impact on the environment.

c. Consistency with SDGs

The introduction of renewable energy facilities, which are the target of the use of proceeds, is expected to have the effect of reducing CO₂ emissions at DIC. JCR evaluated that the use of proceeds contributes to the following SDGs goals and targets in reference to ICMA's SDGs mapping.



Goal 3 : Good health and well-health

Target3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



Goal7 : Affordable and clean energy

Target7.2 By 2030, substantially increase the share of renewable energy in the global energy mix



Goal8 : Decent work and economic growth

Target8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead



Goal9 : Industry, innovation and infrastructure

Target9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all



Goal12 : Responsible consumption and production

Target12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to

air, water and soil in order to minimize their adverse impacts on human health and the environment

Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on the current situation described below and JCR's evaluation of the subject, JCR evaluated that the management and operation systems have been well developed, that transparency is very high and that it can be fully expected for the project to be implemented as planned and for the proceeds to be adequately allocated. In Phase 2, JCR evaluated the management, operation and transparency to be the highest level of "m1."

1. Appropriateness and Transparency Concerning Selection Standards and Processes for Use of Proceeds

(1) JCR's Key Consideration on This Factor

In this section, JCR confirms the objectives to be achieved through green financing, the appropriateness of green project selection standards and processes, and whether or not a series of processes are properly disclosed to lenders and others.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Goals

In June 2021, DIC announced "DIC NET ZERO 2050," which aims to be carbon neutral by 2050. In the previous medium-term management plan "DIC111" announced in 2019, DIC indicated a 30% reduction (compared to FY2013) in FY2030 as a long-term target for reducing CO₂ emissions, and was working to reduce it. With the acceleration of the global movement toward the realization of a decarbonization society, and the Japan Climate Initiative (JCI) in April 2021 calling for an Ambitious 2030 Target for Japan to Realize the Paris Agreement Goal, the DIC Group endorses this movement and has established the above DIC NET ZERO 2050 with a determination to work even more actively to realize a decarbonization society.

In February 2022, DIC announced "DIC Vision 2030," the next long-term program for 2022-2030 that will replace DIC111. DIC Vision 2030 defines "The society to which DIC seeks to contribute" as "Green," "Digital," and "Quality of Life (QOL)" and sets out five business priority areas, and defines two goals: "Build a business portfolio that contributes to sustainable prosperity for society" and "Help achieve sustainability for the global environment and for society" as "DIC in the future." Specific numerical targets include that it aims to increase sustainable products as a percentage of net sales to 60% and that it aims CO₂ emissions by 50% by 2030.

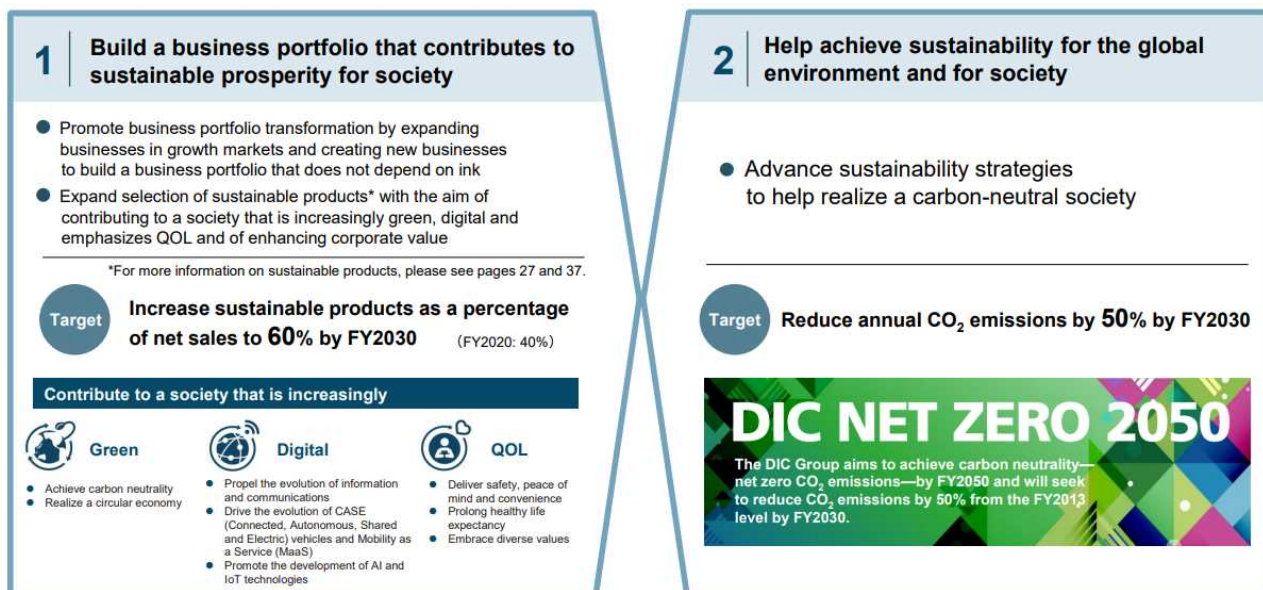
Figure.3: DIC Vision 2030 Basic Policy

DIC Vision 2030 Basic Policy

**Safely Delivering Color & Comfort for Sustainable Prosperity
To Enhance Shareholder Value and Long-Term Corporate Value**
—Establishing a business portfolio beyond ink products and carbon neutrality initiatives—

(Source: DIC Vision 2030 Announcement documentation)

Figure.4: DIC in the Future (announced in DIC Vision 2030)



(Source: DIC Vision 2030 Announcement documentation)

JCR evaluates that the renewable energy facilities to be financed by this Loan will directly contribute to DIC's CO₂ emission reduction goal for 2030 as mentioned above, and are consistent with DIC Vision 2030.

b. Selection criteria

DIC's eligibility criteria for green loans are as described in Phase 1 of the Evaluation. JCR evaluates the eligibility criteria established by DIC as appropriate, because they cover funds for the acquisition of renewable energy facilities that are expected to have environmental improvement effects, as mentioned above. Negative environmental impacts are also properly identified and managed as described in Phase 1 of the Evaluation.

c. Processes

At DIC, the Finance Department identified candidate projects for the use of the Loan proceeds, and evaluated and selected them based on their compliance with the eligibility criteria, referring to advice from the Sustainability Department and relevant departments such as the Production Planning Department, which has expertise in the construction, expansion, maintenance, and management of production facilities. The target projects are reported to the Sustainability Committee, an internal evaluation body, and the content and results of deliberations by the Committee are reported to the Board of Directors.

Based on the above, JCR has evaluated that the departments with expertise and the management are appropriately involved in the selection and approval of the projects and that DIC has a clear process for the evaluation of the greenness of the use of funds.

As DIC's goals, selection criteria, and processes for this Loan are disclosed through this evaluation report and a framework prepared by DIC, JCR has evaluated that DIC has ensured transparency to the lenders.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration on This Factor

It is usually assumed that the management of the proceeds varies widely depending on borrowers. JCR confirms whether the proceeds are surely appropriated to the green project and whether a mechanism and internal system are in place to enable easy tracking and management of the appropriation of funds.

JCR also gives importance to whether proceeds are scheduled to be used for green projects at an early stage and to the evaluation of management and operation methods for unallocated funds.

(2) Current Status of Evaluation Targets and JCR's Evaluation

The Loan is scheduled to be used for refinancing of the funds for acquisition of the photovoltaic power generation facilities and funds for the acquisition of the biomass facilities, as described in Phase 1 of the evaluation. Refinancing is scheduled to be appropriated promptly after borrowing, and the appropriation of loan proceeds to the biomass facilities is scheduled to be completed at the end of December 2023, when the acceptance inspection is scheduled to take place, or shortly thereafter. In the case of refinancing, the Company says that the use of funds would be limited to expenditures on eligible projects that were implemented within two years prior to green loan procurement.

With respect to the cash management of borrowings, DIC has established the following in its Green Loan Framework:

- The loans are to be executed exclusively by the Finance Department within the borrowing limits of the financing plan approved by the Board of Directors at the end of each fiscal year.
- The funds raised are managed in an account held by the Company at MUFG Bank.
- The Finance Department shall collect information from the Accounting Department or the Business Support Department on the status of funding requirements for each project and compile the status of funding requirements for the entire project on a quarterly basis on a spreadsheet.
- The Finance Department shall appropriate funds every quarter based on the materials compiled. The Finance Department shall track the above procedures by, for example, inquiring the Production Planning Department about the progress of construction as necessary. In tracking management, the general manager of the Finance Department will be ultimately responsible for the tracking and will report regularly to the Sustainability Committee on the appropriation of funds, and it will be subject to an external audit once a year.
- Until the appropriation of the procured funds is determined, the procured funds will be managed in cash or cash equivalents in accordance with the loan agreement, and if unappropriated funds arise, the unappropriated portion will be used to repay the loan.

(Source: DIC Green Loan Framework)

In addition, JCR confirmed that the spreadsheet regarding the management of the financing has a provision to be kept longer than the maturity date of the Loan.

Based on the above, JCR evaluates that the appropriateness and transparency of fund management are appropriate because funds are used for purposes specified in eligibility criteria, they are managed in an appropriate manner, a system is in place for a third party confirmation through an external audit, and the handling of unappropriated funds as they arise is also appropriate.

3. Reporting

(1) JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the disclosure system for lenders is planned in a detailed and effective manner before and after the execution of the green loans.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Reporting on the allocation status of the proceeds

The use of the Loan proceeds shall be disclosed to the lender in the loan agreement or other documents prior to the execution of the Loan. With respect to the appropriation status, DIC will report to the lenders on an annual basis until the funds are appropriated. In addition, DIC will promptly notify the lender of any major changes in financing status after the full amount of funds raised has been appropriated.

b. Reporting on environmental improvement effects

DIC will disclose to the lenders the following items as environmental improvement effects of the use of proceeds on an annual basis until the repayment of the Loan is completed through disclosure in the DIC Report.

- CO₂ emissions reduced by renewable energy facilities, including eligible green projects
- Ratio of CO₂ emissions reduced by renewable energy facilities to total CO₂ emissions

JCR evaluates that the content of the reporting on the appropriation of funds and the effects of environmental improvement is appropriate and that it will be appropriately disclosed to lenders.

4. Organization's Environmental Initiatives

(1) JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management of the borrower regards environmental issues as a matter of high priority for management and whether the green finance policy, process and selection criteria for green projects are clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

(2) Current Status of Evaluation Targets and JCR's Evaluation

Based on its Basic Sustainability Policy, the DIC Group has established 11 sustainability themes, from "basic themes" to "themes that demonstrate unique capabilities," has created a "medium-term policy" for FY2019 to FY2021, and the "DIC Group Sustainability Activity Plan" for each fiscal year, and is promoting initiatives by making the use of the PDCA cycle for each theme. In addition, based on the DIC Group Sustainability Activity Plan, individual business groups, product divisions, sites, and overseas and domestic DIC Group companies are charged with pursuing effective sustainability programs by formulating their own activity plans, based on the Group's plan, as well as with ensuring that the Group's policies permeate their organizations and labor forces, and promoting sustainability initiatives that align with business targets.

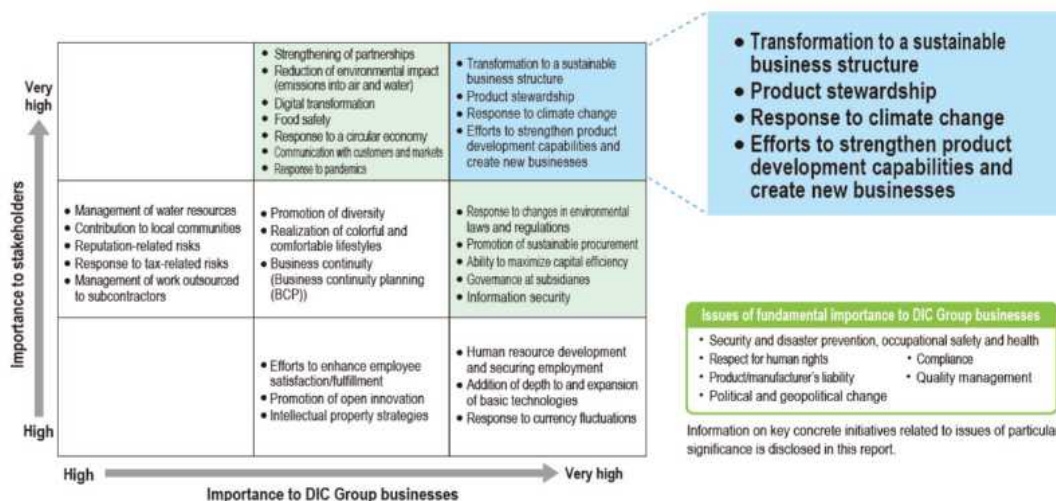
Furthermore, Responsible Care initiatives based on the concept of "making a public commitment under management policy to consider health, safety, and the environment at all stages of a product's life cycle, and voluntarily implementing and improving environmental and safety measures" are unique to the chemical industry, and DIC has been participating in the Japan Responsible Care Council since its inception in 1995 as one of the 74 founding companies and has been strengthening its efforts to reduce environmental impact, conserve resources, and conserve energy. In promoting Responsible Care, DIC has positioned "product stewardship" as the foundation of its activities. DIC has been working on the development of environmentally conscious products, such as those that reduce the use of hazardous substances, products with less hazardous properties, and recyclable products. In Japan, DIC established evaluation criteria for environmentally conscious products in 2002, and has been certifying products that meet these criteria in-house.

In May 2019, DIC expressed its support for the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures) to demonstrate its commitment to promoting information disclosure on climate change issues as an important factor affecting its business. DIC has been providing disclosures (governance, strategy, risk management, indicators and targets) on its website in line with the TCFD recommendations.⁵

With the participation of the Sustainability Committee and subcommittee members, the heads of business sites, and the management of global sites, DIC has identified issues based on global guidelines such as the GRI standards, social requirements, risk management, the medium-term management plan "DIC111," etc., and then formulated the DIC Group's Materiality Matrix and the issues of fundamental importance through assessments and multiple discussions. Targets/KPIs and progress status are disclosed for items of particular significance to enable stakeholders to monitor the progress.

⁵ DIC website <https://www.dic-global.com/ja/csr/environment/co2/>

Figure 5: the DIC Group's Materiality Matrix



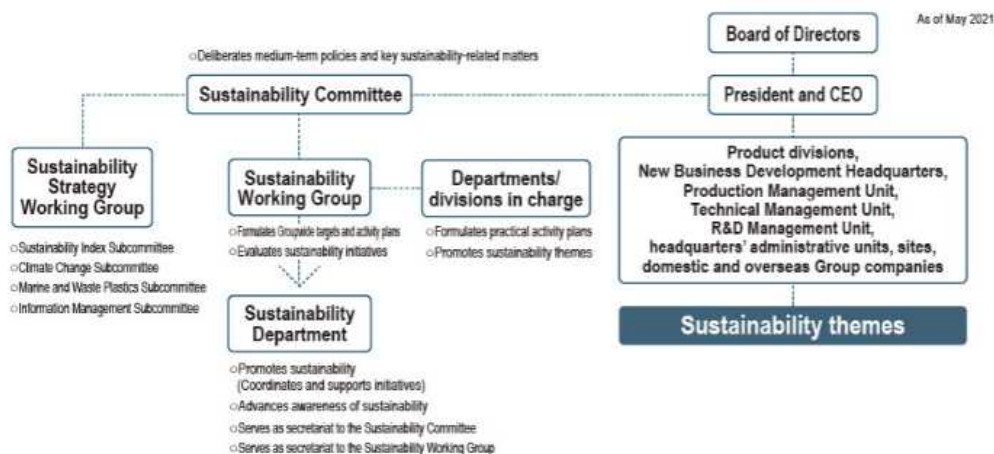
(Source: DIC website)

Among the aforementioned materiality issues, DIC recognizes that "Response to climate change" has become an extremely important factor in promoting business activities amid the acceleration of the worldwide movement to realize a decarbonized society. In light of this, in June 2021, the DIC Group has set a new CO₂ emission reduction target ("50% reduction in FY2030" and "Carbon Net Zero in FY2050") as "DIC NET ZERO 2050" in June 2021, as mentioned above, and is working on reduction of CO₂ emissions through production activities and response to TCFD for low-carbon businesses.

DIC has established the Sustainability Committee under the direct control of the President and CEO. The Committee regularly reports on the progress of each sustainability theme, and deliberates on important issues related to sustainability, including the formulation of policies and plans for the promotion of sustainability activities. The content and results of the Committee's deliberations are reported to the Board of Directors. Since January 2020, the President has been serving as the chairman of the Committee.

In addition to setting new targets for reducing CO₂ emissions ("DIC NET ZERO 2050," aiming to achieve "50% reduction in FY2030 (compared to FY2013)" and "Carbon Net Zero in FY2050"), the Sustainability Committee this fiscal year held discussions on the full-scale operation of sustainability indicators in the DIC Group.

Figure 6: The DIC Group's System for Promoting Sustainability Initiatives



(Source: DIC website)

In addition, DIC has in-house experts, such as electrical maintenance engineer, in relation to renewable energy facilities, which are the purpose of this Loan. In promoting environmental issues, DIC makes policy decisions while taking into account the opinions of in-house experts.

Based on the above, JCR confirmed that DIC has positioned environmental issues as a high priority issue, and that DIC has reflected the opinions of external experts and internal experts in its sustainability policy.

■Evaluation result

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the "Greenness Evaluation (Uses of Proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." As a result, it assigned "Green 1" for the "JCR Green Loan Evaluation." The Loan is considered to meet the standards for the items required in the Green Loan Guidelines and the Green Loan and Sustainability Linked Loan Guideline.

[JCR Green Loan Evaluation Matrix]

		Management, Operation, and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

(Responsible analysts for this evaluation) Atsuko Kajiwara and Haruna Goto

Important explanations of this Evaluation

1. Assumptions, Significance and Limitations of JCR Green Finance Evaluation

JCR Green Finance Evaluation, which is determined and provided by the Japan Credit Rating Agency (JCR), is an expression of JCR's comprehensive opinion at this time on the extent to which the funds procured from the issuance of green bonds, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation and transparency of the use of green bonds are ensured. It does not fully indicate the extent to which the funds procured from such green bonds are allocated and the management, operation and transparency of the use of the funds are ensured.

JCR Green Finance Evaluation assesses the plan or status of the appropriation of funds at the time of the planned green bond issuance or at the time of issuance and it does not guarantee the status of the appropriation of funds in the future. Furthermore, it does not prove the environmental effects of green bonds and is not responsible for their environmental effects. JCR confirms the environmental improvement effects of funds procured under the Green Finance Framework measured quantitatively and qualitatively by the issuer or by a third party nominated by the issuer, but in principle it does not directly measure such effects.

2. Method used to conduct this evaluation

The methods used in this evaluation are listed on JCR's website (Sustainable Finance & ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Methodology.

3. Relationship with Acts Concerning Credit Rating Business

JCR Green Finance Evaluation is determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

4. Relationship with Credit Ratings

The evaluation differs from the credit rating and does not promise to provide or make available for inspection a predetermined credit rating.

5. Third-Party Evaluation of JCR Green Bond

There is no conflict of interest related to capital or personnel relationships between the subject of this evaluation and JCR.

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■Glossary

JCR Green Finance Evaluation: This evaluates the extent to which the funds procured from the green finance are allocated to the green projects as defined by JCR and the degree to which the management, operation and transparency of the Green Loan are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green1, Green2, Green3, Green4, and Green5 symbols.

■Status of registration as an external assessor of green finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the International Capital Markets Association)

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) government and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en>).

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