Color & Comfort by Chemistry

CSR REPORT 2008

English version

DIC Corporation

Color & Comfort by Chemistry

Corporate Data (As of March 31, 2008)

Registered name	DIC Corporation
Corporate headquarters	DIC Building, 7-20, Nihonbashi 3-Chome, Chuo-ku, Tokyo 103-8233, Japan
Date of foundation	February 15, 1908
Date of incorporation	March 15, 1937
Paid-in capital	¥82,423 million
Number of employees	4,250 (non-consolidated); 25,413 (consolidated)
Domestic operations	One branch, nine branch offices,14 sales offices and 12 plants (non-consolidated)
Number of affiliates	211 (domestic: 48, overseas: 163)

Operations

The DIC Group is a global market leader with printing inks, organic pigments and synthetic resins as its core businesses. The Group currently classifies its businesses into five core operations.

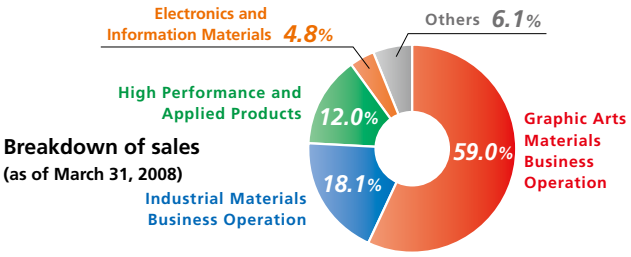
Graphic Arts Materials Business Operation
Printing inks, printing supplies, organic pigments

Industrial Materials Business Operation
Synthetic resins, additives and chemicals

High Performance and Applied Products Business Operation
Special compounds and colorants, building materials,petrochemical-related products,chemical coatings,pressuresensitive adhesive materials, plastic molded products

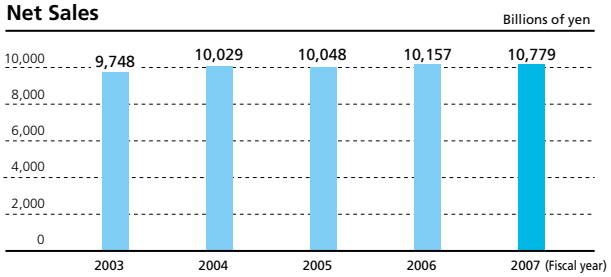
Electronics and Information Materials Business Operation
Imaging and reprographic products, liquid crystal (LC) materials, engineering plastics

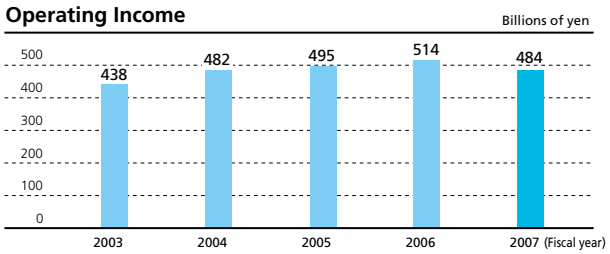
Others
Health care products, decorative materials

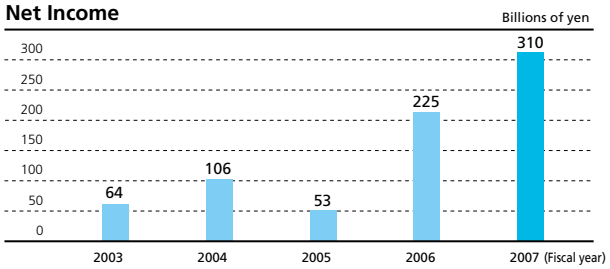


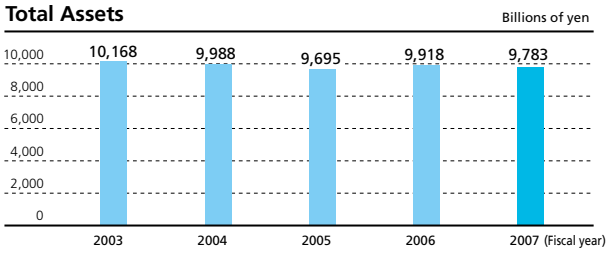
Breakdown of sales
(as of March 31, 2008)

Financial Highlights









* Note: These graphs have been prepared from the accounts maintained in accordance with the provisions set forth in Japan' s Commercial Code and Securities and Exchange Law. The scope of consolidation differs from that used for the purposes of this report. In fiscal 2007, DIC had 177 consolidated subsidiaries and 34 affiliates.

CSR REPORT 2008

Editing Policy

The DIC Group has incorporated CSR into its management policies since fiscal 2007 and is working ceaselessly to promote corporate activities that reflect the needs of society, establishing "12 Themes of CSR."

In connection with this, from fiscal 2008, the contents of the previous "Responsible Care Report" have been totally revised to become the "CSR Report." The DIC Group strives to realize well-balanced reporting of overall CSR activities, including Responsible Care activities.

In selecting the description contents of Report 2008, the DIC Group conducted an "evaluation of importance" for each item of society, economy and environment from both perspectives of the importance of stakeholders and those of our Group and determined the items to be reported.

Our reporting on "Environment and Safety" in the Report covers the following.

Scope of Report

Corporate Headquarters, Osaka Branch Office, Nagoya Branch Office (including offices of subsidiaries in the same building) of DIC and DIC plants, research laboratories, domestic subsidiaries of DIC and domestic affiliates and plants of affiliates, which operate on the same premises of DIC plants.

<Plants and Research Laboratories>

Tokyo Plant, Suita Plant, Chiba Plant, Kyushu Branch Office' s Ink Production Department, Hokuriku Plant, Sakai Plant, Kashima Plant, Yokkaichi Plant, Shiga Plant, Komaki Plant, Saitama Plant, Gunma Plant, Tatebayashi Plant and Central Research Laboratories.

<Domestic Subsidiaries>

DIC Kitanihon Polymer Co., Ltd., DIC Kyushu Polymer Co., Ltd., DIC Kako, Inc., DIC Comfort Materials, Inc., DIC EP Corp., DIC Interior Co., Ltd., DIC Color Coating, Inc., DIC Colorants, Inc., DIC Precision Corp., DIC Engineering Corp., DIC Filtec, Inc., DIC Logitech Co., Ltd., DIC Plastics, Inc., DIC Molding, Inc., Topic Co., Ltd., Nippon Decor, Inc., Nihon Packaging Material Co., Ltd., Nippon Plastic Pallet Co., Fuji Label Co., Ltd., Seiko PMC Corp.

<Domestic Affiliates, Plants of Affiliates>

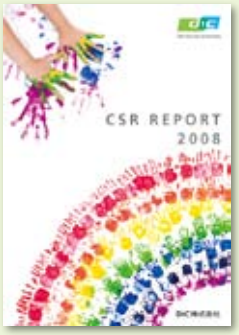
SUNDIC Inc., Shiga Plant, DIC Bayer Polymer Ltd., Japan Formalin Company, Inc., DH Material Inc., Sakai Plant

Reporting Period

April 1, 2007 to March 31, 2008 (FY2007)

(A part of topics from FY2008 are described.)

Contents



Cover Design

The earth is a crystallization of a variety of "individuals."

We asked the children of DIC employees, the "hands of the future, " to come together and draw a single picture with the concept of creating "one entire picture (future)" by "everyone."

The picture is entitled, "Rainbow to the Future." We believe it represents the origins of the manufacturing spirit of a manufacturer to create something by hand.

A Message from the President

TOP COMMITMENT

The DIC Group will continue to realize ceaseless innovations toward our next centennial anniversary.

Koji Oe, Representative Director, President & CEO

Succession of 100 Years of History and Pursuit of New Missions

DIC Corporation celebrated its centennial anniversary on February 15, 2008. I would like to express my deepest gratitude for the support and cooperation of all our stakeholders (shareholders, customers, business partners, local communities, society, public administrations and employees).

The DIC Group has developed into a global company, with 211 affiliates, not only in Japan (48 companies) but also in 60 countries (163 companies) around the world. Although the DIC Group is not as familiar to consumers because it is a materials manufacturer of chemical products, the DIC Group manufactures, as world-class product lines, PPS (polyphenylene sulfide) resins, magnetic tapes, hollow fiber modules, liquid crystals (STN and TFT types), in addition to printing inks, organic pigments, and synthetic resins, all of which contribute to the development of society. The DIC Group will, as a unique chemical company which provides "Color," continue to pursue its corporate ideals and missions in the 21st century, built on 100 years of history.

Innovation is Required for Responding to Changes in the Business Environment and Needs of Society

The chemical industry, including the ink industry, now faces a great turning point and we are now required to develop businesses on a global scale, not restricted to only one country or region.

The DIC Group has actively entered markets not only in Europe, the United States, the South East Asia, but also in China and India and is developing unique businesses, rooted in each region.

In order to continue sustainable development under an increasingly more challenging economic environment, the DIC Group must conform to the communities and societ-

ies where it conducts its businesses and approach business with the posture of providing customers with reliable products and services.

Along with such changes in business environment, the requirements of society to the DIC Group have significantly altered.

Convenience used to have top priority. But now, society requires "safety and security" from corporations in addition to convenience. This means that while pursuing convenience, such negative phenomena as environmental destruction and damage to health shall not be tolerated.

I recognize that the roles of our chemical industry are very large for realizing "safety and security" and responses to global warming, etc. I believe it is now required to the chemical industry to transform corporate activities into those providing society with "safety and security" by producing products and solutions which contrib-

ute to the preservation of the global environment.

We cannot respond to the needs of society only by continuing previous business activities. In order to satisfy social requirements, it is necessary to deal with global environmental problems through innovation, incorporating such a theme as "fundamental process reform" into our business strategies.

The DIC Group will make expeditious and concentrated efforts toward such innovations. For reduction of industrial waste (zero emissions), DIC has achieved targets ahead of schedule. We will accelerate our efforts to carry out countermeasures for global warming.

Carrying out Activities for Diffusion of "The DIC Way" and CSR throughout the World.

The DIC Group has worked toward programs such as compliance and risk management for the purpose of sharing consciousness among related parties on a global basis. We will continue to strive with common recognition as a Group from a global perspective regarding problems arising on the earth.

The DIC Group formulated "The DIC WAY," a new basic management approach, in 2007, our centennial anniversary. "The DIC WAY" consists of three principles of "Management Vision," "Corporate Values" and "Principles of Conduct." We incorporated CSR into our management policies in order to fulfill social responsibilities through business activities under "The DIC WAY." Based on "The DIC WAY," we also established the "DIC Way Code of Business Conduct 2008" (hereinafter referred to as the "Code of Business Conduct"), common norms for business conduct with which DIC employees should comply in any part of the world.

In order to thoroughly plant and root the "Code of Business Conduct" in every site around the world and diffuse CSR, we have actively held explanation meetings in group companies both in Japan and abroad. For the purpose of securing diversity, we have not adopted an approach to inform the Code of Conduct unilaterally, but created opportunities to listen to opinions of local employees by conveying to them its importance and content. I ask each and every employee to develop business from a global perspective with a CSR consciousness.

Significance of CSR to DIC To Become a "Good Neighbor"

It is important to develop human resources to promote innovation and CSR through "The DIC WAY." In particular, we must develop personnel who have a sense of perspective regarding their duties and the changes in social needs regarding their responsible operations. It is not my wish that employees only stay at their desks, captured by the work at hand. It is often necessary to step back

and look down from above and think about society as a whole. I believe human resources, who will discover the path which the company will follow and carry out their duties with a level of sophistication that enables feedback, are extremely critical to companies.

For the chemical industry, it is difficult for the public to evaluate the products manufactured. For example, it is impossible to imagine finished printings only by looking at ink. It is true that it is very difficult to imagine finished products from our products, although our chemical industry provides the core values of finished products.

The DIC Group will, as a leader of the chemical industry, continue to contribute as a member of society without becoming an entity "difficult to understand." For that purpose, it is important to make efforts at securing business transparency and clearly disclose even negative information with a posture of how to improve such information.

We also keep our eye on coexistence with local communities. Some of DIC plants adopt approaches toward improvements through dialogue with the neighbors of plants by asking them to become our monitors. I believe each of these activities will constitute basic efforts to have them regard us as a "good neighbor."

I think there should not be any gap between what we think in our everyday life and what we think in our organization. If there is any gap, we have to fill in that gap. The perspectives we should have for that purpose are CSR and we have to actively bridge that gap.

Strengthening Activities from Mid and Long-Term Perspectives, being Conscious of CSR

It is sometimes difficult in carrying on business to balance between performing social responsibilities and increasing profits. From a short-term point of view, innovation requires cost and may not achieve results soon. If we neglect necessary measures by placing too much emphasis on short-term profits, however, it will not result in mid and long-term development. Even if it has a negative impact for a short period of time, I believe challenging with courage will lead to innovation and profits will follow in the mid and long-term.

If we look at it from the perspective of changes in social environment, we must confront a low birth rate and an aging society. The DIC Group will enhance such programs as childcare leave and employment of elderly people to secure a workplace environment in which workers feel comfortable to work.

The DIC Group will also reinforce approaches in the promotion of CSR not only for the primary supply-chain but for the entire supply-chain. For example, in China, we are promoting efforts for regional coexistence, including environmental problems, at the manufacturing sites of companies producing raw materials, along with pigments DIC produces.

Lastly, the DIC Group raises its flag of "Color & Comfort by Chemistry" as its management vision. We aim to be a company responding to the creditability of our stakeholders by providing "Color" and "High Performance and Applied Products," based on chemical technologies and a global business foundation which we have developed and by increasing corporate value as well as striving for coexistence with local communities and contributing to society.

Representative Director,
President & CEO

Koji Oe

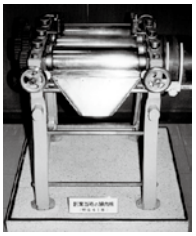
Features

Centennial Anniversary Feature

The DIC Group Business Activity Highlights

Part 1: 100 Years of History and The Future

Kijuro Kawamura, Founder



Three-roll ink mill at beginning of operations

Advertisement of Kawamura Kijuro Shoten (1913)

San Francisco Plant of Reichhold Chemicals, Inc.

1908
Established Kawamura Ink Manufactory "Dragon" trademark of products and started manufacturing of inks for wood prints, lithographs, and typography.

1915
Started manufacturing of inks for offset printing.

1919
Started penetration in China through exclusive distributor agreement with trading company in Hankou, China.

1925
Started internal production of organic pigments for first time in Japan.

1937
Incorporated as Dainippon Printing Ink Manufacturing Co., Ltd.

1940
Developed aqueous gravure printing ink for response to wartime printing needs.

1950
Initial public offering on Tokyo Stock Exchange

1952
Incorporated Japan Reichhold Chemicals Inc. (JRC) as joint venture with Reichhold Chemicals Inc. of U.S.A.

Long Island Headquarters of Sun Chemical Corp.

1954
Entered into technological cooperation agreement with Sun Chemical Corp. of U.S.A.

1958
Opened Hong Kong Sales Office as first overseas base after war.

1960
Incorporated Japan Vilene Co., Ltd., joint venture manufacturing nonwoven cloth with Carl Freudenberg & Co. KG. of West Germany.

1962
Merged with JRC and changed company name to Dainippon Ink and Chemicals, Incorporated (DIC).

1963
First phase construction of Chiba Plant was completed, aiming at reinforcement of foundation as general chemical manufacturer.

Completed Chiba Plant (1st Phase)

Landscape of plants at incorporation of Dainippon Printing Ink Manufacturing Co., Ltd. (1937)

The DIC Group has worked at expanding its business fields, centering on chemicals and in particular, it has promoted business activities corresponding to the needs of the times as the world's leading company of graphic arts materials. The DIC Group will further strive for businesses innovation in the future, even after entering its 100th year of operations in 2008.

Completed DIC Building (1967)

1967
DIC Building, then the tallest building in Japan, completed in Nihonbashi, Tokyo.

1968
Incorporated DIC-Hercules, joint venture of chemicals for paper manufacturing with Hercules Incorporated of U.S.A. (In 1992, company name changed to Japan PMC Corporation)

1969
Started production of polystyrene by original technologies.

1972
Released toners for copiers and penetrated into recording materials business.

1973
Developed high quality liquid crystal, adopted for world's first liquid crystal calculator.

1974
Commercialized "Spirulina," high protein spiral algae.

1979
Acquired Polychrome Corporation, US printing materials manufacturer. Opened Renaissance Tennis School in Makuhari and entered into full-scale sports business.

1985
Incorporated Shenzhen China Japan Ink Co., Ltd., printing ink manufacturer as joint venture with Chinese company (company name later changed to Shenzhen-DIC Co., Ltd.).

1986
Acquired graphic arts materials division of Sun Chemical Corp. of United States and became largest company in printing inks and graphic arts materials field.

Sun Chemical Corp., Headquarters

1987
Acquired Reichhold Chemicals Inc. of United States and established world's leading position in thermosetting synthetic resins.

1990
Kawamura Memorial Museum of Art opened.

Completed plant of Shenzhen-DIC Co., Ltd. (1987)

Kawamura Memorial Museum of Art

Part 1: 100 Years of History and The Future

Qingdao DIC Finechemicals Co., Ltd.

1996

Incorporated Qingdao DIC Finechemicals Co., Ltd., research and development company, in Qingdao, China. Emperor visits Tokyo Plant; first and highest honor in printing ink industry.

1999

Acquired Coates, the printing inks division of France's Totalfina S.A., world's third largest printing ink company.

2001

Incorporated Nantong DIC Color Co., Ltd. for local production of organic pigments, printing inks and ink intermediary bodies.

2003

Acquired high-performance pigments business of Sun Chemical Corp., subsidiary of Bayer USA.
Japan PMC merged with Seiko Chemicals and company name changed to Seiko PMC Corp.
Incorporated DIC Zhangjiagang Chemical Co., Ltd. for synthetic resins, conducive and magnetic compounds in China.

2005

Increased polymerization capacity of PPS polymers to 10,000t per year, world's largest.
Sold all shares of Reichhold Group to management of Reichhold by MBO.

Organic Pigments Plant of Nantong DIC Color Co., Ltd.

Plant of DIC Zhangjiagang Chemical Co., Ltd.

Printing Ink Plant of Totalfina S.A. (Coates)

2006

Established
"Color & Comfort by Chemistry"
as new management vision.

2007

Established
"The DIC WAY," representing basic corporate values.
Full-scale adoption of liquid crystal materials for TFT in liquid crystal TVs.

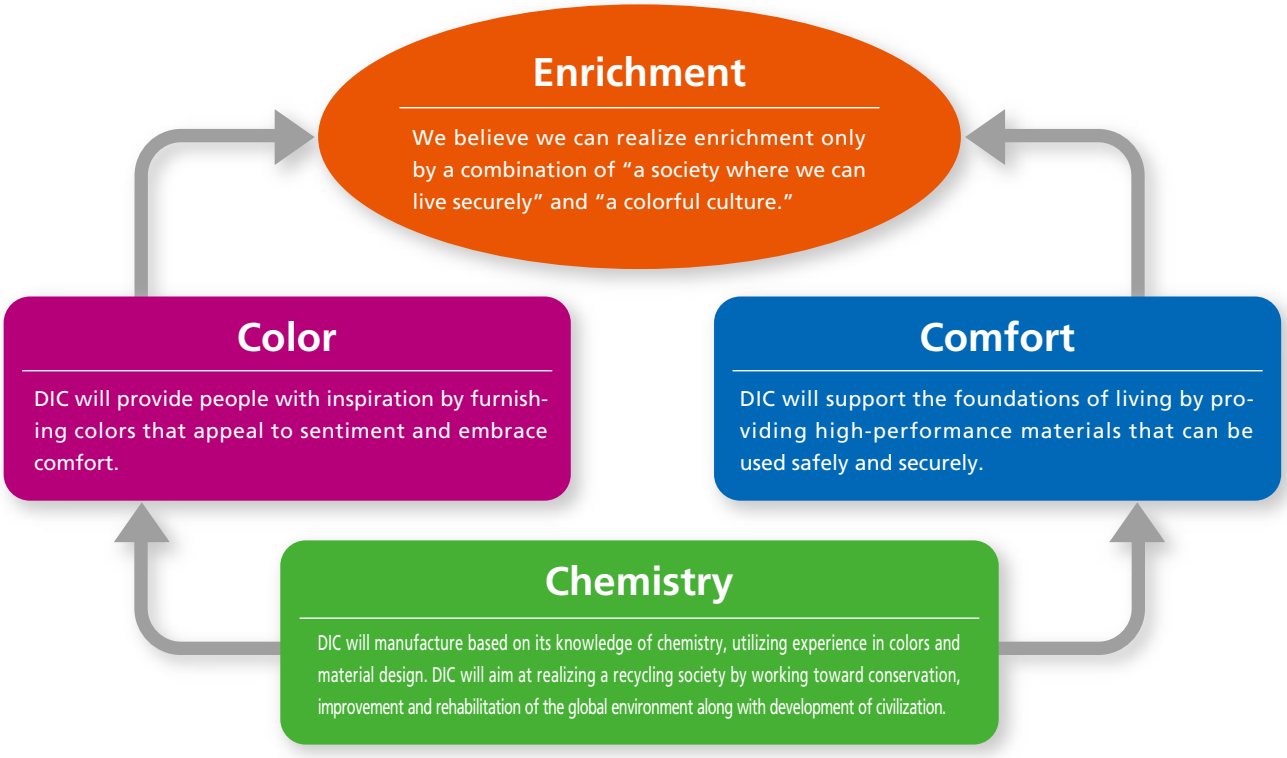
2008

Company name changed to DIC Corporation, at centennial anniversary.

Nameplate of the Headquarters in Nihonbashi, Tokyo

Toward Enrichment

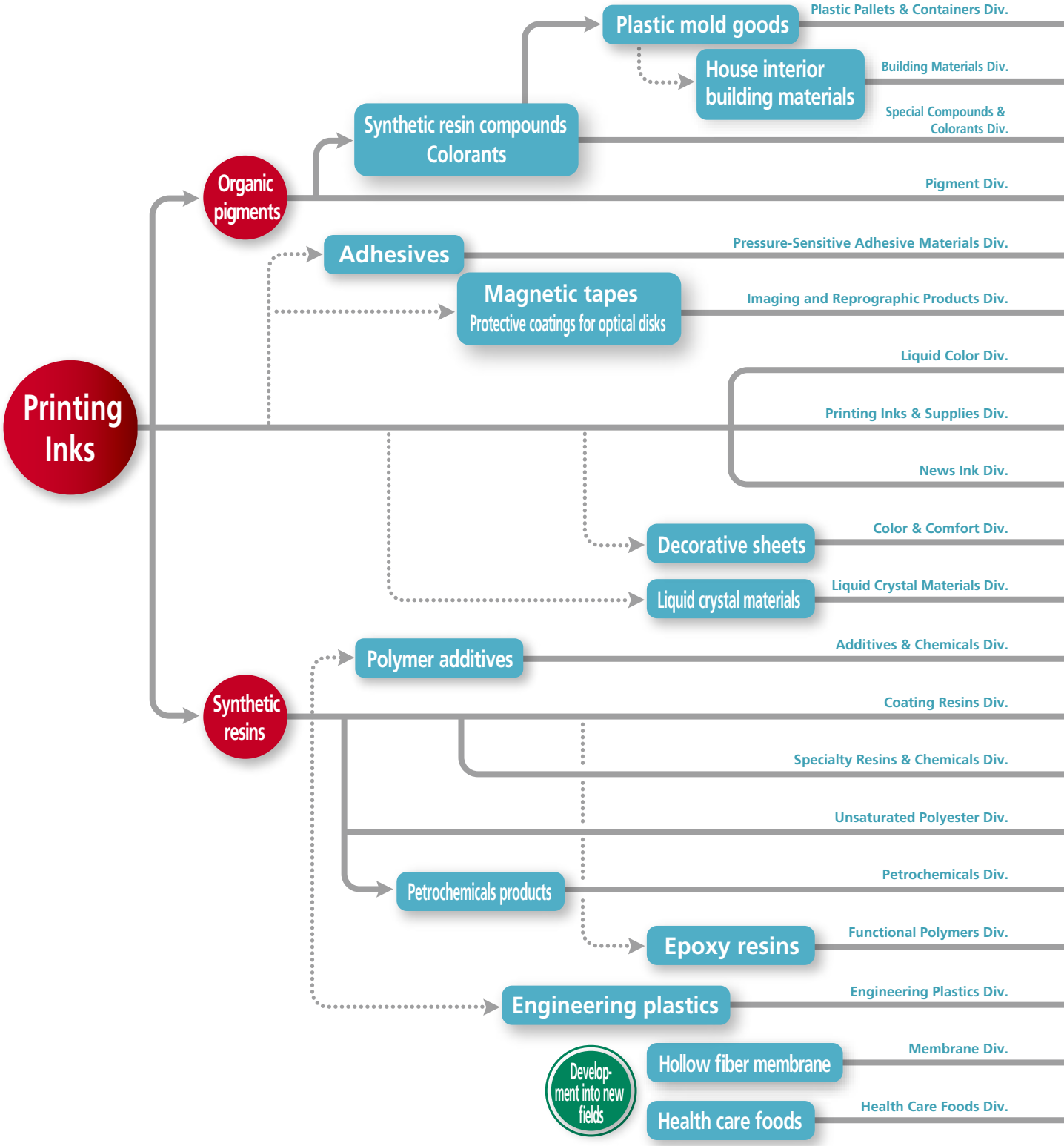
DIC made a fresh start for new growth taking the opportunity of the company name change at the centennial anniversary. DIC is committed, as the missions of DIC, to realize contributions to "Rich Colors" and "A society where we can live securely" through chemistry. DIC will aim at realizing enrichment through ceaseless innovation.



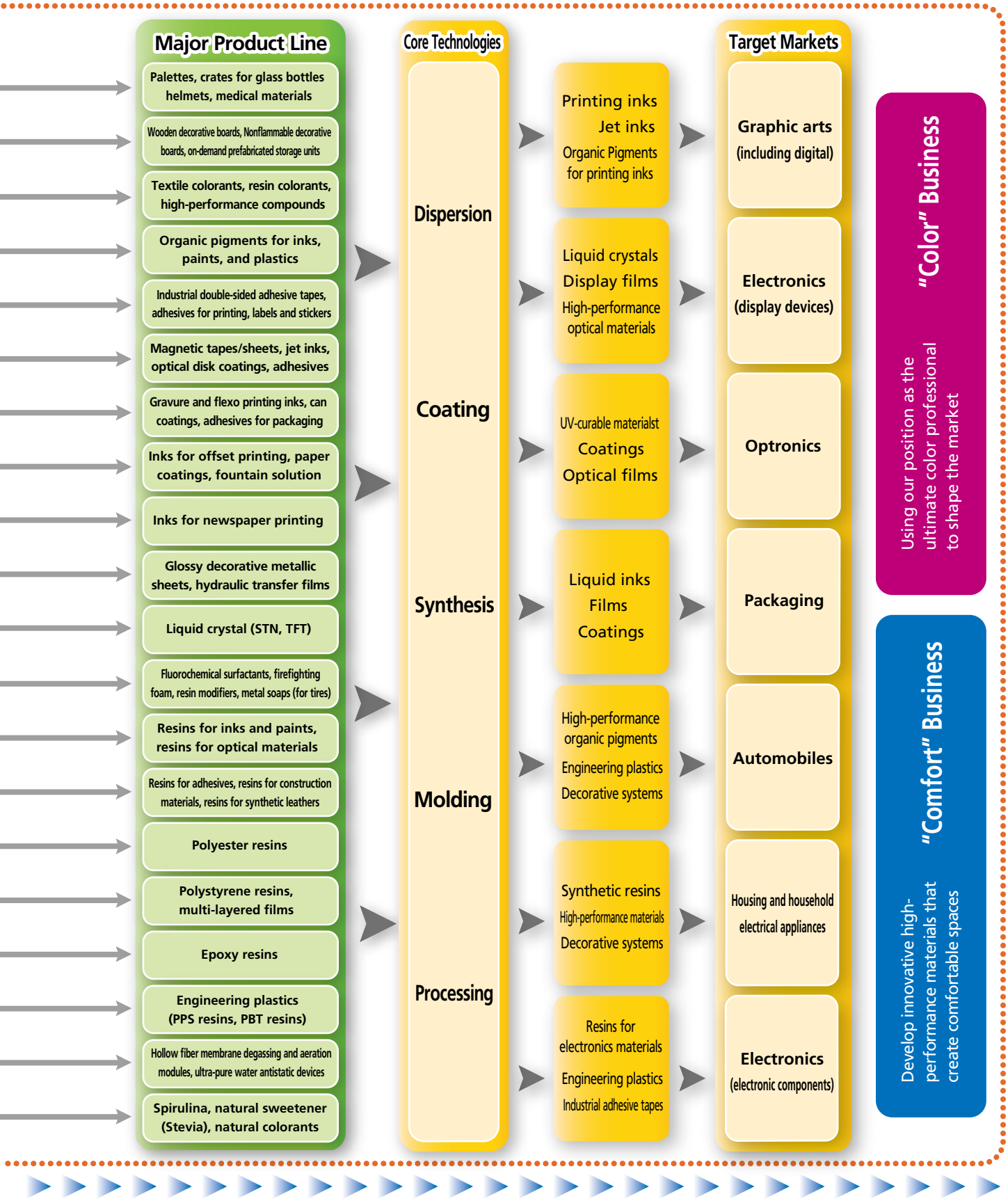
Collaborative Inspiration

The concept of a new symbol mark is "Collaborative Inspiration." It expressed a new idea by an exclamation mark, "!," which is created by "D" of the DIC Group and "C" of Clients (customers and vendors). The symbol mark means we will further increase corporate values by actively incorporating and deepening new ideas to be created through collaboration among the DIC Group, customers, business partners and employees within the Company.

Part 2: Product Development of The DIC Group and Business Model to be Targeted



The DIC Group has established its business foundation based on fine chemicals, starting from printing inks to organic pigments and synthetic resins, and widely expanded businesses, which include high performance and applied products and electronics and information materials by applying original technologies developed over many years.
We make every effort to create new value, providing the world with a variety of products and meticulous service, and further contributing to sustainable development of customers, society and the global environment through ceaseless innovation.



Centennial Anniversary Feature Part 3:

Establishment of The DIC WAY and New Code of Business Conduct

The DIC WAY

Through unceasing innovation, the DIC Group strives to create new value directed at sustainable development for its customers, society and the environment.

- **We shall hone our sensitivity to changes in society and be aware of our mission to always be ahead of the times.**
- **We pledge to incorporate the concepts of social and environmental sustainability into our corporate activities.**
- **We vow to strive constantly to hone "The DIC SPIRIT."**
- **We shall respect the autonomy and initiative of each individual employee in applying his or her talents to the pursuit of our values and realization of our vision.**

1. Purpose of New Code of Business Conduct

The DIC Group and employees of the DIC Group are expected to be "model corporate citizens" in every respect of business activities by stakeholders, including shareholders, customers, business partners and society, etc.

Therefore, as uniform norms with which employees of the DIC Group shall comply, the DIC Group formulated "The DIC WAY Code of Business Conduct 2008" (hereinafter referred to as the "Code"). Employees of the DIC Group will submit a written confirmation and comply with the Code.

2. History toward Establishment of the Code

1 **October 2001:** "Compliance Program" of the DIC Group was established.

▼

2 **July 2003:** Definition of "Compliance" of the DIC Group was changed to "carrying out fair and transparent business activities and responding to the credibility and expectations of customers, investors, employees, local communities and countries, etc.," as well as integration of previous "Compliance Program" and "Risk Control" into "Risk Management" for a unified operation.

▼

3 **April 2005:** Developed into "Compliance Code of Business Conduct 2005," being conscious of "OECD Guidelines for Multinational Enterprises."

▼

4 **April 2008:** A new corporate concept "The DIC WAY: Three Basic Principles of Management" ("Management Vision," "Corporate Values," and "Principles of Conduct") was formulated at the centennial anniversary. In order to take the same vector as "The DIC WAY," the previous "Compliance Code of Business Conduct 2005" was developed into the Code and established.

DIC entered the 100th year from its foundation and at the same time as the changes in company name and brand design, DIC formulated "The DIC WAY," a new concept of management of the DIC Group and started its second foundation. "The DIC WAY" consists of three principles of "Management Vision," "Corporate Values," and "Principles of Conduct " and placed "The DIC SPIRIT" at the core.

3. Composition of the Code

The Code provides for the following general principles.

GENERAL STANDARDS OF CONDUCT

(1) We shall strive to conduct our business operations in a sound and efficient manner, in line with the DIC WAY.
(2) We shall comply with international rules and regulations and the letter and spirit of all applaicable laws of each jurisdiction in which the DIC Group does business.
(3) As responsible corporate citizens, we respect all social norms, and conduct our business in a socially responsible manner.
(4) We shall put proper internal controls into place and prepare all books and records in accordance with fair and proper accounting standards to ensure the reliability of financial reports.
(5) We shall act with a strong awareness of the environment, safety, health and quality, throughout the entire cycle of business activity.
(6) We shall take a firm stance against demands from anti-social organizations.
(7) We shall not violate the principles set forth in this Code, even if such violation would appear to be profitable for the DIC Group.
(8) We shall promptly report any violations of this Code and strive to ascertain the cause of, and to prevent the recurrence of, any such violations.

We further established under the Code 10 norms (specifics) in total, which provide for more specifically, including "norms concerning human rights and working environment," "norms concerning environment, safety and health," and "norms concerning market competition and international transactions," etc.

Protection of reporters, including methods of consultations on the Code, reports and notifications, confidentiality of names of reporters, prohibition of punishment on reporters, etc., and the obligation to preserve records of consultations, reports and notifications are also provided for.

4. Explanation Meetings of the Code

DIC has held explanation meetings of the Code of Business Conduct not only for DIC but for the DIC Group companies in Japan and abroad. For the Code, we conducted explanation meetings in twenty countries in the US region, South East Asia and Oceania region (Singapore, Thailand, Malaysia, Australia, New Zealand, India, Sri Lanka, Indonesia, the Philippines, Pakistan, Vietnam and Korea), China region (including Hong Kong and Taiwan) and European region (Germany, Spain, Austria, the Netherlands) from December 2007 to June 2008. Prior to explanation meetings in each country, we prepared an English version, a Chinese version and other local language versions to have them reviewed by local lawyers to confirm that they were not inconsistent with local laws and conducted explanation meetings at each company. We made every effort to establish compliance consciousness of employees by immediately answering questions and opinions raised at the explanation meetings.

Particularly in China, we took special care by preparing "The DIC WAY Code of Business Conduct Q&A" so that the Code would be understood more deeply by Chinese employees.

We will prepare a Q&A in each language and promote improvement of the system in which the DIC Group employees can attend training sessions on the Code at any time, by introducing e-learning.

The DIC WAY Code of Business Conduct Seminar, held in India on April 21, 2008.

Voice of An Employee | The DIC WAY Code of Business Conduct Seminar

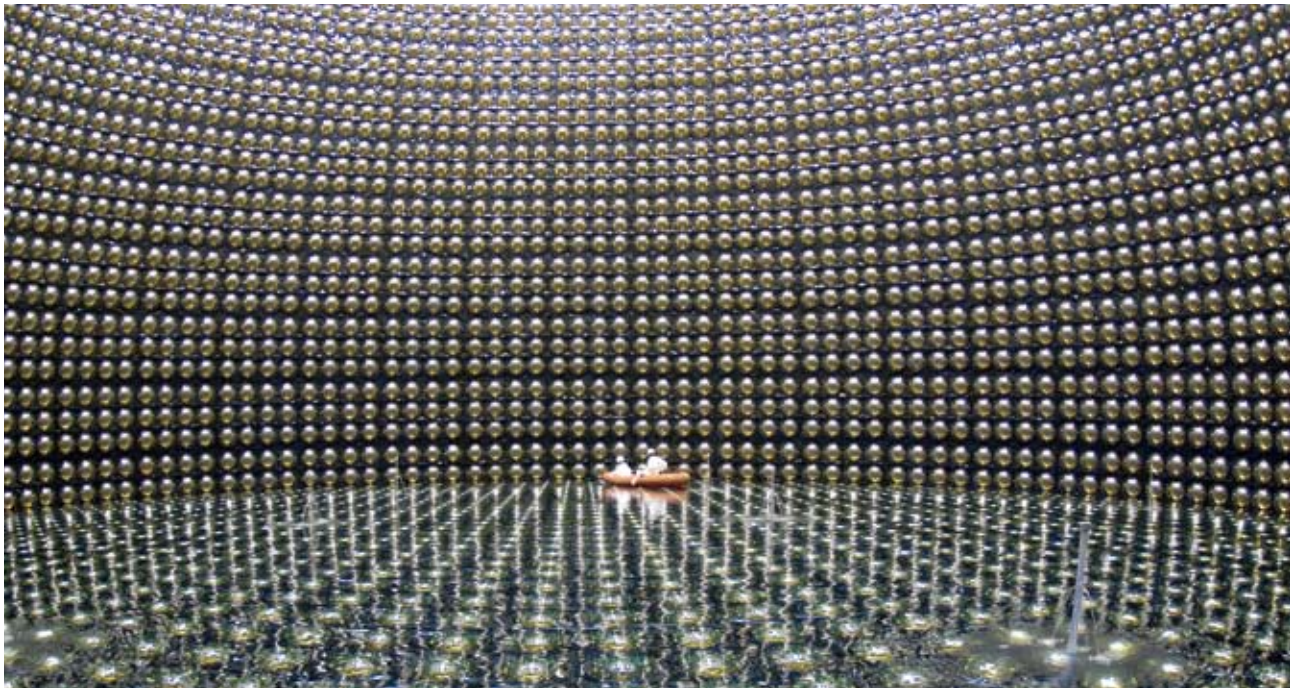
DIC Trading (HK) Sales Manager ● Mr. Wilson Yu

I believe this explanation meeting has great significance, which was held concurrently with the centennial anniversary of DIC, when the company name was changed and a new management vision (The DIC WAY Code of Business Conduct 2008) was formulated. A poster of The DIC WAY was posted in our company and I could understand the ideas, including CSR very well. Although a previous explanation meeting was held in 2005, this meeting was more thorough and I could understand the new direction of management of DIC and ideas of CSR.

DIC Trading (HK) enters its 50th year since its opening of the Representative Office and I will continue to make my best effort as a member of the DIC Group, a global corporation, for development of DIC Trading (HK) and the DIC Group as a person in charge of sales in the expanding China region.

The DIC Group is Here

We will also contribute to state of the art cosmic ray research.



"Super-Kamiokande" ©Kamioka Observatory,ICRR(Institute for Cosmic Ray Research), The University of Tokyo

Hollow fiber membrane module removing oxygen solved in water.

A hollow fiber membrane is a film of a straw shape. As it can provide a large space of film by a small volume, it can produce high capacity separation membrane devices. A hollow fiber membrane module is a bundle of hollow fiber membranes, filled and sealed in a case.

The hollow fiber membrane module of our company, "SEPAREL®" removes oxygen solved in water and DIC started its business as degassing membrane modules for boilers and thereafter, usage expanded to degassing of ultra-pure water and antistatics, etc., which are used in the semiconductor manufacturing process.

Production Dept. & Technical Dept.
Membrane Div.

Misao Takeuchi

It plays a role as a degassing device of ultra-pure water for the "Super-Kamiokande"

In 2002, Masatoshi Koshiba, Professor Emeritus of the University of Tokyo, was awarded the Nobel Prize in Physics for his "contribution as a pioneer in astrophysics, particularly in the detection of cosmic neutrinos." It is "Kamiokande" of the Institute for Cosmic Ray Research of the University of Tokyo that succeeded in observation of neutrinos which came from the explosion of a supernova through this research. "Super-Kamiokande," which has improved the capacity of "Kamiokande" under the same principles, has a tank holding 50,000t of ultra-pure water and about 11,200 of photoelectron multipliers, which were installed inside.

"SEPAREL®," the hollow fiber membrane module has been adopted in the ultra-pure water degassing device of the "Super-Kamiokande" and contributes to cutting-edge research.

"SEPAREL®," hollow fiber membrane module

DC was founded in 1908 as a company which manufactured and sold printing inks. Now DIC widely develops businesses, including printing inks, organic pigments, synthetic resins, high performance and applied products and electronics and information materials, etc., and provides an array of products and services, which support people's livelihoods, while responding to the needs of society. There are many DIC products which play important roles in places where consumers cannot see directly. Here, we will introduce some of these products.

Contribution to weight reduction and the environment: DIC actively works with Engineering Plastics (PPS)

Polyphenylene sulphide (PPS) resin compounds, "DIC PPS" Series

PPS, one type of engineering plastic, is thermoplastic resin which offers excellent performance in heat resistance, flame resistance, chemical resistance and size stability. In general, it is widely used as a compound reinforced by glass fibers for automotive electric equipment parts, electrical and electronics parts.

PPS FZ-820 for Ignition Coil Cases

An ignition coil is an ignition device essential for automobiles. It enables a response to the latest ignition systems by clearing the requirements for properties of durability and adhesiveness under very severe conditions, repeated heating and cooling, which are required by customers and contributes to lower fuel consumption by trimming weight.

"FZ-820" is adopted in about 90% of all stick coil type products and about 26% of all automobiles around the world.

Engineering Plastics
Technical Group,
Engineering Plastics Div.

Taku Shimaya

PPS/Elastomer alloy Z-230 for Water Heater

"Z-230" is PPS/Elastomer alloy developed by DIC, the first of its kind in the world.
It significantly reduced the vulnerability of PPS resin and is applied to electromagnetic valves, controlling the flow rate in the water path of a water heater. PPS is used to replace metal materials and greatly contributes to cost reductions by productivity improvement and energy reduction from a lighter weight. "Z-230" is adopted in about 80% of all resin electromagnetic valves and joints of water heaters.

Manager, Engineering Plastics
Technical Group,
Engineering Plastics Div.

Shigeaki Nagano

DIC products play important roles in game consoles and mobile phones, which attract a lot of attention now.

Acrylic resin "ACRYDIC®" Series
UV-curable resin "UNIDIC®" Series for coating materials of household electrical appliances and IT equipment plastic parts

Designs of household electrical appliances, including flat-panel TVs, audio products, game consoles, etc., and IT equipment, including mobile phones, PCs and digital cameras, etc., are rapidly changing. DIC resins are used for coating materials that protect the surface of base materials of plastic parts of these products. DIC resins have established a high degree of reliability as hard coating materials which provide an excellent appearance and high durability among the numerous acrylic coatings and UV coatings.

Assistant Manager,
Coating Resins Technical Group 2,
Coating Resins Div.

Masahiro Ito

Manager,
Coating Resins Technical Group 2,
Coating Resins Div.

Katsumi Ota

We contribute to the "Quality" and "Environment" of Future Offset Printing

"Presarto®" Series: New generation fountain solution for offset printing responds to the diversity and high speed of printing "DIC Dampening Roller ECOPACK (DIC dampening roller cleaner ECO + DIC hydrophilic treatment agent ECO"

What is the process of offset printiang?

A plate for offset printing consists of two parts of an image area (part where pictures and text are printed) and a non-image area (blank part). To the image area oil is easy to attach (lipophilic property) and to the non-image area, water is easy to attach (hydrophilic property). In printing, the plate is dampened by water, thereby only the hydrophilic part becomes wet. Next, inks are spread and inks attach only to the lipophilic part and not to the part wet by water as inks have a lipophilic property. The plate is transferred to a rubber blanket (this process is called, "offsetting") and then the process of printing on paper starts.

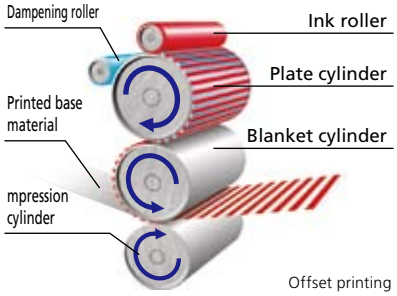
Offset Ink Technical Group 1,
Printing Inks & Supplies Div.

Katsunori Tanaka

What is the "fountain solution" provided by DIC?

The fountain solution is a chemical added to water (dampening water) supplied on the surface of a plate. Stability and quality of printing are largely increased by adding the solution to the dampening water.

The "Presarto®" Series, the fountain solution for offset printing by DIC, offers excellent quality and enhanced line-ups including those types which do not use VOC (volatile organic compounds), a cause of air pollution. It enjoys a sterling reputation among customers and is one of the rapidly growing products among DIC offset printing materials.



Offset printing

DIC Fountain Solution "Presarto®" Series

Approach to Labels toward "Safety and Security"

As "safety and security of foods" has attracted much attention in recent years, demand for insect deterrent labels have rapidly increased.

Fuji Label Co., Ltd. has developed a label "from which insects will evade only by labeling" in order to respond to such needs. This label is a benchmark product which has the three large features of safety, faint odor and durability. It mixes special repellent in a varnishing agent for an overcoat, which is able to respond to any base paper for labels and not choosey about adhesives. It protects foods from such harmful insects as German cockroaches, houseflies, and Indian meal moths. It has been adopted in gas packaging materials of large ham manufacturers.

In addition to the above, Fuji Label Co., Ltd. has developed a variety of labels, which incorporated the market demands for contributing to safe and secure living for consumers. (E.g., as "guard for security," "security labels" are also sold, which play a role in falsification prevention because once the label is detached, it is easily detected.)

Label" from which insects evade only by labeling"

Approach to Color Universal Design

Along with the progress in color printing and display technology, brilliant colors and a multitude of colorations can be seen around us, which was unimaginable several years ago. However, how colors are seen by us differs by individual and the difference in colors easily recognized by many of us may be difficult for the other people. DIC Color Design, Inc. providing services centering on color wants to promote and diffuse the concept of "Color Universal Design" to convey information precisely to as many people as possible.

An example of coloration not considering color universal design

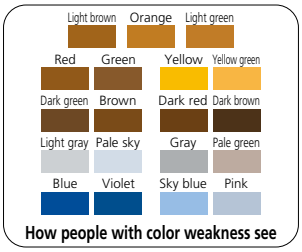
An example of coloration considering color universal design

What is Color Universal Design?

People see color with significant variations. In Japan, there are more than 5 million people in total who see color differently from ordinary people, due to their genetic types or eye diseases. Color Universal Design is a user-oriented design system, which has been developed in consideration of people with various types of color vision, to allow information to be accurately conveyed to as many individuals as possible. (Quoted from the Website of NPO Corporation, Color Universal Design Organization)

Most of those who have a different sense of color are so-called people with color weakness. As examples of colorations which are difficult to convey information to people with color weakness are railway maps and atlases, using many colors, and direction boards using red and green.

How people with an ordinary sense of color see



How people with color weakness see

* The above example is only an illustration of how people see colors and it does not fully represent how people with color weakness see colors.

Toward development of practical tools

DIC Color Design, Inc. produced, as part of its approach to color universal design, "DIC UD Color Palette" which selected 24 colors based on the colors of the DIC Color Guide Series under the supervision of Kei Ito, Associate Professor, of the University of Tokyo. The figure at the right above is an example of actual use of the Color Palette. At the "Color Session 2008" held in April 2008, these were exhibited for reference and a significant amount of feedback was received.

We will continue examinations and aim to provide tools which can be used as recommended colors in considering coloration which is easy to understand for people with color weakness and at the same time does not give a sense of discomfort to ordinary people.

Information and Technology Team,
DIC Color Design, Inc.

Tomomi Takeshita

CSR of The DIC Group

"Basics of CSR" of the DIC Group are to "carry out social responsibility through business activities and contribute to the development of society." That is, we position CSR of the DIC Group to perform corporate activities, fully paying attention to the environment (ecology) and carry out "social responsibility" through business activities, contributing to the environment and society under The DIC WAY.

Entire Group initiated CSR Activities

Expectations and requests from markets and society surrounding the DIC Group are ever-changing.

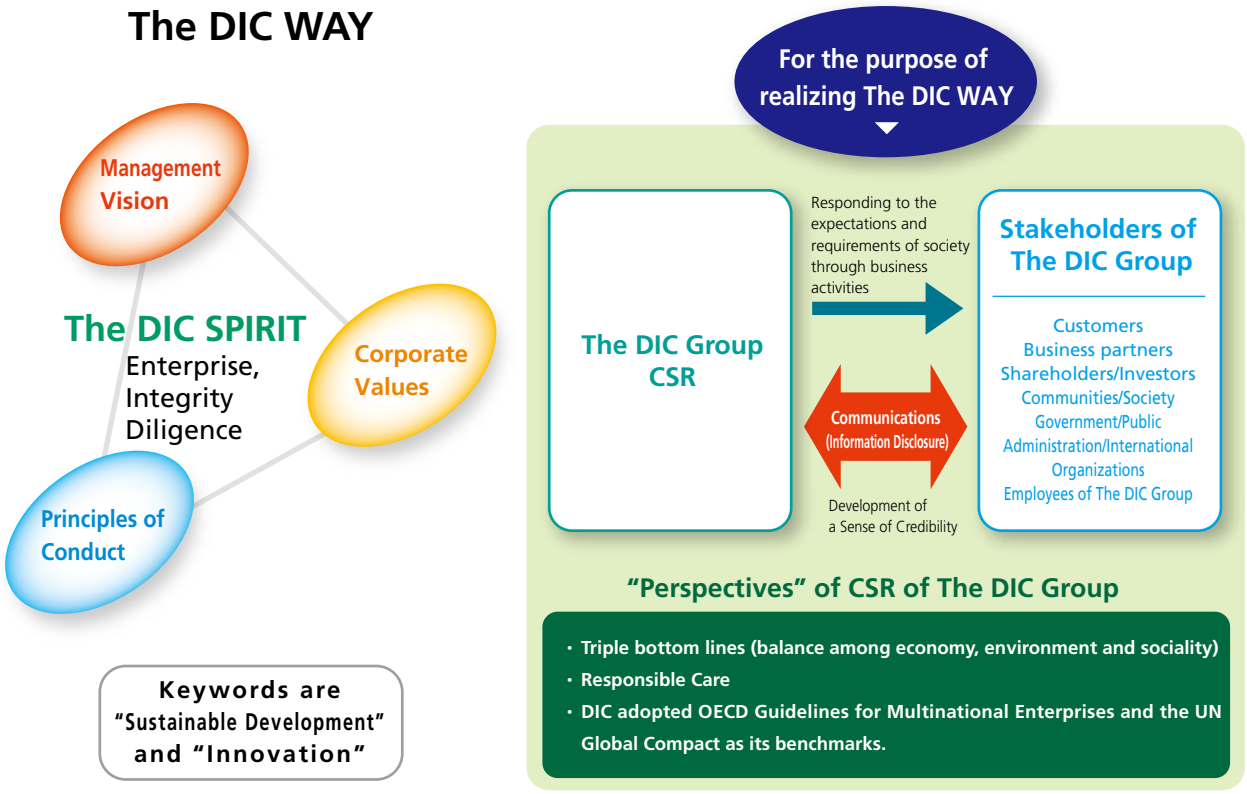
As represented by the "problems related to global warming," consciousness of global environmental conservation has continued to increase and such social problems have emerged as the sharp lowering of birthrates, the aging of society and the depletion of natural resources along with structural changes in society.

We believe it is the mission of the DIC Group to precisely understand the demands from society and provide stakeholders with the values expected of the DIC Group.

DIC officially started CSR activities by establishing a department exclusively committed to the promotion of CSR under the control of the CSR Committee, which was organized in April 2007.

DIC and the domestic DIC Group companies have so far launched efforts for CSR. Overseas Group companies will also work toward CSR from now on.

Placement of DIC CSR Activities



In order to promote specific approaches, the DIC Group established "12 Themes of CSR."
(Major activities in 2007 are reported in "Toward Implementation of CSR of the DIC Group" on p.22 et seq.)

1. Environment, Safety and Quality
We work toward "reduction of environmental loads," "thorough labor safety" and "highly reliable products."

2. Compliance
We work toward compliance through permeation of our "New Code of Business Conduct" (The DIC WAY Code of Business Conduct)

3. Information Security
We work toward formulation of an information security system.

4. BCP (Business Continuity Plan)
We work toward establishment of BCP.

5. Reliability of Financial Reports
We work toward improvement of an internal control system and appropriate operation.

6. Supply Chain Management
We work toward implementation of CSR through the supply chain.

7. Human Resources Management
We work toward making workplaces easy to work in and realization of diversity.

8. Coexistence with Society and Social Contribution
We work toward coexistence with local communities and society as "model corporate citizens."

9. Creation of New Technologies and Values
We work toward value creation from the perspectives of environmental chemistry and sustainable chemistry.

10. Business Model for Customer Satisfaction
We work toward value creation, aiming at continued growth together with customers.

11. Sustainable Use of Biological Resources
We work toward harmony with the environment through reviewing the potential sustainable use of biological resources.

12. Information Disclosures and Enlightenment of CSR
We work toward continual information disclosure and enlightenment of CSR activities of the DIC Group.

"Stakeholders" supporting the DIC Group

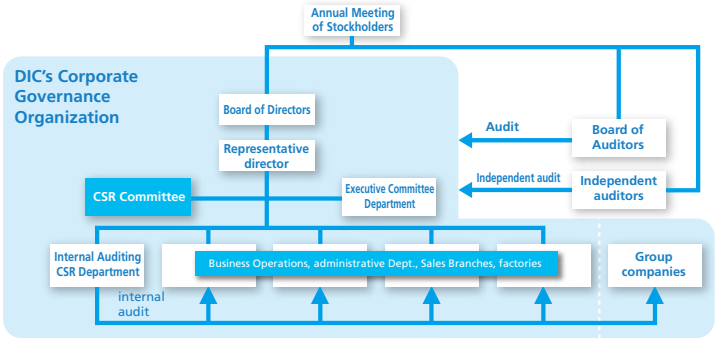
Organizations and Promotion System of The DIC Group

(1) Corporate Governance

In line with its management vision, "Color & Comfort by Chemistry"—which emphasizes leveraging its core businesses to fulfill our responsibility as corporate citizen, as well as to bolster the trust of stakeholders and achieve continuous growth in shareholder value—DIC approaches enhancing corporate governance as an key management priority.

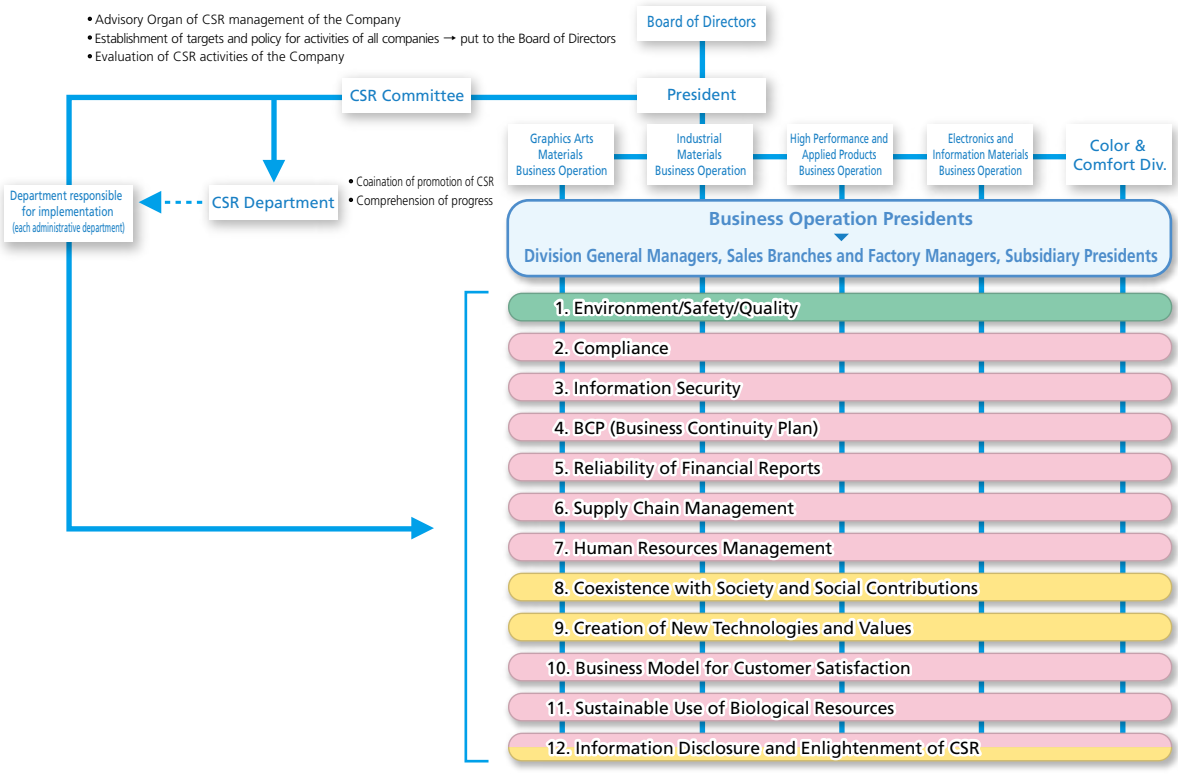
To ensure transparent, sound management, DIC is striving to reinforce decision making, execution and oversight by refining its internal control systems.

The Company appointed two outside lawyers as outside auditors and for the purpose of reinforcing corporate governance, and appointed two outside directors in June 2008 to prepare a system which fully functions to monitor management.



(2) CSR Promotion System of The DIC Group

The DIC Group has a system in which each administrative department is responsible for carrying out CSR according to each of the 12 themes under the CSR Committee directly reporting to the President in order to promote specific approaches to CSR with all companies as one united body.



[Supplementary Note 1] Color segment: indicating efforts mainly based on [○ Economic perspective], [● Environmental perspective], and [○ Social perspective].
[Supplementary Note 2] [Information Disclosure and Enlightenment of CSR] in the table has two perspectives of [Economic perspective] and [Social perspective].

Toward Implementation of CSR of The DIC Group

Report on "Compliance"

The DIC Group is working toward the establishment and improvement of compliance consciousness of employees and continues to promote education and enlightenment actively through explanation meetings and introduction of e-learning.

(From 2007, explanation meetings of" The DIC WAY Code of Business Conduct) (hereinafter referred to as the" Code") have been held in Japan and overseas. For details, refer to p. 14.)

Major Efforts in 2007

(1) Efforts at Securing Fair Trade

DIC established the "Basic Policy for Compliance with the Anti-Monopoly Law" and Affiliates in Japan and abroad have also adopted resolutions on a similar basic policy to work toward securing fair trade throughout the entire DIC Group. In the general statement of the Code, it is provided, "if earning profits and the Code are contradictory, absolutely select to follow the Code" and in specific statements of the Code, "Code of Market Competition and International Transactions" is specified, which prohibits involvement and participation of DIC employees in anti-competitive activities.

DIC will work further toward securing fair trade of the DIC Group based on the amendment trends of the Anti-Monopoly Law of Japan, enactment of the Anti-Monopoly Law in China and cases where large penalties were imposed on Japanese corporations in Europe.

For efforts at proper transactions with subcontractors under the Law Against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors of Japan, we have proactively taken countermeasures such as assigning a person in charge of subcontractor management. In addition, DIC has carried out an explanation meeting for the person in charge of subcontractor management to prevent cases of violations. We will further reinforce thorough self-checks and checking of the administration department and follow-ups.

(2) Efforts at Dealing with Anti-Social Groups

It is unambiguously stipulated that a "decisive stance shall be taken toward anti-social groups" and prohibition of money laundering is also stipulated. At the Board of Directors' meeting held in March 2008, a resolution was adopted that" parting ways with anti-social groups" was to be added to the basic policy for internal control of DIC, which was announced to the stock exchanges. In order to secure its effectiveness, DIC will prepare a" Manual of Dealing with Anti-Social Groups," which will be distributed to the DIC Group and explanation meetings will be held.

(3) Efforts at Responding to Statutory Regulations

The DIC Group responds to statutory regulations, including chemical substance regulations, countermeasures for polluted soils and safe trading regulations, etc.

DIC established" Internal Information Management Regulations" to manage internal information so that the DIC Group employees shall not commit insider trading violations, which have been frequently reported in the media recently and for the purchase and sale of listed shares of DIC and the DIC Group, employees are instructed to obtain the prior approval of the administrative department.

DIC also works toward prevention of violations, including providing seminars for the prevention of insider trading violations in DIC by inviting lecturers from the Tokyo Stock Exchange.

(4) Response to Inappropriate Marking of Printing Ink

In February 2008, after an internal investigation of printing inks manufactured by DIC, it was found that some printing inks did not satisfy the standards of" Soy Seal" certified by the American Soybean Association and" Eco Mark" certified by the Japan Environment Association. Shipment of these products was suspended and their marks were changed to appropriate ones as well as offering an explanation of the situations and an apology to customers.

As a result of the investigation, the causes were determined that the operation flow in which compliance with the standards of" Eco Mark" and" Soy Seal" was invisible in the manufacturing and sales processes and that compliance with the standards of the" Eco Mark" and the" Soy Seal" was not incorporated into the management system (quality and environment) of the manufacturing plants.

Therefore, we will place further emphasis on improving the consciousness of individuals by providing basic education and also on the mechanisms for continuous prevention. We decided to strengthen the quality assurance system, including reinforcement of the check system at the stages of design, manufacture and inspection and incorporation of social covenants into the management system (quality and environment). We will make every effort to recover the credibility of DIC products.

Report on "BCP (Business Continuity Plan)"

The DIC Group is promoting approaches to BCP (Business Continuity Plan) for the purpose of protection of human life and early recovery and continuity (to avoid impact to the outside as practicable as possible) of business in case of a large scale natural disaster, etc.

Major Approaches in 2007

The first stage of BCP is to secure safety of each facility, including production facilities and to confirm the safety of employees. A manual has been prepared to secure safety in case of disasters at each business establishment of the DIC Group. A safety confirmation system, using mobile phone mail, was introduced in 2007 to confirm the safety of employees.

Presuming that it would become difficult for employees to return home at the time of a disaster, including earthquakes while on duty, disaster control goods (such as simple foods and drinking water for three days) have been kept at each office since 2007.

Plans after 2008

Assuming that the Company has been forced to suspend production due to disasters, four Business Operations, Graphic Arts Materials Business Operation, Industrial Materials Business Operation, High Performance and Applied Products Business Operation and Electronics and Information Materials Business Operation and Color & Comfort Div. will consider an alternative production and continuity plan in line with its respective businesses, taking into account the responsibility for supplying major products.

Report on "Information Security"

With the rapid increase of digital data and spread of communication via internet, the risk on leakage of confidential information is rising. While leakage incidents on personal information frequently occurs in the world, to avoid becoming a victim nor an assailant, DIC Group is working toward reinforcing its information security by identifying the necessity for information management (management of internal information, personal information, information consigned by other companies, equipment) and compliance obligations through the establishment of the "Code on information security, intellectual properties rights and properties owned by the company" defined in "The DIC WAY code of conduct."

Major Approaches until 2007

The" Information Security Policy" was established in 2006 to specify the improvement of the Information Security Management System and the obligation of compliance with laws and regulations and the internal regulations. Based on this Policy, in 2007, an Information Security Sub-Committee was organized under the CSR Committee, which investigated the actual situation of information management in DIC, and drafted the guidelines for the information management system, information management rules and regulations, and access management, which DIC should have.

Plans after 2008

Drafted guidelines will be examined for applicability to the entire DIC Group after 2008, and plan to complete the formulation of the Information Security Management System.

To improving the information security consciousness of" to protect secrets that are needed to be protected" by each employee, education on specific information security will be conducted using Q&A and other materials on information security management. Education will start from DIC head quarter, and then followed by domestic affiliates.

On the other hand, since 2004, we have implemented the prevention of unauthorized access to PC, automatic update of computer security patches, etc on our computer systems to become less dependent on person.

Report on "Creation of New Technologies and Values"

Under the principle of "Sustainable Growth and Development," the DIC Group has been addressing the development of technologies and products congruous with the global environment. This year, DIC, which entered its 100th year, set out an objective of "formulating a new business based on reinforcement of its core business" in order to leap forward as a company providing creative value in the global market in the next century. As measures for realizing this objective, the DIC Group will build up its research and development systems, consisting of business-specific R&D departments and corporate R&D departments, which will promote research and development activities in mutual collaboration.

Results until 2007

The results of major research and development by Business Operation and the progress were as follows.

Graphic Arts Materials Business Operation

For offset inks, we developed "DAICURE® RTX" high adhesive UV inks, which expanded the line-ups of UV inks. For pigments, we released R-209 (dichloroquinacridone), which has transparency with high color saturation.

"EBStream™," energy ray curable ink for paperware, based on our unique technologies, proved excellent in performance in printing tests with real machines overseas. In the energy ray curable ink jet market, which has undergone significant growth, we started sales of "SpectraRay™," pigment dispersants. For high-performance pigments, we added to our product line "SunPrizma™," with pearly brilliance for cosmetics for makeup. Further, we put sliver conductive screen inks on the market as ink for electronics use.

Industrial Materials Business Operation

For synthetic resins, DIC is positioning itself for expansion of the UV resin business and also developing high added value products and environment-friendly products by composite technologies. For coating resins, DIC is focusing on development of new fields, including coatings for optical films such as flat panel displays. For epoxy resins, a multifunctional polymer is being developed for semiconductor sealants, which has high heat resistance, a new flame resistance, humidity resistance and a dielectric property, etc., and has started to develop its market. For polymer additives, firefighting foam concentrate for large water canon systems has been developed and the first national type approval was obtained for firefighting foam in Japan as a 1% dilution type.

High Performance and Applied Products Business Operatio

For multi-layered films, DIC is focusing on self-adhesive protection films, which are used in the manufacturing process and transportation of liquid crystal displays. For industrial adhesive tapes, with evaluation as the hardest surface rigidity in the industry, adoption of adhesive films for splash prevention has been increasing for glass panels of thin model mobile phones. For house interior building materials, we succeeded in weight reduction of storage components with next-generation materials which are composites of a wood base and recycled paper core and we are promoting development for commercialization.

Electronics and Information Materials Business Operation

For imaging and reprographic materials, DIC places emphasis on protective coatings and adhesives for blue-ray disks. Mass production of TFT liquid crystals has progressed steadily for liquid crystal TVs. For engineering plastics, DIC has developed halogen-free PPS for connector materials, which are used in computers and sales of which have already started. For hollow fiber developed products, we have launched full-scale marketing of degassing modules, which remove air bubbles in inks of ink jet printers for industrial use.

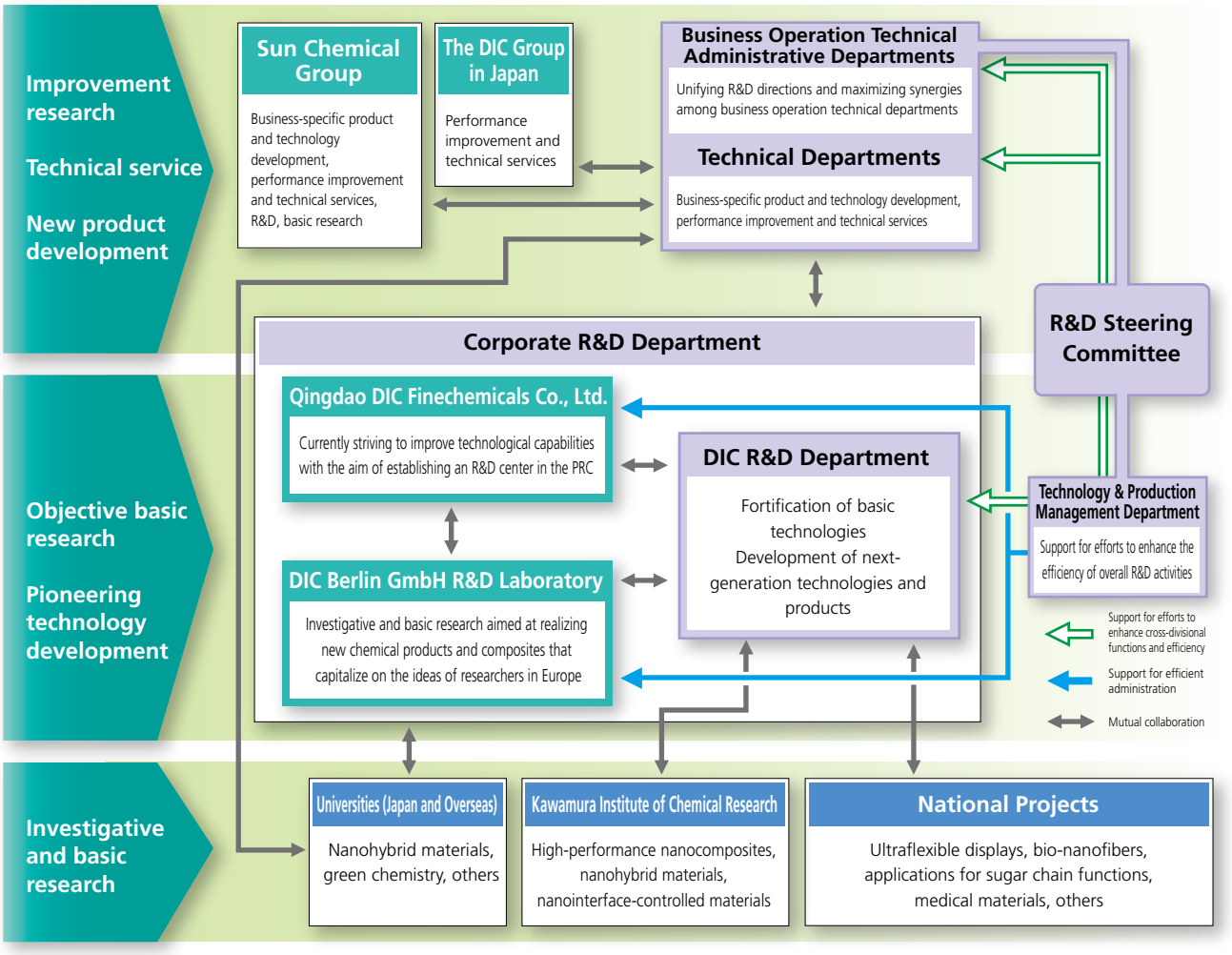
R&D Organizations and Objectives in 2008

R&D departments of the DIC Group consist of business-specific R&D departments, directly connected to business (Technical Departments, The DIC Group Technical Departments) and the Corporate R&D Department which emphasizes fortification of basic technologies and development of next-generation technologies and products (Corporate R&D Department, DIC Berlin GmbH R&D Laboratory and Qingdao DIC Finechemicals Co., Ltd.). Each research department deployed in Japan and overseas organically collaborates with each other and in particular, for the research themes of the Corporate R&D Department, the R&D Steering Committee, comprised of the Chief Technology Officer, the general manager of the technical administrative departments, the heads of DIC's R&D facilities, and the general manager of the Technology & Production Management Department, etc., determines the value and direction from a group-wide perspective.

For the next-generation technologies field, we will promote investigative and basic research, setting" electronics and information materials" and" environmental harmony" as the main themes and utilizing industry-government-academia collaborations.

For development of new products, DIC will promote reduction in the use of hazardous substances, development of less hazardous products, recyclable products, production processes with higher safety and less waste, considering energy savings as well as continued implementation of environmental assessments. DIC will comprehend the trend of statutory regulations and environmental measures of every country around the world and carry out product designs conforming to regulations of chemical substances in the pertinent country.

The DIC Group has introduced an environment-friendly products internal certification system since 2003 and in 2007, net sales of environment-friendly products reached 39% of the total sales. As requirements and standards for environment-friendly products have been increasing recently, DIC will review the certification standards in terms of market concepts and LCA (lifecycle assessment) in 2008 and DIC will further vitalize development of products useful to society and of processes with less energy consumption and environmental impact.



Report on “Environment and Safety”

Commitment of Implementation

DIC hereby declares its commitment to preserving the environment and guarding the safety and health of people, in accordance with its Principle and Policy for the Environment, Safety and Health, and pledges to implement the precepts of Responsible Care in its everyday operations.

レスポンシブル・ケア®

Principle and Policy for the Environment, Safety and Health

Principle

As a responsible corporate citizen, DIC Corporations (DIC), recognizes that care for the environment, safety and health (ESH) is fundamental to the management of the Company. DIC is committed to the concept of sustainable development and contributes to society by creating environmentally sound products and technology.

Policy

1. We establish ESH-related objectives and targets and pursue continual progress.
2. We comply with laws, regulations and agreements relevant to ESH.
3. We consider the ESH implications of each of our products throughout their life cycles in accordance with the ideals of Responsible Care.
4. We instill in our employees a thorough understanding of this fundamental Principle and Policy.
5. We organize our operations so as to promote the safeguarding of the environment, safety and health and conduct audits to monitor progress throughout the Company.
6. We ensure that operations are conducted safely and materials are handled properly. We try to prevent environmental pollution and avoid affecting the environment negatively by recycling waste, conserving energy and other resources and using materials that are environmentally friendly.
7. We place the utmost importance on ESH-related considerations at all stages of the new product planning and production process.
8. We promote safety by providing customers with detailed instructions on the proper use and handling of all products.
9. In our overseas activities, we conduct environmental impact assessments and strictly observe local ESH regulations. In the absence of such regulations, we work with local officials and our business partners to develop environmental safeguards. We also follow this procedure when dealing with toxic materials, applying the same stringent standards for their handling as required in Japan. In addition, we promote the transfer of technology and know-how related to environmental protection.
10. We provide the public and appropriate authorities with ample information about our products and business activities so that they may have an accurate understanding of our efforts to promote health, safety and environmental protection.

The above Principle and Policy shall be available to all employees and to the general public.
It is our goal that this Principle and Policy be followed at all DIC Group companies.

Established April 1, 1992
Revised February 1, 1996
Revised-2 April 1, 2008

September 2008
Representative Director, President & CEO **Koji Oe**

DIC's Responsible Care (RC) Organization

DIC conducts Responsible Care activities as part of CSR program.

CSR Committee takes charge of RC activities, being promoted by both the implementation and the audit organization.

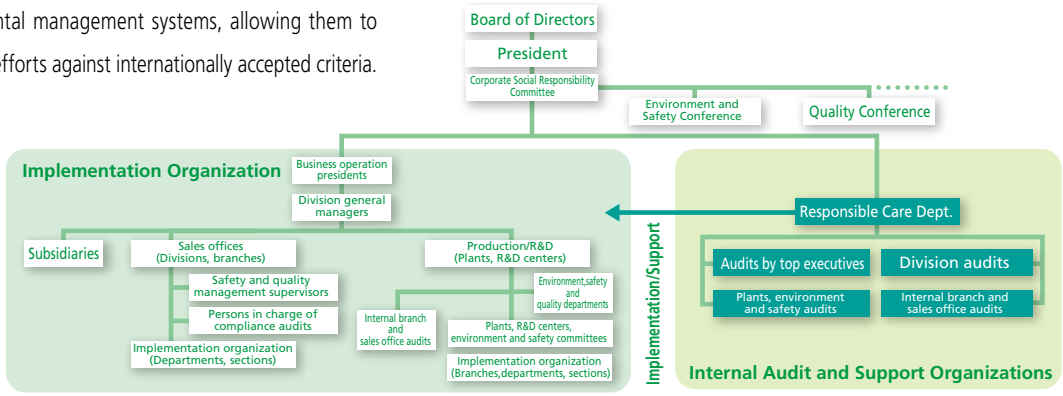
< Implementation Organization >

DIC has established Environment and Safety committees and assigned Environmental, Safety and Quality personnel to all DIC plants, R&D facilities and offices, thereby ensuring its Responsible Care policies are implemented in production, technology and sales activities. DIC has also assigned a Safety and Quality Management Supervisor to each sales office. All of DIC's principal plants have obtained ISO 14001 certification, the International Organization for Standardization's (ISO's) global benchmark for environmental management systems, allowing them to measure Responsible Care efforts against internationally accepted criteria.

< Audit Organization >

DIC's RC Dept. audits the Responsible Care activities of DIC plants, branches and offices.

The division presidents, plant managers and general branch managers also periodically conduct internal audits of the activities.



What The DIC Group Strives for

In activities of the DIC Group for management of the environment safety, health and control of chemical substances, DIC checks their implementation based on the following "Responsible Care Codes".

(1) Management System (all codes are applied commonly)

(2) Environmental Protection (continuous reduction of emission volume of chemical substances)

(3) Process Safety and Disaster Prevention (prevention of accidents of fire, explosion, outflow of chemical substances)

(4) Occupational Safety and Health (protecting the safety and health of workers)

(5) Chemicals and Product Safety (risk management of chemical products)

(6) Distribution Safety (reduction of risks of chemicals in distribution)

(7) Interaction/Communication with the Public (communications with local communities concerning environment, safety and health)

Column

What is Responsible Care?

Responsible Care refers to initiatives carried out with the aim of protecting the environment, safety and health and to implementing and continually revising measures to accomplish this aim throughout the full life cycle of chemical products, from development and production to distribution and use through to final consumption and disposal.

Chemical substances - necessary and important to modern daily life. However, sometimes these substances can turn dangerous, becoming hazardous to human health and safety and the environment when handled improperly.

The task of preserving the environment and ensuring the health and safety of humans has increased in step with the rise of global environmental problems and the rapid industrialization of developing countries. Adding to this situation the potential hazards linked to advanced technology has made it difficult to ensure the ecological soundness and safety of chemical operations and products simply by imposing laws and regulations. Thus, it is increasingly more important for companies that deal with chemical substances to undertake voluntary measures to ensure environmental preservation and human safety and health.

Reflecting this trend, the world chemical industry started an initiative that promotes a voluntary management system aimed at preserving the environment against and ensuring the safety from chemical substances throughout the product's life cycle, from development through disposal. This initiative has been named "Responsible Care" (RC).

Output Flow for Fiscal 2007

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Energy Consumption

DIC (Non-consolidated) Fiscal 2006: 116,360 kℓ

116,994 kℓ

DIC Group (Domestic) Fiscal 2006: 156,946 kℓ

157,925 kℓ

DIC (Non-consolidated)
from fiscal 2006 UP **+0.5%**

DIC Group (Domestic)
from fiscal 2006 UP **+0.6%**

Raw Materials

1,048 kilotons

INPUT ▸ DIC

P52

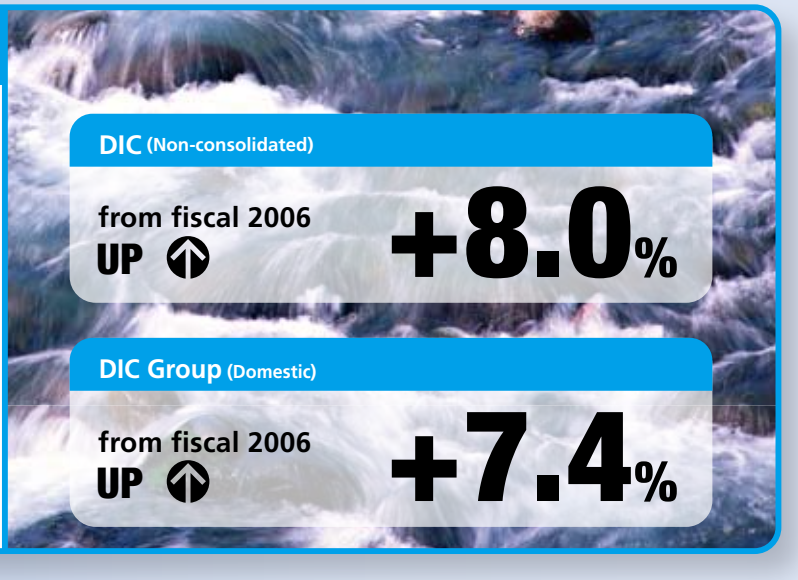
Total Water Consumption

DIC (Non-consolidated) Fiscal 2006: 14,577,000 m³

15,736,000 m³

DIC Group (Domestic) Fiscal 2006: 16,030,000 m³

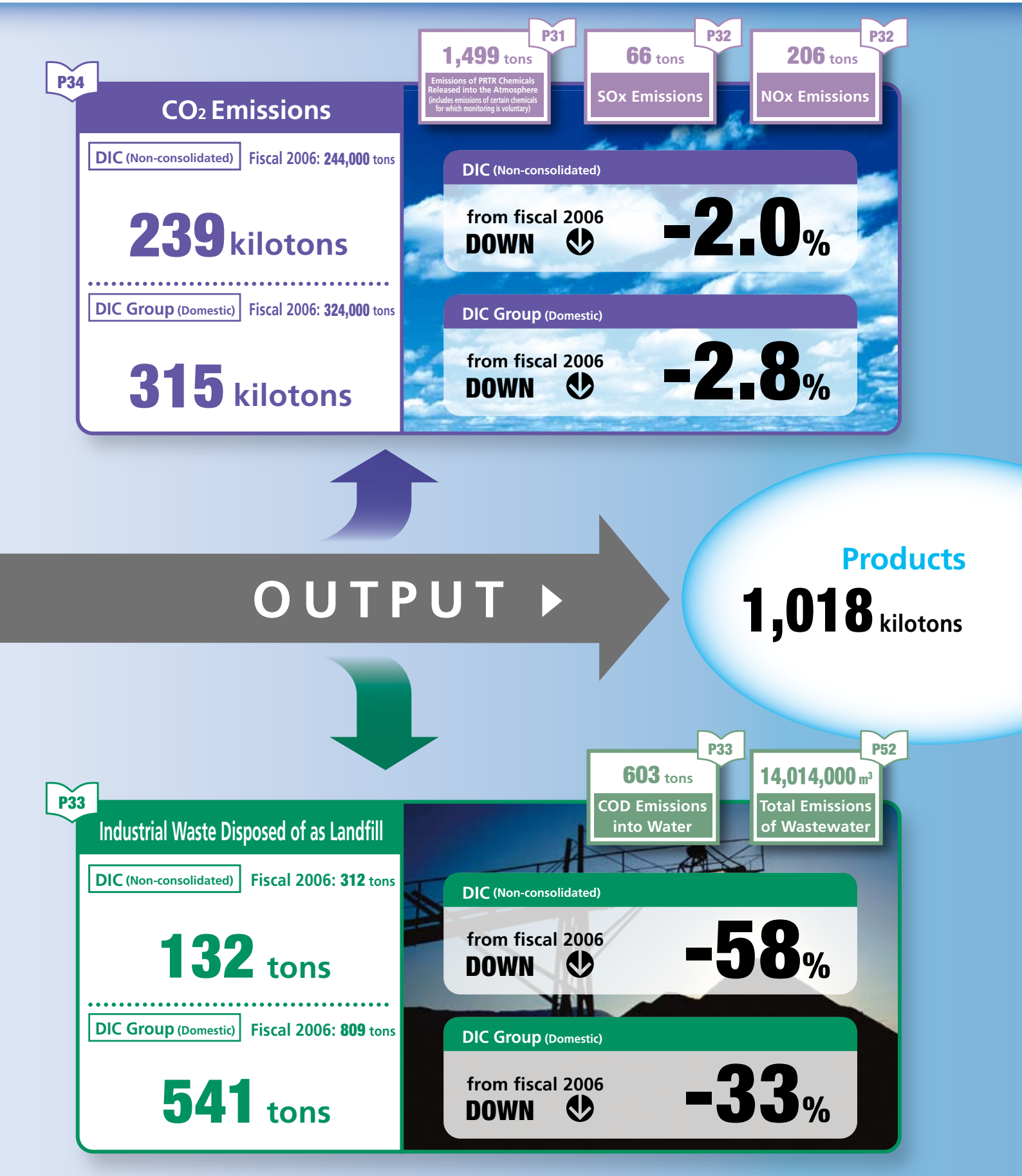
17,214,000 m³



DIC (Non-consolidated)
from fiscal 2006 UP **+8.0%**

DIC Group (Domestic)
from fiscal 2006 UP **+7.4%**

- Data for DIC (Non-consolidated) comprises data for DIC plants and R&D facilities (including domestic subsidiaries, affiliated companies and production facilities of affiliated companies that are located within DIC plants) listed on P.2.
- Data for the DIC Group (domestic) is for DIC (non-consolidated) and above domestic DIC Group companies.



Reducing Emissions of Chemicals

Chemical companies deal with a considerably greater volume of chemical substances than companies in other industries and must therefore be extremely vigilant in handling chemical substances. DIC targeted 480 chemicals in total that consist of 354 chemicals specified under Japan's PRTR Law and 126 added by the Japan Chemical Industry Association (JCIA) as voluntary targets. As DIC carries out various measures for reducing those emissions into atmosphere, bodies of water and soil, DIC is steadily reducing those emissions. Dedicated to the ideals of environmental protection, complete safety, and good health for all, and following guidelines based on these ideals, the entire DIC Group works for the reduction of emissions of targeted substances into the environment.

Chemical substances targeted for reduction

Among these 480 targeted substances, in fiscal 2007 DIC group used 129 (DIC: 122, domestic subsidiaries: 73).

The graph below shows the changes in the amount of emissions starting from fiscal 1997. The table in p.32 describes the substances which were released into the environment in amounts of 10 tons or greater in fiscal 2007.

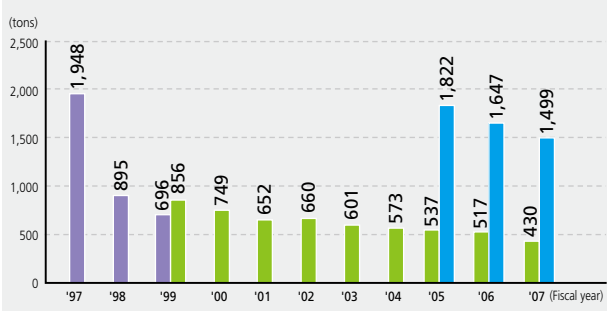
DIC will continue to make every effort to prevent environmental contamination by chemical substances, and to keep chemical substances from being released into the environment.

Amount of emissions of the 480 targeted substances

(Chemicals Specified Under PRTR Law + Chemicals from JCIA Voluntary Scheme (126))

DIC (Non-consolidated) (Total emissions into the atmosphere: 373 tons) Emissions into bodies of water 57 tons Emissions into soil 0 tons	430 tons	Reduction from fiscal 2007: 17% (87 tons)
DIC Group companies (Domestic) (Total emissions into the atmosphere: 1,441 tons) Emissions into bodies of water 58 tons Emissions into soil 0.03 tons	1,499 tons	Reduction from fiscal 2007: 9% (148 tons)

Emissions of PRTR Chemical Substances



Based on previous JCIA standards (non-consolidated) (284 chemicals)
Based on PRTR Law and current JCIA standards (non-consolidated) (480 chemicals)
Based on PRTR Law and current JCIA standards (domestic DIC Group companies) (480 chemicals)

Reduction of Volatile Organic Chemicals (VOC) Emissions

The Revised Atmospheric Pollution Prevention Law enterd into force on April 1, 2006, thus starting regulation of VOC emissions. The reduction target for VOC emissions in this law is a 30% reduction in total VOC emissions from fixed emission sources such as plants from the fiscal 2000 level by fiscal 2010, by an optimal mix of legal regulations and voluntary measures taken by industry.

In response to this, DIC set up its own VOC emission reduction target, as shown below. As a result of the efforts DIC has made, this target was reached in fiscal 2007. The DIC Group will continue to strive to reduce VOC emissions still further.

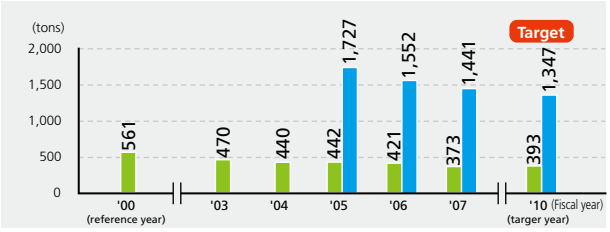
DIC (Non-consolidated) Emissions of VOCs

Reference year Fiscal 2000 (Actual)	561 tons
Target year Fiscal 2010 (Target)	393 tons (Reduction from fiscal 2000: 30%)
Fiscal 2007 (Actual)	373 tons (Reduction from fiscal 2000: 34%)

DIC Group (Domestic)

Reference year Fiscal 2000 (2003 for affiliates) (Actual)	1,924 tons (estimated)
Target year fiscal 2010 (Target)	1,347 tons (Reduction from fiscal 2000: 30%) (domestic subsidiaries - Reduction from fiscal 2003: 30%)
Fiscal 2007 (Actual)	1,441 tons (Reduction from fiscal reference year: 25%)

Changes in air emissions of VOC of 480 substances in PRTR



DIC(Non-consolidated)
DIC Group (Domestic)

Notes:

1. PRTR Law : The PRTR Law is the popular name for the Law Concerning the Reporting, etc. of the Release to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management. The law, which went into effect in fiscal 1999, required companies meeting certain standards to assess the release and transfer of PRTR chemicals from fiscal 2001 and report results to the government from fiscal 2002. DIC has assessed the release of PRTR chemicals and aggregated and disseminated data in accordance with the law retroactive to 1999.
2. PRTR : The PRTR is a scheme for assessing, aggregating and disseminating data on the sources of hazardous chemicals, amounts released to the environment and amounts transferred off-site from industrial establishments via waste products.

PRTR Chemicals with Emissions in Excess of 10 Tons in Fiscal 2007

(Tons)

Chemical	Non-consolidated		DIC Group(domestic)	
	Volume manufactured /used	Volume emitted	Volume manufactured /used	Volume emitted
Ethyl acetate	15,713.5	121.0	16,635.0	570.0
Methyl ethyl ketone	10,280.1	38.2	10,843.4	366.2
Toluene	13,482.3	59.3	14,366.6	298.5
Xylene	9,116.3	43.4	9,777.4	47.6
N-Methylpyrrolidone	362.8	36.0	762.8	36.0
Styrene	148,282.3	14.8	159,460.3	26.1
Propyl alcohol	4,386.1	22.3	4,493.7	23.9
Acetone	1,198.4	8.1	1,284.0	16.9
Butyl alcohol	13,696.4	15.7	13,696.4	15.7
Methyl alcohol	34,326.0	7.5	35,230.2	15.1
1,3-butadiene	1,783.5	13.8	1,783.5	13.8
n- Hexane	234.8	10.7	235.6	11.6
Butyl acetate	3,385.5	4.1	3,944.6	10.3
others	201,269.6	34.9	240,482.0	47.0
Total	457,517.4	429.9	512,995.5	1,498.6

Compliance with Standards Governing the Emission of Halogenated Dioxins

Emission volumes from plants' incinerators are monitored on a continuous basis. As of the end of fiscal 2007, DIC had two incinerators and domestic DIC subsidiaries had five incinerators. All facilities fall into a category of "specified facilities" under Japan's Law Concerning Special Measures Against Dioxins, but all comply with standards governing halogenated dioxins levels in exhaust gas and wastewater.

Halogenated Dioxins Emission Control Standards Applicable to Domestic DIC Group Incinerators

	Incinerator capacity	Exhaust Gas		Wastewater	
		Standard (ng-TEQ/Nm³)	Emissions recorded in fiscal 2007 (ng-TEQ/Nm³)	Standard (pg-TEQ/L)	Emissions recorded in fiscal 2007 (pg-TEQ/L)
Chiba Plant	Approx.3t/h	5	4.1	10	0.40
Hokuriku Plant	Approx.0.3t/h	5	0.01	10	0.00
DIC Interior Co., Ltd.	Approx.0.1t/h	10	1.6	—	—
KITANIHON DIC CO., LTD.(Hokkaido Plant)	Approx.0.2t/h	10	0.00	—	—
KITANIHON DIC CO., LTD.(Tohoku Plant)	Approx.0.2t/h	10	0.00	—	—
Seiko PMC Corp. (Harima Plant)	Approx.0.2t/h	10	< 0.15	—	—
DIC Comfort Materials, Inc.	Approx.0.2t/h	10	0.28	—	—

Report on "Environment and Safety"

Environmental Impact Reduction (Emissions into the Atmosphere, Water and Soil)

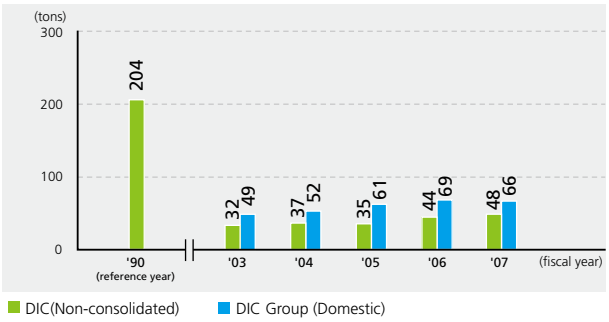
Emissions of SOx and NOx

The graphs in the bottom show sulfur oxides (SOx) emissions, nitrogen oxides (NOx) emissions by DIC from fiscal 1990 through fiscal 2007.

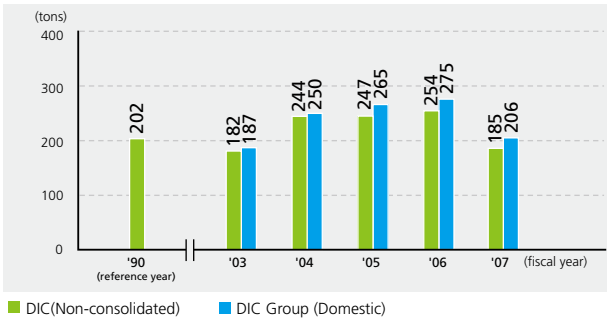
SOx have also remained on an uptrend since fiscal 2004, owing primarily to a change in the fuel mix resulting from the installation of cogeneration systems.

NOx had been increasing since fiscal 2004 along with the increase of fuel consumption by the Company. However, in fiscal 2007, it has decreased from fiscal 2006 as a result of fuel conversion from heavy oil to LNG.

SOx Emission Volume



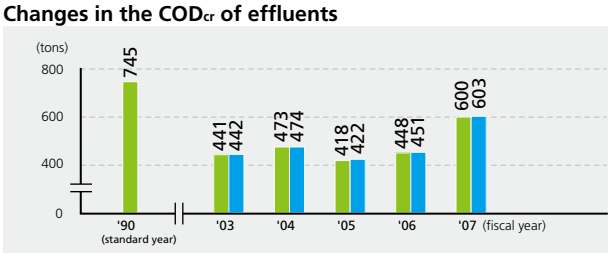
NOx Emission Volume



Effluent Impact Substances (COD_{Cr}: Chemical Oxygen Demand)

Increase in total COD_{Cr} Impact volume was due to the effect of an increase in discharged volume in connection with an increase in production volume and a temporary increase due to effluent treatment of ground water necessiated during the construction period of the plant. The increase in connection with construction work was only for fiscal 2007. COD_{Cr} concentration of each Plant has been on a downtrend.

Changes in the COD_{Cr} of effluents



Soil and Groundwater Analysis at Plant Sites

DIC conducts soil analysis for plants to be closed and, when necessary, implements remedial measures. In fiscal 2007, neither was required at any domestic sites.

When acquiring plants or sites overseas, DIC compares Japanese laws with those of the country in which the plant or site is located and conducts soil analysis in line with the more stringent of the two. While the requirements vary under different laws, DIC will continue to weigh the standards of other countries against Japanese standards and apply the more rigorous of the two for each type of analysis it conducts. When investing in overseas business, DIC conducts advance risk assessment for environment and safety. In fiscal 2007, DIC conducted soil analysis at a chemicals company in the PRC in which it plans to acquire an equity stake.

Report on "Environment and Safety"

Reduction of Industrial Waste

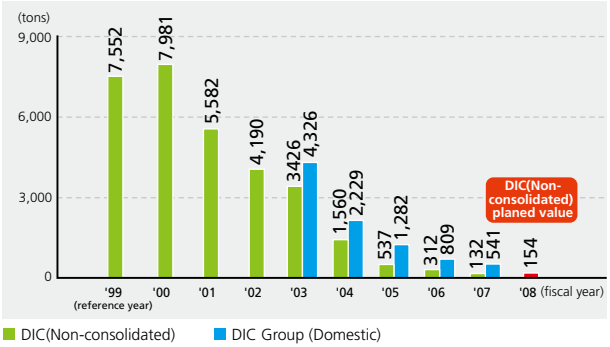
For industrial waste disposed of as landfill in fiscal 2007, DIC set a target of "reduction to less than 5% (370t) of fiscal 1999" and has been working for zero-emission since fiscal 2001. Although DIC did achieve the stated target, DIC will continue activities for zero-emission by each business site and promote efforts to expand as the DIC Group the scope of these activities to subsidiaries in Japan and overseas.

Industrial Waste

In fiscal 2007, DIC disposed of 132 tons of industrial waste as landfill, a reduction of 58% from 2006, by such measures as recycling the residue after incineration of sludge etc. Further, the proportion of waste discharged from plants which was reused or recycled (recycling rate) was 73.4%.

In fiscal 2007, industrial waste disposed of as landfill by domestic DIC Group companies engaged in production amounted to 409 tons. As a result, industrial waste disposed of as landfill by the entire DIC Group in Japan totaled 541 tons.

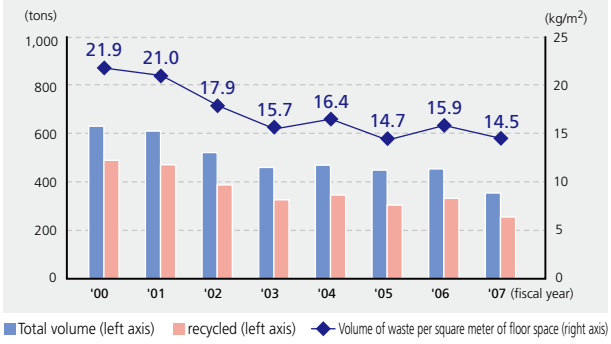
Volume of Industrial Waste Disposed of as Landfill



Municipal Waste

DIC strives to lower emissions of waste and promote the separation of waste to facilitate recycling. In fiscal 2007, the volume of municipal waste generated by DIC's corporate headquarters and Osaka and Nagoya branches was 43.7% lower than in fiscal 2000, while the recycling rate for paper and glass bottles and jars was 71.1%. The graph below shows trends of municipal waste volumes since fiscal 2000.

Volume of Municipal Waste Waste Generated by Corporate Headquarters and Osaka and Nagoya Branches



Report on "Environment and Safety"

Approaches to Global Warming Prevention

Global warming prevention is recognized as a most important task not only in Japan but throughout the world. DIC is acting in line with the voluntary action plan targets* of Japan Chemical Industry Association (JCIA), expanding the scope of its activities overseas, and promoting new approaches to global warming prevention, centering on a reduction in energy consumption.

* Voluntary action plan targets of Japan Chemical Industry Association (JCIA): to reduce the average of energy consumption per unit production for the 5-year period from fiscal 2008 to fiscal 2012 to less than 80% of fiscal 1990.

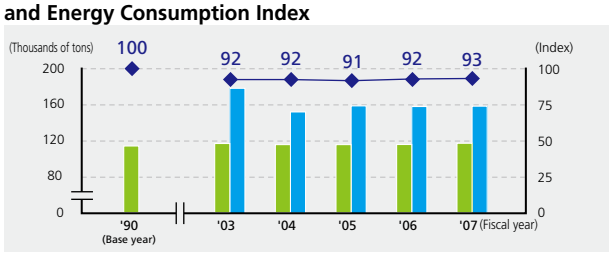
Energy Conservation

In fiscal 2007, DIC recorded energy consumption,calculated in volume of crude oil used, of 116,994 kl (sligthly increased from fiscal 2006).

The index of energy consumption per unit of production was 93, up 1.0 percentage point, falling short of the Company's stated goal of reducing absolute energy consumption, calculated in volume of crude oil used, by at least 1.0% annually.

In fiscal 2007, energy consumption by domestic DIC subsidiaries engaged in production, calculated in volume of crude oil used, amounted to 40,931 kl.Consequently, absolute energy consumption by the entire DIC Group in Japan, calculated in volume of crude oil used, totaled 157,925 kl.

Energy Consumption (Calculated in Volume of Crude Oil Used) and Energy Consumption Index



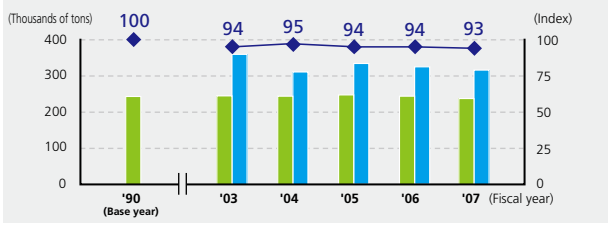
Energy consumption (non-consolidated) (left axis)
Energy consumption (domestic Group companies) (left axis)
Energy consumption index (non-consolidated) (1990=100) (right axis)

CO_2 Emission Volume and Emission Index

DIC has been reducing CO_2 emission volume in conjunction with an energy consumption reduction plan for its production activities, the main emission source. In fiscal 2008, DIC started a full-scale operation of carbon-neutral biomass-fired boilers. DIC will continue to work toward reduction of CO_2 emissions volume carried with energy consumption volume, making a review of its manufacturing processes.

Total emissions of CO_2 of DIC in fiscal 2007 were 239 thousand tons, a decrease of 5 thousand tons from the previous fiscal year (emission index decreased to 93 from 94 in the previous year). Total emissions of CO_2 of domestic subsidiaries with manufacturing operations in fiscal 2007 were 76 thousand tons, which resulted in total emissions of CO_2 of the domestic DIC Group companies of 315 thousand tons.

CO_2 Emission Volume and Emission Index



DIC (non-consolidated) (left axis)
The DIC Group companies (Domestic) (left axis)
Carbon emission index (right axis)

Energy related to Transportation

DIC is a specified shipper under the "Revised Energy Saving Law", and our total transportation volume in fiscal 2007 was 239 million tkm, a decrease of 0.8% from the previous year.

DIC has actively developed a "modal shift," which shifts transportation to railway freight and marine transport away from motor carriage, striving to reduce CO_2 emissions by thus reducing transportation energy. In fiscal 2007, the modal shift accounted for 8.7% of total transportation, an increase of 1.4% from the previous year, which reduced CO_2 emissions by 419t (equivalent to 158.5kl of crude oil).

The green management certification acquisition ratio of carriers to which we consign transportation reached 25.7% in fiscal 2007, an increase of 7.7% from the previous year. We recommend eco-driving to such carriers and provide seminars for environment and safety.

The effect of Cool Biz

DIC is actively participating in the national people's movement to take measures against global warming, and thus is engaging in energy consumption reduction by setting its air conditioners at higher temperatures. At DIC Headquarters, the use of energy for air conditioning (motive and electric power) expressed in terms of crude oil was up 4.0 kL (2.3%). This was due to a rise of 1.8℃ in outside temperature by DIC Headquarters during August compared to last year. DIC's efforts in this area will be continuing in the future.

Occupational Safety and Health Record

In order to eliminate work-related disasters during business activities, DIC continues such activities as audits of environment and safety, holding disaster case study seminars and expanding deployment of near-miss information and disaster cases.

Record in Fiscal 2007

In fiscal 2007 there was one accident resulting in lost work days[1], in which an employee got his hand caught while replacing an air duct filter and lost some skin (in fiscal 2006 there were 3 accidents.) The occupational accident frequency rate[2] was 0.13 (0.26 in fiscal 2006) and the occupational accident severity rate[3] was 0.001 (0.001 in fiscal 2006.)

The graphs on the right show DIC's occupational accident frequency and severity rates from fiscal 1970 through fiscal 2007, respectively.

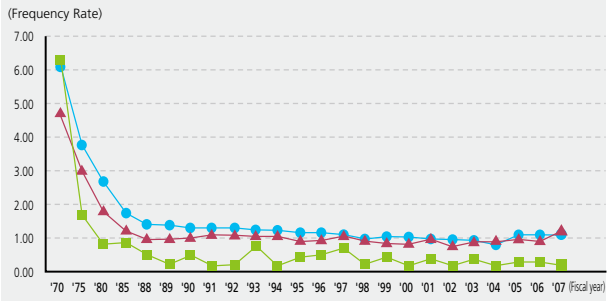
Domestic subsidiaries engaged in production reported 4 occupational accidents resulting in lost work days in fiscal 2007 (4 in fiscal 2006), including a case of bone fracture when an arm got caught while cleaning around a shaft of a disperser/stirrer which was rotating by inertia. In fiscal 2007, the DIC Group including domestic subsidiaries had an occupational accident frequency rate of 0.47, and an occupational accident severity rate of 0.012.

Risk and Hazard Assessment and Education

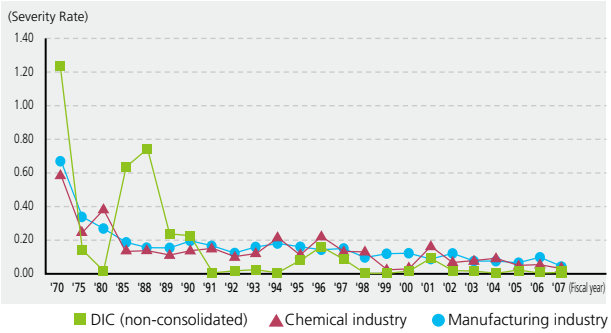
In development for new products, DIC promotes efforts to reduce the volume of hazardous chemical substances used, realize less hazardous products, facilitate recycling and develop safer production processes that generate less waste, and conducts environmental assessments. When formulating facility investment plans and renovation, DIC adopts a process safety management (PSM) program to identify and assess risk, for safer and less-environmental impact production systems.

For existing production equipments, DIC periodically adopts PSM to identify and assess risk. Safety training for employees engaged in R&D is based on the "Environment and Safety Guidelines" for the R&D Department, an in-house publication that draws on DIC's extensive experience and uses case studies. For employees in manufacturing positions, education focuses on the use of SDSs and "Principles of Safety Conduct". Procedures and Attitudes for a Safe Workplace, among others, to ensure the proper handling of chemical substances and the correct use of facilities and equipment.

Occupational Accident Frequency Rate



Occupational Accident Severity Rate



Notes:

1. "Chemical Industry" and "Manufacturing Industry" include all companies in the chemical industry and manufacturing industry, respectively, as defined by the Ministry of Health, Labour and Welfare for the purposes of its Occupational Safety and Health Statistics.
2. Figures for DIC are for the fiscal year (April 1–March 31). Figures for the chemical industry and the manufacturing industry are for the calendar year.

Notes:

1. Occupational Accidents with Lost Work Days: Occupational accidents are accidents resulting in days away from work.

2. Occupational Accident Frequency Rate

   The occupational accident frequency rate is the number of injuries and deaths due to occupational accidents per one million hours of labor. (Calculation: Number of injuries and deaths ÷ Total work hours × 1,000,000).

   An occupational accident frequency rate of 1.0, for example, corresponds to one accident per year in a workplace with 500 employees.

3. Occupational Accident Severity Rate

   The occupational accident severity rate is the number of work days lost per 1,000 hours of labor. (Calculation: Number of days lost ÷ Total work hours × 1,000). An occupational accident severity rate of 0.1, for example, corresponds to 100 work days lost per year in a workplace with 500 employees.

"Safety Tree Rings"

DIC has established the "safety tree rings" as a way to recognize the achievements of its plants and R&D facilities, as well as certain affiliated companies, in continuing free from occupational accidents for a year.

Each year, DIC celebrates plants and R&D facilities that achieve consecutive occupational accident-free years, that is, years free from accidents resulting in lost work days with a silver ring for their "safety tree." One tree comprises 20 rings at the maximum. When a tree is completed, the process begins again as each silver ring is replaced with a gold one for each consecutive accident-free year.

This photo is safety tree rings at Kyushu branch (formerly, Fukuoka Plant).

Record of "Safety Tree Rings" of Major Plants

Saitama Plant: five rings, Sakai Plant: six rings, Central Research Laboratories: seven rings, Suita Plant: eight rings, Komaki Plant: nine rings, Tokyo Plant: ten rings, Kashima Plant: ten rings, DIC Kitanihon Polymer Co., Ltd. Hokkaido Plant (former company name: Kitanihon DIC Co., Ltd. Hokkaido Plant): 14 rings, Hokuriku Plant: 20 rings (out of which 14 rings are gold), Kyushu Branch: 20 rings (out of which 19 rings are gold)

Awards Received

DIC was honored to receive several awards in fiscal 2007 in recognition of its superb safety and health record.

DIC Corporation, Tokyo Plant
First Prize (Safety and Health) from Minister of Health, Labor and Welfare

DIC Corporation, Tokyo Plant Manager
Tokyo Fire Department, "Fire Chief Commendation"

DIC Kako Inc., Narita Plant (former company name: Shin DIC Kako Inc., Narita Plant)
Chiba Association for Safety of Hazardous Materials, "Top Hazardous Substance Handling Office Commendation"

Nantong DIC Color Co., Ltd. (China)
Nantong Economic and Technology Development Zone Management Committee, "Safety Production Excellent Company Commendation"

DIC Corporation, Kashima Plant
Mayor of Kamisu-shi, "Firefighting and Prevention Commendation"

DIC Corporation, Suita Plant
Mayor of Suita, "Firefighting and Prevention Commendation"

Establishment of Overseas Environment and Safety System

(1) Collection of information about environment and safety activities of overseas group companies

In fiscal 2007, DIC started collection of information about the results of environment and safety activities of overseas group companies. In fiscal 2008, DIC will analyze the data, while considering the differences in the state of affairs, legal system and social environment of each country, to improve environment and safety activities of the entire group.

(2) Establishment of Environment/Safety Activities System in Overseas Group Companies (China)

DIC is establishing a system to achieve "Environmental Protection, Safety, and Health" in its Group companies currently expanding operations in China. An internal audit of the entire environmental protection, safety, and health maintenance system was started at the end of fiscal 2006, and internal audits in 12 companies were conducted by the end of fiscal 2007. Based on the results of these audits, follow-up audits were started at the end of fiscal 2007. Also, information on revisions of laws and local ordinances, introduction of examples of safety promotion activities, and information on safety measures and educational methods are exchanged, as wall as meetings with representatives of local organizations are held.

(3) Global Safety Meeting

DIC thinks it necessary to hold a meeting where personnel in charge of the environment and safety of the overseas group companies get together in order to develop environment and safety activities on a global scale and share information, and thus held a global safety meeting in May 2008. DIC will further advance global environment and safety activities in cooperation with Sun Chemical Group in Europe and the United States.

Global Safety Meeting

Distribution

DIC provides "yellow cards (tram cards)" to drivers of container trucks, tank vehicles and other motor carriage may be expected, and also to drivers of ordinary delivery vehicles carrying mixed loads, to ensure a prompt response in event of an emergency. DIC exclusively uses containers and tank vehicles that comply with Japan's Fire Defense Law standards, United Nations standards, and other legal requirements.

Stewardship of Chemical Substances in Products

Domestic and foreign legal regulations, customers, and each industry itself are demanding that companies handling chemical substances provide a variety of information. DIC handles management of chemical substances in its products through preparation of Material Safety Data Sheet (SDS) and information of a chemical substances contained in its products comprehensive management system (named CIRIUS).

SDS

DIC prepares and distributes material safety data sheets (SDSs) that comply with Japan Industrial Standards (JIS) for all chemical substances it sells in the Japanese market.

To ensure its products are not a cause of environmental pollution, DIC also includes information on safe handling and appropriate measures for disposal in its SDSs.

DIC has developed its original automated SDS preparation system which allows to prepare uniform and reliable SDSs while referring to domestic regulations.

Although the Revised Occupational Safety and Health Law enforced in December 2006 sets up transitional measures, these measures were removed at DIC on April 1, 2008 and SDSs completely conforming to GHS*1 are provided. Product labels were also changed to completely conform to GHS.

DIC's SDS distribution system offers domestic customers the option of downloading sheets by mail on the Internet. Customers requesting online distribution can view and download DIC's SDSs at any time from the DIC web site. DIC also produces cumulative, itemized data on shipments to customers of PRTR chemicals.

For products exported from Japan for sale in overseas markets, DIC prepares SDSs required by regulation in receiving countries in local languages or English. DIC has introduced software that incorporates EU Safety Data Sheet (SDS) requirements, thereby enabling the preparation of SDSs that comply with EU guidelines —considered the global standard in multiple languages.

DIC also provides "Green Procurement" information in response to requests for assistance from customers.

CIRIUS

In order to respond to requests for provision of a variety of chemical substance information quickly and accurately, DIC is promoting the formulation of the chemical substances information comprehensive management system (CIRIUS), which uniformly manages all chemical substances information concerning procurement of raw materials to shipment of products. The system will automatically prepares MSDSplus*2 and AIS*3 in addition to SDS automatic preparation function and SDS distribution management function, originally developed by DIC. These are the forms of chemical substances information communication, standardized in Japan for the purpose of dealing with REACH*4 regulations, and requests of customers for submission of which, we think, will increase in the future. DIC and the domestic DIC Group will use the system to respond to such requirements.

Complying with Overseas Laws and Regulations

The DIC Group investigated products exported to Europe, directly or indirectly, and narrowed down the candidate substances for preliminary registration in order to comply with REACH regulations in Europe, which was actually enforced as of June 1, 2008. The DIC Group assigned a representative in charge of REACH in Europe, through which DIC obtains the latest information about guidance documents and the operation trends of REACH to have it contribute to the strategies of the divisions dealing with REACH as well as providing instructions to affiliates.

The DIC Group has made new chemical substance registration with foreign countries, including the United States, China, Korea and the Philippines and manufactures and exports products in compliance with chemical substances regulations.

Education in Chemical Substance Regulations

In Japan and overseas, DIC strives to enhance employee understanding of laws and regulations. In fiscal 2007, DIC continued its efforts in fiscal 2006 in carrying out a training program on domestic laws and regulations for employees in R&D responsible for ensuring compliance. Further, DIC conducts hearings with R&D and sales divisions, including division managers, regarding education in EU REACH regulations and its progress.

DIC also organized comprehensive training on the EU's new REACH legislation for all employees in R&D, sales, and administrative dept. Texts used in these programs are posted on the DIC intranet for employees to view and/or download with the aim of further reinforcing employee awareness.

NOTES

1. GHS: Globally Harmonized System of Classification and Labeling of Chemicals Recommendations of the United Nations Economic and Social Council for classification of chemicals according to their type and level of dangerous toxicity in accordance with globally uniform rules, and for the transmission of information on already existing dangerous poisons by labeling that can instantly be understood by persons handling the chemicals and by SDSs.
2. MSDSplus: a document format for supplements to information transmitted through SDSs
3. AIS: Data sheet of the chemical components of an article
4. REACH: "Registration, Evaluation Authorisation and Restriction of Chemicals" REACH puts the onus on businesses to evaluate the safety of chemicals they produce or use—a task that has traditionally been handled by public authorities. Under REACH, businesses bear full responsibility for evaluating the safety of chemicals with no distinction made between "existing" and "new" chemicals. REACH also prohibits the use of specified chemicals that pose unacceptable hazards to human health.

Report on "Environment and Safety"

Environmental Costs/Safety and Health (ESH) Costs

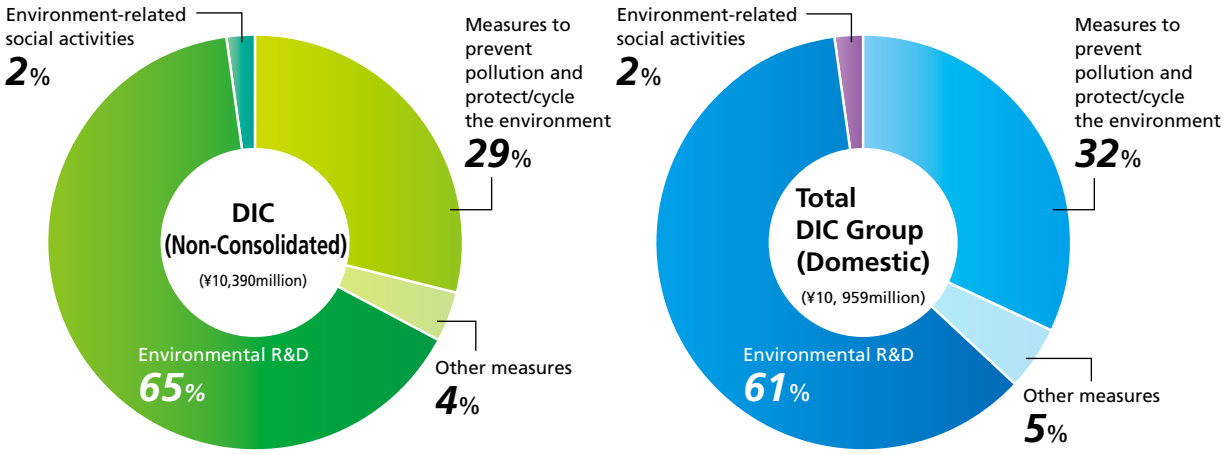
DIC introduced the "Environmental Accounting System" in 1998 with the aim of enhancing the efficiency and continual improvement of its environmental investments and activities.

ESH Costs

Prior to fiscal 1998, DIC disclosed environmental and safety and health-related costs (expenses and investments) based on DIC's original standards. Since then, however, the Company has disclosed environmental costs prepared in line with the Preparation for Establishment of an Environmental Accounting System (reported in 2000), published by Japanese Ministry of the Environment, while it continues to calculate safety- and health- related costs using DIC's original standards.

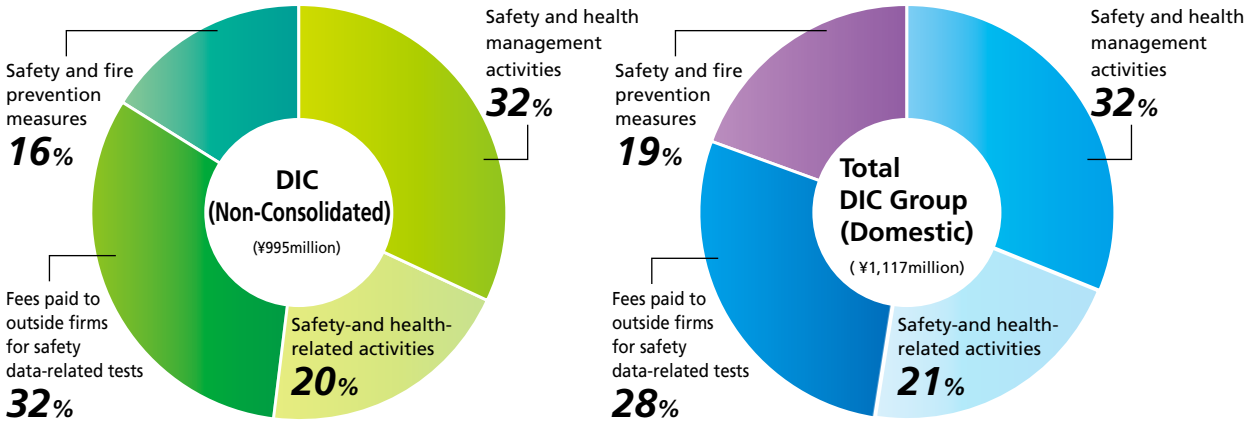
(1) Fiscal 2007 environment related costs

In fiscal 2007, capital investment by DIC was ¥1,633million, and that by domestic DIC Group companies was ¥1,689million (see p.53.) Further, costs incurred by DIC were ¥10,390million, and those by domestic DIC Group companies were ¥10, 959million (breakdown of these costs are shown in the graphs below.)



(2) Fiscal 2007 safety and health related costs

In fiscal 2007, capital investment by DIC was ¥415million, and that by domestic DIC Group companies was ¥482million (see p.54) Further, costs incurred by DIC were ¥995million, and those by domestic DIC Group companies were ¥1, 117million (breakdown of these costs are shown in the graphs below.)

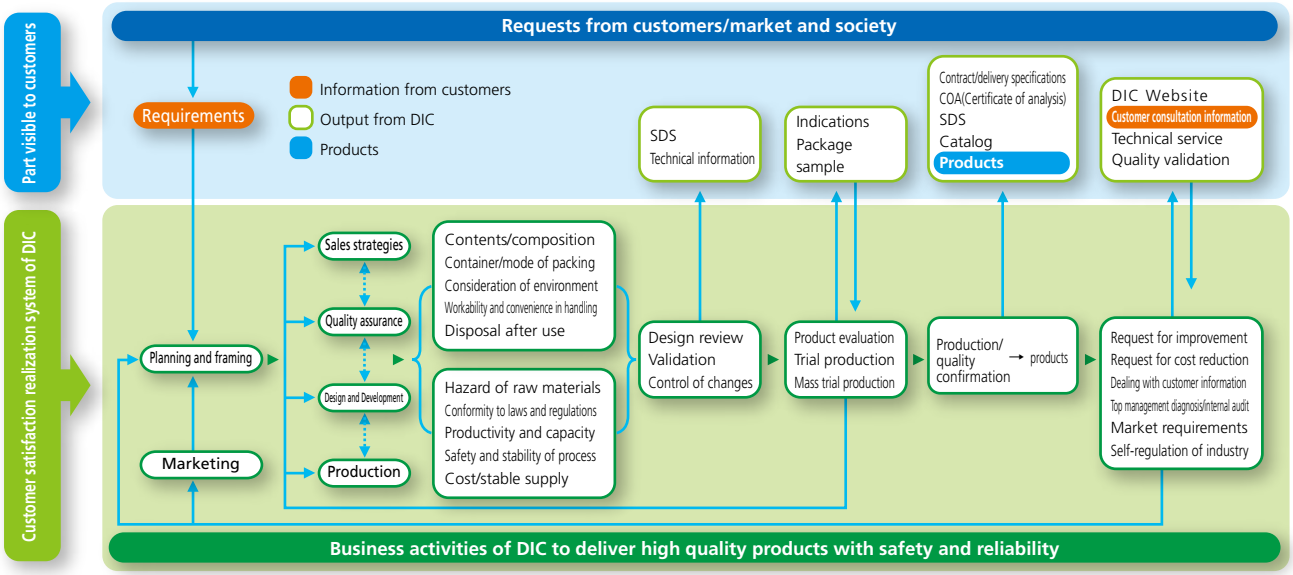


Report on "Quality Policy and Quality Activities"

DIC Quality Policy

Contributing to the prosperity of customers and society by providing products that are always trusted

Flow of Customer First Policy of DIC



DIC Product Providing Process

Planning and Framing

In product planning, manufacturing, sales, technology and administration departments collaborate and determine the basic specification of products based on requirements from the market and customers.

Development and Design Review

In development and design review, a quality target is determined based on the customer/market requirements and value creation is made, reflecting DIC particular technologies and the accumulated data. Concurrently, it is confirmed that there is no problem with raw materials and products from a social perspective.

Production and Quality Confirmation

In order to assure the quality of products, thorough process control and identification control are made. For maintaining mutual benefit relationships with customers, DIC will focus on reduction of use of resources, energy consumption and cost.

Sales and Technical services

We will strive at improving product quality, listening to the voices of customers. To have DIC products used with safe and reliable we provide information, data and technical services through sales contact points and carry out activities to further improve customer satisfaction.

Major Quality Activities and Review in Fiscal 2007

(1) 13 manufacturing sites in Japan will promote continuous improvement to maintain the quality and environmental management system and enhance its effectiveness, including responce and prevention of complaints and claims, and environmental impact reduction activities.

(2) Sakai Plant applied for certification of JIS A5536 in connection with the expiry of the transitional period to the new JIS Mark and it was determined to have passed it and the Plant started contract procedures.

(3) Saitama Plant holds quality engineering instruction meetings every month to realize concepts in product design, and is aiming to provide products with a stable performance under any use conditions.

(4) Ten Plants and two plants of subsidiaries renewed the certification as green partners with SONY in the autumn of 2007. DIC positively responds not only to the requirements of a single customer but to the needs of markets and the supply chain.

Report on "Supply Chain Management"

The DIC Group recognizes as "business activities themselves are contributions to a sustainable society and global environment." The DIC Group provided for the DIC Group Basic Policy for Purchase based on the spirit of "The DIC WAY," "to make every effort to create new value contributing to sustainable development of customers, society and global environment through ceaseless innovation."

Purchase Activities of The DIC Group

The DIC Group recognizes that it is the request from society for the entire supply chain to perform social responsibility. In purchase activities, we ask vendors to understand the CSR of the DIC Group and make every effort to be responsible not only for our products but for the entire supply chain with mutual trust.

Approaches to CSR Procurement

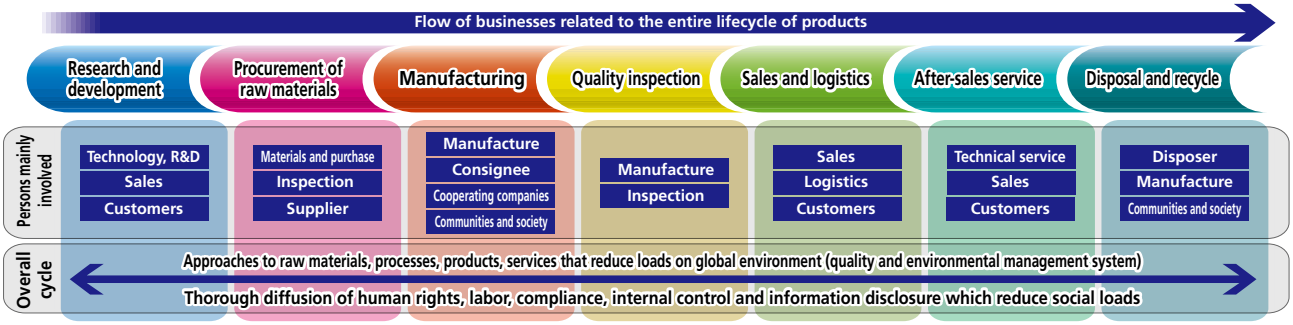
The DIC Group is promoting approaches to CSR procurement, taking into consideration the environment, compliance and respect for human rights, etc., with the aim of responding to the needs of customers and realizing a sustainable society with vendors. The DIC Group will consider establishment of "CSR Procurement Guidelines" (including Green Procurement Guidelines).

Supply Chain Management of The DIC Group

The DIC Group is performing business in the supply chain of the entire product life cycle, including processes from product development to disposal.

DIC Group Basic Purchase Policy (Established in July 2008)

1. **We will conduct business in a fair and open manner with our suppliers**
   The DIC Group will take a global perspective of its purchasing activities, and will stress fairness and transparency with all of its suppliers.
2. **We will comply with all governmental laws and regulations, and will strive to build and maintain mutually beneficial relationships with our suppliers.**
   DIC Group Employees shall comply with governmental laws and regulations in connection with all the business areas for the DIC Group, and shall also comply with all company rules. DIC Group Employees shall seek both reasonable quality and price in commercial activities, and will strive to build and maintain harmonious, mutually prosperous relationship with all suppliers worldwide.
3. **We will stress conformity to the needs of the environment and to the safety of citizens and employees.**
   The DIC Group, as a good corporate citizen, will assume responsibility for the environment, for safety, for health, and for quality, and will be constantly vigilant to changes in society, in order to conduct its purchasing operations in full consideration of the global environment.
4. **We will continuously seek innovation and the creation of value with our suppliers.**
   The DIC Group will strive for the creation of new value and" Sustainable Development," with like minded suppliers, in order to fulfill the expectations of our stakeholders.



Column

Communication Activities of Information about Containment of Chemical Substances within the Supply Chain

DIC participated as a promoter in the Joint Article Management Promotion-Consortium (JAMP), which was organized in relation to establishment of the system communicating information about containment of chemical substances advocated by the government and is strongly involved in formulation of such information communication mechanisms as MSDS plus and AIS (Article Information Sheet).

Report on "Human Resources Management"

DIC aims to be a company where every employee can maximize their individual capabilities depending on respective ability. DIC endeavors to create an appealing workplace which accommodates different lifestyles.

Efforts made until Today

(1) Continuing working while raising children

DIC provides various systems supporting employees who wish to continue working while they raise their children, enabling them to continue to contribute to their department and the Company. Systems were introduced with the aim of creating a workplace environment conducive to balancing the demands of work and childcare, playing an important role in the Company's efforts to promote opportunities for female employees.

Revision of the childcare leave system

- The maximum possible leave has been extended to until the child reaches the age of 2 years 6 months, longer than the legally required term.
- It has been made a rule that employees who have taken childcare leave shall return to their original job or a job equal in rank.

Number of Employees Taking Advantage of Childcare Leave System

Fiscal year	Number of Employees
2005	27
2006	28
2007	30

Establishment of new system for working while child rearing

The following work system is available up through the end of the child's third grade school year.

1. Short workday system (fixed-term)
   Workday reduced by as much as 2.5 hours
2. Short workday system (variable)
   Workday reduced by as much as 3 hours
3. Late start system
   Start time shifted by as much as 2 hours

Establishment of new system for leave taking by child rearing partners

In order to allow men to participate in child rearing, male employees to whom a child is born are given an extra 5 days of paid leave (one week continuous leave system).

Provision of an economic support system

- A system in which a portion of the employee's bonus is lent to the employee during an unpaid portion of the child rearing period
- An in-company loan system supporting use of expensive day care facilities

Going forward, DIC will continue to monitor the effectiveness of these systems, as well as consider the introduction of additional systems where necessary.

(2) Promoting Opportunities for Female Employees

Since fiscal 2006, DIC has been planning and promoting a number of initiatives aimed at ensuring that female employees have access to the same opportunities as their male counterparts in the workplace, and that gender is not used as an excuse in personnel decisions.

Designed to enhance employee understanding and contribute to positive changes in DIC's corporate culture, these initiatives also aim to encourage greater ambition among female employees by providing awareness training, expanding the range of jobs open to women, increasing hiring of women and establishing a department to promote their career development.

Specifically, DIC conducts training for supporting ability development of female employees (about 400 employees) and training for employees at managerial positions who have female subordinates (about 450 employees will attend). Among new employees who joined the Company last spring, the number of female employees out of 85 employees with academic careers above technical colleges or universities is 27, which has significantly increased from the previous year. DIC is promoting the expansion of working fields of female employees by assigning and developing four female employees for the first time to the site of shift work in a Plant, where only male regular employees were previously assigned.

Female employee training

(3) Acquisition of "Certification" under the Law for Measures to Support the Development of the Next Generation

DIC has proactively made efforts through measures supporting balance between work and childcare, recognizing the enforcement of the Law for Measures to Support the Development of the Next Generation as an excellent theme which contributes to the promotion of activities of female employees. As a result, DIC completely performed the initial action plan and received certification of "Certified Employer 2008" by the Tokyo Labor Bureau as a company actively promoting measures for supporting development of the next generation.

Next Generation Certification Mark
" Kurumin"

(4) Promotion of employment of the elderly

With the aim of providing employment opportunities for capable senior citizens who want to continue working, in 1991 DIC became one of the first companies in Japan to introduce a reemployment system that enables employees to continue working beyond mandatory retirement age. This system allows for reemployment up to the age of 65. In addition to broadening the scope of opportunities for retirees, DIC has modified this system in accordance with revisions in 2006 to the Law Concerning Stabilization of Employment of Older Persons.

Reemployment at DIC

Fiscal year	Number of employees reemployed	Reemployment rate (%) (Number reemployed/Number of applicants)
2006	41	87.2
2007	43	95.6
2008(planned)	94	92.2

(5) Promotion of Employment of Disabled Persons

The employment rate of disabled people was 1.72% at the end of March 2008, not achieving the statutory employment rate of 1.8% by a slight margin. DIC will aim at early achievement of the statutory employment rate by actively promoting employment of disabled people through collaboration with Hellowork and schools for disabled children.

Future Tasks

(1) Personnel Exchanges and Education for Global Management

DIC has adopted programs to delegate management of many overseas group companies to local staff as practicable as possible. To this end, DIC is working toward not only improvement of its training system for developing local staff but formulation of a comprehensive personnel affairs system, including enhanced welfare programs.

(2) Approaches to Succession of Technologies

Many employees who joined DIC during the high-growth period have continued to retire, which raises one of the management tasks of passing on original technologies and know-how to the next generation. Dealing with this task, DIC has established in major Plants "Succession Hall," training facilities for equipment preservation, with the aim of preventing accidents due to troubles of production facilities, maintaining safety operations and realizing quality improvements. At Succession Hall, skilled workers of the Plant, assigned as lecturers, give enthusiastic lectures every day to young employees who will assume responsibility for the next generation in order to convey skills of equipment preservation. At the Plant, a total of 1,300 people, mostly employees, studied at Succession Hall and the skills developed there are fully utilized in production activities of each site.


Class at Succession Hall

The spirit and willingness of its employees to pursue new challenges is the driving force behind DIC's ongoing evolution. DIC strives to provide its employees with such challenges, as well as to ensure support through advanced personnel and compensation systems.

Employment Opportunities and Employee Development

A Performance-Based Employee Qualification System

With the aim of building a workplace that enables all employees to realize their full potential and ensuring the efforts of employees are fairly reflected in salaries, DIC has long applied an employment system that rejects job category, academic record and other such factors unrelated to performance. As well, in 2002 DIC eliminated distinctions between career and noncareer path employees and integrated its employee qualification system.

DIC's Promotion System

Promotions within DIC are determined once annually and based on the results of an objective assessment procedure that includes a written test, essay, interview and personnel evaluation. This ensures equal opportunity for advancement for all employees exhibiting initiative and skill.

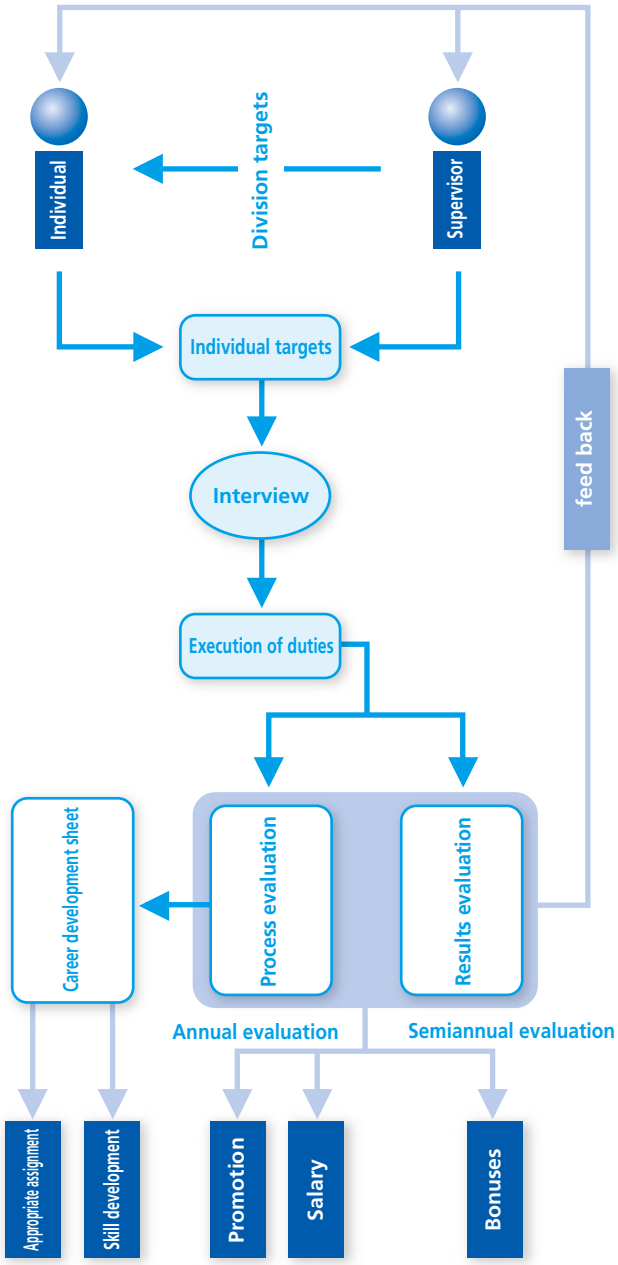
A Salary System that Motivates

Employees A salary system that motivates employees to perform is one that emphasizes "pay for performance," that is, evaluates the capabilities and achievements of employees fairly and rewards them accordingly. DIC has created a system that eliminates or scales back the seniorityand qualification-based components of salaries and strengthens the capability- and performance-oriented aspects, introducing this system for management-level employees and higher in fiscal 2001 and nonmanagement employees in fiscal 2005.

A Goal-Oriented Evaluation System

For the new salary system to truly motivate employees, it requires an employee evaluation system that ensures the capabilities and performance of each employee are evaluated appropriately. With the aim of enhancing the transparency of and satisfaction with its evaluation system, DIC has introduced a new evaluation system that focuses on goal-oriented management. Under this system, DIC provides feedback to individual employees on their evaluation results. Not limited to evaluation, the system is used to promote personnel development, with evaluation results used in a variety of ways to enhance individual capabilities.

Evaluation Process for Nonmanagement Employees



Mid and Long-Term Tasks (Toward Diversity Management)

The DIC Group, which is developing business on a global scale with its 211 Affiliates in 60 countries throughout the world, will pursue diversity management (human resources management) to seek true global management. Diversity management is "management that increases creativity and motivation, bringing out the diversity of each person and carries out organization reforms to flexibly correspond to markets, incorporating multifaceted ideas in times requiring capabilities that respond to changes." The DIC Group will incorporate a variety of attributes, including race, sex, age, etc., and their values and ideas to link to the growth of the entire Group by flexibly responding to changes in the business environment.

Outline of Employee Training Programs

Management-level training programs

Programs aimed at training and reinforcing the competence of management-level employees in an increasingly global corporate market

- DIC Management School
- DIC Business College

Programs for cultivating competent human resources in global markets

Programs aimed at strategically cultivating management- and staff-level human resources for DIC Group companies overseas by imparting essential, comprehensive expertise

- Training for employees assigned to posts related to overseas business
- Training overseas
- Support for employees seeking MBAs at overseas educational institutions

Self-development programs

Employee skill development courses offered by DIC Business School

Note: Assistance with course fees offered to employees upon completion

- Correspondence courses
- In-house seminar courses
- e-learning courses

Level-specific programs

Programs aimed at developing expertise for employees at different levels; and among employees whose positions/responsibilities have changed due to promotion, etc.

- Training for new general managers
- Training for new middle management-level employees
- Training for new section managers
- Training for "S"-level employees
- Training for new senior management-level employees
- Follow-up training for "J"-level employees
- Training in coaching
- Follow-up training for new employees
- Training in mentoring
- Training for new recruits

Voice of Participant | Internal Seminar: Logical Communications Course

West Japan Sales Department, Plastic Pallets & Containers Div. ● Takeshi Ishizuka

I learned in this seminar that business letters should be written for readers, that is, they should be written so that readers can understand the contents correctly in a short time. In this seminar, I became able to convey my points precisely by (1) preparing a memo for organization, structured in a tree and (2) documenting these points after logically comprehending the structure and fully organizing my points. Although I was confident in the pre-seminar assignment, even if it was difficult, I keenly felt the difficulty in writing as I had many sentences corrected rigorously by the instructor. But I was very satisfied that I could learn how to write specific and practical sentences. Now, I try to utilize the points I learned at the seminar even when I write a simple message memo.

Report on "Coexistence with Society and Social Contribution"

The DIC Group, as a corporate citizen, will seek to keep coexistence with local communities and citizens and carry out continual activities that contribute to society, placing focus on creating good relationships with society.

Main projects for fiscal 2007

Community with local residents・Open facilities

DIC's plants and R&D facilities in Japan endeavor to work with the community and contribute to local environmental efforts through a variety of initiatives, including participating in local cleanup initiatives, inviting local residents and students for plant tours, exchanging opinions through community meetings, taking part in environment education programs and sponsoring local bon odori dance events.

DIC's domestic plants and R&D facilities open on-site athletic facilities to local community residents.

The site of Central Research Laboratories in Sakura, Chiba, which covers 30,000 m2, has a baseball ground and tennis courts that are open to the residents of Sakura, as well as a huge public garden full with flowers and trees to delight visitors year-round. The site welcomes approximately 20,000 visitors each year.

Cultural and artistic activities

The Kawamura Memorial Museum of Art, established in May 1990 to exhibit the more than 1,000 works of art collected by DIC and affiliated companies. In fiscal 2004, the museum's diverse standing collection and period special exhibitions, educational programs, and contribution to efforts to establish Sakura's reputation as a local center of art and culture, were recognized with the Mecenat Grand Prize, awarded by the Kigyo Mecenat Kyogikai. Every year approximately 100,000 people visit the museum.

In fiscal 2007, the period for renovation of our art museum was utilized to lend 100 major items in our collection successively to art museums in Hyogo, Shimane, and Aichi Prefectures, widening the reputation of these works over various areas.

As an educational activity, our art museum conducts "Art Education Support." In this program, groups of elementary school age and older are given the opportunity not only to view pictures and sculptures, but also to freely exchange opinions with all the other people in that class. Since this was started in 1998, more than 170 schools have participated, and the program has been evaluated highly. In fiscal 2007 the museum was open only for 3 months due to the renovation, but still 43 groups with 1,328 children and students participated in this program.

Kawamura Memorial Museum of Art renovated in fiscal 2007

Visitors to the Tokyo plant on Open House Day

Art education support by Kawamura Memorial Museum of Art

Participation in social contribution activities of economic organizations

DIC participates in social contribution activities hosted by each of the three economic organizations (Nippon Keidanren, Japan Chamber of Commerce and Industry and Japan Association of Corporate Executives(Keizai Doyukai)).

In fiscal 2007, in exchange activities among schools, companies and business executives hosted by the Japan Association of Corporate Executives, former DIC Directors visited four junior and senior high schools in Japan (Seishingakuen High School and Junior High School in Kashima-shi, Ibaraki-ken, Machida Municipal Tsurukawa Junior High School, Sumida Municipal Terajima Junior High School and (Private) Denenchofu Gakuen) and delivered lectures, including their experiences.

Support to "Xinmin DIC Elementary School," Hainan Island Elementary School

DIC set up a Spirulina manufacturing company (Hainan DIC Microalgae Co. Ltd.) in Hainan, China in 1996. As there was no elementary school in the village where the new company was established, and local people long desired an elementary school (children went to distant Xinmin Elementary School), The DIC Group established a branch school (Xinmin DIC Elementary School) at the same time as the incorporation of the company and presented the school to the village. In 2006, the 10th anniversary of the school, DIC presented ping-pong tables, musical instruments and uniforms for the drum and fife band and in 2007, books, including encyclopedia and reference books.

Support for Disaster-Affected Areas

The DIC Group provides relief money, etc., as support to disaster-affected areas. In fiscal 2007, it donated relief money to the disaster-affected areas of the Niigata-Chuetsu-Oki Earthquake, which occurred on July 16, 2007. In addition, each business establishment and each of the group companies make regular donations to the Japanese Red Cross Society and local care facilities. In fiscal 2008, the DIC Group gave support to the victims of the Sichuan Great Earthquake and the Myanmar cyclone.

What We will Cope with

(1) Establishment of Social Contribution Guidelines

Each business establishment and each of the group companies of DIC actively participates in environmental protection and cultural activities in each region and makes donations and pays consolation visits to local care facilities, etc. The DIC Group will establish social contribution activity guidelines as guidelines for the entire Group with a view toward making efforts for social contribution activities in close collaboration with each business establishment and each of the group companies.

(2) Promotion of Social Contribution Activities by Employees

DIC offers a volunteer leave and temporary retirement system and DIC will further review how the system should be for employees to be able to participate in volunteer activities more easily.

(3) Establishment of "DIC High-Performance Materials Prize"

DIC established the "DIC High-Performance Materials Prize" in collaboration and cooperation with The Society of Synthetic Organic Chemistry, Japan to strive for development of organic chemistry research and fostering of chemical industries and researchers.

Presentation ceremony at Xinmin DIC Elementary School in fiscal 2007 (September 2007)

Participation in Oyama River environmental beautification activities near Komaki Plant.

Report on "Information Disclosure and Enlightenment"

We will work toward information disclosure and enlightenment through various communication tools while deepening dialogues with everyone for the purpose of stakeholders having a deeper understanding of the DIC Group and CSR for which the DIC Group strives.

Communicating with Shareholders and Investors

IR Policy

DIC views investor relations (IR) as "two-way communications, that is, the continuous disclosure to stakeholders of timely, accurate and impartial information pertaining to its management philosophy and policies, transparency of management, operating results and prospects of DIC (including negative information), and the concurrent gathering of external opinions and information and reflection thereof in management." As a listed company, DIC strives to fulfill its responsibility for being accountable for its actions, thereby ensuring its acceptance as a contributing member of society and carries out activities so that DIC continues to exist and grow in the future.

Major Activities in Fiscal 2007

IR Activities

For institutional investors and securities analysts in Japan, DIC holds explanation meetings of final results and interim results and small group meetings. At the meetings, as a valuable communication forum more than simple performance reports, top executives themselves provide explanations on management strategies and Q&A sessions. We also started IR activities for individual investors. DIC started full-scale overseas IR activities in fiscal 2006, taking into consideration the increasing number of overseas shareholders and participated in conferences held in New York, London and Hong Kong. In fiscal 2007, DIC participated in conferences in Europe, the United States, Singapore and Hong Kong and visits to investors.

Enhancement of Finance and IR Site

DIC maintains an IR information site on its website. Visitors can access and download necessary information in a timely manner such as financial results and conditions as DIC publishes its mid-term management plan, announcement of operating results and explanation materials, financial reports, letters to shareholders and annual reports (English).

Relationship with Shareholders

Since 2005, DIC has held annual general meeting of shareholders on a day other than the "day when most annual meetings are held in Japan." In 2007, DIC shifted the venue of its annual meeting from its registered address in Itabashi-ku, Tokyo to the more accessible Headquarters in Nihonbashi, Chuo-ku, Tokyo, in consideration of attendance by more shareholders.

IR Conference in European 2008

IR Information Site

In the Community and Society

Major Activities in fiscal 2007

Issue of Site Reports

DIC promotes preparation of site reports as media for reporting responsible care activities of its Plants. In fiscal 2007, reports were prepared by all manufacturing establishments (12 Plants and 1 branch manufacturing department).

Major Plants are regularly involved in operation of community meetings, hosted by the Japan Responsible Care Council (JRCC). In fiscal 2007, Sakai Plant participated.

"Site Report 2007" of Sakai Plant

Approaches to Employees -Toward Understanding and Establishment of CSR-

Major Activities in Fiscal 2007

(1) Issuing CSR Guidebooks for Employees

In the first year of introducing the CSR, for all employees of DIC Group(domestic) to understand and share CSR, which the DIC Group will strive for, "CSR Guidebook" was issued (October 2007). Explanation meetings were held in each business establishment and each of group companies in Japan to link to facilitation of understanding of CSR activities which started in the DIC Group. (Total 42 meetings from October 2007 to April 2008. About 2,800 employees participated).

"DIC Plaza" and "CSR Guidebook"

(2) Implementation of CSR Project

For the purpose of every employee more concretely connecting CSR of the DIC Group to their own business activities, a CSR project was launched in October 2007. It aims at improving the consciousness of employees through lectures of experts and discussions, while dealing with such important themes of CSR as "response to social requests" and "comprehension of risks" and reflecting the proposals made in the above process to specific measures. In fiscal 2007, a company-wide project of DIC was carried out and in fiscal 2008, projects were started in each business division and business establishment.

CSR Project Residential Training

(3) Information Sharing in the Company

"DIC Plaza," Group magazine, is issued quarterly with the aim of sharing management philosophy, policies and information and vitalizing communications in the Group. In "DIC NEWS EXPRESS," online news, employees can share important information in real time.

Independent Review

DIC CSR Report 2008 Independent Review

September 5, 2008

レスポンシブル・ケア

To: Koji Oe
Representative Director, President & CEO,
DIC Corporation

Akio Yamamoto
Chairman, Verification Advisory Committee

Saburo Nakata
Chief Director, Responsible Care Verification Center

■Purpose of Verification

The purpose of verification of this report is to express the opinions of experts in the chemical industry on the following matters in the "CSR Report 2008" prepared by DIC Corporation (hereinafter referred to as the "Report") by the Responsible Care Verification Center.

1) Rationality of methods used to calculate and aggregate performance indicators (figures) and accuracy of the figures
2) Accuracy of the stated information other than figures
3) Contents of responsible care activities
4) Distinguishing features of the Report

■Verification Procedures

- At Corporate Headquarters, we conducted an investigation on the rationality of methods to aggregate figures reported by each site (sales offices and plants) and accuracy of the stated information other than the figures. An investigation was conducted by interviewing the persons responsible for individual businesses and preparation of reports and obtaining materials and explanations from them.
- At the Sakai Plant, we conducted an investigation on the rationality of methods to calculate figures reported to Headquarters and the accuracy of the figures and stated information. This investigation was conducted by interviewing the persons responsible for individual businesses and preparation of reports and obtaining materials and explanations from them and verifying with the material evidence.
- We applied samplings to the investigation of the figures and the stated information.

■Opinions

1) Rationality of methods used to calculate and aggregate performance indicators (figures) and accuracy of figures

Methods used to calculate and aggregate figures at Headquarters and the Sakai Plant were rational.

Performance figures were accurately calculated and aggregated within the scope of our investigation.

2) Accuracy of Stated Information

We verified that the information stated in the Report was accurate. At the drafting stage, we pointed out some problems in appropriateness of expressions or comprehensiveness of the text, but these were corrected in the Report and there is no material matter to be corrected.

3) Contents of Responsible Care Activities

DIC achieved significant reduction of disposal of waste to the level of 1.8% this year through its efforts at reduction of disposal of industrial waste and zero emissions (the target of final landfill volume is less than 5% of the results in fiscal 1999). Sakai Plant can be commended for its achievement of zero emission as well as efforts at reduction and improvement of management by thorough utilization of the original waste management code and audit of disposal sites.

For global warming prevention, DIC has carried out such positive measures as adoption of carbon-neutral biomass-fired boilers. We expect continued efforts at reductions in line with the voluntary action targets of chemical industry.

At the Sakai Plant, we confirmed that consistent down-to-earth safety activities were carried out, including thorough diffusion of 5S, process review by safety assessment, review of "matters to be noted in process" considering succession of skills. We recognize them as sources of seven consecutive years with no occupational accidents.

4) Distinguishing Features of the Report

As can be seen from the name change to the CSR Report this year, DIC is visibly committed to communicating effectively with citizens and placing a great amount of value on easy comprehension. It is particularly commended that it established a new code of business conduct at the centennial anniversary and places priority on conduct as a "model corporate citizen" and information disclosure.

A History of Recognition and Honor

General Awards Received

1973	Received the Japan Society for the Promotion of the Machine Industry Prize for development of "DIC-TRON," automatic color separation device.
1985	Received the GATF Technology Award Grand Prix 1985 for development of ultra-high sensitive OPC printing plate.
1988	Banner series advertisements received the Nikkei Advertising Award.
1989	President, Shigekuni Kawamura received the Mainichi Business Person Award.
1989	Annual Report received the Special Prize in English publicity contest.
1990	Corporate advertisement received the Japan Advertisers Association INC. President Award.
1990	Banner series advertisements received the Nikkei Advertising Award for three consecutive years
1991	"Hollow fiber technology" received the Technology Incentive Award of the Japan Chemical Industry Association
1991	Kawamura Memorial Museum of Art received the Gold Prize of the Building Contractors Society
1992	DIC Americas received the GATF Grand Prix for the "waterless flat plate printing system"
1993	Annual Report received the Mercury Award, Silver Prize (Design Section) of International Media Conference.
1994	Polychrome received the GATF Grand Prix for CTX plate technology.
1995	DIC Building received the BELCA Award.
1996	Received the Recycling Promotion Council President Award for SMC scrap wood recycling technology, jointly developed with Aisin Seiki Co., Ltd.
1996	Received Technology Award of the Japan Chemical Industry Association for "Development and commercialization of Tolan type liquid crystal."
1996	"Development of functional polyisocyanate" received the Technology Award of the Japan Society of Color Material
1997	Calendar was awarded for four consecutive years at the National Calendar Exhibition.
1997	Annual Report received the Mercury Award, Gold Prize of the International Media Conference for two consecutive years.
1999	Received Technical Development Award of The Society of Rheology, Japan for "Development of rheology measurement equipment for printing inks."
2000	"Naturalis 100," 100% soy bean oil ink received the Outstanding Performance Award of the Nikkei Excellent Product/Service Awards.
2001	Received Best Poster Paper Prize by the SID International Academic Society for research in PN liquid crystal.
2002	Received the Technology Award, Special Technology Prize of the Japan Chemical Industry Association for development of "Naturalis 100."
2003	"Ceryl," silica/nylon nanocomposite fibrid received the Technology Award of The Society of Fiber Science & Technology, Japan
2004	"Japanese Traditional Colors," corporate series advertisement serially published in Mostly Classic magazine, received the Fujisankei Advertising Award Grand Prix.
2004	"Mecenat Grand Prix" was awarded by the Association for Corporate Support of the Arts for operation of the Kawamura Memorial Museum of Art.
2006	"Liberty," environment-friendly sheetfed inks of Sun Chemical, received the 2006 PIA/GATF InterTech Technology Award.
2006	Adviser, Okumura received a "Special Award" and Mr. Hideki Kato received the "Network Polymer Merit Award" from the Synthetic Resin Industry Association.
2007	Sun Chemical received the Gold Prize as the Technology Achievement Award from EFTA.

Environment and Safety Awards Received

1973	Amagasaki Plant	Effort Prize (Minister of Labour)
1974	Warabi Plant	Effort Prize (Minister of Labour)
1976	Warabi Plant	First Prize (Hygiene) (Minister of Labour)
1978	Mikawa Plant	Progress Prize (Minister of Labour)
	Sakai Plant	Progress Prize (Minister of Labour)
1979	Hokkaido Plant	Effort Prize (Minister of Labour)
	Mikawa Plant	Effort Prize (Minister of Labour)
1981	Tokyo Plant	Effort Prize (Minister of Labour)
1982	Mikawa Plant	First Prize (Safety) (Minister of Labour)
	Sakai Plant	Effort Prize (Minister of Labour)
1984	Tokyo Plant	First Prize (Hygiene) (Minister of Labour)
	Hokkaido Plant	First Prize (Hygiene) (Minister of Labour)
1986	Mikawa Plant	First Prize (Hygiene) (Minister of Labour)
1987	Sakai Plant	First Prize (Hygiene) (Minister of Labour)
1989	Amagasaki Plant	First Prize (Hygiene) (Minister of Labour)
1991	Sakai Plant	Progress Prize (Minister of Labour)
1992	Chiba Plant	Effort Prize (Minister of Labour)
	Sakai Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
1993	Chiba Plant	Top Plant for High-Pressure Gas Safety Commendation(Minister of International Trade and Industry)
	Mikawa Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Mikawa Plant	Safety Effort Award (JCIA)
1994	Suita Plant	Effort Prize (Minister of Labour)
	Chiba Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Sakai Plant	First Prize (Safety) (Minister of Labour)
	Warabi Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
1996	Saitama Plant	Progress Prize (Minister of Labor)
	Nagoya Plant	Effort Prize (Minister of Labor)
	Amagasaki Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Nagoya Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Fukuoka Plant	Special Commendation (JCIA)
1997	Mikawa Plant	Top Plant for High-Pressure Gas Safety Commendation(Minister of International Trade and Industry)
	Tokyo Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Tokyo Plant	Safety Award (JCIA)
1998	Fukuoka Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Ishikari Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
1999	Suita Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Kansai Polymer Sakai Plant	Safety Effort Award (JCIA)
	Nagoya Plant	Progress Prize (Minister of Labor)
2000	Mikawa Plant	Safety Award (JCIA)
	Mikawa Plant	First Prize (Safety)(Minister of Health, Labour and Welfare)
2001	DIC	Chairman's Award(Japan Industrial Safety and Health Association)
	Saitama Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Saitama Plant	First Prize(Minister of Health, Labour and Welfare)
2002	Tokyo Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Suita Plant	First Prize (Occupational Health)(Minister of Health, Labour and Welfare)
	Saitama Plant	Chairman's Award(Reduce, Reuse and Recycle Promotion Committee)
2003	Kashima Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
	Kashima Plant	Incentive Prize (Occupational Safety)(Minister of Health, Labour and Welfare)
	Yokkaichi Plant	Chairman's Award(Reduce, Reuse and Recycle Promotion Committee)
2004	Tokyo Plant	Incentive Prize (Safety)
	Fukuoka Plant	Chairman's Award(Reduce, Reuse and Recycle Promotion Committee)
2005	Komaki Plant	Top Hazardous Substance Operation Commendation(Commissioner, Fire Defense Agency)
2006	KITANIHON DIC CO.,LTD. (Tohoku Plant)	Incentive Prize (Safety and Health (Ministry of Health, Labour and Welfare))
2007	Tokyo Plant	First Prize (Safety and Health) (Minister of Labor, Health and Welfare)
	Director of Tokyo Plant	Fire Chief Commendation(Tokyo Fire Department)

Data Compilation

Data of 1999 and before can be accessed in DIC's home page. Its address is as follows; please refer to it.
http://www.dic.co.jp/en/csr/index.html

Table 1 Emissions of PRTR Chemicals

DIC (Non-Consolidated)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
PRTR chemicals (480 chemicals) (tons)	749	652	660	601	573	537	517	430

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
PRTR chemicals (480 chemicals) (tons)	—	—	—	(879)	(900)	1,822	1,647	1,499

Note: In fiscal 2003 and fiscal 2004, domestic DIC Group companies, excluding DIC, used 354 PRTR chemicals.

Table 2 SOx Emissions

DIC (Non-Consolidated)

Fiscal year	1990 (Base year)	2000	2001	2002	2003	2004	2005	2006	2007
SOx emission index	204	55	63	32	32	37	35	44	48
SOx emissions per unit of production (g/ton)	221	54	65	32	32	37	34	43	48
SOx emissions (tons)	100	24	30	14	14	17	15	19	21

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
SOx emissions (tons)	—	—	—	49	52	61	69	66
SOx emissions per unit of production (g/ton)	—	—	—	48	51	44	50	48

Note: SOx emissions per unit of production is the volume of SOx emitted per ton of production. The SOx emission index compares the change in emissions per unit of production with fiscal 1990 as the base year.

Table 3 NOx Emissions

DIC (Non-Consolidated)

Fiscal year	1990 (Base year)	2000	2001	2002	2003	2004	2005	2006	2007
NOx emissions (tons)	202	185	174	166	182	244	247	254	185
NOx emissions per unit of production (g/ton)	219	182	180	166	177	240	239	247	181
NOx emission index	100	83	82	76	81	109	109	113	83

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
NOx emissions (tons)	—	—	—	187	250	265	275	206
NOx emissions per unit of production (g/ton)	—	—	—	182	245	188	200	151

Note: NOx emissions per unit of production is the volume of NOx emitted per ton of production. The NOx emission index compares the change in emissions per unit of production with fiscal 1990 as the base year.

Table 4 COD_{Cr} Emissions in Wastewater

DIC (Non-Consolidated)

Fiscal year	1990 (Base yesr)	2000	2001	2002	2003	2004	2005	2006	2007
COD_{Cr} emissions (tons)	745	615	545	471	441	473	418	448	600
COD_{Cr} emissions per unit of production (g/ton)	809	606	563	473	430	465	405	435	589
COD_{Cr} emission index	100	75	70	58	53	57	50	54	73

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
COD_{Cr} emission index	—	—	—	442	474	422	451	603
COD_{Cr} emissions per unit of production (g/ton)	—	—	—	431	465	300	327	443

Note: COD_{Cr} emissions per unit of production is the volume of COD_{Cr} emitted per ton of production. The COD_{Cr} emission index compares the change in emissions per unit of production with fiscal 1990 as the base year.
Calculations for sites having no COD_{Cr} emissions data are based on biological oxygen demand (BOD) emissions.

Table 5 Volume of Industrial Waste Disposed of as Landfill

DIC (Non-Consolidated)

Fiscal year	1999 (Base year)	2000	2001	2002	2003	2004	2005	2006	2007
Volume generated (tons)	—	127,758	117,682	125,680	118,708	120,084	111,414	119,581	124,180
Volume disposed of as landfill (tons)	7,552	7,981	5,582	4,190	3,426	1,560	537	312	132
Zero emission index	100	106	74	55	45	21	7	4	2

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
Volume generated (tons)	—	—	—	149,781	155,494	162,300	171,086	181,284
Volume disposed of as landfill (tons)	—	—	—	4,326	2,229	1,282	809	541

Note: Industrial waste disposed of as landfill refers to the volume of industrial waste buried in landfill sites after reduction (through dessication or incineration) or directly. DIC has set a goal for industrial waste disposal of 267 tons by fiscal 2007.
The zero emission index compares changes in the volume of industrial waste disposed of as landfill with fiscal 1999 as the base year. DIC's zero emission index goal is a maximum of 5%.

Table 6 Energy Consumption

DIC (Non-Consolidated)

Fiscal year	1999(Base year)	2000	2001	2002	2003	2004	2005	2006	2007
Energy consumption (calculated in volume of crude oil used) (1,000 kl)	114	127	129	120	117	116	116	116	117
Energy consumption per unit of production (liters/ton)	124	126	133	121	114	114	113	113	115
Energy consumption index	100	102	108	98	92	92	91	92	93

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
Energy consumption (calculated in volume of crude oil used) (1,000 kl)	—	—	—	180	151	159	157	158
Energy consumption per unit of production (liters/ton)	—	—	—	128	116	116	117	120

Note: Energy consumption per unit of production is the volume of energy consumed per ton of production, calculated in volume of crude oil used. The energy consumption index compares the change in consumption per unit of production with fiscal 1990 as the base year.
DIC has set its target goal to be the reduction of its average annual energy use over the fiscal years 2008-2012 to 80% of its energy use in 1990, expressed in units of the energy source.

Table 7 CO2 Emissions

DIC (Non-Consolidated)

Fiscal year	1999(Base year)	2000	2001	2002	2003	2004	2005	2006	2007
CO_2 emissions (1,000 tons)	234	256	241	240	244	244	248	244	239
CO_2 emissions calculated in volume of carbon released per unit of production (kg/ton)	254	253	249	241	238	240	240	238	235
CO_2 emission index	100	100	98	95	94	95	94	94	93

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
CO_2 emissions (1,000 tons)	—	—	—	357	308	331	324	315
CO_2 emissions calculated in volume of carbon released per unit of production (kg/ton)	—	—	—	255	238	243	243	239

Notes: 1. CO_2 emissions per unit of production is the volume of CO_2 emitted per ton of production, calculated in volume of carbon released. The CO2 emission index compares the change in emissions per unit of production with fiscal 1990 as the base year.
2. CO_2 emissions calculated using purchased electricity in fiscal 2005 is a coefficient.

Table 8 Water Consumption and Wastewater Emissions

DIC (Non-Consolidated)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
Water consumption (city water) (1,000 m^3)	482	386	339	346	362	335	315	325
Water consumption (industrial water, others) (1,000 m^3)	17,178	14,918	13,588	12,270	14,249	12,789	14,262	15,412
Waste water emissions (1,000 m^3)	13,771	11,813	10,985	10,906	11,810	10,594	12,015	13,138

DIC Group (Domestic)

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007
Water consumption (city water) (1,000 m^3)	—	—	—	664	692	851	818	817
Water consumption (industrial water, others) (1,000 m^3)	—	—	—	12,683	14,665	13,778	15,212	16,397
Waste water emissions (1,000 m^3)	—	—	—	11,222	12,159	11,528	12,892	14,014

2007 Environmental Costs Detailed Data

Table 1 Environmental Costs (Investments and Expenses) Figures in brackets [ ] are for the domestic DIC Group.

Millions of yen

Category		Scope	Investments	Expenses	
1. Costs incurred through activities aimed at minimizing environmental impact generated within the business area through production and sales activities (costs within the business		Costs related to the preservation of air and water quality, maintenance or improvement of waste disposal and recycling activitie	1,071 [1,126]	3,037 [3,538]	29% [32%]
	(a) Pollution prevention and environmental protection costs	Costs related to the preservation of air and water quality	376 [391]	1,630 [1,853]	
		・Operating/maintenance expenses related to activities aimed at curbing air pollution (281) [432], global warming (285) [286], water pollution (876) [935], soil pollution prevention expenses (26) [35] and other expenses ・Investments in air pollution prevention activities (66) [66]; water pollution prevention activities (310) [310];other investments			
	(b) Resource recycling costs	Costs related to energy conservation and internal and external waste disposal	695 [735]	1,407 [1,685]	
		・Operating/maintenance expenses for activities aimed at reducing energy and resource consumption (224)[240], water consumption (0.1) [1] and waste disposal (856) [1,117]; expenses related to the obligatory recycling of used merchandise (0.5) [0.5] ・Investments in activities aimed at reducing energy consumption (678) [710], waste disposal activities(17) [42] and other investments			
2. Environmental costs related to management activities (management activity costs) (Note 1)		Costs related to environmental and safety promotion andeducation; environmental management and auditing related toacquisition of ISO 14001 certification	(Note 1)	443 [497]	4% [5%]
		Personnel/administrative expenses (255) [273], ISO 14001 maintenanceexpenses (12) [22], environmental impact measurement expenses (50) [71]and other expenses			
3. Environmental costs related to technological activities (technological activity costs) (Note 2)		Expenses and investments related to the development of products that reduce environmental impact (including personnel expenses)	538 [538]	6,653 [6,653]	65% [61%]
4. Environmental costs related to social activities (social activity costs)		Costs of plant and office greening programs and shared	25 [25]	186 [200]	2% [2%]
		Internal maintenance expenses (53) [63], fees to external organizations (119) [123], investment in greening programs (25) [25] and other expenses			
5. Costs related to damage inflicted on the environment (environmental damage costs)		Environmental clean-up and other expenses	0 [0]	71 [71]	
		Levies on lake development (71) [71] and other expenses			
		Total DIC (Non-consolidated)	1,633	10,390	100%
		Total DIC Group (domestic)	[1,689]	[10,959]	

Notes: 1. The investment portion of management activity costs is included in costs within the business area.
2. Technological activity costs are costs related to the development of products that reduce environmental impact and include R&D costs of new products as well as improving/customizing existing products.

Table 2 Environment-Related Facility Investments and Technology Costs

Millions of yen

Category	Composition	Expenses
Environment-related facility investments	Investments in facilities to reduce environmental impact and lower energy and resource consumption; other investments	1,633
Percentage of total facility investments	8%	
Environment-related technology costs	Investments related to environmental conservation technologies and the development of products that reduce environmental impact	7,191
Percentage of total technology costs	28%	

Table 3 Economic Effects of Environmental Conservation Measures Figures in brackets [ ] are for the domestic DIC Group. Millions of yen

Category	Expenses
Income earned by waste recycling	114 [188]
Treatment cost reduction through waste recycling	310 [425]
Cost reduction through energy conservation	107 [107]
Total	531 [720]

Table 4 Impact of Measures to Protect the Environment

Category	Environmental Load Indices (Fiscal 1990 = 100)		
1. Impact of environmental protection measures within the business area	CO_2 emissions (calculated in tons of carbon) per unit of production	Fiscal 1990 (Base year) = 100	93
	SOx emissions per unit of production	Fiscal 1990 (Base year) = 100	21
	NOx emissions per unit of production	Fiscal 1990 (Base year) = 100	83
	COD_{Cr} emissions per unit of production	Fiscal 1990 (Base year) = 100	73
	Energy used (calculated in volume of crude oil used) per unit of production	Fiscal 1990 (Base year) = 100	93
	Emissions of solid wastes disposed of as landfill	1% (of the fiscal 1990 level)	
	Target under DIC's reduction plan	2% (of the fiscal 1999 level)(base year for plan)	
	Fees paid for waste disposed of as landfill(fiscal 2006 actual payment base)	25.5 million less than in fiscal 2006.	
	Emissions of PRTR chemicals (revised list)	50% of the fiscal 1999 level. (Note 1)	
2. Impact of upstream and downstream environmental protection measures	CO_2 emissions realized as a result of modal shifts were 419 tons more than would have been the case with truck transport. (Note 2)		

1. Figures represent emissions of PRTR chemicals based on a revised list of target chemicals that went into effect in fiscal 2001 and is retroactive to fiscal 1999.
2. Calculations are based on standards set forth by the Japan Federation of Freight Industries in its Report on Survey of Modal Shifts. A significantly greater reduction in CO2 emissions was realized through the use of large-scale transport modes in fiscal 2007.

2007 Safety- and Health-Related Costs Detailed Data

Table 5 Safety- and Health-Related Costs Figures in brackets [ ] are for the domestic DIC Group. Millions of yen

Category	Investments	Expenses	% of Total
Safety and health management costs (a) Safety management costs (b) Health management costs	340 [372]	323 [349] (296) [320] (27) [29]	32% [32%]
Specific safety- and health-related costs		195 [238]	20% [21%]
Fees paid to outside firms for safety data-related tests	— [—]	315 [318]	32% [28%]
Safety and fire prevention costs	75 [110]	162 [212]	16% [19%]
Total	415 [482]	995 [1,117]	100% [100%]

Color & Comfort by Chemistry

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