

DIC CSR REPORT **2011** English version



DIC Corporation

CSR of the DIC Group

The DIC Group positions as the basis of CSR, we can fulfill our social responsibility through our business activities and contribute to the development of the society.

The DIC WAY Our Way of Business



WEB http://www.dic-global.com/en/csr/

The DIC Group has officially taken CSR into its management since FY2007. We make efforts to ensure an accurate grasp of changing social imperatives, including the issue of global warming and increasingly serious issue of resources, and respond with solutions that deliver the value that our many stakeholders expect. Through the continuous implementation of these initiatives, we aim to earn the trust of society and evolving. The DIC Group formulates CSR policy each year starting from FY 2008 as guidelines, to promote CSR at the ground level, and encourage awareness at both an organizational and an individual level. To foster concrete measures, we have set 11 CSR themes from "Compliance" to "Communication with Stakeholders" and have been carrying out them with deepening those major themes.

CSR Promotion System

The DIC Group has a system in which each administrative department is responsible as Department responsible for implementation to carry out CSR themes under the CSR Committee, to promote specific approaches to CSR. The Sun Chemical Group, however, promotes CSR under its own system.



 [[]Supplementary Note 1] Color segment: indicating efforts mainly based on [Economic perspective],
 [Environmental perspective], and [Social perspective].

◎ The details of each theme will be shown in the "Report on Our CSR Themes." Please refer to

Outline of the Report

This report has been edited so that readers can easily understand the CSR of the DIC Group. The DIC Group conducted an 'evaluation of materiality' based on the following reference guidelines for society, economy and environment, from the perspective of importance for both stakeholders and DIC Group. In consideration of coverage and materiality, the items which should be reported have been determined and the relevant activities of the DIC Group are presented.

Linkage with Website

The WEB mark **WEB** is indicated in the portions where the detailed data or related information can be seen, as a guide to the related pages on our website.

DIC website WEB http://www.dic-global.com/en/

Scope of the Report

Companies included in the consolidated financial statement. Please refer to **>> P27**, however, for the companies covered by the report on the "Environment, Safety, Health and Quality"

Reporting Period

Target Domestic Companies April 1, 2010 to March 31, 2011 (FY 2010) Target Overseas Companies January 1, 2010 to December 31, 2010 (FY 2010) (Some FY 2011 topics are covered here)

Issued

September, 2011 (the next report will be released September, 2012)

Reference Guidelines

GRI "Sustainability Reporting Guidelines 3rd Edition," ISO26000 (CD) Issued December, 2008



About the cover design

Making everyday life comfortable and full of color

Through a variety of efforts, DIC seeks to give abundant color to everyday life and achieve a sustainable society through science. We have made symbols from the "C"s that begin the words "Color & Comfort by Chemistry", our management vision, and in a vivid design incorporated into the background the idea of our speedy handling of the desires and expectations of society and stakeholders. It expresses our commitment to persistently contribute to the development of a sustainable society as a unified DIC Group.

*This report utilizes a color scheme informed by universal design, a focus of DIC Group efforts, to give it an easy-to-read design

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DIC Group, Globally Active and Expanding

The DIC Group has 190 affiliates and is active in a variety of business operations, including printing inks and synthetic resins, in 64 countries and regions in the world.

*Main countries:

American countries the United States, Canada, Mexico, Brazil, etc. European countries Germany, the United Kingdom, the Netherlands, France, etc. Asian and Oceanian countries China, Thailand, Malaysia, India, Australia, etc. The sum of the operating incomes by region on page 3 below does not correspond to that of the operating incomes of all the companies, as the former includes the canceled amount (¥4 billion)

Corporate Data (As of March 31, 2011)

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

Number of employees 3,412 (non-consolidated), 21,572 (consolidated) Domestic operations: 190 [domestic: 40, overseas: 150, including 82

Paid-in capital: 91.2 billion yen

companies in the Sun Chemical Group]

O Business Performance Highlights





These graphs have been prepared from the accounts maintained in accordance with the provisions set forth in Japan's Companies Act and Financial Instruments and Exchange Act. In FY 2010, DIC had 160 consolidated subsidiaries and 30 affiliates.

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 four operations:

- Printing Inks & Supplies Business Operation Printing inks, printing supplies,
- Neo Graphic Arts Materials Business Operation Organic pigments, Imaging and reprographic products, liquid crystal (LC) materials (TFT, STN)

Synthetic Resins Business Operation

Synthetic resins for inks and painting, molding, adhesive and fiber processing, additives and chemicals

Chemical Solution Materials Business Operation

Special compounds and colorants, building materials, packing-related materials, pressure sensitive adhesive materials, plastic molded products, engineering plastics, membrane and related products





Breakdown of Sales by Region



Percentages of the Number of Employees by Region



Asia

Asian and Oceanian countries

DIC China, DIC Asia	Pacific and 61 other companies
Number of employees	
Net sales	1,080 billion yen
Operating income	····· 95 billion yen
Main business	······Printing Inks & Supplies Neo Graphic Arts Materials
	Synthetic Resins



Japan

Japan

DIC, DIC Graphics	and 38 other companies
Number of employees	
Net sales	
Operating income	······227 billion yen
Main business	······Printing Inks & Supplies
	Neo Graphic Arts Materials
	Synthetic Resins
	Chemical Solution Materials

Europe

America

European countries

Sun Chemical Grou	up and 3 other companies
Number of employees	
Net sales	1,809 billion yen
Operating income	······54 billion yen
Main business	·····Printing Inks & Supplies
	Neo Graphic Arts Materials

American countries

Sun Chemical Group and 2 other companies	
Number of employees ······4,629)
Net sales1,254 billion yet	ı
Operating income ······36billion ye	ı
Main business ·····Printing Inks & Supplie	s
Neo Graphic Arts Material	s

South America

Towards raising each employee's awareness and building a CSR program well-suited to global chemical manufacturers



- How is DIC dealing with the aftermath of the Great East Japan Earthquake and what impact did it have on business?

I would first like to express my heartfelt sympathies to people affected by the Great East Japan Earthquake. I am praying for a quick recovery.

While nobody in my family or the DIC group lost their lives to the quake, damage was done to our Kashima plant (Ibaraki Pref.), where we produce organic pigments, base ink, and engineering plastics. As our primary concern is providing supply as a materials manufacturer, we immediately sent our managing directors to the area and committed everything to getting a handle on inventory at DIC and in our supply chain. We made resuming the production of pigments for LCD color filters—irreplaceable by other companies' products—our highest priority.

Fortunately, production could resumed in April, with everything back to normal in May. During this time, I kept our customers continuously informed of our restoration work and endeavored to avoid supply concerns.

In response to the power shortages feared for FY 2011, our employees are working hard to save power at our plants and their own homes, and we are working to ensure that we achieve a 15% drop in power usage compared to FY 2010.

-The earthquake as a spark for business continuity management (BCM) reevaluation

The DIC Group sees BCM as one priority task for CSR, but most critical is putting practical measures into place that seek to avoid both natural disaster and business risks. We are strengthening our BCM initiatives by, for example, working with other companies in the industry to construct a system of mutual aid for natural disasters,

- Tell us about the first-year progress with the "DIC 102" medium-term plan.

" **DIC 102** " seeks to achieve our "Color & Comfort by Chemistry" corporate vision and restore DIC to a financial position that inspires confidence.

DIC enjoys a large number of core technologies cultivated across a wide range of businesses. By bringing all of these together, our business will definitely expands. As a means to promote this, we have integrated our technical departments to reorganize the organization for facilitating interaction between engineers. We also have made progress on a framework for going beyond business sectors to allow any kind of equipment to be used whenever needed, as all our products are assets of the entire company.

In some business operations, we have made it so that alignment is not along product lines but along market lines, in areas such as automobiles, housing, information devices, and packaging materials. With packaging materials, for example, where separate businesses used to handle individual products such as ink, film, or adhesives, now we receive more and more requests from customers for new composite materials made with a combination of DIC products.

-Tell us about future product strategies for the global market

While the DIC Group is one of the world's leading ink manufacturers, the digital age has caused focus to shift away from ink and its role in "providing information and color" to products like LCDs, pigments, and imaging & reprographic materials. Our strategy for corporate growth for the time being is integrating these elements into the business field of Neo Graphic Arts.

Since the facilities of the LCD TVs, cell phones, printers and other products utilizing our products are concentrated in East Asia, our plan is to step up sales in this region and roll out business that will see growth in the U.S. and Europe.

- Please share with us your thoughts on CSR program advancement

I believe that CSR is critical not only for a company but also for individuals. In relationships between an individual and their family or neighbors or schools, there are things people should and shouldn't do. People learn to manage both, producing "win-win relationships". When looking at a company as a person's life, I now see what should and should not be done, something I learned through my own humble participation in UNICEF and local volunteer activities.

The DIC Group's business clearly demonstrates our commitment to fulfilling CSR, and our raison d'être as members of society lies in achieving our corporate vision through our work. At the same time, we believe it is important to maintain stakeholders' trust in our financial position in order to generate modest profits and grow while continuing to provide them with new value.

- What challenges are receiving particular attention?

The first point to mention would be our "Responsible Care (environment, safety, health, quality)" program. Second are our "new technology enhancement" initiatives, where we benefit the customer and society by developing brand-new and environmentallyconscious products. Third are our ongoing endeavors aimed at "customer satisfaction."

Fourth are our initiatives aimed at "enhancing human resources management". We are focusing on creating a corporate environment where our female employees can fully exercise their abilities. This includes continuing our 2.5-year maximum maternity leave program in addition to building a day care facility in the DIC headquarters area. We are also placing an emphasis on developing local managers at plants in East Asia and will continue to build a framework so that their organizations can be self-reliant. Fifth is the BCM.

Talk about the announcement of your participation in the United Nations Global Compact.(UNGC)

For the DIC Group to continue to grow as a global chemicals manufacturer, we will need to advance our CSR program through organizational operations in line with global standards. Our participation in the UNGC will be a big help in learning how to do this. Through these activities, we hope the GC will be a source of new perspectives and hints for how companies can fulfill their responsibility to society.

- Lastly, please talk about DIC's challenges and plans for the next fiscal year.

Our CSR Committee added new members in the form of representatives from the Asia/ Oceania and China regions. Our aim is the timely sharing of Group policies and projects and further spread of the CSR program to the Asia region. We will also be focusing on developing self-reliance in each employee. The most important goal for the CSR program is to develop a culture where employees independently recognize and act on issues, As president, I will be visiting our plants, to join town meetings, and I believe that developing employees who take an active approach to issue resolution is essential to the continued growth of a company.

Use the power of chemistry for a sustainable society full of comfort and color

Through its "Color & Comfort by Chemistry" concept, the DIC Group contributes to a comfortable lifestyle and a variety of industries while creating a sustainable society that is full of color and founded on safety and peace of mind.

DIC's chemical expertise, a pillar for LCD evolution

Special

Topic

From improving manufacturing process (kaizen) to reducing power usage

LCDs produce a color image from the three primary colors red (R), green (G), and blue (B), accomplished by passing an LED or other light from the back of the screen onto multiple layers which include a polarizer, glass substrate, electrode, alignment layer, color filter, and liquid crystals. DIC developed a highperformance, long-life liquid crystal material in 1973, later using it in the world's first calculator to feature a liquid crystal display. We have since developed high-performance materials critical to display manufacturing and continue to provide a wide range of products to the world's leading consumer electronics and liquid crystal display manufacturers. Particularly in recent years, DIC has answered demands for high screen luminance, wide viewing angles, and 3D imagery. Safety is key, but power and resource saving is another priority we address by developing technologies to save more power when using devices. We are also streamlining display manufacturing stages. One example of this is the attention we are focusing on anti-scatting adhesives films and waterresistant adhesive films using adhesive and coating techniques (improving safety) as well as retardation control agents hard coating agents, and leveling agents^{*1}", and our brightening of color filters to reduce backlighting amounts (Energy Conservation). Throughout these efforts, we have been persistent in improving liquid crystal compounds. In addition to business involving STN (super-twisted nematic)*2 LCD technology-widely used to provide color to mobile phone screens—we are currently enhancing business focused on TFT (thin-film transistor) technology for use in LCD TVs. Fast-response liquid crystals for 3D TVs (for improved comfort) and other materials related to LCDs are also targets of DIC development. In the medium term as well, we will continue to contribute to society by focusing on the development of products for new markets including e-paper and providing "color and comfort".

Voice

Accelerate our business through our marketing power

DIC has many core technologies. Combining these across sectors will allow us to expand into completely new areas. By applying this to our relationship with customers, I am confident that we can accomplish something beyond imagination.



Liquid Crystals Color filter Glass substrate

Polarizer

Corporate Marketing Dept. Section Manager Toshihiro Ebine

^{*1} Leveling agent: a material that enhances smoothness.

² STN (Super-Twisted Nematic): One type of liquid crystal display. By greatly increasing liquid crystal molecules' degree of twist, light permeability and contrast at wider viewing angles are improved.

DIC develops new "green pigment" in 2010, achieving outstanding picture brightness and contrast

Particularly worthy of a mention among the marks DIC has left in the liquid crystal field is the development in 2010 of a green pigment featuring a new molecular structure and used in color filters. The technology allows for subdued backlight coupled with high light transmission and outstanding brightness and contrast. It makes a revolutionary contribution to making screens thinner and cutting down on power drawn by the light source, which accounts for most of the power consumed by an LCD TV.

For the origin of this technological development, we must go back to when most backlighting was performed by florescent tubes. "In the near future, LCD displays will get larger and thinner, while demand for better picture quality and energy saving will increase. We had to redesign chemical structure, and develop a pigment that will demonstrate overwhelmingly high-performance". This was a project that would entail creating new chemicals, and one that would truly test our value as a pigment manufacturer.

Our development staff first targeted green pigments in recognizing their being well-suited to materials made from phthalocyanine, a strong point for us among RGB colors. They then coordinated with the Basic Research Dept. and selected dozens of candidate substances from a countless number of chemicals. To find the optimal molecular structure, engineers designed prototypes for various molecular structures, synthesized substances, and continuously revised. They then discovered that they could dramatically increase brightness by using zinc instead of copper for the structure's central metal. Contrast was also greatly improved by making the pigment particles smaller. Recently, the number of development staff on the project has ballooned to accelerate development. From staff who design and manufacture production lines where the crystallizing of particles is controlled by nanometers*1 to staff who make evaluations and record data to ensure substances are in line with international standards for chemical substances to staff who file for patents, all related departments have come together to create products.

The resulting announcement in July 2010 of the "FASTOGEN Green A310" as a pigment that makes the most of particularly LED backlight characteristics created big waves in the industry. Not long after producing the product, DIC had 50% of the global market. Organic pigments for color filters (RGB 3-primary color system)

Next: a new blue pigment, and a new blue business domain

In developing a new blue pigment, we used the same method as for the green pigment and selected candidate substances. But despite repeated evaluation and revision, we were unable to achieve our target brightness. Our engineers then departed from conventional thinking and, in addition to selecting candidate substances, made improvements using new methods to satisfy color filter characteristics and put together a goal for a new blue pigment that will provide 20% more brightness than conventional products. Our engineers are currently looking to market it by FY 2012.

The development of a new red pigment is also on the horizon as a new goal at DIC. Yet liquid crystal technology is not the only domain we are pursuing. On the table at DIC are an endless number of projects to develop materials, processes, and functions that will allow us to utilize our expertise in chemicals and always continue to develop products. In the fast evolving field of electronic devices and organic materials alone, we are developing items like highly conductive ink usable with electrode wiring, high-response organic EL displays, e-paper, and e-books.

Voice

The development of new pigments is a product of DIC's total power

Developing pigments is like developing pharmaceuticals. Findings made through persistent basic research, chemical structure design technologies, nano-level production technologies, inspections and recording of data to prove a product's safety internationally, protection of intellectual rights. There can be no product without all of these elements. This is why the creation of new green and blue pigments is truly an achievement enabled by the concerted efforts of all of DIC.



Color Materials R&D Group Manager Fine Synthesis Technical Department Katsunori Shimada

Comment

*1 nanometer: 1 billionth of a meter.

Using our supply chain for a better corporate constitution

Liquid crystal is the most important material for DIC's LCD business. When purchasing these, we demonstrate DIC's three competitive advantages. The first of these is superior quality. LCD panels, by their nature, require top-notch precision. Through its Cross Checking Process, DIC liquid crystal products have never had a quality issue. This is why I feel DIC makes reliable, high-quality products. The second is DIC's ability to respond quickly. Starting in October, 2010, when demand for new models spiked, DIC's excellent responsiveness allowed it to increase its production capacity threefold in three months after the start of sales.. A third advantage is cost competitiveness. Due to the nature of consumer electronics, cost competitiveness is becoming ever more important.

At Samsung, we plan to focus on enhancing our supply chain management for LCDs. We hope to work with DIC and buyers of DIC's materials in order to build a coordinated supply chain encompassing everything from the development to shipment of finished goods, and strive to make ours one of the leading groups in the industry.



SAMSUNG ELECTRONICS Co.,Ltd. Procurement Team, LCD Business Manager PARK JONG-WON



Pursuing product quality and better added value

In the packing materials domain, DIC follows its "Color & Comfort" concept in developing high-performance materials such as eco-friendly printing inks, pigments, aluminum can paint, barrier coat agents, labels and adhesives. Likewise, we are also investing our products with ever more added value as we develop technologies aimed at providing visually-appealing and tactile color.

In food packaging, we are working to preserve quality to prevent any loss of safety or taste in our products, decreasing CO2 emissions during delivery by making materials thinner and lighter, controlling the amount of volatile organic compounds (VOCs) produced in manufacturing processes, and other efforts as we work to keep up with greater demand every year for more improvement and variety in these areas. One major pillar supporting our products is reliable safety in food sanitation. Even from the product development stage, DIC is focused on the strict management of food safety based on conformity with industry-wide, regional, and national safety standards and with the food sanitation law in Japan and elsewhere, including the U.S.'s Food and Drug Administration (FDA), considered the strictest organization of its kind.

DIC is also in pursuit of sustainable, colorful packing materials based on consideration for the environment throughout a product's entire lifecycle.

Voice

The ability to develop all major base materials in-house is a DIC strength

Through DIC's triumvirate of the R&D Steering Committee, Technical Administrative Division, and Manufacturing Department, we can develop and manufacture raw materials (pigments and synthetic resins) and make products by freely combining the necessary base materials. This allows us to develop products such as UV-resistant ink, barrier coat agents, and high performance adhesives that are first-class in performance, appearance, environmental friendliness, and cost. This is DIC's greatest strength and why our packing material customers see value in us.



Coating & Applied Materials Technical Dept.Styrenic Resin Technical Group Group Manager **Tsuyoshi Fukukita**



Add color to even the top lids of cans and open up an attractive new field

"Color End Hana", an aluminum can paint

DIC sees the can top, which is always gold color to give it a high-class look, as an attractive, untapped product market, and has made many attempts to give color to can tops. But since can tops come in direct contact with the mouth and the content of the can, we knew we could not offer such products to our customers without a high level of safety.

This led our development team to find a material that could be used as an inner coating film and that would satisfy FDA sanitation standards and both DIC and the FDA's coating film performance requirements. By then using technologies to distribute the pigments, we developed materialthat could be used to color can tops. We have since turned this into our "Color End Hana" product, which beverage manufacturers throughout Japan now use to give a unique presence to their products.

Blocks 99% of UV rays, while being highly transparent

UV-cut ink

When exposed to UV rays, products suffer ill effects such as decreased quality and faded colors. But consumers are not at ease until they can see what is inside something. To address this issue, DIC has used its dispersion technique—one of its key technologies—to develop a technology for evenly applying a UV-absorbent resin to the surface of the base material (pigment). With "UV-cut ink", we have succeeded in developing a technology that will absorb 99% of UV rays while remaining so transparent that you can see what is underneath. By using this ink as a packing material, we minimize photodegradation in products, extend freshness dates, and better preserve quality with cosmetics, pharmaceuticals, and other products.

Cut 100% of VOC occurrences from the laminating stage

Solvent-less laminating adhesive

Our resin film packages allow a variety of foods, pharmaceuticals, and other products to be laminated and sealed to the strength and tolerance required. However, it used to be that the organic solvents used in the laminating process contributed to the production of VOCs, which are thought to cause air pollution. By changing resin molecule size and viscosity through adding heat, and by adding stiffening agents, DIC has succeeded in creating an adhesive with no compromise in adhesive performance, without using a single organic solvent.

This "solvent-less laminating adhesive" has completely eliminated VOC production from the laminating stage, improving the work environment.

Reducing CO₂ emissions with the world's first super-thin film

Hyperbranched polystyrene

When decorating food trays, colors and designs can be printed on a film and attached to the trays. Making the films lighter makes the trays lighter and helps reduce CO2 emissions during transport, conserving resources. While everyone currently believes that the strength and tolerance of current films have hit a wall, DIC's R&D Steering Committee and Technical Administrative Division have collaborated and broken through this wall by introducing a hyperbranched structure different from conventional polystyrene. In addition to succeeding in the practical application of the absolute thinnest film in existence, DIC has also reduced energy consumed in the manufacturing stage and improved production stability when recycling. We have acquired an international patent for "Hybranch", the world's first hyperbranched polystyrene, and expect to see it succeed in a wide variety of fields.

Voice

Develop products that will allow continuous growth through better costs

Important in the packing materials business is cost competitiveness, not to mention the core components of a product's performance, namely safety, convenience, beauty, and eco-friendliness. Water-based inks, for example, allow fewer solvents to be used, but they take time to dry. This makes limiting their energy cost a challenge. This is why DIC is focused on the development of a product that will improve costs to ensure continued profitability through systems that turn high solid gravure inks lacking in solvents but able to be printed with, along with solvents evaporated in a hermetically sealed environment to be returned to liquids and reused.



Liquid Ink & Coatings Div.Tokyo Liquid Ink Sales Dept. Manager

Tomonari Inoue

Comment

Anticipating new business proposals to meet social needs through the total power of DIC

As a company people refer to as a leading entity in the field of food containers, the FP Corporation is an active maker of products that place special emphasis on safety, peace of mind, and the environment. In working with DIC, we not only enjoy a stable supply, we improve our bottom line thanks to the outstanding quality of the increasingly thin, lightweight nature of DIC's hyperbranched polystyrene-containing products. We expect DIC will continue to develop ever higher quality polystyrene products, using the full extent of their capabilities in creating new business solutions like improving service for film printing and other print-related products.



FP Corporation Executive Director General Manager Purchasing Div. Yoshitaka Ezaki

"Contributing to a colorful society" through business

DIC Color Design, Inc.

Supporting the "Chojuku" bread brand's entry into China

DIC Color Design (DCD) performs creative consulting in many fields including food, consumer electronics, housing, and stationery with "color design".

When asked by the Shikishima Baking Company for help in expanding the "Chojuku" brand—enjoying the top position in Japan's bread market into China in 2010, we conducted local market research and analysis, created a brand launch strategy, and offered packaging designs. DCD attended presentations given to local partner companies conducted

in Shanghai, leveraged both the considerable consulting experience we have in Chinese market entry and the full extent of our knowledge of Chinese preferences, and acted as a bridge in connecting the Shikishima Baking Company's hopes for their "Chojuku" brand with local partner companies' strategies.

Topics



Packaging design is key for China's increasing focus on safety

We first began working with the DCD when they gave us ideas for taking business to China, a market we had never considered. Their being with us when exchanging opinions with Chinese staff allowed us to convey our thoughts to them. While we did not see eye to eye with the Chinese staff about the value of the packaging's color or design, DCD's negotiations

Comment



Shikishima Baking Co.,LTD Director and Officer R&D Division

Chikara Nemoto

based on predictions for the Chinese market and future consumption trends eventually won them over. As China comes to see more value in food safety, there will be many more opportunities for products from Japanese companies. Thus, designs that prioritize safety and peace of mind will be critical in increasing business. We hope DCD continues to provide design solutions that will give consumers a sense of security.

Topics

Biodiversity preservation

The Central Research Laboratories and A Kawamura Memorial DIC Museum of Art

Protecting nature in Satoyama(border zone between mountain foothills and arable flat land)

The preservation of biodiversity is a critical issue for the DIC Group and is the subject of various initiatives. 85 top managers from DIC headquarters, DIC plants and group companies attended a lecture given by experts in January, 2011.

While the Central Research Laboratories are currently using ground water, DIC is now working to install a closed system for circulating and reusing water and is working with a waste processing firm to ensure wastewater does not leave the area. The mountainous area is home to 200 species of tree, 500 species of flower, and an abundance of other wildlife including birds and insects. An area where is loved by local communities and society for nature walks, the area has also seen some 200,000 yearly visitors since the opening of the museum in 1990.

Voice Passing to posterity a space where the beauty of art and nature is in harmony

The DIC Group views parks and forests that preserve rich ecologies to be precious assets for local communities and society. Continuing to share with many people the joy of experiencing that beauty and richness requires meticulous management. We feel passing these joys on to future generations are our mission.



Kawamura Memorial DIC Museum of Art General Affairs Group Group Leader Masaaki Iwaki

Achieve a low carbon society and reduce global CO₂ emissions

While Energy Conservation with its products, the DIC Group also works to cut CO₂ emissions from manufacturing processes and from all elements of the life cycle at its plants around the world.

From total plant management to understanding individual energy sources per product

The same amounts of CO2 emissions are produced by domestic and overseas operations in the DIC Group. In Japan, we are working to save energy by converting to LNG from heavy oils, adopting Biomass cogeneration system, and since FY 2009 have been power generation using wind power. We have reduced overall energy usage outside Japan, too, with biomass boilers and other solutions in tune with regional characteristics.

In 2010 we started "Energy Conservation through product-specific process improvement" action based on moving to the next stage from energy-saving improvements at shared facilities at the DIC Hokuriku Plant (Ishikawa Pref.). This was to address the fact that the majority of manufacturing processes were "non-continuous processes", where many different products are made on the same line, as opposed to continuous processes where a few products such as refined oil are mass-produced. To speed up energy-saving initiatives, then, we needed to identify energy challenges for a variety of products and improve processes in addition to having shared facilities for supplying energy.

EneSCOPE and VETA for better power saving

In 2009, the DIC Hokuriku Plant implemented centralized monitoring to understand in real time (in graphs) how much of

Voice Reducing CO₂ emissions is a social imperative for global firms

The strengthening of international CO_2 emissions regulations, rising prices of energy resources, and calls for energy conservation in Japan due to the suspension of multiple nuclear plants are all contributing to a harsher energy environment. To address this, we are placing hope on our ongoing "product-specific process improvement", which will be the first step in CO_2 emissions control via the LCA method and a means to reduce emissions by individual energy source and overall. We also see an obligation to society in sharing these efforts with DIC plans and Group companies.



Special Topic 2

Production Control Department Senior Manager Susumu Haibara



11

the electricity, steam, nitrogen, and other energy generated in the Power Dept. was being used on production floors. The facility also established "EneSCOPE" to verify loss and waste, for large total contribution to energy-saving. Our next effort was developing and setting up "VETA⁺1" to visualize energy consumption by manufacturing stage. Employing traditional logic to the problem of power conservation, we predicted through theoretical heat budget calculations the amount of energy we could save by upgrading equipment, shortening operating times, and establishing optimal operating conditions. But because in creating products changes must be made to various operating conditions at many stages, and because we are sharing equipment across multiple reaction series, it was difficult to correctly ascertain the stages for each product where the most power was being consumed.

*1 VETA: A DIC original system meaning Visualization of Energy based on Theory and Actual usage.

Taking the first step to achieve "visualization"

It was then that the Engineering Division (Polymer EG) developed a system for "visualizing" energy usage per product and manufacturing stage based on a urethane acrylic polymer line at a new resins plant that had many measuring instruments. They enabled the collection and monitoring of measurement data on computers used in control. The effects of "visualization" were seen immediately. The results overturned common knowledge dictating that the most energy is consumed at the reaction stage and showed that the raw material fusion stage used the most energy, accounting for almost 50% of total consumption.

Knowing this, we were able to cut 30% of energy usage at the raw material fusion stage by strictly managing temperature, time, and fans in the thermal container where raw materials are fused. A VETA analysis also showed us that almost 20% of power was being used at the equipment cleaning stage when switching products. This prompted us to optimize production schedules and put the same products into continuous reactions to minimize cleaning stage power usage. Consequently, we determined we would be able to realize a 10% reduction of CO2 emissions produced during urethane resin synthesis. The Engineering Division (Polymer EG) is now working to ensure that VETA is used to achieve similar results with other products and at other plants.

C One more way to "visualize": CFD(Computational Fluid Dynamics)

Another element providing background support for visualization on production sites is CFD, a CAE*² tool being used at DIC's Central Research Laboratories. With CFD, computer simulations produce images or numbers from distributions of or changes in temperatures, speeds, or pressure. It then creates an image of the current and future state of manufacturing equipment that anyone can understand and share.

With heater boxes, for example (also a target for VETA mentioned above), a fan is run to evenly distribute heat from a heater. Depending on the force and direction of the wind hitting the drum, however, different amounts of heat reach each one. While it would be difficult to know this using only measuring instruments, CFD makes it easy to detect problem

areas through imaging and allows for finding the optimal fan position, wind direction, and wind power. In one example, raw material fusion time was shortened by 66% and energy consumption dramatically decreased by only changing the current fan position inside the heater boxes and adjusting wind direction and power.



CFD analysis for a heater box(Velocity distribution of drum surface)

*2 CAE: Computer Aided Engineering

Voice

What issues can be identified from the data is key

Because our manufacturing stages are complex things where one piece of equipment is shared among multiple boilers, discovering areas where energy can be saved from measured data and theoretical estimations is no easy task. Going forward, I believe there need to be improvements to VETA so many more people can use it as a tool for improvement, even if they lack specialized knowledge. However, I believe the expertise gained from using VETA will be a major strength for the DIC Group.



DIC Hokuriku Plant Engineering Division Polymer Engineering Group Dai Yamamoto



Existing equipment is a gold mine for ways to save energy

Even production sites confident they are saving as much energy as possible will find new areas for improvement through CFD. We have worked on 50 projects a year where CFD were used. With such a variety of equipment and manufacturing processes, it is critical for those who know the production site well to first get the idea of analyzing a certain stage and then finding the opportunity to do it.



Central Research Laboratories Platform Process Engineering Group Senior Manager Masayuki Nakamura

Sun Chemical Group Initiatives



The Sun Chemical Group considers fulfilling its corporate social responsibility a core of its business and works to secure the safety and health of the environment and its employees as it promotes its own "Suncare®" management system throughout the entire group to meet the demands of society.

Since reducing CO₂ emissions—which helps prevent global warming—is linked to reducing energy usage, we are focused on improving employee awareness of energy conservation, upgrading and improving equipment and machinery, and reviewing processes. We measured a 13.1% decrease in power used in FY 2010 compared to FY 2005.

🕐 Carbon Footprint Project

Aiming to understand greenhouse gas emission levels, Sun Chemical calculated CO₂ emissions for its major products at the production, shipping, and sales stages. In the "2010 Carbon Footprint Report" issued in November, 2010, we reported on the following points.

- Quantification of greenhouse gas emissions at the manufacturing and shipping stages of a product's life cycle.
- (2) Carbon footprint quantification for major products.
- (3) Identified areas where greenhouse gas emissions can be reduced based on information gained.

One factor behind this was success in reducing the amount of electricity we purchase by 33%, giving us 278,836 tons in CO_2 emissions for the entire Sun Chemical Group in FY 2010. We also began a project to reduce electricity usage by 2% and natural gas usage by 11% at our main 16 plants for the two years from 2010 to 2011.



Voice

Energy Reduction Project Muskegon Plant (Michigan State, U.S.A.)

At our U.S. plant in Muskegon, where much of our organic pigments are produced, methane gas collected from municipal landfills has offset CO2 emissions from natural gas used for primary boilers and now provides 41% of the plant's fuel needs.

Improvements to equipment for

preventing air pollution have eliminated



"Energy Team" members

the need for circulating pumps to expel exhaust, and streamlined energy use has cut power usage by about 225 MWh a year.



Participation in the UNGC Taking another step forward as a global chemical manufacturer



Contributing to sustainable social and global development

In order to better fulfill its social responsibilities in the international community, the DIC Group pledged its support and was registered as a participating company in December 2010 for the 10 Principles and Millennium Development Goals (MDGs) being advanced by the United Nations.

The UNGC is a voluntary action plan proposed by former UN Secretary General Kofi Annan in 1999, and is run by its member companies. More than 8,000 companies and organizations have pledged their support based on the idea that worldwide sustainable development can be achieved if corporations observe internationally accepted norms for human rights, labor, and the environment in the course of conducting business.

Achieving the "DIC WAY" in accordance with the 10 Principles

With the DIC Group's "The DIC WAY Code of Business Conduct" (>> P18) in conformance with the 10 Principles of the UNGC, we will use our participation in this initiative to advance business operations even more attentive to the global environment and human rights as we strive to achieve sustainable development around the world.

The DIC Group's CSR Activities

CSR Theme / Objective	Objective / Task	FY 2010 Goals	FY 2010 Results	Evaluation *	Reference page	FY 2011 Goals
Compliance / Fair and transparent	Raise awareness of compliance	Continue and expand compliance training (prepare Q&As, conduct e-learning)	Prepared English and Chinese e-learning materials from the partially revised Japanese version		►► P18	Create and distribute a digest of the DIC WAY to be used as an easy-to-understand tool
corporate activities	Conduct business fairly	-Properly address Antitrust Act regulations -Create framework for actions to address "antisocial forces"	-Completed Q&A list (30 in all) concerning the Antitrust Act based on questions received hitherto -Completed a framework to address antisocial forces at plants	0	►► <u>P18</u>	Prepare e-learning course for the Subcontract Act and promote Subcontract Act observance
Information security / Make information secure	Establish a global information security framework	-Establish a guideline for confidential information management and share regulations information through internal training -Bolster the Group's internal IT governance	-Began review of a guideline necessitated by regulations revisions, but did not complete in FY 2010 -Conducted a current situation survey concerning information security at overseas group companies; confirmed tasks and problem areas	4	►► P19	-Create confidential information management guidelines and establish an internal management framework -Draft rules and a framework for creating an information security framework for group companies
Reliability of financial reporting / Remain a trustworthy corporation	Establish a global standardization	 Promote standardization and streamlining of operations Promote documenting of the guideline 	 Consolidated plant and branch accounting figures and made it so that figures were collected based on function throughout the company Promoted work standardization and reorganized regulations, guidelines, and manuals 	0	►► <u>P20</u>	-Prepare for integration of core corporate systems -Create a global accounting policy in anticipation of measures for IFRS and incorporation into next term's core corporate system -Plan and promote implementation of country-level shared services
	Institute qualitative change to comprehensive risk management systems	-Standardize and streamline internal auditing methods -Use J-SOX initiatives to extend the range of monitoring functions for all risk management	-Conducted experimental theme audits (transfer pricing audits) -Conducted governance audits for regional administrative companies -Revised internal audit manuals	0	►► <u>P20</u>	-Expand scope of theme audits (compliance) -Actions to improve quality of internal audits (regional audit team peer reviews*1, auditor training)
		Create business continuity plans (BCPs) for all business operations	Achieved initial goals. Requested business operations use PDCA	0	▶► <u>P21</u>	-Plan BCM and supply chain coordination -Formulate frameworks for each kind of disaster -Roll out BCM at affiliates
Business Continuity Management (BCM) / Limit disaster risk	Ensure DIC Group business continuity	Establish and continuously review a BCM outline	An outline is coming together; work continues on and review through training and BCP committees at business operations	0	►► <u>P21</u>	Continue to identify and improve problem areas through review meeting after the Great East Japan Earthquake and future training
		Create a crisis management framework for disaster situations	-Manager training through crisis management seminars at the DIC Management School -Conducted division training in headquarters emergency measures to prepare planning for disasters; have identified and begun immediately addressing problem areas	0	►► P21	Conduct media-based training in preparation of measures for handling crises, and continue the training

*The "Evaluation" column below indicates CSR-committee-verified self-evaluations of current

*1 Peer review: Mutual quality audits performed between teams

CSR Theme / Objective	Objective / Task	FY 2010 Goals	FY 2010 Results	Evaluation	Reference page	FY 2011 Goals
Supply chain management / CSR procurement to be expanded globally	Create base for fair purchasing practices	Use DIC Group purchasing management regulations as a model to follow up on the creation of purchasing management regulations for domestic affiliates	Provided a purchasing management regulation draft to domestic DIC group companies and followed up on the creation of purchasing management regulations through briefings, etc.	0	►► P22	Use DIC Group purchasing management regulations as a model to follow up on the creation of purchasing management regulations for overseas affiliates
	Promote CSR procurement	Promote distribution to, and collection from, domestic partners of the DIC Group Supply-chain CSR Deployment Guidebook; begin actions aimed at overseas partners	Gave evaluation results to the 170 companies that completed questionnaires. Created English and Chinese versions of the guidebook for overseas business partners and distributed them to or collected them from some of those partners.	0	►► P22	Distribute the DIC Group Supply-chain CSR Promotion Guidebook to 200 domestic and overseas business partners; collect questionnaires
Business model focused on customer	Promote solutions businesses	Investigate and reconsider whether performance and value of DIC products meet customer expectations	Set up meetings to clarify the domains and products DIC technological development would target, and selected themes for specific solutions businesses.	0	►► P23	Plan and establish as specific business models selected solutions for business themes
satisfaction / Establishing "solutions businesses"	adapted to changes in social imperatives	Improve communication with customers through core technologies and the introduction of products for high demand industries	-Created and distributed product guidebooks for each high-demand industry. -Held technology exchanges for major electronics manufacturers and actively promoted DIC's core technologies and representative products	0	►► P23	Take a comprehensive and multifaceted approach to promoting DIC's core technologies and representative products to important customers in major high-demand industries; research customers' needs and strengthen relationships
New technology development and value creation / Proposing solutions that leverage core technologies	Enhance ability to develop new products and technologies to help achieve a sustainable society	Reform the organization to consolidate technological resources companywide	Reorganized the Technology Division based on core technologies; built a technology information sharing system on the Internet; ramped up information sharing and human resources exchange.	0	▶ P24	Devise a framework for consolidating DIC Group technological resources
	Promote development of environmentally- conscious products and services	Improve communication with customers through core technologies and the introduction of products for high demand industries	Business volume of environmentally-consciou s products as a percent of all our products: 50%	0	►► P25	-Promote research themes related to the environment -Early launch of new environmentally-consciou s products into markets
Human resources management / Striving to improve job satisfaction	Train and appoint national staff to advance global management	Identify highly-capable human resources and appoint staff, regardless of nationality	 Created HR systems for two companies in Indonesia and two companies in Taiwan Established policy for identifying and creating a database of highly-capable staff in accounting and finance operations in the Asia area Decided to implement HR system at Siam Chemical in Thailand 	0	► P38	 Help ensure that the Indonesian HR system takes hold Conduct analyses of accounting and finance operation staff roles as well as performance reviews Integrate HR systems at our three companies in Thailand
	Support staff diversity and diversity in working styles through working women promotion activities	Advance initiatives aimed at expanding roles for women in the workplace	Held get-togethers for female sales staff; continued assigning new female graduates (2 people) to manufacturing sites	0	►► P38	Continue actions aimed at expanding roles for women in the workplace
	Support staff diversity and diversity in working styles by promoting employment of handicapped persons	Promote hiring aimed at achieving employment quota for handicapped persons of 1.8%	Achieved a 2.0% employment rate, exceeding the 1.8% quota (end of FY 2010)	0	►► P39	Maintain and improve yearly employment rates for handicapped persons and continue building comfortable work environments

["Evaluation" Standards] \bigcirc ···Extensive progress made (100% achieved) \bigcirc ···Considerable progress made (60% or more achieved) \triangle ···Some progress, but insufficient (30-60% achieved) ×···No progress made (less than 30% achieved)

RC Targets and Achievements of Major RC Activities

Items	Viewpoints and tasks of the approaches	Page to refer to	Targets for FY 2010
	Prevention of global warming and promotion of energy saving	►► P31	Reduce energy use per energy source to 94% (116.2 l/t) of 1990 levels. (-2% on last year)
Environmental	Reduction of industrial waste (zero emissions) Reduction of volume of industrial waste disposed of as landfill Reduction of industrial waste discharged from production plants	►► P30	Reduce volume of industrial waste sent to landfills DIC: 69 tons (-25% on last year) DIC Group (domestic): 209t (-10% on last year) Volume of waste produced by production plants DIC: 17,345 tons DIC Group (domestic): 65,267 tons
conservation Reduction of environmental impact	Promotion of recycling	►► P30	Promote recycling at DIC group companies (domestic) and improve resource recycling
caused by business activities	Emission control of chemical substances PRTR 1st-designated chemicals (462) + Substances targeted for study by JCIA ⁺¹ . (105) +1 substance group	►► P28	DIC: 268 tons (-24% on last year) DIC Group (domestic): 623 tons (-6% on last year)
	Reduction of VOC released into the air	►► P29	DIC: 255 tons (-25% on last year) DIC Group (domestic): 610 tons (-6% on last year)
Process Safety and fire prevention/	Risk assessment	►► P35	Provide guidance on risk assessments connected with equipment investment. Be timely in providing information.
Occupational safety and health	Promotion of sharing of information on environment and safety between DIC and Group companies; both domestic and overseas	►► P35	Conduct accident analyses and be timely in providing information. Hold seminars to discuss safety measures for preventing accident reoccurrence.
	Reduction of GHG emissions caused by transportation	►► P31	To promote energy saving measures related to freight transportation to ensure an annual reduction of 1% in terms of the energy consumption per unit transportation
	Management of transportation safety of chemicals	►► P35	Prepare yellow cards and have general freight vehicles including container trucks, lorries, and vehicles carrying mixed freight carry them.
	Promotion of green procurement	►► P36	Have incoming raw material information collected and managed by CIRIUS in accordance with the DIC Group's Green Procurement Guidelines.
Chemicals/ Product safety	Measures to cope with GHS (measures for the requirement to disclose information on chemicals contained in products)	►► P36	To prepare MSDS for all of our chemical products, and distribute them through our website.
	Measures to cope with overseas regulations (e.g., the REACH regulation in the EU)	►► P36	Assure 2010 registration concerning REACH regulations. Support filing CLP*2 registrations with the EU. Create the necessary environment in Taiwan for ensuring the registration of existing chemicals and for continuing business.
Communications with society	Report on RC activities and site reports of each plant	►► P44	To make public the information on our RC activities through our CSR report and DIC's website. In addition, to promote risk communications between DIC's production sites and local communities through site reports.
Quality management		►► P 37	To improve customer satisfaction by using ISO9001 and other QMS tools to ensure product quality
(customer satisfaction)	Securing of quality	►► P 37	Confirm and organize QMS tasks at business operations and offices, support improvement activities, and improve quality management activities.
Support for environmental safety	Promotion of the environmental and safety activities at affiliated companies in the Asian and Oceanian regions	►► P35	Support environmental safety activities at overseas affiliates (Train staff and create an environment and safety information network)
management activities for overseas affiliates	Environmental/safety data	►► P27	Draft a medium-term plan for reducing the DIC Group's (overseas affiliates) environmental burden (waste and GHG)

*1 Japan Chemical Industry Association: JCIA joins ICCA as one of the major industry organization and seeks to the healthy development of the chemical industry with the other organizations in the world.
*2 CLP (Classification, Labeling and Packaging) is a rule regarding classification, labeling and packaging of chemical substances called CLP-Regulation and mixtures

Achievements in FY 2010	Evaluation	Targets for FY 2011
DIC (non-consolidated) energy usage by energy source was 102.1% that in 1990 (129.0 I/t), +8.5% on last year.	*	Reduce power usage by individual energy source by 1% on last year
Reduction in volume of industrial waste sent to landfills DIC: 90 tons (+1% on last year) DIC Group (domestic): 207 tons (-11% on last year) = target achieved Volume of waste produced by production plants DIC: 16,609 tons DIC Group (domestic): 64,705 tons = target achieved	**	Due to zero emissions activities, Industrial waste sent to landfills was reduced by: DIC: 85 tons (-5% on last year) DIC Group (domestic): 151 tons (-27% on last year) Waste produced by production plants was reduced by: DIC: 16,219 tons (-2% on last year) DIC Group (domestic): 62,591 tons (-3% on last year)
Resource recycling rate DIC: 78.0% (+1.5% on last year) DIC Group (domestic): 89.3% (+1.3% on last year)	***	Continue domestic DIC Group's recycling efforts and improve rate of resource reuse.
DIC: 320 tons (+1% on last year) DIC Group (domestic): 989 tons (+50% on last year)	*	DIC: 292 tons (-9% on last year) DIC Group (domestic): 799 tons (-19% on last year)
DIC: 309 tons (+1% on last year) DIC Group (domestic): 977 tons (+51% on last year)	*	DIC: 282 tons (-9% on last year) DIC Group (domestic): 789 tons (-19% on last year)
Conducted risk assessments for DIC offices and affiliates. Visited plants where accidents occurred, devised measures, and confirmed how they were being carried out.	***	Provide guidance on risk assessments in connection with equipment investment. Conduct accident analyses and provide information in a timely manner.
Conducted disaster case study workshops and working groups for the nurturing of a safe corporate culture.	***	Continue working groups for the nurturing of a safe corporate culture and organize this fiscal year's proposals. Hold disaster case study workgroups and share information.
Exceeded our goal of a 1% yearly reduction since the base year of 2006 (4% reduction in 4 years) with a 14% reduction.	***	Promote modal shift and reduce energy consumed during transport by individual energy source by 1%.
Yellow cards are now carried in general freight vehicles including container trucks, lorries, and vehicles with mixed freight.	***	To further promote the same measures
Examined and entered into CIRIUS information on new materials.	***	Continue to promote centralized management of incoming raw material information in CIRIUS in accordance with the DIC Group Green Procurement Guidelines.
MSDSs were created for all chemical products and made available on the web.	***	To continue preparing MSDS for all the chemical products and delivering them through the website
Completed 2010 registrations for REACH regulations. Provided comprehensive support for CLP filing for affiliates in the EU. Completed registration of existing chemicals in Taiwan on schedule.	***	Conduct registrations based on China's amended Measures on Environmental Administration of New Chemical Substances. Conduct registrations in accordance with Taiwan's revised Labor Safety and Health Act.
Publicized RC activities in the CSR report and on DIC's website, created site reports at each manufacturing site, and provided this information to plant visitors.	***	To further promote the same measures
Confirmation that each factory and business operation has surely implemented a QMS activity is done and Production, Sales, Technical and Quality Assurance departments have	**	Established "quality" as referring to "product quality" as well as "work quality", and use QMS such as ISO9001 as tools to improve customer satisfaction.
collaborated each other. PC Operation have check that the improvement of customer satisfaction and implemented the support for effectiveness.	**	Identify and organize QMS issues at business operations and plants, support improvement activities, and enhance quality management activities.
Held meetings with safety personnel in the Chugoku region in February, 2011. Conducted training sessions and company case study presentations to promote safe life activities.	***	Hold safety personnel meetings in the Asia/Oceania region, Conduct training in basic safety procedures, and support resolution of problem areas at companies.
Added inspections, including intake and waste water inspections. Requested reports on FY 2011 targets and predicted values, and heightened awareness of the importance of managing environmental burden and conducting regular waste reduction.	**	Confirm state of management at multiple companies in the DIC Group (overseas affiliates). Clarify management targets. Confirm and support resolution of problem areas.

*Evaluation symbols: $\star \star \star \cdots$ Excellent $\star \star \cdots$ Good $\star \cdots$ Improvement needed

Compliance

Towards Fair and Transparent Corporate Activities

Through persistent adherence to The "DIC WAY Code of Business Conduct", the unified set of guidelines to be followed by the DIC Group and its employees and the cornerstones of compliance policy, we strive to achieve continuous growth of fair and transparent business.

WEB

http://www.dic-global.com/en/csr/management/compliance.html

Promoting Compliance*1

In addition to establishing the DIC WAY (fundamental business principles) on the occasion of DIC's 100th anniversary, the DIC Group also established the DIC WAY Code of Business Conduct as a guide for Group employees to fulfilling their social responsibilities as corporate citizens.



DIC WAY and Code of Business Conduct

These guidelines ask employees to observe national laws and international

rules while following social norms in order to provide the value that our stakeholders*2—including customers, communities, and society—require and expect, and achieve sustainable business growth for the DIC Group.

Together with a core group comprised of Sun Chemical Corporation (Europe and U.S.A.), DIC (China) Co., Ltd. (China), and DIC Asia Pacific Pte Ltd. (Asia/Oceania), DIC Corporation (Japan) is putting together a framework to promote compliance at DIC Group companies around the world.

We are also working to ensure fair trade practices through efforts including conformance with compliance related laws.

The DIC WAY Code of Business Conduct Self Checks and Results

All companies worldwide in the DIC Group conduct self checks concerning the DIC WAY Code of Business Conduct observance to confirm that the DIC WAY is being instilled in the DIC Group.

Through these efforts, high self check scores confirm that business conducted at these companies is being steadily carried out with a respect for compliance.



Creating E-Learning Courses for Overseas Companies

In addition to holding seminars for DIC Group companies around the world to explain and provide a chance to better understand the DIC WAY and Code of Business Conduct in Japan, we are working to deepen understanding through e-learning courses We have created English and Chinese versions of the e-learning course with necessary localization changes. We will deploy them shortly to provide additional tools for the DIC Group companies and the employees to better understand the DIC Way Code of Business Conduct.

Basic Corporate Governance Philosophy

The DIC Group makes efforts for the improvement of corporate governance to promote a sounder and more efficient management for the achievement of sustainable corporate growth and development.

In addition to appointing two outside attorneys as DIC's outside corporate auditors, DIC also appoints two outside directors to further strengthen corporate governance.

Voice

Promote CSR management through self checks

As a member of the DIC Group, DIC Graphics Chia Lung Corp. places a focus on sustainable development of business that is fair and transparent. We take an active approach to self checks to ensure the DIC WAY Code of Business Conduct are being instilled and put into practice.

After accurately assessing Company's current situation and establishing a road map for priority initiatives, we will use the PDCA management cycle to plan, do, and check (evaluate) business conduct, act to make improvements based on evaluation results, and work together to establish and promote CSR management.

DIC Graphics Chia Lung Corp.. General Manager Hsing-Chung Lue

*1 Compliance: Going beyond simple "law observance" to address and conform with social norms requirements and expectation.

*2 Stakeholders: Customers/markets, business partners, communities and society, shareholders/investors, and any other individuals or groups connected with our corporate activities.

Compliance

Information Security

Making information Secure

In response to the increasing trend of digitization and networking of information, we established the Basic Policy on Information Security in 2006 mandating the observance of related laws and internal regulations and are working to make information secure through appropriate information management.

Information Management Guideline Propagation and Development

We had planned to draft a specific information management guideline during FY 2010 based on DIC's Confidential Information Management Regulations, established in FY 2009. We instead conducted a review of these regulations in order to account for various business challenges discovered during the guideline drafting process. DIC will thus prepare an information management guideline in FY 2011 based on the revised regulations and share them with all employees by distributing Q&As and through internal briefings.

Our Global Initiatives

FY 2010 saw us take the first step in establishing an information security framework for the entire DIC Group by conducting a study of current IT governance and information security frameworks at overseas group companies. The study allowed us to gather information about current problems on information security framework at, and requests for headquarters from, the group companies. FY 2011 will see us providing guidance and advice to companies lacking information security frameworks in place to enhance those businesses while building rules and frameworks for the entire Group.

DIC also has plans to develop security measures at the global level in parallel with the implementation of a new enterprise system, planned after 2012.

Initiatives Aimed at Enhancing Information Security

To enhance security enhancement, we have had guidelines for the management and usage of devices such as computers and servers, required strict observance of internal rules that include prohibiting the handling of work-related information on home computers, and conducted employee training in information security at new employee training and manager promotion training. To further improve security, we are also building a company-wide integrated ID authentication system^{*1}, to be completed in FY 2011.



*1 Integrated ID authentication system: A system that manages log-in IDs for various internal servers in a integrated fashion by matching these IDs with a personnel database

Reliability of Financial Reporting

Striving to Be a Trustworthy and Dependable Organization

DIC has built and currently manages internal control systems to ensure reliability in financial reporting at all domestic and overseas group locations. We will continue to improve these systems in an effort to remain a trustworthy and dependable organization.

Past Initiatives and Future Direction

While working on the improvement of internal regulations and documentation of operating procedures, the DIC Group has also monitored the design and operational status of internal controls from a standpoint independent of the business activities, and by constantly designing, assessing, and improving its efforts, has devised internal control systems.

We are also promoting the consolidation and standardization of our business operation through a shared service center in order to balance the maintenance and securing of a reasonable level of internal controls and the operational efficiency.

The establishment of systematic internal controls in the DIC Group was prompted by Companies Act that became effective in 2006 and by the implementation of J-SOX*1 in 2008. While we at first made effort on establishing the controls to meet the requirement of the Act, adequate level of internal controls are now in place, allowing us to further improve internal controls by promoting unification and standardization of business operation, better IT control, and other continuous improvement efforts.

Promoting Global Activities

In the course of expanding its business globally, it is essential for the DIC Group to design and verify internal controls both at domestic and overseas locations. We have therefore pushed to set up internal controls in the Japan, U.S., Europe, China, and Southeast Asia/ Oceania regions while sharing information and ideas among them. For the next stage, we will be integrating ERP systems as we plan how to build globallybased internal controls. Making IFRS (international financial reporting standards)*2-expected to be implemented soon—the driving force behind global work standardization and streamlining, we will create our global accounting policy during FY 2011 and aim to make this a template into which we will integrate IFRS.

Enhancing Internal Audits

After J-SOX was implemented, internal audits functioned as an independent monitoring tool for verifying internal controls to ensure reliability of financial reporting. Now, audits are done to maintain and improve internal controls in a broad sense, and we are expanding the scope of audits to facilitate effective and efficient achievement of corporate targets. At the same time, we are taking a risk-based approach, standardizing audit procedures, and expanding the use of self-assessment to streamline audits.

Voice

Efforts to establish reliability of financial reporting in the Asia/Oceania region

Since 2005, the entities in the Asia Pacific Region have evolved continuously with the Regional Headquarters working with DIC Headquarters evaluating business risks while ensuring reliable financial reporting. The journey started with the introduction of the standardized accounting policies, the document flow charts and rules of authorization all of these forming the basic internal control structure that we all come to be familiar. I have seen over the year a greater awareness being demonstrated by everyone on the need for good and strong internal control procedures. The last 5 years saw the Group introducing J-SOX controls and going forward it would be IFRS. Even Internal Audit team will see changes in our methodology of internal audit moving towards a more IT based approach. Overall, I am glad to see the improvements made in the control environment, and high degree of financial reporting standard practiced over the Region. This is a success story and could only be achieved when everyone works together as a team and sharing a common vision.

> DIC Asia Pacific Region Bhaskar Kumar Basu Advisor, Regional Internal Audit (former Regional Internal Audit Director)

^{*1} J-SOX: A term used to refer to certain provisions of the Japanese Financial Instruments and Exchange Law that were adopted to prevent accounting fraud and are modeled after the U.S. Sarbanes-Oxley Act.

^{*2} IFRS (International Financial Reporting Standards): Refers to the accounting standards set by the International Accounting Standards Board (IASB).

Reliability of Financial Reporting

Business Continuity Management (BCM)

Seeking to Reduce Disaster Risk

The year 2011 saw a continuation of DIC's efforts to practice BCM to prepare for various risks due to largescale natural disasters, plant accidents, pandemics and other events capable of disrupting business. We also practiced crisis management alongside efforts to improve our corporate reputation.

WEB

http://www.dic-global.com/en/csr/management/bcm.html

Handling the Great East Japan Earthquake

When the earthquake occurred, we made immediate efforts to verify the safety of all domestic DIC Group company employees and their families, and set up an on-site task force to address the damage to DIC's Kashima Plant. Although some equipment, including that used in production, was damaged by earthquakeinduced liquefaction at the Kashima plant, restoration work, coordination with other plants, and various materials procurement allowed us to minimize the impact on business operations and completely restore operations by May.

BCM at the Division Level

Having had BCM in place, one job of DIC's divisions will now be to re-evaluate if BCM functioned properly during the Great East Japan Earthquake, and then identify and resolve problem areas. Damage caused by the earthquake at raw material manufacturers made materials procurement difficult, and made very clear the importance of linking BCM to the supply chain. To address this, our business operations and Purchasing and Logistics Div. will be discussing how to make BCM more functional through efforts that include searching for additional major raw materials suppliers. In order to prepare for a variety of potential disasters (large-scale natural disasters, plant accidents, pandemics*1, etc.), DIC will also be performing regular coordinated training between our main Organizations of Crisis Management Headquarters for each kind of disaster. By also practicing the PDCA, we will clarify areas requiring review and improvement as we work to create a solid BCM framework.

Crisis Management Initiatives

Visiting lecturers spoke this year about crisis management at our DIC Management School, which

is attended by top executives in the DIC Group. Topics discussed were basic themes such as "what a model company is in the eyes of the mass media" and "how corporations are viewed by the mass media when scandals occur." These lectures also looked at the importance of improving corporate reputation by consistently (not just when crises occur) disclosing information to the mass media and stakeholders as a form of crisis management. As DIC works to address these issues, we will also be targeting top managers and plant managers for more future training.

Stepping Up Group Initiatives

DIC held a BCP briefing this year for major domestic affiliates as a specific measure towards the BCM that DIC has declared it will conduct as the DIC Group. While many domestic affiliates have already made such briefings part of BCM for business operations, DIC is providing support to affiliates who have branched off and now run their own businesses. We will also be providing the same support to overseas affiliates.

Voice

Re-recognizing the Importance of Reviewing Crisis Management Strategies and Conducting Disaster Training

The Great East Japan Earthquake in March, 2011 made clear the difficulty of making levelheaded decisions during disasters and illuminated BCM challenges. With the shaking threatening to bring the HQ building down and all the subsequent aftershocks, the need for safety confirmation system revision was brought into bold relief. We began getting information as soon as the shaking stopped, but we had no way of ascertaining the damage done. Later witnessing the extent of the damage, I realized the importance of reviewing our traditional philosophy towards how we would manage if a large earthquake were to occur in the city

> General Affairs and Human Resources Dept. **Takayuki Hariu**

*1 Pandemic: geographically widespread, sometimes on a global scale (infectious diseases, etc.). May also refer to such infectious diseases.

Supply Chain Management

Globally Expanding CSR Procurement

With the DIC Group Supply-Chain CSR Deployment Guidebook at the core, DIC is deploying CSR procurement throughout the entire supply chain worldwide, including DIC Group affiliates.

WEB

http://www.dic-global.com/en/csr/stakeholder/partner.html

CSR Deployment throughout the Entire Supply Chain

To promote understanding and sharing of CSR management strategies throughout the entire globally expanding supply chain, the DIC Group has prepared Japanese, English, and Chinese versions of our DIC Group Supply-Chain CSR Deployment Guidebook (referred to as the "Guidebook" below) and distributed it to suppliers around the world. Suppliers answer 38 questions on the "Self-Check Sheet" (questionnaire) in the Guidebook to identify their own progress with CSR initiatives and then receive feedback from DIC via the "Answer Sheet and Report Form" which provides evaluations and requests and identifies problem areas based on the answers given. A total of 170 suppliers completed the questionnaires and received feedback in FY 2010. DIC visited and exchanged thoughts with some of these suppliers using the Answer Sheet and Report Forms. DIC will continue promoting CSR through these activities as it works to further deepen mutual understanding and strengthen relationships with suppliers.

Communication with Overseas Suppliers

DIC conducted a DIC Group CSR procurement briefing in Shanghai in January, 2011 for 10 suppliers in China. At the review, we used the Guidebook to provide information on DIC Group CSR procurement, heard status updates on CSR initiatives at each company, and exchanged opinions to deepen mutual understanding. We also visited some of our suppliers, affording us the worthwhile opportunity to provide feedback on Guidebook questionnaire results and further strengthen relations.

CSR Procurement Foundation Building at Group Subsidiaries

The DIC Group is putting together a deployment framework for CSR procurement at DIC Group companies worldwide based on the DIC Group CSR Procurement Guidelines and DIC Group Green Procurement Guidelines. We have also been using the Guidebook to conduct CSR procurement briefings as we prepare CSR procurement tailored to each company's circumstances while sharing and utilizing CSR information between companies. FY 2010 saw DIC conduct followups on CSR procurement preparation for 17 domestic DIC Group companies and 24 overseas (Chinese)

companies. For FY 2011, we will be holding CSR procurement briefings at DIC Group companies in East Asian regions.



Eastern China CSR Procurement Briefing

Voice

Starting Immediately on CSR Procurement and Achieving a Sustainable Society

While it is often said that China still lacks awareness of CSR procurement, I believe the fact that our company is supplying raw materials to large overseas business partners, which include the DIC Group, means we have been quick in setting up CSR initiatives. For example, we are actively engaged in setting yearly reduction targets for energy usage, implementing safety standardization systems proposed by the government, and preparing working environments as well as our REACH regulation response. Going forward, we will make use of DIC Group CSR briefings, selfcheck list answers, and feedback on evaluation results to identify where we stand and contribute to the development of regional societies through our own sustainable growth.

> Suzhou Lintong Chemical Science Corporation General Manager Shoumei Karasawa

Supply Chain Management

Business Model Focused on Customer Satisfaction

Establishing a Solutions Business

What solutions can we provide to address the individual concerns of our customers? At DIC, we believe making customers aware of the solutions available is the best policy in establishing business models aimed at high customer satisfaction.

WEB http://www.dic-global.com/en/csr/stakeholder/customer/satisfaction.html

Striving to Ascertain Social Needs Quickly

DIC has long had an organizational structure with business operations split along product lines, and has worked to address individual market needs by developing new markets and high-demand industries. But how traditional business methods make one prone to seeing the needs of customers and society in a narrow, 2-dimensional way, and how solutions inevitably become single products or technologies is something we have come to see as an issue requiring resolution. This is why we are advancing initiatives with an emphasis on continuous improvement of customer satisfaction in order to avoid falling behind in both recognizing broad-based changes throughout highdemand industries and formulating our response as a company. The first of these initiatives began in April 2011 with a dramatic organizational change as we adapted our former product-specific divisional system to one aligned along high-demand industry lines in the Chemical Solutions Materials Business Operation, which enjoys many connections with downstream industries. This allows us to see customer needs more 3-dimensionally while quickly and with a broader perspective responding to needs as they change. DIC will also assign different roles to the technology and Marketing departments, clarify Group strengths by identifying changing social needs and evaluating elemental technologies, and will choose specific themes for solutions businesses as we continue to decide on the direction we want to take for these businesses. In recognizing the large distance between DIC and the consumer in DIC's traditional existence as a B-to-B Company, the Chemical Solutions Materials Business Operation is leading the charge in meeting with customers in order to more fully understand the consumer market.

Striving to Strengthen Appeal with High-Demand Industries and Customers

The Corporate Marketing Department has been at the head of two initiatives aimed at providing solutions businesses with high-demand industries and customers. The first is creating product guidebooks for each high-demand industry. These guidebooks classify DIC's characteristic technologies into 7 fields and 29 categories of elemental technologies and take a comprehensive look at DIC's representative products. By providing a matrix of these elemental technologies and products, our customers better understand what their options are. The second is the "Comprehensive Technology Exchanges" (Private Shows) we hold for large electronics manufacturers. Displaying

our core technologies and representative products directly has let us anticipate changes in needs and improve customer satisfaction.



Private Show with Major Clients

Voice

To Build Trusting Relationships with Customers, and to Understand the Consumer's Standpoint

The DIC Group is one of the rare few chemical manufacturers to offer such a wide range of goods and services, which include everything from inks (pigments and resins), adhesives, films, and other intermediate materials to material property assessments and analyses, color and design solutions, marketing, and consulting. In exercising DIC's full potential, it is essential to build strong trusting relationships with customers, work together, and resolve issues. Materials manufacturers are prone to adopt business-to-business (B2B) approaches, but by also emphasizing a broad-reaching business-to-consumer (B2B and B2C) approach, DIC will be able to provide goods and services valuable to the customer.

Food Packaging Division Senior Manager, Food Package Marketing Department Yuji Morinaga

New Technology Development and Value Creation

Providing Solutions Utilizing Core Technologies

By leveraging and combining its core materials-namely synthetic resins and organic pigments-and various core technologies, DIC is working to achieve "Color & Comfort through Chemistry"

FY 2010 Achievements

In the Technology Division, we have devised a framework integrating all technological resources throughout DIC By reorganizing the old technical departments—formerly attached to specific products—into the Technical Administrative Division and by realigning these technical departments based on core technologies, we are sharing more relevant technical information and promoting overall optimization.

Giving More Functionality to Printing Inks and Adhesives Printing Ink Business Operation

In addition to R&D for various printing inks, DIC is focused on the development of adhesives*1 for food packaging for which solventless warm working can be performed, as well as back



sheets of solar batteries, and is working to bring all of these to market.

We have also digitized our color guide—formerly distributed on paper—and developed it for use with mobile phones from companies such as Apple. Sun Chemical, a U.S. subsidiary, has brought a number of products to market including an exciting new concept in sheetfed ink which provides rapid set times for increased press room productivity, and the oxygen barrier coatings*² for dry food packages.

New Value Creation in the Digital Industry New Graphic Arts Business Operation

In the pigments segment, DIC has further improved the brightness and contrast of our highly market-acclaimed green pigments for color filters for LCD displays. In the field of TFT LCs for LCD



TVs, our new products demonstrate excellent response time and longterm reliability and are being used by large LCD TV manufacturers. Much effort has gone into managing the technical side of increasing the production and maintaining the quality of these products. For solar battery-related products, we have collaborated with our U.S. subsidiary Sun Chemical to develop silver and aluminum pastes used as electrode materials, and have put lead and cadmium-free, environmentally-conscious products on the market.

Contributing to a Wide Range of Industries with Outstanding Resin Design Capabilities – Synthetic Resins Business Operation

The Synthetic Resins Business Operation has been focused on the development of various environmentallyconscious products, such as UVcurable or water-based products. They have developed a variety of new amine hardeners in a prompt response



to revisions to legislation concerning chemical safety, emulsion adhesives¹³, and so on. and chemical safety. In the area of solubility to solvent polyimide resins¹⁴, which possess unique properties, our business operation has developed new products that feature low expansion coefficients. They are also working to open up new product areas including coating agents and adhesives for a variety of electronic materials. In the area of polymer additives, they have also developed surface modifiers to improve the quality of color filters by augmenting color resists of LCD panels with these additives. In addition, they have also acquired government certification for 6% and 3% alcohol-resistant fire-extinguishing foam and begun the full-scale sale of this product.

Offering Composite Products That Provide Safety, Comfort, and Peace of Mind Chemical Solutions Materials Business Operation

In the field of industrial-use adhesive tape, we have developed a solvent-less double-sided adhesive tape that is very environmentally friendly. Replacing traditional solventbased products, its applications include consumer electronics and



automobile interior parts. In films for wrapping, we have developed a film with a unique texture like the skin of a pear, and are using it for applications beyond food packaging because of its new tactile quality. Our high-performance PPS compounds are also doing well as materials for parts for hybrid and electric automobiles. In the area of interior housing products, we have expanded the color gamut by adding high-saturation colors as well as black to color-painted non-flammable decorative boards, and have given a more genuine natural wood appearance to natural-grain non-flammable decorative panels.

- *1 Adhesives for solar battery back sheets: Adhesives for laminating various films composed of back sheets (compound film that protects the rear side of solar battery panels). *2 Oxygen barrier coating: A paint that is applied to films and other products to restrict oxygen permeation. This product fulfills a need in the food packaging field for products
- able to restrict oxygen, carbon dioxide and other gas permeation to prevent deterioration of the content. *3 Emulsion adhesives: Emulsions are mixtures, like milk, and are created by dispersing water-insoluble resins in water. The film that results after evaporating the water can be used as an adhesive.
- 24 ¹⁴ Solubility to solvent polyimide resin: Polyimide resins are engineering plastics with excellent heat resistance and electrical characteristics. While most polyimide resins have poor solubility, DIC-developed polyimide resins are dissolved in a variety of solvents, giving them superior coatability and workability

New Technology Development and Value Creation

FY 2011 Research and Objectives

To promote the Technology Division's activities further , we are enhancing coordination among technical departments, the R&D Steering Committee, and group companies around the world. By maximizing the strength of the entire group, cultivating elemental technologies, and combining techniques, we will continue to develop new products and technologies that contribute to a sustainable society. Through collaboration with industry, government, and academia, we are also focused on investigative and basic research into new technologies. Another priority is reducing the usage of toxic substances and reducing toxicity in products and developing recyclable products and



power-saving manufacturing processes that are safe and produce little waste, all while continuing environmental assessments. We will also place a greater emphasis on sustainability as we put energy into new initiatives including investigating the feasibility of implementing LCA (life cycle assessments) and technological responses to risks inherent in the raw materials supply chain. DIC also plans to look at trends in legislation and environmental measures in various countries and continue to design products compatible with each country's chemical substances laws. In becoming even more environmentally conscious in FY 2011, DIC will continue to work to further energize the development of new products and technologies to benefit society and increase its number of environmentally-conscious products.

Voice

Developing Eco-Friendly Double-Sided Adhesive Tape

Double-sided adhesive tape is used for everything from electrical appliances and electronics to interior parts for automobiles. Our group has developed an emulsion-based adhesive with high adhesivity in collaboration with the Polymer Technical Department #2 and other DIC groups and turned our solventless double-sided adhesive tape into a product. We will continue to develop eco-friendly products as we leverage the power of the entire DIC Group

> Coating & Applied Materials Technical Department Pressure Sensitive Adhesive Materials Technical Group Naoki Kato

Environment, Safety, Health and Quality

Towards Achieving a Sustainable Society

Chemical companies see environmental preservation and assuring the safety and health of society as the core of business. Through its activities aimed at the environment, safety, health and consistent quality, DIC is focused on becoming a company that answers the needs of society.

WEB http://www.dic-global.com/en/csr/environment/

Our new "Environment, Safety and Quality Policy

In 1992, to preserve the environment and secure the safety and health of people, DIC established the "Principle and Policy for the Environment, Safety and Health." In 1995, DIC pledged to implement the precepts of "Responsible Care" in our everyday operations.

In January 2006, as a member of global chemical corporations, DIC signed a declaration to support the Responsible Care Global Charter, promising to further strive to enhance the environment, safety, and health of people. Also, in order to implement this policy, we prepare an annual "Policy for the Environment, Safety and Quality," and translate it into English and Chinese in order to disseminate the policy across the entire DIC Group and to promote relevant activities.



FY 2011 Environment, Safety and Quality Policy Poster

DIC's Responsible Care (RC) Promotion Structure and Our Efforts

Under our CSR committee, we work with the Responsible Care implementation organization and the Responsible Care audit and support organization as a pair of wheels to promote our Responsible Care activities.



DIC checks the implementation of DIC Group's activities relating to the environment, safety, health and chemical controls, based on the following "Responsible Care Codes."

Responsible Care Code

- 1. Management System (all codes are applied commonly)
- 3. Process Safety and Disaster Prevention (prevention of fire, explosion, outflow of chemicals)
- 5. Chemical and Product Safety (risk management of chemical products)
- 2. Environmental Protection (continuous reduction of emissions and generation of chemical wastes)
- 4. Occupational Safety and Health (protecting the safety and health of workers)
- 6. Distribution Safety (risk reduction in chemical distribution)
- 7. Dialogue with Society (communication with local communities relating to the environment, safety and health)

Environmental Impact generated by Our Business Activities

Illustrated here is a comprehensive image of the environmental impact generated by the domestic DIC Group's business activities in FY 2010. As input, 2 items are indicated: energy consumption and total water consumption. As output, 6 items are indicated: emissions of 567(+1 substance group) chemicals released into the environment, including PRTR^{*1} chemicals, CO₂ emissions, NOx emissions, SOx emissions, COD emissions through waste water, and industrial waste disposed of as landfill.

About DIC Group (overseas), the data for 2010 (including energy consumption as input and CO₂ emissions and industrial waste disposed of as landfill as output), is shown.



Scope of Report

*Overseas data includes that from January 2010 to December 2010

DIC plants and research laboratories, domestic subsidiaries of DIC, and domestic affiliates and plants of affiliates that operate on the same premises of DIC plants and jointly manage environmental safety (This report includes part of the report on the Corporate Headquarters, Osaka Branch Office, and Nagoya Branch Office.) <Plants and Research Laboratories>

Suita Plant, Chiba Plant, Hokuriku Plant, Sakai Plant, Kashima Plant, Yokkaichi Plant, Shiga Plant, Komaki Plant, Saitama Plant, Tatebayashi Plant, Central Research Laboratories,

<Domestic Subsidiaries>

DIC Graphics Corporation, DIC Kitanihon Polymer Co., Ltd., DIC Kyushu Polymer Co., Ltd., DIC Kako, Inc., DIC EP Corp., DIC Interior Co., Ltd., DIC

Color Coating, Inc., DIC Colorants, Inc., DIC Filtec, Inc., Ltd., DIC Plastics, Inc., DIC Molding, Inc., Topic Co., Ltd., DIC Decor, Inc., Nihon Packaging Material Co., Ltd., Nippon Plastic Pallet Co., Fuji Label Co., Ltd., Seiko PMC Corp.

SUNDIC Inc., Shiga Plant, DIC Bayer Polymer Ltd., Japan Formalin Company, Inc., DH Material Inc., Sakai Plant, Hitachi Finenext Transport System Co., Ltd

<Overseas Subsidiaries>

Overseas subsidiaries of the DIC Group

*Please see WEB http://www.dic-global.com/en/worldwide/ for a list of overseas DIC Group companies.

*1 567 substances (and 1 substance group): Targeted for check by the DIC Group are 462 PRTR class 1 designated chemical substances + 105 substances targeted for study by the Japan Chemical Industry Association (excluding class 1 designated chemical substances) and 1 substance group (chain hydrocarbons with 4 to 8 carbons)

*2 The PRTR (Pollutant Release and Transfer Register) is a scheme for assessing, aggregating and disseminating data on the sources of hazardous chemicals, amounts released into the environment and amounts transferred off-site from industrial establishments via waste products

Reducing Emissions of Chemicals into the Environment

Chemicals DIC Aims to Reduce

Chemical corporations are expected to pay due

considerations to prevent emissions of chemicals into the environment in their business operations, since they deal with various chemicals in large quantities when compared with those in other industries.

Beginning in FYs 2000 and 2005 for DIC and domestic affiliates, respectively, the DIC Group has been working to reduce emissions into the air, water, and soil of substances designated by the PRTR Law*1 and substances designated for voluntary study by the Japan Chemical Industry Association (JCIA). Substances targeted for study in FY 2010 according to PRTR Law revisions are 462 PRTR class 1 designated chemical substances + 105 substances targeted for study by the Japan Chemical Industry Association (excluding class 1 designated chemical substances) and 1 substance group (chain hydrocarbons with 4 to 8 carbons). The number of substances that DIC and domestic DIC Group companies either used or produced more than one ton of in FY 2010 were 120 and 134, respectively. Due to combustion device failures at some subsidiaries, domestic DIC Group company targets for environmental emissions were unfortunately not met in FY 2010. We will be continuing to reduce chemical substance emissions in FY 2011 by repairing VOC combustion devices as we take other measures that

Environmental Emissions of Substances Checked (567 substances including PRTR-designated substances and 1 substance group)

DIC Total emissions into the air : 309 tons Emissions into water: 11 tons Emissions into soil: 0 tons	320tons	An increase of 1% (3 tons) as compared with the previous year
DIC Group companies (Domestic) Total emissions into the air : 977 tons Emissions into water: 12 tons Emissions into soil: 0 tons	989tons	A increase of 50% (329tons) as compared with the previous year

include ensuring the proper operation of other required equipment.

Note on FY 2011 targets: Due to VOC combustion device malfunctions that were not fixed for 2 months at the beginning of the year, we plan to exceed the FY 2009 results.



Substances Checked (567 substances and 1 substance group) Chemicals with Emissions Exceeding 10 Tons

(Tons)

(
	DI	С	DIC Group (domestic)		
Chemical name	Volume manufactured / used	Volume emitted	Volume manufactured / used	Volume emitted	
Ethyl acetate	8,724	100	13,648	357	
Methyl ethyl ketone	7,299	44	11,225	256	
Toluene	11,881	68	17,565	213	
Propyl alcohol	1,328	7	4,430	25	
Styrene	153,119	11	159,741	18	
Xylene	3,017	14	3,494	17	
Acetone	677	14	798	17	
Normal hexane	260	12	268	12	
Others	221,593	50	260,718	74	
Total	407,898	320	471,887	989	

*1 PRTR Law: The PRTR Law is the popular name for the Law Concerning the Reporting, etc. of the Releases of Specific Chemical Substances to the Environment and Promoting Improvement in Their Management. The law, which went into effect in FY 1999, required companies meeting certain standards to assess the release and transfer of PRTR chemicals from FY 2001 and report results to the government from FY 2002. DIC has assessed the release of PRTR chemicals and aggregated and disseminated data in accordance with the law retroactive to 1999.

Environment, Safety, Health and Quality



be harmful to human health as components of acid rain. High COD values indicate highly polluted water. DIC is currently engaged in reducing SOx and NOx by reviewing fuel sources for boiler equipment using FY 1990 as the base year. We are also working to lower COD values by properly processing waste.



Compliance with Regulations for Dioxin Emissions

Domestic DIC Group companies are monitoring dioxin emissions from waste combustion facilities, which produce dioxins. At all of our 6 facilities, we have achieved results far below the standards specified in the Act on Special Measures against Dioxins.

Halogenated Dioxins Emission Control Standards Applicable to Domestic DIC Group Incinerators				
	Diret	Exhaust Gas	Exhaust Wate	

	Plant	Exhaust Gas		Exhaust Water	
Plant Name	namelncinerator capacity	Standard (ng-TEQ/ Nm³)	FY 2010 measurements (ng-TEQ/Nm ³)	Standard (pg-TEQ/ℓ)	FY 2010 measurements (pg-TEQ/ℓ)
DIC (Chiba Plant)	Approx. 3t/h	5	1.2	10	0.060
DIC (Hokuriku plant)	Approx. 0.3t/h	5	0.0000012	10	0.00041
DIC Interior Co., Ltd.	Approx. 0.1t/h	10	1.8	N/A	_
DIC Kitanihon Polymer Co., Ltd (Hokkaido Plant).	Approx. 0.2t/h	10	< 0.04	N/A	_
DIC Kitanihon Polymer Co., Ltd (Tohoku Plant)	Approx. 0.2t/h	10	0.0082	N/A	_
Seiko PMC Corp. (Harima Plant)	Approx. 0.2t/h	10	< 0.06	N/A	_

Reducing the Environmental Impact on the Air, Water and Soil

Addressing VOC Regulations

Beginning in FY 2007, DIC began a policy promoting "reduction of atmospheric VOC emissions by 30% by 2010 using FY 2000 as the base year" as a voluntary emissions reduction target to limit the emission of VOCs, thought to be a factor in producing photochemical oxidants in the atmosphere. With this target reached, and we will continue to set new targets for further reductions.



Soil and Groundwater Pollution Studies

DIC is engaged in the testing of and creation of measures against soil and groundwater pollution in accordance with the Soil Contamination Countermeasures Act and similar legislation. When acquiring plants overseas or making investments in overseas businesses, we also refer to Japan's Soil Contamination Countermeasures Act as well as that country's laws to evaluate soil under strict standards and preliminarily evaluate risks to safety and the environment for investing companies.

Reducing SOx, NOx and COD

When released into the atmosphere, it is feared that substances such as SOx and NOx -contained in exhaust gas from boiler equipment-are feared to

Reduction of Industrial Waste

Reduction in the volume of industrial waste disposed of as landfill and the volume of industrial waste discharged from production plants

As part of its Zero-Emission Activities, DIC began in FY 2001 to reduce amounts of industrial waste sent to off-site landfills. Since FY 2008, we have also been expanding the scope of our Zero-Emission Activities throughout the DIC Group through the horizontal sharing of these activities with domestic subsidiaries. DIC has succeeded in reducing emissions in FY 2010 by 99% compared to the base year (FY 1999).

We have also achieved an 11% reduction throughout the DIC Group thanks in part to an 18% reduction compared to FY 2009 at domestic subsidiaries. A primary factor behind this was outsourced material recycling and waste sorting for sludge and waste plastics generated at DIC EP's Sodegaura plant and DIC Kitanihon Polymer's Hokkaido plant. In FY 2011, further efforts will be focused on reducing Groupwide amounts of industrial waste sent to landfills and reducing industrial waste generated by our plants.



Topics

Striving to Reduce Industrial Waste Recycling Initiatives at DIC EP Corp.'s Sodegaura Plant

Plant Manager, Sodegaura Plant DIC EP Corp **Hiroshi Tanaka**



At the Sodegaura plant we produce polyphenylene sulfide (PPS), an engineering plastic. PPSs are thermoplastic resins with excellent heat and chemical resistance that have a wide range of uses in everything from electronic components and residential hot water heater parts to parts for automobile interiors, where they are fortified with glass fiber or another material and used as a compound. As an alternative to metal, their being lightweight and easy to produce in high volume makes them extremely useful in reducing energy usage (by improving fuel efficiency).

There are 2 main kinds of industrial waste produced at the plant. The first is sludge, a low-molecular-weight material (polymerization residue, reaction solvents, etc.) produced as a byproduct during polymerization reactions. The second is waste alkali (the product of allowing unreacted sodium sulfide to be absorbed in a caustic soda solution). Full-scale efforts to reduce industrial waste began in FY 2002, and since FY 2008 we have been working to improve our recycling efforts. Consequently, we were able to reduce energy usage, given the amount of production in FY 2010, of low-molecular-weight materials and waste alkali by 70% and 50%, respectively, compared to FY 2002. This was accomplished by repeatedly outsourcing recycling operations to interim waste treatment companies and by processing more hard to treat industrial waste. Our efforts in promoting recycling at organizations reusing these materials also played a part in our efforts that paid off in FY 2010. Going forward, we hope to continue promoting recycling as we consider how waste alkali could be put to use as sodium hydrosulfide.

Environment, Safety, Health and Quality



be working to meet its FY 2020 CO_2 emissions reduction targets established in FY 2010 that use FY 2005 as the base year.

Cool Biz Promotion and Impact

At DIC, we promote Cool Biz and Warm Biz campaigns in an effort to save energy. FY 2010 saw us register as a challenger in the "Challenge 25 Campaign"*¹ and draw even the Administration Department into further power-saving efforts that included extending the Cool Biz period and turning off lights at lunchtime.

Environmental Preservation Initiatives in Logistics

DIC is working to ship more using JR containers, marine transport trailers, and other means of mass transport (modal shifting) to cut transport energy use and CO₂ emissions. Shipping by mass transport through our FY 2010 modal shifting efforts accounted for 9.4% of all transport. Compared to truck transport, we reduced energy usage by $505k\ell$ (crude oil equivalent) and CO₂ emissions by 1326 tons. DIC will continue to cut transport energy use through further modal shifting and eco-driving programs, and by working with more companies that use clean-energy vehicles. We are also providing training to the transport companies we use concerning environmental issues such as eco-driving.

Forty-eight percent of the transport companies we used in FY 2010 were Green Management certificate*², a 15-point increase compared to FY 2009.



Our Measures to Prevent Global Warming

Promoting Energy Conservation

As part of DIC's FY 2010 energy-saving activities, we improved awareness concerning energy conservation with mostly plant employees by upgrading utility equipment to make power saving and energy usage visible. We also set up a working group (WG) to address power saving and global warming and conducted an organization-wide energy conservation program. This working group was made up of the Management Standards, Power-saving Equipment and Database Information groups. The Management Standards Group drafted the DIC Corporate Standards and Management Standards and promoted their implementation at each facility. We also undertook a number of efforts to build awareness. These included power-saving initiatives where we prepared a collection of case studies concerning energy conservation and reviewed the cost effect of investments into power saving equipment, as well as an ITrelated initiative that promoted the use of internal SNS .



Efforts to Reduce CO₂ Emissions

In FY 2010, CO₂ emissions saw a small decrease of 0.4% for DIC and 2.8% for domestic DIC Group companies.

Despite malfunctions involving biomass energy that increased emissions by about 17,000 tons at the Kashima plant—a big contributor to overall CO₂ emissions reductions—the benefits of organizational restructuring begun in FY 2009 offset this increase. Also responsible for the decreases were efforts to reduce emissions at individual domestic DIC Group companies, in addition to the sale of affiliates. Going forward, the DIC Group will

*1 Challenge 25 Campaign: A wide-scale public program in Japan that proposes specific actions for reducing CO2 and encourages citizens to act.

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^{*2} Green management certificate: the Foundation for Promoting Personal Mobility and Ecological Transportation evaluates the green management levels of transport operators, including those for trucks, buses, and taxis, and provides certificates for their business operations with reduced environmental impact

Responsible Care Program in DIC Group

The DIC Group is globally conducting Responsible Care programs. Various efforts such as ensuring production safety, energy conservation and CO₂ reduction are promoted at each plant in DIC Group.



Activities for Safety

Risk Prediction Program to Prevent Accidents DIC Décor, Inc. (Japan)

DIC Décor is engaged in the design and manufacture of decorative sheets that satisfy 3D decoration for materials with complex shapes, e.g., interior building materials, housing equipment, interior automobile parts and computers. We have continued risk prediction training since October 2010, at the same time declaration of safety was issued.

We are conducting prediction of

accidents by utilizing "pointing and calling" method for workplaces and operations, in order to reduce risks at design, technology and especially production departments, at which various raw materials including solvents are employed. More than 30 DIC employees have had leadership for risk prediction program, after attending risk prediction training held at Japan Industrial Society & Health Association (JISHA).



Pointing and Calling in the Production Department

*2

Safe Production Embodied by utilizing DCS DIC Synthetic Resins (Zhongshan) Co. Ltd. (China)

DIC Synthetic Resins (Zhongshan) has ensured safe production while maintaining high product quality with automated manufacturing processes by introducing distributed control system (DCS) since 2008.

Different from DCSs introduced in many companies in China, our DCS is built based on unique production technology, including not only software design and creation but also equipment selection and construction. In February, 2011, we received high acclaim for our efforts from the Guangdong Province and Zhongshan Administration of Work Safety and were chosen as a Model Company for Safe Production in FY 2010. We are also visited by many safety personnel in government and industry at the request of them, and carry other non-DCS safety programs and local safe production programs.



DCS Control Panel



Near-miss Reporting System and Potential Accident Identification DIC Australia (Australia) DIC New Zealand (New Zealand)

While we work hard to identify many risks in our routine work through regular safety audits and risk assessments, it is difficult to determine all the areas where accidents could occur. But with our near-miss reporting system, we can illuminate many potential accidents and work to prevent them. In order for the system to succeed, it is important to keep report cards as simple as possible and be supportive of the act of reporting. Report cards are available at all locations, including plants, warehouses, and offices, and employees can fill them out at any time.





Near-Miss Report Card



Activities for Environmental Preservation

Reducing Waste from Spirulina Algae Production Hainan DIC Microalgae Co., Ltd. (China)

At the Hainan DIC Microalgae Co. Ltd. production plant, we produce a nutritional supplement known as "DIC Spirulina". Spirulina grows using sunlight and CO₂ from nature-rich Hainan Island in China. To help its growth, we also produce raw materials called culture media that include nitrogen, phosphorus, potassium and other elements also used to grow plants. However, because residue from injected culture media increases the amount of wastewater reprocessing, the amount of culture media we inject must be kept as low as possible in the interests of environmental preservation. As efforts to reduce these culture media, from FY 2006 our plant has engaged proactively in concentration control and recycling, and we have reduced wastewater through a 30% reduction in culture media injected compared to FY 2006.



Spirulina Cultivation Facility

*2

New Cleaning Methods Reducing Environmental Impact Zhongshan DIC Colour Co., Ltd. (China)

The system we used to use for cleaning reactors at Zhongshan DIC Colour Co. involved dissolving residue remaining on reactor walls with heated caustic soda water. But this method was inefficient as it took 36 hours for a single cleaning and resulted in energy leakage due to the need to heat up the caustic soda water in the reactors. Also, the caustic soda water contained in the effluents forced us to hire experts to process these effluents after cleaning. By changing to a highpressure water cleaning method and forgoing the use of the new method beginning in June 2010, we reduced the cleaning time by 80% and enabled effluent processing to be conducted in-house, allowing us to greatly reduce energy usage and industrial waste.



Reviewing Our Reactor Cleaning Method

Efforts to Establish an Environmental Management System DIC Graphics (Thailand) Co., Ltd. (Thailand)

DIC Graphics is now more focused than ever on reducing environmental impact. We have been striving to meet customer needs and follow governmental policies through our supply chain, and have worked to implement an environmental management system in order to systematically reduce environmental impact. By consolidating all related projects in the company, we have made progress in measuring and managing the sorting of industrial waste, measuring and managing the amount of atmospheric pollution, establishing regulations concerning protective equipment, and setting up wastewater channels, and have learned systematic management methods. On July 14, 2010, we acquired certification for ISO 14001, an international standard for environmental management. Going forward, we hope to further environmental conservation programs under this management system as we practice the PDCA cycle and work to take our activities to the next level.



ISO 14001 Certificate

Actual Condition of Occupational Safety and Health

Our Activities for Safety and Health in FY 2009

In DIC, by providing Security and Disaster Prevention Codes and Occupational Safety and Health Codes in the framework of our Responsible Care Activity Policy for each fiscal year, we post specific goals of our efforts for this fiscal year and undertake the task of securing and enhancing the occupational safety and health.

Security and Disaster Prevention Codes and Occupational Safety and Health Codes for FY 2010

- 1. Identifying accident risk and training for securing safety and transferring skills to ne next generation
- Reporting, without fail., on the occurrence of an accident/ injury and conducting lateral sharing of analysis methods and countermeasures
- 3. Promoting risk management

In FY 2010, we implemented not only regular annual audits on the environment and quality, but also support activities such as safety training. We also played a supporting role in auditing environmental safety at four plants at DIC Graphics — a new entrant to the DIC Group — and then verified improvement through regular audits.



*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: = <u>Number of injuries and deaths</u> ×1,000,000 Total work hours

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

The Status of Occupational Injury

The number of cases of occupational injury, which resulted in employees' absence from work, at DIC in FY 2010 was three (three cases in FY 2009), and the occupational accident frequency rate was 0.51 (0.45 in FY 2009), while the severity rate was 0.017 (0.029 in FY 2009). As for the entire domestic DIC Group, the number of lost-work-time injuries in FY 2010 was 10 (13 in FY 2009).

With the number of occupational accidents with lost work days similar to that in FY 2009, there has been no substantial decrease in labor accidents. To address this, the DIC Group will be focusing more on safety management activities.

In order for the DIC group to further promote the safety activities, continuously since FY 2008, we added a DART (Days Away, Restricted or Transferred) Rate*1, the index commonly used in various countries. The DART Rate of DIC in FY 2010 was 9.5, with 12.9 for the domestic DIC group, 12.2 for the overseas and the overall DIC Group.



*Occupational Accident Severity Rate

The occupational accident severity rate is the number of work days lost per 1,000 hours of labor.

Calculation = <u>Number of days lost</u> ×1,000 Total work hours

An occupational accident severity rate of 0.1, for example, corresponds to 100work days lost per year in a workplace with 500 employees.

Note: 1. "Chemical Industry" and "Manufacturing Industry" include all companies in the chemicalindustry and the 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 ver (April 1-March 31). Figures for the chemical industry and the manufacturing industry are for the calendar year (January 1-December 31

*1 DART Rate: Includes cases involving days away from work, restricted work activity, and transfers to another job. It is calculated as (number of days unable to do normal work / total hours worked in one year) × 200,000 hours (200,000 hours: the number of hours worked full-time by 100 people = four weeks/month, 50 weeks/year)

Environment, Safety, Health and Quality



China region EHS meeting

Improvement of Overseas Environment and Safety System

The second China Regional Safety Meeting for Chinese affiliates was held at Qingdao DIC Fine chemicals Co., Ltd. for 2 days in February, 2011. The participants, which included Chinese affiliate companies working in production, DIC China, the RC Department (headquarters), and CSR personnel (a total of 32 people from 20 companies) took part in poster sessions for each company, presented on safety management case studies, and discussed issues in groups. The Group discussions allowed for lively exchanges of ideas and provided an opportunity for each company to share their methods. Participants stated on the questionnaire that the ideas and information they shared would be of great value in making improvements at their own companies.

Morale-Boosting "Safety Tree Rings"

Safety Tree Rings is DIC's safety commendation system to honor our plants, R&D facilities and part of our domestic Group companies accomplishing accident-free (no occupational accidents with lost work day)s for a full year. Those achieving no occupational

accidents will be given an annual growth ring to their Safety 20 silver rings for 20 years without occupational accidents. When 20 silver rings are completed, from the 21st year, a gold ring will replace each silver ring for each additional year without any occupational accident involving lost work days.



Safety Tree Rings of the Hokuriku Plant

Our Measures in Distribution

To cope with emergencies while transporting chemicals, we provide Yellow Card*², not only to freight-exclusive vehicles such as containers and tank trucks, but also to general freight vehicles which carry mixed loads.

For the transportation of DIC products, we use special containers that comply with transport-related regulations such as the Fire Defense Law and United Nations Standards.

FY 2011 Initiatives and Objectives

In FY 2011, we will be getting back to the basics, further instilling the "pointing and calling" method while fundamentally improving risk prediction.

We will also be utilizing experience-based training and video materials (K-SHOW, etc.) to provide effective education and training in pursuit of a safe work environment and technologies for the upkeep of equipment. Accident reports and information sharing are at the foundation of safety measures. In addition to ensuring that these are solid, we will also be seeing to the horizontal expansion of reported case study analyses in order to prevent accidents. In addition to accident case study reviews, we have also found risk assessments (RA) to be effective in preventing accidents. RA must be performed not only when installing new equipment, but also when changing processes. Depending on what is being assessed, we will carry out RA pertaining to PSM (process safety management)*1 and mechanical equipment or RA for work actions as we continue conducting "preliminary RA.

Risk and Hazard Assessment and Education

Aiming to achieve safety and reliability, as a chemical material manufacturer, DIC conducts environment assessments, while promoting the development of recyclable, safer, energy-saving products with less hazardous substances and less waste. Seeking to build safe production facilities, we have established the DIC Risk Assessment Guidelines for Mechanical Equipment. When formulating facility investment plans and renovating existing facilities, we use the PSM risk assessment method. We also provide educational programs regularly to our employees concerning the safety and handling of chemicals by utilizing safety guidelines for technology and research departments, MSDS, basic safety actions, and accident case studies.

Environment, Safety, Health and Quality

^{*1} Process safety management: Risk management to minimize accidents (and the impact thereof) caused by factors in a process (plant).

^{*2} Yellow Card: Relative to a voluntary activity promoted by the Japan Chemical Industry Association (JCIA). This card indicates contact information and the appropriate actions to be taken at the time of an accident during the transportation of chemicals for carriers, firefighters and police officers. All carriers of chemicals are obliged to carry this card.

Environmental Cost/Safety and Health Costs

DIC has been publishing our environment and safety costs since FY 1998, obtained from our own calculation methods. From FY 2000, to calculate our environment costs (investments and expenses), we have been referencing the Preparation for the Establishment of an Environmental Accounting System (reported in 2000) by Japanese Ministry of Environment. For the investment amounts and expenses for safety, health, and disaster prevention, we will continue to use our own calculation methods and disclose these costs in our operations.

Environment Costs in FY 2010

Environment-related capital investment in FY 2010 was 717 million yen, and 782 million yen for the domestic DIC Group. Environment-related expenses for DIC came to 10.798 billion yen and 11.46 billion yen for the domestic DIC Group. For details, >> P47

Safety and Health-Related Costs in FY 2010

In FY 2010, capital investment related to safety and health was 120 million yen and 174 million yen for the domestic DIC Group. Expenses related to safety and health for DIC came to 852 million yen and 1.13 billion yen for the domestic DIC Group.

Management of Information on Chemicals Involved in Our Products

Making Use of the Chemical Substance Information Comprehensive Management System (CIRIUS)

Built at DIC, the chemical substance information comprehensive management system—or CIRIUS—is used to help us comprehensively manage information about chemical substances for our raw materials and products. This system is also used for security trade control. We have also arranged it so that CIRIUS automatically files the numbers of chemical substances manufactured, imported, and shipped, as such filing is mandated by the revised Chemical Substances Control Law (a law concerning regulations for the inspection, manufacture, etc. of chemical substances).

Providing Accurate Product Information

At DIC we have a system—developed in-house—that automatically generates MSDSs, and it automatically checks domestic regulations when generating and providing homogenous, highly-reliable MSDSs. A part of CIRIUS, this system automatically checks even trace ingredients in raw materials. Information about trace elements is reflected not only in MSDS, but also MSDSplus^{*1} and AIS^{*2}

Strengthening Efforts Aimed at Overseas Regulations

As planned, DIC has completed registration for EU REACH^{*3}. In addition to compiling information concerning revisions to both China's New Chemical Substances Control Law and Taiwan's Occupational Safety and Health Act, we have taken appropriate measures to ensure seamless business continuation.

Advancing Employee Education

To better observe compliance, DIC is working to educate its employees on laws both in Japan and overseas and is devising an internal licensing program for imports and exports. Through this program, only employees with DIC licenses can engage in import and export work.



Textbooks for the importing/exporting licensing program

^{*1} MSDSplus: A document format to supplement information on MSDS advocated by JAMP (Joint Article Management Promotion-consortium) to be uniformly used by the industry

^{*2} AIS: Article Information Sheet Another document format advocated by JAMP. While MSDSplus is for chemical products, AIS is for articles.

^{*3} REACH: Registration, Evaluation, Authorization and Restriction of Chemicals European chemicals regulations. Under REACH, businesses bear responsibility for evaluating the safety of chemicals with no distinction made between existing and new chemicals. REACH also prohibits the use of specified chemicals in principle.

Quality Policy and Quality Activities

DIC's Customer-First Flowchart



Strengthen the Product Provision Process

Planning and Framing

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

Development and Design Review

In development and design review, quality targets are set in line with the basic performance of products based on market trends and requests from customers, and create values for the same, by reflecting DIC's inherent technologies and accumulated data. Concurrently, we confirm that raw materials and products have no problem from social perspectives.

Production and Quality Confirmation

To ensure product quality, we conduct thorough process and identification management. To maintain mutually beneficial relationships with customers, DIC focuses on resource-saving, energy-saving and cost reduction.

Sales and Technical Services

We will strive to improve our product quality, by listening to the voices of our customers. To ensure our customers can use our products safely and reliably, We provide information, data and technical services through our sales offices, to further enhance customer satisfaction.

FY 2010 Primary Quality Initiatives

- At our 10 domestic plants, we are maintaining quality and environment management systems while continuously enhancing effectiveness. This policy is being shared with affiliates.
- 2. At DIC Graphic Corporation, we have begun efforts towards acquiring ISO 9001 certification, which we plan to acquire within FY 2011.
- 3. We have passed Sony's Green Partner renewal test and been recertified (10 domestic plants and 3 overseas affiliates).
- 4. At the DIC Hokuriku plant, we have begun implementing a management system that uses barcodes for the management of raw materials and manufacturing processes. System implementation will be completed within FY 2011. This management system will allow us to further improve product quality.
- 5. DIC Interior Co., Ltd. is working to improve quality through "Ask Why' Analysis" efforts.

FY 2011 Initiatives

We are furthering quality coordination between business operations in manufacturing, sales, technology, and quality assurance to ensure that the quality management system is being fully utilized at each manufacturing facility and business operation. We are also conducting quality audits that include checking customer satisfaction improvement. We are also conducting follow-up audits while continuously improving the preservation and effectiveness of the quality management system.

*1 "Ask Why' Analysis": A method of repeatedly asking "why" to avoid jumping to conclusions about the factors of a problem and to ensure the logical and complete identification of factors in order to prevent problem recurrence.

Human Resources Management

Pursuing Higher Job Satisfaction

DIC takes an active approach towards ensuring that all our employees can exercise their full potential in jobs suited to their abilities as we strive to build a satisfying work environment where each employee's work-life balance is been considered.

WEB

http://www.dic-global.com/en/csr/stakeholder/staff.html

Respect for Human Rights

Respect for Human Rights and Elimination of Discrimination

Respect for human rights is a fundamental element of any sustainable society. Through the DIC WAY Code of Business Conduct, the DIC Group states in no uncertain terms that it will eliminate all human rights violations in our corporate activities and encourage mutual respect through the following tenets: (1) Respect for human rights, (2) Prohibition of forced labor, (3) Prohibition of child labor, (4) Prohibition of inhumane treatment, (5) Prohibition of discriminatory treatment, (6) Payment of wages, (7) Management of hours worked, (8) Respect for the rights of employees representing labor unions.

Pursuing Deeper Trust between Labor and Management

DIC is working to foster trusting relationships through information exchange via labor-management councils and safety and health committee meetings at each plant. We also discuss management information and our Vision in labor-management councils, and have candid exchanges of ideas between labor unions and management.

Promoting Diversity^{*1}

Global Human Resources Appointment and Training

In keeping with the global expansion of its business, DIC is working to create a framework to appoint human resources based on job content rather than nationality. We have completed a number of efforts to acquire highly-capable human resources and further develop their skills since FY 2009 at Group companies in the Southeast Asia region through initiatives that include HR systems standardization, which we started in China, and management training aimed at developing tomorrow's top management. In FY 2010, we standardizedHR systems at two companies in Indonesia. Going forward, we will be bringing this standardization to Group companies in Thailand as we work to create a personnel database of human resources in the Asia/Oceania area and create a systematic training program.

Providing More Opportunities for Female Employees

DIC is working hard to provide more opportunities for female employees in order to be a company where anyone with the desire to can fully exercise their abilities. Our efforts to expand roles for women in the workplace include appointing more female employees to traditionally male-dominated positions such as salesperson or production operator. FY 2008 saw us begin increasing the number of female production operators at plants on a 3-shift system*2, and we now have 2 such plants and 4 such offices. As part of our network-building activities for female salespersons, female sales staff are also holding regular discussion sessions. Going forward, we will be working to provide ever more opportunities for women in a variety of roles.

Voice

Thoughts on the 8th Female Salespersons Discussion Session

* The 8th female salespersons discussion session was an opportunity for 17 DIC employees to passionately exchange ideas in a panel discussion format with 5 female managers in sales and purchasing segments at other companies.

Each panelists' career histories, from starting out from a new employee to a manager were totally different. Meeting with those who have continued to work after getting married and having children, I realized that if we have the will and the flexibility to get help from those around, we can balance both work and child-rearing. I was also very motivated to see senior colleagues enthusiastically exchanging ideas with the panelists about work problems and career building. This was truly a good opportunity to consider how to work and plan my life in the future.

> Specialty Resins Division Leather Materials Sales Department Naoko Tsurumi

*1 Diversity: Drawing on the capabilities of all human resources in the company, regardless of race, nationality, gender, age, etc. to enhance the company's competitiveness.

*2 3-shift system: A work system wherein workers take turns working 3 shifts a day in times of high demand.





Inside the Control Room in the Production Department

Promotion of Employment of Persons with Handicapped

The employment rate of handicapped persons at DIC was 2.0% in FY 2010, surpassing the legal minimum of 1.8%. In order to continue to exceed the legal minimum, we will be making further efforts to prepare suitable work environments and expand our local job placement office network.

Promoting Re-Employment Opportunities for Retirees

In 1991, DIC was one of the first companies to implement a re-employment system for retirees. Re-employment is currently available to those up to age 65, and we are maintaining proper conformance with the Law concerning Stabilization of Employment of Older Persons. This system provides an opportunity for individuals to leverage their experience and demonstrate the advanced capabilities and expertise they have developed throughout their career

Re-employment at DIC

Fiscal Year	No. of Re-employment	Rate (employed/ applicants)
2006	41	87.2%
2007	43	95.6%
2008	94	92.2%
2009	84	88.4%
2010	99	97.1%

Measures to Achieve Work-Life Balance

As part of our efforts to ensure that each employee maintains a healthy work-life balance, and to build a work environment where our employees—the cornerstones of the workplace and the company—can demonstrate their capabilities, we have made DIC's "Work and Childcare Balance Support Program" one



Next-generation certification mark "Kurumin"

ance Support Program" one that more than satisfies legal requirements. DIC was designated a "FY 2008 certified employer" by the Ministry of Health, Labour and Welfare in recognition of DIC's proactive support for the development of the next generation.



Work and Childcare Balance Support Programs

Rules concerning returning to one's previous position (or equivalent)	We have devised certain rules to follow when returning to one's original (or equivalent) position after leave.
Childcare While Working Program	Work is shortened (by up to 3) hours or is in staggered shifts until the end of the child's 3rd year in elementary school.
Leave Program for Child-Rearing Partners	For the period between a child's birth and the following 8 weeks, a male employee can take childcare leave of up to 5 days.
Economic Support System	Employees on childcare leave without pay may borrow part of their bonus, or may obtain an in-company loan to pay for infertility treatment or childcare facility costs.
Information Sharing to Promote Program Participation	A detailed guide to these programs is posted on our intranet.

Voice

term

Promoting Expanded Employment of Persons with Handicapped

In fulfilling our corporate social responsibilities, we have devoted ourselves for many years to employing persons with handicapped, who now enjoy positions in a wide range of jobs and workplaces such as those in administration, production, and technology. We will continue to coordinate with local job placement offices (Hello Work) and training facilities to expand these employment efforts and create workplace environments where people can work with peace of mind for the long

> General Affairs and Human Resources Dept. Manager Yoko Baba

*1 FY 2008 certified employer: Companies are certified as childcare support companies by a Health, Labour and Welfare Minister when the actions they perform based on action plans created of their own accord satisfy certain conditions with regard to preparing employment environments intended to support a balance between employee work and childcare based on the Law for Measures to Support the Development of the Next Generation. Certified companies may indicate their status with the "Kurumin" certification mark. DIC received certification in FY 2008.

Employment Opportunities and Employee Development

A Performance-Based Employee Qualification System

In pursuit of workplaces that enable all employees to realize their full potential and ensure that the efforts of employees are fairly reflected in salaries, DIC has consolidated all of its employee qualification systems. Promotions within DIC are determined once annually and are based on the results of an objective assessment procedure that includes a written test, essay, interviews, and personnel evaluation. This ensures equal opportunities for advancement for all employees exhibiting initiative and skill.

Fair and Impartial Compensation Objectives-Based HR Evaluation System

In DIC, we believe that an important part of improving job satisfaction is rewarding those who work hard. This means properly evaluating ability and performance and ensuring those results are promptly reflected in compensation. To further heighten the transparency and legitimacy of our HR evaluation system, we have adopted the "management by objective (MBO)" concept. Based on objectives set at the beginning of each period, each employee is evaluated semiannually. The evaluation results will be communicated and disclosed to the employee, along with the reasons for



*1 MBO: Management By Objectives and self-control

*3 Self-development support training: includes correspondence courses, in-company seminars, and e-learning and video library courses.

those results. We also utilize evaluation results to further develop our human resources.

Outline of Employee Training Curriculaum

In particular, DIC's Global-Minded Personnel Development Training Program and Self-Development Support Training have specific characteristics. Selfdevelopment support training is an optional program to help interested participants autonomously develop their abilities. The program sees active involvement from many younger

participants and is extremely important in not only providing employees necessary workplace skills but also in allowing participants to build networks with each other.



During a Training Session

Voice

Thoughts from a "Marketing Course" Seminar Participant

This was the first marketing seminar I had ever taken. Though it was intended for people new to marketing and covered only the basics, it introduced me to new concepts and methods. I thought the fundamental analysis methods and market research strategies such as SWOT and KFS would be particularly useful for me in setting research and development targets. The seminar was also very valuable as a trigger to make me consider more deeply consider how to satisfy the customer.

> Polymer Technical Department 2 Hiroki Tokoro

^{*2} Career development sheet: includes information about an employee's skills and qualifications, training history, desire to be transferred, and process evaluation results. Evaluation results are used in individual development.

Harmony with the Community and Contribution to Society

In Pursuit of a Colorful, Comfortable Life

Based on the Guidelines for Social Contribution Activities established in FY 2009, the DIC Group is promoting harmony with local communities and society and advancing our activities to build a strong relationship with society.

WEB http://www.dic-global.com/en/csr/society/

Harmony with Society through Spirulina

Spirulina Project Beginning in Earnest

The DIC Group recently signed a support agreement with the Alliance Forum Foundation-an NGO active in supporting developing countries-to offer help in Africa to eradicate hunger and improve nutrition through the Spirulina Project.

Working with local NGO organizations^{*1} in the Republic of Zambia-the first nation to receive the



Spirulina Porridge Breakfast

Comment

Children in Zambia Are Eating Spirulina

I have been living in Zambia since the end of February, 2011, working on the Spirulina project. In a village neighboring Lusaka, our development of a recipe using Spirulina has led to the creation of a porridge with pumpkin leaves that is quite popular. From there we began adding spirulina to the children's food at AIDS orphanages run by Kara Counseling, an NGO. They now have no problem eating their porridge, so we nutritional balance to improve. We plan to test the actual effect of this Spirulina diet in the future.



support-we have been working to improve nutrition by rationing Spirulina to educational facilities for 5to 6-year-olds since May 2011. We are also awaiting permission from the Zambian government to begin on a project to measure the impact of the Spirulina supplies. Through these activities, we will also be contributing to the Millennium Development Goals (MDGs) that are part of the UN Global Compact.

Spirulina Dietary Education in Japan

DIC Lifetec Co., Ltd. has devised a dietary education program using Spirulina, which it is teaching to 5th and 6th graders at two elementary schools in Tokyo's Chuo ward. The program has been successful in raising the students awareness of Spirulina and the very concept of food through microscopic observation and extraction of Spirulina pigments (which are

blue), the natural colorants in sweets. The experience heightened children's interest in the topic and prompted many to announce ideas such as "I want to develop a new sweet using Spirulina!".



Spirulina Dietary Education Class

Voice

Finding a New Appreciation for Spirulina

By creating a story to use for a dietary education class for elementary school students and then becoming the instructor, I found myself becoming interested in and developing a new appreciation for spirulina. Seeing for myself in class the wonder and surprise in those children's sparkling eyes as they thought about the future of spirulina made me feel very keenly how important and rewarding this project was.

DIC Lifetec Co., Ltd. Marketing Department Mihoko Miyasato

*1 NGO organizations: The Programme Against Malnutrition (PAM), an NGO specializing in rural development, and Kara Counseling, an NGO providing support for HIV countermeasures in developing nations.

Lab Lessons for the Next Generation

DIC participated in the Ministry of Economy, Trade and Industry's (METI) Teacher Education Support Project*1, where in January and February we conducted a lab lesson entitled "Making Life Colorful through Science" for 5th and 6th graders at 4 public elementary schools in Chiba Prefecture, namely, Nishimisaki Elementary in Tateyama City, Oikawa Elementary in Otaki Town, Matsugaoka Elementary in Matsudo City, and Makizono Elementary School in Ichihara City. The goal of this course was to allow its participants to experience the role and function of color in daily life and the close connection between science and our lives through a curriculum carefully devised by specially selected staff that included experiments involving planography and simple pigment synthesis. The course won high acclaim from the schools and some of the education committees expressed the desire to have these courses continue in the next term. In addition, students who participated in the course developed a greater interest in color, an interest they later told us they still had. While METI discontinued this program at the end of FY 2010, DIC considers lab lessons such as these to be an important activity in connection with "Harmony with the Community and Contribution to Society", one of our CSR themes. We will therefore exercise our unique corporate characteristics to continue such activities independently.

Voice

Teaching Lab Lessons

Witnessing the children's enthusiastic reactions throughout the lesson and experiments really made me feel how meaningful this special action program was. Creating a curriculum that utilized our company's core technologies took time, but I hope more children became interested in science because of these lessons.

> DIC Graphics Co., Ltd. Ink Materials Division Tomoyuki Watanabe



During the Lab Lesson

Color Universal Design is Changing Teaching Materials at Elementary Schools

In the DIC Group, we are working to develop colors and color combinations that can be recognized equally by more people. We recently had a chance to teach the utilization of universal design^{*2} at elementary schools nationwide. Working with us on the project was Shingakusha Co., Ltd., an educational material publisher and a company with a long history of developing a variety of mostly compulsory educational materials that seek to enhance academic performance and enthusiasm for learning.

Using FY 2011 teaching materials, DIC Color Design, Inc. conducted a seminar that improved participants' understanding of how people see color differently depending on color vision characteristics. Throughout the year, the company oversaw activities that included color format creation and color correction. The seminar was a result of sharing the same mindset throughout the editing, design, sales and all other segments,

and was a realization of Shingakusha's passion for contributing to our children's future.



Figure from social studies test of lementary school: Map of Daimyo placement

Comment

Consider Everyone's Perspective, and Enrich the Classroom Every Day: A Lab Lesson Instructor's Message to Students

At Shingakusha, we focus first and foremost on creating materials easy for students to use. We try to realize materials that will help learning and improve academic performance. Through these efforts in conjunction with DIC aimed at re-evaluating color in teaching materials, we were able to get students to consistently and objectively rethink the role of color in making learning interesting.

> Shingakusha Co., Ltd. General Manager, Editing Department, Elementary Education Division Keiji Jindo

*1 Teacher Education Support Project: A project aimed at fostering a deeper interest in science for children and developing future researchers and engineers, and providing support in conducting science lessons that connect real society with science learned in elementary school, ended at the end of FY 2010.

*2 Universal design refers to design facilities, products, and information so that anyone, regardless of culture, language, nationality, age, gender, ability or disability, can use them



Kawamura Memorial DIC Museum of Art

Regional and Overseas Activities

Changing Our Name and Promoting Local Initiatives – Kawamura Memorial DIC Museum of Art

On April 1, 2011, the name of our museum was changed to the Kawamura Memorial DIC Museum of Art. Just as DIC is a company committed to providing color and comfort, as indicated in our Management Vision, our museum is committed to sharing with the public at large our cultural heritage rich in the color and art that has been passed on to us. This name change will be the first step of our mission to achieve our Management Vision and improve DIC brand awareness as we pursue our activities with renewed effort.

Contributing to a More Abundant Lifestyle

The Kawamura Memorial DIC Museum of Art houses some 1,000 works of art in a wide range of genres ranging from 17th-century works to 21st-century pieces from living artists, and we frequently put our collections of representative pieces on display. We also hold several exhibitions a year. One of the three exhibitions we held in FY 2010 was the "Barnett Newman: Dialogue between Man and Work" exhibition to celebrate our 20th anniversary. In FY 2011, we will be hosting the "Moholy-Nagy in Motion: A Visual Experiment Lab" and "Abstract and Form (name pending)" exhibitions.

Being Active with School Visits

DIC is also participating in special action programs held by the Japan Business Federation, Japan Committee for Economic Development, and other economic groups. President Kazuo Sugie made visits in person to relate his experiences to students at various elementary, junior high, and high schools as part of the "Committee for the Promotion of Exchange among Schools and Corporate Executives" program run by the Japan Committee for Economic Development, of which Mr. Sugie is President. (Participating schools: Azumadaini Junior High School, Sumida Ward Bunka Junior High School, Sakuragaoka High School, Higashimurayama 7th Junior High School, Oshiage Elementary School, AOTO Lower Secondary School, Kokugakuin Kugayama Junior High School, and Fujimi Junior & Senior High School)



A School Visit from President Sugie

Support for Dayan Elementary School in Guangdong Province, China

Dayan Elementary School, located in a mountain valley in Qingyuan City in northern Guangdong Province, is a public elementary school with 328 students and 11 teachers, and was founded in 1958. Suffering from geographical disadvantages and limited government subsidies, classrooms and a basketball court are the school's only facilities.

At DIC Graphics (Guangzhou), employees built a library and filled it with books they donated or bought so that students could have more new knowledge to absorb. School staff also sought to improve physical education by donat-

ing equipment for ball games. The school's principal reported that these efforts greatly increased students' interest and enthusiasm for sports.



Students Studying at the Library

^{*1} Committee for the Promotion of Exchange among Schools and Corporate Executives: one of the Japan Association of Corporate Executives. The committee seeks to promote the "exchange among schools and corporate executives" that the JACE is conducting as a specific-action company and have corporate executives advance the "development and education of people who will contribute to a vibrant Japanese society in the 21st century."

Communication with Stakeholders*1

Promoting Communication and Information Disclosure

DIC strives to disclose information through various media and improve communication among ever more stakeholders as it works to see everyone develop a better understanding of the DIC Group.

*1 We changed our CSR theme name in FY 2011 from "CSR Information Disclosure" to "Communication with Stakeholders."

WEB http://www.dic-global.com/en/csr/stakeholder/

Communications with Customers

Strengthening Communication through Exhibitions

Communication with customers is important, whether in product development or sales. Through our exhibitions and other events, we are working to build more connections with potential customers to give them a deeper understanding of the DIC Group's products and lines of business. In FY 2010 we set up our largest exhibition space ever at "Tokyo Pack 2010", the biggest packaging show in Asia. There we adopted an "Environment, Safety, and Color Expression" theme and presented DIC solutions to many potential customers. We also held private shows for individual customers in food packaging, canning and other segments, presenting DIC's elemental technologies and new products to people in a variety of industries. From February through March, 2011, we participated in the 4th International Photovoltaic Power Generation Expo and the 17th Architecture Building Exhibition 2011 where we offered DIC solutions to those in the photovoltaic power generation and architecture and housing industries.



The 4th International Photovoltaic Power Generation Expo

Communications with Shareholders and Investors

More Event Participation and More Information Sharing

We strive to make fair, appropriate and timely disclosure of information, closely communicate with shareholders and investors, and have their remarks and requests reflected in our business management. DIC participated in IR conferences and small meetings organized by securities companies, as well as holding two operating results briefings for institutional investors. We also organized plant tours and briefings to explain growth products such as TFT liquid crystals and pigments for color filters. In addition, DIC further strengthened communication with overseas institutional investors through participation in IR conferences in Hong Kong, Singapore, New York, London, and Edinburg. We are also bolstering information provision initiatives through our website, posting of articles to influential IR information magazines and participation in events for individual investors.



Operating Results Briefing

Communication with Communities and Society

Initiatives Aimed at Areas around Our Plants

As part of its Responsible Care activities, the Japan Chemical Industry Association's RC Committee has organized town hall meetings across the country to strengthen communication with people locally.

In February 2011, The DIC Komaki plant organized the 5th Responsible Care Aichi Regional Town Hall Meeting at the Komaki Kinro Center, where it presented its Responsible Care initiatives to local citizens. Its presentations covered mainly safety (passing on techniques through K-SHOW)^{*2} and eco-friendly products,

*2 Passing on technique through K-SHOW: passing on techniques through training, using video to explain.





also providing reports on matters such as energy conservation, industrial waste reduction, and local support activities (Oyamagawa cleanup). The DIC Komaki plant focused especially on discussion of its production and development of environmentally conscious products such as lightweight PPS for cars, low-VOC-emission printing ink, and decorative sheets for de-plating products^{*1}. The plant also talked about the various problems it has related to the environment. After the meeting, the plant made time to answer questions from local citizens and strengthen mutual understanding.



5th Responsible Care Meeting in Aichi Area

Contributing with Products That Satisfy the Needs of the Times

DIC is taking new steps to help people learn more about the DIC Group. The redesign of our websites, which began in 2010, was completed in May 2011. Our global website provides content such as "A 5-minute introduction to DIC" and "DIC: Here, there and everywhere." Also online are our regional sites for Japan, China, the U.S., Asia/Pacific, and Europe, which each provide detailed region-specific information about the DIC Group's products. In another development, the DIC Graphics Corporation began selling the DIC Digital Color Guide in December, 2010. Free from Apple's iOS App Store, this multifunctional color guide tool will allow DIC's Color Guide to be used by even more people.



DIC's Newly Redesigned Global Website

Communications with Employees

Strengthening Communication through Global Systems

DIC strives to stimulate communication with its employees through a variety of initiatives and systems. In FY 2010, DIC held its town hall meetings 33 times to provide an opportunity for the president to speak directly with DIC employees. We also publish a quarterly publication called the DIC Plaza to share a wide range

of DIC topics from various departments and plants. We have also been issuing English and Chinese versions since FY 2010, promoting information sharing among our global staff. SNS have also been adopted in the DIC Group in an effort to invigorate intra-company communication.



The English Version of "DIC Plaza"

*1 Decorative sheets: sheets onto which designs or patterns are printed or vapor-deposited before being further processed. Integrating these with thermoplastic resin achieves a color and feel not possible by painting molded parts.

2011 CSR Report Third-Party Opinion

The Japan Research Institute, Ltd. Chief, Head of ESG Research Center Eiichiro Adachi

Conducts industrial surveys and corporate evaluations in connection with corporate social responsibility focused on measures to address environmental problems. Provides financial institutions with corporate information to be used for socially responsible investment (SRI) and environment-focused financing. Involved in the publishing of "The 15th Corporate White Paper-Market Evolution and CSR Management" as a member of the "Market Evolution and Corporations in the 21st Century" working group organized for the KEIZAI DOYUKAI (Japan Association of Corporate Executives). Currently a member of the ISO 26000 JIS Promotion Committee under the Japanese Standards Association (was Japan expert for the ISO 26000 working group until May, 2009). Author of such books as "An Introductory Guide to Environmental Management" and "Environmental Problems Illustrated for Businesses."



In last year's "Third-Person Perspective," I discussed the need to (1) not only set objectives and ensure that they are achieved, but seek new challenges each year, (2) share more information about overseas initiatives, (3) focus on what is important given individual business characteristics, (4) maintain regard for biodiversity and increases in chemical substances released into the environment, (5) be thorough in disclosing results of initiatives in the supply chain, and so on.

It seems in reading this year's report that much progress has been made in disclosing overseas CSR initiatives. Through the "Voice" pieces from DIC employees and "Comment" pieces from those outside the company, it was very clear that DIC Group projects and CSR programs have achieved global scale. The fact that DIC became a participant in the UN Global Compact in December, 2010 is a clear declaration of DIC's intent to make regard for the global environment and human rights an even bigger part of its business management as a global chemicals manufacturer.

Improvement has also been seen from the perspective of "Materiality". Special topics focusing on how DIC has "achieved revolutionary reduction in energy usage for LCDs using pigments that allow for outstanding screen brightness despite less-bright backlighting" and "decreased CO2 emissions during transport by making food tray decorations as thin as possible to make them lighter" paint a clear picture of how DIC's technologies are benefiting society. At the beginning of this report it states that DIC has decided on the topics it will report based on "materiality evaluations" it has conducted from the perspectives of what stakeholders and DIC, respectively, consider important. If DIC can also provide information on the processes it went through to determine what to report, reported information will likely carry more weight with investors.

It is regrettable that environmental emissions of chemical substances in the domestic DIC Group in FY 2010 saw such a large increase. The reason given was "VOC combustion device malfunctions", but more details here would be welcome. There are still those who would like to see safety re-evaluations and risk evaluations for chemical products. At the very least, I hope DIC will enhance its measures aimed at reducing emissions of chemical substances into the air, water, and soil.

Furthermore, the procurement of many raw materials in the DIC Group is reliant on petroleum resources. Yet, despite the fact that the impact on business will be considerable should supply of these resources become a concern, there was no mention of how DIC would fulfill its responsibilities in such an event. The DIC Group states that the basis of its CSR is the "the fulfillment of its social responsibility to contribute to the development of society through its business activities". However, I believe it may not be clear for every reader of this report just what the DIC Group means by the "development of society". I will be looking forward to seeing the issues mentioned here addressed in next year's report.

I thank you for granting me the opportunity to provide a third-party perspective-and from my perspective as one who provides corporate information to financial institutions for the sake of socially responsible investment-on the social and environmental activities, and the ideal method of disclosing this information, of the DIC Group as understood through this report. Please note that comments expressed here are not intended to provide judgment concerning whether or not the data presented in this report has been measured and computed in accordance with criteria generally accepted as fair and appropriate for the preparation of environmental reports, or whether or not this report has, without omission, covered all important matters.

Data Compilation

Table 1 Environmental Costs (Investments and Expenses)

				(IVIIIIC	ins of yen)
	Category	Scope	Investments	Expenses a	nd Rate
1. Costs incurre environmenta production ar	d through activities aimed at minimizing the l impact generated within the business area through d sales activities (costs within the business area)	Costs related to preserving air and water quality, or maintaining or improving waste disposal and recycling activities	257	3,583	
	Cost of pollution prevention and global environment conservation	Cost of conservation of the environment, including the air and water quality	55	2,085	
	Main items	Operating/maintenance expenses related to activities aimed at curbing air (651), water pollution (880), soil pollution prevention expenses (62) and othe pollution prevention activities (13); water pollution prevention activities (2); a	pollution (421), gli er expenses Inves and other investm	obal warming stments in air ents (2), other	31%
Breakdown	Resource recycling costs	Costs related to energy conservation and internal and external waste disposal	202	1,498	
Operating/maintenance expenses for activities aimed at reducing energy and resource con (20) and waste disposal (759); expenses related to the obligatory recycling of used merchar Investments in activities aimed at reducing energy consumption (85), waste disposal activiti			consumption (292), w handise (0.6), and ot ivities(3) and other in	vater consumption her expenses westments	
2.Environmen (manageme	tal costs related to management activities ont activity costs) $^{(\mbox{Note 1})}$	Costs related to environmental and safety promotion and education; environmental management and auditing related to acquisition of ISO 14001 certification		460	40/
Main items	S Environmental education expenses (2), personnel/administrative expenses (124), ISO maintenance expenses (20), environmental impact measurement and monitoring expenses (41) and other expenses		Note 1	409	4 %
3.Environmen (technologie	tal costs related to technological activities cal activity costs) (Note 2)	Expenses and investments related to the development of products that reduce environmental impact (including personnel expenses)	359	7,204	63%
4.Environmental costs related to social activities (social activity costs) Costs of plant and office greening programs and sponsorship money					
Main items Internal maintenance expenses (11), fees to external organizations (103), Expenses related to environmental improvement, afforestation, and preserving nature (112), other		142	140	1%	
5.Costs related to d	amage inflicted on the environment(environmental damage costs)	Environmental clean-up and other expenses	0	10	
Main items		Levies on lake development (10) and other expenses	U	10	
	То	tal DIC Group (domestic)	782	11,406	100%

Notes:

1. The investment portion of management activity costs is included in costs within the business area.
2. Technological activity costs are those related to the development of products that reduce the environmental impact and include the R&D costs of new products as well as improving/ customizing existing products
*Scope of the data gathered for Tables 1, 2 and 4 are those of the domestic DIC Group companies and for Table 3 DIC only.
*The period covered is between April 1, 2009 and March 31, 2010.

Table 9 Economic Effects of Environmental Concentration Measurer

Table 2 Economic Effects of Environmental Conservation	IVIEASURES (Millions of yen)
Contents of the Effects	Amount
Income earned by waste recycling	212
Treatment cost reduction through waste recycling	169
Cost reduction through energy conservation	166
Total	547

Table 3 Impact of Measures to Protect the Environment

Contents of the Effects	Environmental Load Indices	Base Indices	
	CO2 emissions (calculated in tons of carbon) per unit of production	FY 1990 (Base year) = 100	104
	SOx emissions per unit of production	FY 1990 (Base year) = 100	37
	NOx emissions per unit of production	FY 1990 (Base year) = 100	99
1. Impact of environmental protection	COD emissions per unit of productionCOD emissions per unit of production	FY 1990 (Base year) = 100	67
measures within the business area	Energy used (calculated in volume of crude oil used) per unit of production	FY 1990 (Base year) = 100	102
	Emissions of solid wastes disposed of as landfill	of the FY 1999 level	0.7%
	Target under DIC's reduction plan	of the FY 1999 level	1.2%
	Fees paid for waste disposed of as landfill (FY 2010 actual payment base)	of the FY 2009 level	111 million yen reduction
	Emissions of PRTR chemicals (revised list)	of the FY 1999 level	37% (Note 3)
2. Impact of upstream and downstream environmental protection measures	CO_2 emissions realized as a result of modal shifts were 1,326 would have been the case with truck transport.	tons more than	1,326t Reduction (Note 4)

Notes:

Studies were conducted on 462 PRTR class 1 designated chemical substances and 105 substances targeted for study by the Japan Chemical Industry Association (excluding class 1 designated chemical substances) and 1 substance group according to revisions to the PRTR (Pollutant Release and Transfer Register) Law in FY 2010.
 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 FY 2009

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