

## **DIC CSR REPORT 2013**

The DIC Group's Corporate Social Responsibility Report



## **DIC** Corporation

## The DIC Group's Corporate Social Responsibility Program

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

The DIC Group launched its corporate social responsibility (CSR) program in the fiscal year ended March 31, 2008. In line with the DIC WAY, an articulation of its basic management approach, DIC has identified fulfilling its responsibilities as a member of society through its business activities and contributing to the evolution of society as the cornerstones of CSR.

The DIC Group strives to ensure a prompt and accurate grasp of evolving social imperatives, including global warming and the depletion of natural resources, and respond with solutions that deliver the value that its stakeholders expect continuously.

#### — With the aim of ensuring that the DIC Group remains a trusted corporate citizen with a proud reputation

In December 2010, the Group became a participant in the United Nations Global Compact (UNGC). The Group also conducts its business activities following to its Business Code of Conduct, also in a manner that is consistent with ISO 26000, which provides businesses and organizations with global guidelines for operating in a socially responsible manner.

#### CSR Framework and Themes

To guide its efforts to promote CSR as an integral part of its business activities, DIC formulates annual Groupwide CSR policies. In

accordance with these policies, individual sales administrative divisions, product divisions, sites and domestic and overseas subsidiaries are charged with pursuing effective CSR programs by formulating their own CSR policies and ensuring such policies permeate their organizations and labor forces, as well as by linking their CSR policies to business targets.

As a framework for implementing its CSR program in the fiscal year ending March 31, 2013,, DIC has developed 10 CSR themes and introduced a system whereby these are categorized as basic themes, including compliance and BCM; themes that demonstrate distinctive capabilities, such as business models focused on societal issues; and



themes that combine elements of the previous two classifications, to promote with respective annual target of activities.

#### System for Promoting CSR

The DIC Group's system for promoting CSR centers on the Corporate Social Responsibility Committee, which answers directly to the president and CEO and is tasked with reporting on the status of CSR themes, as well as with proposing policies and programs for advancing CSR and deliberating matters related to CSR as a vital component of corporate management. (The Sun Chemical Group has an independent system for promoting CSR.)



#### **Outline of the Report**

This report has been edited with the aim ofenabling readers to easily understand the CSR initiatives of the DIC Group. The outline firstcovers the corporate data, top message, and special topics pages, followed by activity reportsby CSR theme.

#### Linkage with Website

The WEB mark ( WEB ) is indicated where detailed information or data is available on the website.

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

#### **Scope of the Report**

DIC and domestic/overseas consolidated group companies are the scope of this report. However, please refer to the below link for the scope of the report on the "Environment, Safety, Health, and Quality." WEB http://www.dic-global.com/en/csr/pdf/dic\_csr\_scope\_ja\_2013.pdf

#### **Reporting Period**

For target domestic companies: April 1, 2012 to March 31, 2013(FY 2012) For target overseas companies: January 1, 2012 to December 31, 2012 (FY 2012) (Some FY 2013 topics are covered here)

#### Issued

September, 2013 (the next report will be issued in July, 2014)

#### **Reference Guidelines**

I SO26000 : 2010 / Responsible Care Code

#### About the cover design



The DIC Group hopes to respond to social issues and demands in a global and speedy manner. We have used the illustration to express how the CSR activities, which we have continually promoted, bloom and spread in the 2013 CSR Report. We will develop the story of colorful flowers (CSR activities), which are carried by the bird (DIC Group), for "colors" and "comfort."

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

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#### Network

## **DIC Group, Globally Active and Expanding**

DIC Corporation, one of the world's leading diversified chemicals companies, is also the core of the DIC Group, a multinational organization with a network comprising 183 companies in 62 countries and territories worldwide.

#### **Europe**

Sun Chemical Group and other companies

Net sale 156.8 billion yen Operating income ...... 5.8 billion yen

## **Asia and Oceania**

DIC (CHINA), DIC Asia Pacific and other companies

Net sale 1 '	1	5.	9 billion	yen
Operating income ······	•••	8.	2 billion	yen

#### Corporate Data As of March 31, 2013

Registered name: Corporate headquarters: Date of foundation: Date of incorporation:

#### **DIC Corporation**

WATERRAS TOWER, 101, Kanda Awajicho 2-chome, Chiyoda-ku, Tokyo 101-0063, Japan February 15, 1908

March 15, 1937

Paid-in capital: Number of employees: Domestic operations:

#### 91.2 billion yen

3,426(non-consolidated), 20,273 (consolidated)

183 [domestic: 35, overseas: 148]

#### 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 2012, DIC had 152 consolidated subsidiaries and 31 affiliates

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#### 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 (¥4.3 billion)

## Americas

Sun Chemical Group and other companies

Net sale **107.0** billion yen Operating income **2.2** billion yen

## Japan

DIC, DIC Graphics and other companies

Net sale 3	2	4	.1	billion	yen
Operating income	2	6	.6	billion	yen

#### 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 Printing inks, printing supplies

#### Fine chemicals

Organic pigments,liquid crystal materials, alkylphenols, metalcarboxylates, sulphur chemicals



#### Polymers

Synthetic resins for inks and painting, molding, adhesive and fiber processing, modifiers, fluorochemicals

#### **Application Materials**

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A Message from the President The DIC Group, ensuring it remains an entity capable of responding to evolving social imperatives.



#### **Achievements Under DIC 102**

The DIC Group changed significantly under DIC 102. Obvious examples of this include the rapid growth of promising new businesses, notably thin-film transistor liquid crystals (TFT LCs), pigments for color filters and polyphenylene sulfide (PPS) products. This is evidence of the superb basic technologies we have accumulated as a manufacturer of fine chemicals, which enable us to address key challenges faced by society today, including the need to curtail energy and resource consumption and reduce costs. To ensure the timely development of such advanced products and technologies, we realigned our organization to promote communication among technical personnel and created a crossbusiness framework that allows unrestricted access to technical facilities and equipment.

With the aim of creating a solid foundation that will support sustainable growth, we also focused on rationalizing production and improving our financial health. As a consequence, we are seeing a steady increase in awareness of profitability as a yardstick of performance.

#### Reinforcing Responsible Care Initiatives to Ensure Social Responsibility

As a manufacturer of fine chemicals, we have a basic duty to ensure social responsibility in everything we do. Accordingly, we recognize Responsible Care—which encompasses activities carried out by companies to protect the environment, safety and health (ESH) and enhance product quality—as a basic management precept.

Every year, we conduct Responsible Care inspections of DIC sites throughout Japan in the form of top management audits, which include participation by the president of DIC. Group companies in Japan conduct reciprocal site audits with the purpose of improving safety levels. In fiscal year 2012, we launched a Groupwide handson safety training program designed to heighten employees' ability to recognize danger. More than 3,700 DIC Group employees participated in the program, which contributed to a significant reduction in the number of occupational accidents, both those that resulted in work days lost and those that did not, compared with the previous period. I also took part in the program, and reconfirmed my belief in its importance.

#### Promoting CSR on a Global Scale

We recognize that ensuring CSR remains an integral aspect of management requires the promotion related initiatives on a global scale. We have developed an effective system in Japan and have made discernable advances with a variety of themes, from basic to those that demonstrate our distinctive capabilities. We, however, are really just beginning to attend to the challenge of creating a global CSR program that encompasses overseas Group companies. In 2010, we became a participant in the United Nations Global Compact (UNGC), underscoring our commitment as a leading international manufacturer of fine chemicals to helping realize sustainable global growth.

In line with this recognition, in fiscal year 2012 we revised our Basic Policy on Internal Control. We also introduced selfassessment procedures for overseas Group company directors that conform to the relevant local laws and regulations.

In fiscal year 2013, we will revamp and condense The DIC WAY Code of Business Conduct, which forms the foundation of our CSR program, as well as translate into multiple languages to ensure that it can be accessed and understood by DIC Group employees around the world. We will also step up efforts to promote Groupwide acceptance of the code with the purpose of raising awareness of compliance.

Additionally, having recognized the overhaul of our personnel system as an undertaking crucial to future growth for the DIC Group, we will shift the focus of our efforts to optimize human resources from regional to global. To this end, we will clarify all aspects of the system—including individuals, placements and remuneration in line with the concept of mieruka (a Japanese term that means to elucidate something or render it clearly visible). We will also establish a unified framework to ensure the fairness and consistency of performance evaluations worldwide and establish a multifaceted program aimed at fostering new generations of employees with leadership capabilities.

#### **Embarking on DIC105**

Our new medium-term management plan, DIC105, will guide our efforts from fiscal year 2013 through to fiscal year 2015, the first phase of a longer-term initiative that sets clear, concrete objectives for fiscal year 2018. As conveyed by its slogan, "Step Beyond," the plan's basic goal is to identify and promote the concentration of management resources in key business domains.

By implementing the strategies outlined in DIC105, we will continue working to offer distinctive products that provide core value to our customers, as well as to end users, thereby ensuring we remain a corporate entity capable of responding effectively to evolving social imperatives and contributing to environmental and social sustainability.



Top management audit, Chiba Plant (October 2012)



Ceremony to celebrate the completion of a new PPS compound production facility in Vienna, Austria (April 2013)



Color and Comfort by Chemistry – our Management Vision, shows the direction of the DIC Group's solutions to the societal issues, which are more and more complicated and diversified in global market. We will continuously challenge, to offer the best solutions.

## Medium-Term Management Plan

## Medium-Term Management Plan Basic Policy and Central Strategies of DIC105

Our new medium-term management plan, DIC 105, will guide our efforts for the three years through to fiscal year 2015—the first phase of a longer-term initiative that sets clear, concrete objectives for fiscal year 2018. In line with the slogan of DIC 105—"Step Beyond"—we will concentrate our allocation of management resources in business domains that will enable us to establish a new course for the future.

#### Restructure printing inks businesses in North America and Europe

Implement decisive rationalization measures, emphasizing the optimization of production capabilities, with the aim of strengthening our printing inks businesses in North America and Europe and ensuring their continued viability as core businesses

#### Expand businesses that will drive growth

Focus management resources in three key forward-looking businesses: TFT LCs, pigments for color filters and PPS products

#### **Create next-generation businesses**

Combine our renowned organic chemical technologies and inorganic materials to create new value (key concept: HYBRID CHEMICALS)



#### Concentrate Management Resources in Key Business Domains

#### DIC's key business domains

#### Combination of "Target markets", "Core products", and "Basic technologies"



\* Core Value: Value that appeals to consumers and brand owners

\* Target Markets: See Supplementary Information (page 28). WEB http://www.dic-global.com/en/ir/pdf/dic\_ir\_plan.pdf

\*\*\* Core Products: Differ from DIC's segment breakdown and based on Core Value delivered to users. For more information, see Supplementary Information (page 30).

 WEB
 http://www.dic-global.com/en/ir/pdf/dic\_ir\_plan.pdf

## Three businesses that will drive growth by enabling DIC to offer distinctive products that provide core value

Expand businesses that will drive growt

#### TFT-LCs



TFT-LCs are used in TFT LCDs, the dominant format for LCDs today. Production of TFT LCs demands sophisticated expertise in molecular design, synthesis and mixing, as well as in the removal of minute impurities. Since entering the TFT LC market in 2007, DIC has taken active steps to achieve performance improvements, enabling it to develop a steady stream of new products that satisfy its customers' needs for higher brightness, faster response times and greater long-term reliability. DIC supplies TFT LCs to television manufacturers around the world seeking to offer devices that deliver both lower energy requirements and outstanding picture quality.

#### **Pigments for Color Filters**



The picture quality of an LCD television is influenced by the properties of the pigments used in the color filter. Given significant improvements in the energy efficiency, slimness and resolution of LCD televisions, manufacturers demand pigments that deliver higher brightness and clarity with less light. Leveraging its advanced organic pigment synthesizing technologies, DIC developed a green pigment that achieves a dramatic increase in contrast, thus reducing energy consumption and achieving excellent brightness and clarity.

#### PPS Products (Engineering Plastic)



With making automobiles lighter is essential to improving fuel efficiency, engineering plastics offer an attractive alternative to metal materials. Valued for its superior heat, shock and impact resistance, shock, which ensure a superb performance under extreme conditions, PPS polymer manufactured by DIC is used extensively in components for automotive engines. Thanks to the unique properties of PPS, applications are also expanding to include drive, fuel and cooling systems.



# DIC Products - Contributing to the society in a variety of scenes through our social living

Shipping, information, housing, food products—there are number of problems that need solving in the industrial fields that support our daily lifestyles. Through creative development of new products, the DIC Group is contributing to solutions for such problems while generating new value.



## We want to use them with security because we need them in our lives.



#### Achieving both safety and printing quality in food packaging Social issue:

"Laminate processing," in which we bond plastic film/aluminum foil/ paper, etc., protects food from shock/humidity/oxygen/light/pollution etc. to keep it safe and healthy while enables long-term storage. In order to enhance the functionality, films are made in multi layers depending on the characteristics, such as snacks, beverages, or retort pouch food. Meanwhile, packaging inks play the role of conveying necessary information and enhancing product values with beautiful images.

For the packaging material, the method to dilute inks and adhesives with solvent is the main method in the processing step.

Reducing the amount of solvent and solvent-less process are being promoted, while strictly conformed with laws and regulations \*1. Furthermore, reduction of volatile organic compounds (VOC), has also become an issue to improve the operation environment.

The solvent residue is also highly recommended to reduce, as finished product.

\*1: Food Sanitation Act/voluntary standards in the industry (Japan), regulations in Europe(Swiss Ordinance), Food and Drug Administration (FDA) regulations, and China national standards GB9685, etc.

#### DIC's initiative

#### Development of next generation inks/adhesives with less solvent residue, and reducing VOC and CO<sub>2</sub>

DIC focuses on the development of inks/adhesives. The newly developed gravure ink "FINART," toluene-free and methyl ethylketone (MEK) \*2 free type ink, especially responds to the food packaging regulations in Europe (Swiss Ordinance). Furthermore, it also secures high printing quality with small amount of solvent, enabling VOC and CO2 reduction in the printing process.

DIC also focuses on the development of "super high solid type," adhesives with which solvent is reduced by 70% by increasing the solid content in laminating process, and "solvent-free type" adhesives. Those activities enable DIC to promote the promising products with the best balance of performance and cost.

We assure that DIC Group has established internal development systems in all aspects of pigments, and synthetic resins (including adhesives). Therefore, we are in a position to fully respond to various market needs, such as environment friendly and high performance, etc., in various regions, including Japan, Asia, Europe, and the U.S.

\*2: Organic solvents that may cause symptoms of poisoning when inhaled over a long period or a large amount.

Impact reduction with the next generation ink "FINART" + high solid type adhesive (LE-S1000)

#### Global standard of gravure inks



Laws and regulations worldwide for food packaging and inks has become strict more and more in recent years, shifting from "negative list regulations"(NL) to "positive list regulations"(PL). DIC quickly responded to such movements, reviewed product designing from raw material source, and

took on the challenge of developing toluene-free and methyl ethylketone-free products. "FINART," is a product that provide the beautiful package and high ink performance with safety.

> Dispersion Technical Group 1 Dispersion Technical Department 1 Manager Yoshihisa Shirasaki



Proposing highly performance laminate adhesives

Laminate adhesives are roughly categorized into; organic solvent type (conventional type/high solid type), solvent-free type, and water-based type. DIC focuses on super high solid type and solventfree type of adhesives as we prioritize the reduction

of solvent, VOC and waste liquid, with our basic performance of adhesives. We also take initiatives of simplifying package composition by replacing the films with adhesives having gas barrier function, etc. We will be eagerly working on highly composite products, based on our elemental technologies on a global scale, to contribute to the sustainable growth in the market.

> Dispersion Technical Group 2 Dispersion Technical Department 1 Manager Shigekazu Takahashi

VOICF

# Faster and safer sewer construction that supports our living environment



#### Social issue:

#### Reduction of construction period and improvement of safety for city tunnels

Sewers are an important infrastructure that supports our comfortable living environment. However, in cities where buildings are built closely together with a lot of traffic, it is difficult to construct tunnels (sewer pipes and public utility conduit) by opening and cutting streets. Therefore, "shield construction method", with excavators (shield machines) by shafting and excavating underground to create tunnels, rapidly becomes popular in recent years.

However, shafting requires (1) Pressure insertion of sheet pile (steel) around the tunnel to prevent soil from collapsing and groundwater seeping through, (2) Improvement of the ground by injecting cement milk

in order to stabilize the surrounding ground, and (3) "Ground breaking process", with which they cut the steel sheet pile with a burner to run the shield machine. Such method takes time and efforts, and the ground breaking process involves safety-related risks.



Newly developed "carbon FRP sheet pile" (longth 6m, thickness2.3cm)

Energy

#### DIC's initiative

#### Reduction of ground improvement and ground breaking work with the newly developed "carbon FRP sheet pile"

DIC has been providing FRP (Fiber Reinforced Plastics) bathtubs and artificial marble kitchen counters, which utilize sophisticated resin processing technologies. We also have manufacturing experience of construction material, such as FRP sheet pile for temporary construction, etc. In 2012, in cooperation with the Zenitaka Corporation, DIC succeeded in developing "carbon FRP sheet pile" with the same level of strength as steel sheet pile by layering carbon fibers and glass fibers and impregnating/curing resin.



By incorporating such sheet pile into shafting, we no longer need the

improvement of the ground by injecting cement milk or the process to manually cut sheet pile. Shield machines can excavate tunnels by directly cutting through FRP sheet pile. It improves work safety, significant reduction of both construction period and resource conservation.



Traditional construction method and FRP sheet pile construction method

#### from DIC staff

#### VOICE

#### Unique molding method was established after trial and error



DIC used to manufacture FRP sheet pile for shallow ground constructions, but the sheet pile that support the shafting in the shield construction method require a whole different size, shape and level of the strength/durability. After repeated experiments, we finally developed a molded product

that satisfies the performance requirements by layering fabric-like carbon fibers and glass fibers within an mold using Resin Transfer Method. I think that this development is the result of full utilization of DIC's comprehensive knowledge and technologies from designing to resin processing/manufacturing.

Polymer Processing Technical Group 6 Polymer Processing Technical Department Manager Michinari Kanemoto



Safety/reliability

## Even convenient tools that support the information society must be considerate to the environment.

#### Social issue:

#### Electronic materials that produce less environmental impact in the disposal process

Smartphones or PCs, are composed of many electronic components, and most of them are recycled. However, inappropriately burying or incinerating sometimes produce harmful substances. Regulations have been stipulated for contained substances.

Recently, semiconductor packages manufacturers are replacing "solder," used to fix electronic components on substrate, with "leadfree." However, lead-free solder is installed at a higher temperature, which means high heat resistance is required in the substrate materials (epoxy resins).

On the other hand, as flame retardant, halogen composites had

been used for the substrate materials in order to prevent fire from heating in high density circuits, etc. However, dioxin production is a concern when halogen is burnt in disposal, and, halogen-free

substrate materials which can secure the flame retardant property, are required recently.



Resource

VOICE

#### DIC's initiative

#### Development of environmentally-conscious high-functioning epoxy resins and curing agents that achieve high heat resistance and flame retardancy

Epoxy resins are thermoset synthetic resins that are highly reactive. They cure when mixed with curing agents. Combining resins and curing agents achieves properties, such as exceptional molding property, heat resistance, and electrical insulating property, etc. DIC provides a wide variety of products in the electronic material field as Japan's largest epoxy resin manufacturer.

The "high heat resistance," for lead-free solder, and "high flame retardancy," for halogen-free materials, are opposite characteristics; therefore, simultaneously achieving both was not easy. DIC resolved this issue by their vertical integration system in which the process from the molecular designing of raw material until manufacturing of epoxy resin, within the same plant. Furthermore, we also achieved controlling of the thermal expansion rate and the property of preventing "warpage of substrate," which can cause insulation failure.



Highly inform Society

DIC's vertical integration system epoxy resin business

#### from DIC staff

## Development for the optimal organic materials required in thermal management



DIC's knowledge/technologies gained in the course of developing the resins/curing agents that simultaneously achieve high heat resistance and flame retardation property, can be applied also to "thermoplastic resins (PPS, ABS resins, etc.). They are used in, such as chassis of PCs, and TVs, or components installed in automobiles, etc. Power semiconductors are especially starting to lean toward high output in components

installed in automobiles, and further heat resistance and flame retardation property are required in peripheral components. We will provide the optimal organic materials for thermal management area and take a part of the automobile society with less environmental impact.

Polymer Technical Group 5 Polymer Technical Div. 1 Manager Kazuro Arita

## Creating new substances without being entrenched with existing concepts/methods



DIC was able to realize original high-performance epoxy resins and curing agents as we have never stopped taking on challenges with the aim of achieving new properties. For example, we spent over 10 years developing/cultivating the "phosphorus-unit introduction technology"\*1 and the "active ester curing system."\*2 etc. in order to commercialize materials

with dielectric properties, with which electricity is not easily accumulated. While the explosive growth of smartphones has been unimaginable at the time, epoxy resins with great dielectric properties are absolute necessity now.

Polymer Technical Group 5 Polymer Technical Div. 1 Koji Hayashi

Phosphorus-unit introduction technology: Technology that incorporates phosphorous compound with a great flame retardation property into resin chemical structure via chemical synthesis Active ester curing system: "Active ester" is the general name for special epoxy resin curing agent, which prevents hydroxyl from forming by using the transfer reaction of ester group in the curing behavior with epoxy resin. Cured product will have a dielectric property, which prevents electricity from accumulating. This technology was proposed by Tadatomi Nishikubo in the 1990s, and DIC has provided the durability that can withstand the use as electrical insulating materials with its original technology.

## Supporting the Development of a New Technology to Facilitate **Precise Brand Color Reproduction and Management Worldwide**

Sun Chemical Corporation has played a crucial role in a project aimed at ensuring a consistent global image for one of Heinz's main brands. Sun Chemical is the preferred partner of PantoneLIVE, a cloud based digital color management platform. It is designed to remove key brand color variation and utilizes Sun Chemical patented technology for harmonizing brand color.

#### Brand color variations arising from regional disparities and packaging differences

Topics

Brand color variations arising from regional disparities and packaging differences H.J. Heinz Company, a leading global manufacturer of food products, had a problem with the brand color for Heinz Beanz tinned baked beans. Perception disparities in different countries and territories and the diversification of packaging formats had led to significant variation.

Factors contributing to this problem include a type of packaging and a broad range of printing methods. Additionally, different printing companies in each territory, making it both time-consuming and costly for Heinz staff to manage colors. Heinz recognized that needed to be resolved swiftly.

Heinz tasked its brand lifecycle management partner, Sun Branding Solutions Ltd, UK to set up a project team to develop a practical solution. The team's brief was to ensure color consistency for Heinz Beanz Blue across all packaging substrates and printing methods by creating a solution that would:

- 1 facilitate color consistency, anywhere in the world,
- 2 reduce costs by facilitating web distribution and ensuring accurate digital standards, and
- 3 shortening of development times for new packaging.

#### Sharing and maintaining global digital standards in the cloud

Sun Branding Solutions was able to trial an early beta release of PantoneLIVE, with support from Sun Chemical. The team ensured color control over the entire design, artwork and prepress process, as well as with stress testing the new PantoneLIVE digital brand color management technology.



The team began by scientifically quantifying color variations to set color standards and color tolerances for Heinz Beanz Blue. The next step was to produce proofs and physical samples for each type of packaging. Exclusive digital standards for reproducing the color on each type of packaging were then created based on paper, film and ink data sourced directly from the PantoneLIVE. Sun Branding Solutions verified results at all stages using visual and spectrophotometer readings.

#### Sharing and maintaining global digital standards in the cloud

In August 2011, the digital standards were uploaded into PantoneLIVE, making it possible for printing companies and other vendors worldwide to access relevant specifications from this cloud-based platform, thereby realizing a technology that ensures the consistent reproduction of Heinz Beanz Blue across all substrates and printing methods.

A Sun Chemical survey revealed that color variation across the different types of packaging used for Heinz Beanz had fallen to approximately 1/6, which means these variations are imperceptible to the human eye. The need for Heinz staff to check packaging has decreased significantly, yielding cost and time savings.

Color variation across Heinz Beans Blue packaging formats has been greatly reduced





Verification at all stages

#### from Sun Chemical staff

#### We are proud to have assisted Heinz in finding a solution to this problem.

We played a critical role in the project team and accomplished the challenge set by Heinz, utilizing PantoneLIVE. The members of the Sun Chemical contingent rallied their collective scientific and specialized technological expertise to analyze vast amounts of data and to verify results at every stage. This experience served as a reminder of how difficult it is for global corporations to manage a consistent global brand image. I have no doubt there are many firms facing similar problems that we can help. With Sun Chemical's PantoneLIVE Preferred Partner status, we can reinforce our capabilities, broaden our network and look forward to assisting more companies in the development of solutions for ensuring brand color consistency.



VOICE

## Topics 2 Downloaded worldwide for the convenience of digital guide (As of May 31, 2013)



DIC digitalized the COLOR GUIDE in October, 2010, and started releasing it as a free application for smartphones (iPhone by Apple). Since then, we have been expanding the users while enhancing compatible OS and contents.

#### Digital tool that excels in portability and search function

Digital devices have become popular more and more, and DIC released the Digital COLOR GUIDE application for smartphones, with the established method to freely search from 2,230 colors on LC screens.

"DIC Digital COLOR GUIDE", provided as a "free application" since October, 2010, surprised people, since anyone can freely



DIC Digital COLOR GUIDE

download despite the fact that it came with the search function and an abundance of database fully utilizing digital technologies. Behind this was DIC's wish to "enable more people to casually use this as a convenient platform to accurately communicate colors to experience the richness and joy of colors."

#### Main basic functions

- Displays in ink compositions (CMYK), 3 primary color ratio (RGB) of light to reproduce colors on computers, and "Munsell values," which is a color standard utilized in Europe, the U.S., and the Japanese Industrial Standards (JIS)
- 2) Japanese/English/Chinese switchable display
- Simulates characteristics of and difference in colors depending on the printed material (poster board/PET sheet/metal/film, etc.) in images

"DIC Digital COLOR GUIDE" was downloaded worldwide, starting immediately after its release, and received high acclaim in a wide variety of areas. In order to respond to more varied OS environments, we released the iPad version in May, 2011, and the Android version in November for tablet terminals. Furthermore, we began releasing the Macintosh version, in which color accuracy and simulation functions were enhanced, for designers etc., in July, 2013.

\*1 iPhone (iPod touch), iPad, and Macintosh are product names by Apple. \*2 Android is a platform for mobile terminals released by Google in 2007.

#### markets, and in such cases I need to accurately record the colors or textures confirmed in the field. The "Digital COLOR GUIDE"

COMMENT

Customer's voice

enables me to quickly and conveniently record close colors on my smartphone and to confirm them on the screen. While the traditional paper chips may be more effective in view of color accuracy, this application enabled me to research more conveniently. In addition, I have the sense of security and joy, with an abundance of colors at hand. One of the advantages is that it also enables me to learn the background, history, and name of colors. Though there are some issues still, I really anticipate future development of this application.

Colors and materials are important elements in product

designing. I am in charge of the development to highlight their

attractions and introduction to products. I often research shows and

Unlimited colors at hand

Sony Corporation UX & Product Strategy Group Creative Center Product Design Managing Group CMF Design Team Senior Producer Mr. Hajime Ogura



DIC Digital COLOR GUIDE WEB http://www.dic-graphics.co.jp/products/dcguide/ipad.html

#### from DIC staff

#### Unlimited uses! This is an "entrance to browse color database."

The use of the "Digital COLOR GUIDE" truly differs for each person. In order to reproduce colors on LC screens, it is necessary to fine tune color conversion software to match the characteristics of each model by different manufacturers, whether it's a smartphone or a PC monitor. This requires a massive amount of work. However, knowing that the COLOR GUIDE is being utilized in countries and places where we can't even imagine makes us forget the troubles.

What is important is the positioning that the COLOR GUIDE is an entrance to browse the color database. We hope to continue enhancing the quality and volume of the infrastructure so-called database by fully utilizing the technologies Yasuhiro Morihara that are unique to our company, which has extensive knowledge about colors.



VOICE

## Targets and Achievements of Major CSR Activities

\* The "Evaluation" column is based on self-evaluations of current progress. Evaluation marks: \*\*\*...Excellent \*\*...Satisfactory \*...Needs Work

CSR Theme /Objective	Objective/Task	Reference Page	FY 2012 Goals
Compliance / fair	Raise awareness of compliance	P19	Revise the contents of the "2008 edition of the DIC WAY Code of Business Conduct" and finalize the contents of the 2013 edition
transparent corporate activities	Conduct business fairly	P19	Complete easy-to-understand e-learning materials and provide e-learning education for employees involved in subcontracting deals
5		P20	<ul> <li>Continue examining substitutability of main product BCP</li> <li>Complete establishment of BCP at domestic and overseas subsidiaries</li> </ul>
Business continuity management (BCM) / limit disaster risk	Ensure DIC Group business continuity		Conduct Task Force training to prepare for disasters and consider measures to improve effectiveness further
			Work together to organize the management system and implement measures to respond to various risks
Measures toward achieving and ensuring information security	Establish a global information security framework	P21	<ul> <li>Introduce an internal auditing system to strengthen the information security framework further</li> <li>Firmly establish a security management framework in domestic and overseas Group companies</li> <li>Introduce a new system that is compatible with smartphones and other new devices</li> </ul>
Human resource management / striving to improve job satisfaction	Train and appoint national staff to advance global management	P31	Concerning organization of national staff HR systems led by DIC Asia Pacific at overseas subsidiaries, reorganize two Indonesian companies
	Support staff diversity and diversity in working styles through working women promotion activities	P31	(1) Increase the number of female employees hired and (2) continue to increase roles for women in the workplace (sales and manufacturing positions)
	Support staff diversity and diversity in working styles by promoting employment of disabled persons	P32	Further promote employment of disabled persons in response to the increase in the legally stipulated disabled employment rate from FY 2013 onward $(1.8\%\rightarrow2.0\%)$
Supply chain management /	Create base for fair purchasing practices		Provide explanations of CSR procurement at subsidiaries in the Southeast Asia region
global expansion of CSR procurement	Promote CSR procurement	P34	Update the DIC Group Supply-Chain CSR Promotion Guidebook
Business development of social issues / establishing "solutions businesses"	Promote solutions businesses adapted to changes in social imperatives	P35	•Creation of solutions businesses Select specific themes from within next-generation growing fields and strive to improve customer satisfaction by creating appealing solutions businesses
			<ul> <li>Improve customer satisfaction levels by utilizing DIC improvement tools consisting of product guidebooks, exhibitions and technology exchanges to achieve penetration and enhancement of the DIC brand</li> </ul>
New technology development and value creation /	Improvement of development capability of new products/technology contributing to sustainable society	P36	Strengthen collaboration and combining of technologies among Group companies (including overseas companies)
that leverage component technologies	Promote development of environmentally-conscious products and services	P37	<ul> <li>Promote research themes related to the environment</li> <li>Speedy launch of new environmentally-conscious products into markets</li> </ul>

FY2012 Results	Evaluation	FY2013 Goals
Completed the integrated Code of Business Conduct proposal draft on compliance for DIC and Sun Chemical	**	Complete and distribute the Code of Business Conduct (Japanese, English, and other languages) on globally-applicable compliance
Finalized the e-learning material contents	**	Complete and distribute the subsidiary director checklist based on the legal system of each country
Reconsidered main products due to the corporate reorganization	**	Further cultivate BCP for our main products, including domestic and overseas subsidiaries
Conducted Task Force training to prepare for earthquakes and tsunamis based on the emergency response manual (earthquake edition)	***	Take measures for issues that we have recognized from the training result in 2012, revise the manual, and conduct training
Conducted safety confirmation system training to confirm the safety of employees, who are the foundation of the management system in case of disaster	**	Prepare Task Force manuals responding to each specific risk that can be expected
Conducted internal seminars to establish the Confidential Information Management Regulations and Guidelines     Established management regulations according to DIC for domestic group companies     In terms of overseas group companies, we have developed the IT governance rules in companies in the China     region	**	<ul> <li>Promote the maintenance of the information security system and appropriate response to internal audit results</li> <li>Establish the security management system in domestic and overseas group companies</li> </ul>
Although we have switched from overseas subsidiaries in Indonesia to 2 companies in Thailand and the Philippines to introduce the system within this year and promoting the effort, we were not able to complete it within FY2012.	*	<ul> <li>Complete various HR systems for national staff in 2 overseas subsidiaries in Thailand and the Philippines and start working with the overseas subsidiary in Malaysia</li> <li>Promote the establishment of global HR database by department</li> </ul>
<ul><li>(1) Female employment ratio of graduates over technical college: 27.8%</li><li>(2) Female manufacturing employees: 6, female external sales staff: 25</li></ul>	**	<ul> <li>Conduct reviews and consider future policies for assigning female employees as manufacturing staff in order to thoroughly promote the expansion of female employees' work opportunities.</li> <li>Appropriately operate systems that support the balance between work, childcare, and nursing care, etc.</li> </ul>
As of March 31, 2013: 2.20%	***	Continue promoting employment of handicapped persons in response to the increase in the legally stipulated handicapped employment rate from April, 2013 onward (1.8% $\rightarrow$ 2.0%) in a stable manner
<ul> <li>Conducted CSR procurement seminars for subsidiaries in the Southeast Asia region</li> <li>Distributed the "DIC Group Supply-Chain CSR Promotion Guidebook" to local suppliers and promoted the establishment of CSR procurement</li> </ul>	***	Collect the "CSR promotion reply sheet" from suppliers in China and Southeast Asia, confirm the CSR promotion status, and provide feedback
<ul> <li>Reconsidered the entire contents of the guidebook, added new items, and enhanced the contents</li> <li>Reviewed and revised the "CSR promotion reply sheet" so that suppliers can reply more easily</li> </ul>	***	Partially revise the "DIC Group CSR Procurement Guidelines." Issue the revised edition of the "DIC Group Supply-Chain CSR Promotion Guidebook" in July
Extracted social needs that are rooted in global-scale issues, such as CO <sub>2</sub> reduction and replacement for fossil fuel, etc. Promoted business plans, such as sophistication/downsizing of rechargeable batteries and power devices as solutions businesses.	**	Research social needs     Widely extract social needs and technical themes that are rooted in     social issues by anticipating global-scale mega-trends and emerging     of new markets connected to them.
Issued the Chinese version, Korean version, and Taiwanese versions of "product guidebooks" and held "technology exchanges" with promising domestic and international customers in response to this in order to promote the establishment of the DIC brand	**	•Provision of solutions Plan new businesses that clarify the values that the DIC Group can offer in order to provide solutions that satisfy such social needs
Established the research support system for China, Southeast Asia, and various areas in Europe and U.S.A.	**	<ul> <li>Strengthen collaboration among Group companies (including overseas companies)</li> <li>Promotion of development of products by combining technologies</li> </ul>
Business volume of environmentally-conscious products as a percent of all products: 57%	***	Promote research themes related to the environment     Speedy launch of new environmentally-conscious     products into markets

## Major Targets and Achievements of Responsible Care (RC) Activities

CSR Theme /Objective	Objective/Task	Reference Page	FY 2012 Goals
	Prevention of global warming and promotion of energy saving	P25	DIC Group (domestic): Reduce energy consumption per unit production by 1% compared with the previous year's level Reduce CO <sup>2</sup> emissions by 1% compared with the previous year's levels
Environmental safeguards reduction of environmental impact via business activities	Reduction of industrial waste (zero emissions) Reduction of volume of landfilled solid waste Reduction of volume of industrial waste discharged from production plants	P27	Volume of industrial waste sent to landfills DIC: 53 (-49% compared with previous year); DIC Group (domestic); 104 t(-34% compared with previous year) Volume of industrial waste produced by production plants DIC: 17,006 (+1% compared with previous year); DIC Group (domestic); 65,009 ((0% charge compared with previous year)
	Promotion of recycling	WEB	Continue to promote recycling at DIC Group (domestic) and improve resource recycling
	Emission control of chemical substances PRTR 1st-designated chemicals (462) + Substances targeted for study by JCIA*1 (105) + 1 substance group	P26	DIC: 328 t (+2% compared with previous year) DIC Group (domestic): 662 t (-11% compared with previous year)
	Reduction of VOC emissions into the atmosphere	P26	DIC: 314 t (+3% compared with previous year) DIC Group (domestic): 648 t (-12% compared with previous year)
Preservation of safety and	Ensuring occupational safety and health Promotion of hands-on safety training	P22	<ul> <li>Provide guidance on risk assessments connected with equipment investment.</li> <li>Be timely in provision of information and analysis of the accident or disaster.</li> </ul>
accident prevention / occupational safety and health	Promotion of sharing of information about safeenvironment between DIC and Group companies (both domestic and overseas)	P24	<ul> <li>Continue with safe corporate climate cultivation working groups and summarize proposals of the current fiscal year.</li> <li>Hold the working groups and share safety information.</li> </ul>
Distribution / safety	Reduction of GHG emissions caused by transportation	WEB	Continue to promote modal shift and reduce energy consumed during transport per unit production of 1% annually.
	Management of safety of chemicals during transportation	P26	Organize yellow cards and have general freight vehicles including container trucks, lorries, and vehicles carrying mixed freight carry them
	Promotion of green procurement	P30	Have incoming raw material information collected and centrally managed by CIRIUS in accordance with the DIC Group's Green Procurement Guidelines
Safety of chemical substances / products	Measures to cope with GHS (measures to disclose information on chemical substances contained in products)	P30	<ul> <li>Continue to create SDS for all chemical products and distribute them through the website.</li> <li>Introduce a system for creating SDS for each country outside of Japan based on that country's laws and regulations and in that country's language(s), and prepare an operating environment enabling introduction of this system starting in FY 2013.</li> </ul>
	Measures to cope with overseas regulations (e.g., the European REACH regulation)	P30	Provide SDS based on Regulations on Safe Management of Hazardous Chemicals in China and ensure that labels are properly affixed. Carry out additional registrations of existing chemicals in Taiwan. Complete registration within the current fiscal year of substances that will reach their EU REACH registration period expiration in May 2013.
Communications with community	Report on RC activities and site reports of each plant	WEB	Make the information on our Responsible Care activities public through the CSR report and DIC website. In addition, promote risk communications between DIC's offices and local communities through site reports.
Quality management (customer satisfaction)	Securing of quality	P30	Interpret QMS such as ISO 9001 and others as tools to ensure efficient work and promote to improve customer satisfaction by use of QMS.
	P30		Confirm and organize QMS tasks at the new business systems, support improvement activities and improve quality management activities
Support for environmental	Promotion of the environmental protection & safety management activities at affiliated companies in the China and Asia/Oceania regions	P23 P28	Hold a meeting for personnel in charge of safety in China region, conduct training in such as safety basic actions and provide support for points that need improvement at each company (Hold a meeting for personnel in charge of safety in Asia/Oceania regions and China region in alternating years).
management activities for overseas affiliates	Environmental/safety data	P23 P28	<ul> <li>Provide support for points about the target of environmental protection &amp; safety management that need improvement at overseas DIC Group companies.</li> <li>Select offices that are in need of special safety-related support, and provide such support in cooperation with head companies in the regions.</li> </ul>

\* The "Evaluation" column is based on self-evaluations of current progress. Evaluation marks ★ 🛧 … Excellent ★ 🕁 … Satisfactory ★ … Needs Work

\*1 Japan Chemical Industry Association (General Incorporated Association): As one of the Japan's major industry organizations, JCIA is a member of the ICCA and pursues the healthy development of the chemical industry with other chemical-industrial organizations around the world.

Note 1: Numbers listed under "FY 2013 Targets" are totals from the 9-month period from April to December 2013. Note 2: The formula used for calculating percentages in comparison with previous years of the target value in FY 2013 is the target value × 100 / (previous year's achievement value × 3/4).

 $^{\ast}2$  A slight increase occurred due to changes in processing equipment at two plants.

FY 2012 Results	Evaluation	FY 2013 Goals (refer to Note 1, Note 2)
DIC Group (domestic): Reduced energy consumption per unit production by 4.5% compared with the previous year's level Reduced CO <sup>2</sup> emissions by 10.3% compared with the previous year's level	***	Reduce energy consumption per unit production by 1% compared with the previous year's level Reduce CO <sup>2</sup> emissions by 1% compared with the previous year's level
Volume of industrial waste sent to landfills DIC: 48 t (-54% compared with previous year); DIC Group (domestic): 106 t (-33% compared with previous year) Volume of industrial waste produced by production plants DIC: 15,710 t (-6.7% compared with previous year); DIC Group (domestic): 65,874 t (+0.9% compared with previous year)	**	Volume of industrial waste sent to landfills*2 DIC: 36 I (+1% compared with previous year): DIC Group (domestic): 81 I (+1% compared with previous year) Volume of industrial waste produced by production plants*2 DIC: 11,983 I (+2% compared with previous year); DIC Group (domestic): 48,952 I (-1% compared with previous year)
Resource recycling rate DIC: 74% (2-point reduction from previous year) DIC Group (domestic): 93% (5-point reduction from previous year)	***	Continue to promote recycling at DIC Group (domestic) and strive to improve resource recycling rate
DIC: 296 t (-8.6% compared with previous year) DIC Group (domestic): 567 t (-25% compared with previous year)	***	DIC: 222 t (0% change compared with previous year) DIC Group (domestic): 419 t (-2% compared with previous year)
DIC: 283 t (-8.7% compared with previous year) DIC Group (domestic): 554 t (-26% compared with previous year)	***	DIC: 211 t (-1% compared with previous year) DIC Group (domestic): 408 t (-2% compared with previous year)
<ul> <li>Risk assessment guidance was provided at affiliated companies.</li> <li>Information on accidents and disasters in the DIC Group was distributed to and shared with Group companies.</li> <li>Hands-on safety training was conducted at 19 locations (3,714 participants).</li> </ul>	***	<ul> <li>Provide guidance on risk assessments connected with equipment investment.</li> <li>Be timely in provision of information and analysis of the accident and disaster.</li> <li>Expand and continue current hands-on safety training measures.</li> </ul>
<ul> <li>Safe corporate climate cultivation working groups provided proposals, which were reflected in FY 2013 activity planning.</li> <li>Precautionary stickers were created by safe corporate climate cultivation working groups.</li> </ul>	***	<ul> <li>Continue with safe corporate climate cultivation working groups and summarize proposals of the current fiscal year.</li> <li>Hold the working groups and share safety information.</li> </ul>
Promoted modal shift and improved transport efficiency Energy consumption (DIC): 4,802 kℓ (-10.5% compared with previous year) Unit energy consumption (DIC): 7.96 Kℓ/the amount of transport (1,000t) (+0.9% compared with previous year)	**	Continue to promote modal shift and improve transport efficiency
Organized yellow cards and had general freight vehicles including container trucks, lorries, and vehicles carrying mixed freight carry them	***	Provide information enabling identification of yellow card numbers on delivery slips.     Continue providing training on potential problems that may occur during transporting and apply safety management for transport of chemical products.
In accordance with the DIC Group's Green Procurement Guidelines, incoming materials information was collected and centrally managed using CIRIUS	***	File updated information in CIRIUS as necessary for new raw materials as well as conventionally procured materials
<ul> <li>SDS were created for all chemical products and made available on the website.</li> <li>A system (WERCS) for creating SDS based on other countries' laws and regulations and in those countries' language(s) was introduced domestically.</li> </ul>	***	Continue to create and distribute SDS for all chemical products through the website.     Utilize WERCS to create SDS and labels. Introduce WERCS also at     overseas Group companies and prepare an operating environment     enabling overseas utilization of the system starting in FY 2014.
Provided SDS based on Regulations on Safe Management of Hazardous Chemicals in China and affixed labels.     Carried out additional registrations of existing chemicals in Taiwan.     Completed registrations of substances that reached their EU REACH registration period expiration in May 2013.	***	Continue with measures to meet Regulations on Safe Management of Hazardous Chemicals in China.     Keep close watch on developments related to Korean chemical substance regulations (K-REACH) and take measures toward compliance once they have been officially established.
Communicated with local residents and visitors to our plants through the CSR report, DIC website and site reports for each plant as part of risk communication promotion efforts	**	Make DIC domestic Group company and overseas Group company occupational safety and health performance data and environmental performance data publicly available.
In accordance with our "matrix-type organizational system", which positions the Product Division on the vertical axis and Sales, Technical and Production Administrative Divisions on the horizontal axis, we introduced and organized a	**	Utilize ISO 9001 and other QMS as tools for increasing quality of work in order to improve customer satisfaction
QMS in the Product Divisions in order to facilitate smooth inter-division collaboration	**	Identify and organize QMS issues within "the matrix-type organizational system" while supporting improvement activities, and enhance quality management activities
<ul> <li>Held meetings for personnel in charge of safety in China region.</li> <li>Held environmental and safety audits in the China and Asia/Oceania regions.</li> </ul>	***	Hold a meeting for personnel in charge of safety in the Asia/Oceania region and provide support for points that need improvement at each company (hold meetings in alternating years in the Asia/Oceania and China regions; next meeting scheduled for February 2014).     Conduct environmental and safety audits.
Collected and processed data from companies in the DIC Group (overseas affiliates) and reported it.     Selected DIC Compounds Malaysia (Asia/Oceania region) and Nantong DIC     Color Co., Ltd. (China) as locations to receive special safety-related support.     Installed hands-on safety training equipment and worked to raise safety awareness among employees.	***	<ul> <li>Collect and analyze safety and environmental data from overseas DIC Group companies and provide support for points of the target management.</li> <li>Select offices that are in need of special safety-related support, and provide such support in cooperation with head companies in the regions.</li> </ul>

## **Corporate Governance**

WEB http://www.dic-global.com/en/about/governance.html

#### **Basic Concept of Corporate Governance**

The DIC Group considers corporate governance as "the system in which decisions are made on the management policy and corporate executives' business conduct is appropriately monitored, evaluated, and motivated in order to conduct healthier, more efficient, and better management with the aim of sustainable corporate growth and development." DIC promotes various policies to strengthen the management system and enhance the monitoring function with the aim of pursuing corporate value improvement that would further grow the trust of stakeholders, such as stockholders and customers.

#### **Corporate Governance Initiatives**

In addition to appointing two external attorneys as outside auditors, DIC also appoints two outside directors to further strengthen corporate governance. We also have, "Nomination Committee" and, "Remuneration Committee", with outside directors as members, as the advisory committees for the board of directors in order to enhance the objectivity of decision-making for appointment of candidates for DIC directors and executive officers, etc. and remuneration for them.

DIC works on the establishment and operation of the internal control system, such as the establishment and notification of the Code of Business Conduct on compliance, monitoring by the Internal Audit Division, establishment of the whistle-blowing system, establishment of various internal rules, establishment of CSR policy based on risk evaluation, establishment of the BCM system, and securing of group company control, etc. based on the "Basic Policy for Internal Controls," which was resolved by the DIC board of directors



#### Supporting the UN Global Compact as a global chemicals manufacturer

WEB http://www.dic-global.com/en/csr/philosophy/management/gc.html



In order to fulfill its social responsibilities in the international community in a more proactive manner, 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) which are advanced by the United Nations.

The UN Global Compact (UNGC) is a voluntary action principle for companies, which was proposed in 1999 in order to achieve worldwide sustainable development. More than 8,000 companies and organizations have pledged their support based on the idea that worldwide sustainable development can be achieved if companies comply with international rules for human rights, labor, and the environment in the course of conducting business and fulfill social responsibilities.

Core theme

## Towards Fair and Transparent Corporate Activities

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

#### **Basic Concept of Compliance**

Compliance in the DIC Group is to not only comply with laws but also respond to and meet social norms and requirements by stakeholders, such as customers, communities, and society.

We consider that the compliance and adherence to the "DIC Way Code of Business Conduct," which is the unified set of guidelines, is the basis of compliance in order to achieve sustainable growth of fair and transparent businesses. We pursue actions that comply with this Code in the business activities by DIC Group employees.

#### Program to Promote Compliance

The "DIC Way Code of Business Conduct" embodies the principles of action based not only on compliance with laws in every country and international rules but also on social norms of each country/region worldwide and expectations and requirements of stakeholders. The DIC Group promotes the understanding and establishment of the "DIC Way Code of Business Conduct" not only by holding explanatory seminars but also through e-learning. In addition, we also hold legal seminars for employees who are newly employed, promoted and transferred overseas with the aim of enhancing their awareness of compliance.

The DIC Group will continue to never violate the principles set forth in the DIC Way Code of Business Conduct, even if such a violation would appear to be profitable for the DIC Group. We also respect social norms and act with social wisdom as a corporate citizen.

#### System to maintain compliance

The DIC Group has established a global compliance promotion system led by DIC Corporation (Japan), Sun Chemical Corporation (Europe and U.S.A.), DIC (China) Co., Ltd. (China), and DIC Asia Pacific Pte Ltd. (Asia/Oceania) as the core members. In addition, the DIC Group utilizes the whistle-blowing system. In case of issues or questions regarding compliance, one can directly report the matter to the DIC president and auditors, etc. We are also preparing to establish external whistle-blowing contact windows that respond to languages of over 160 countries. In case of such reports, we swiftly and appropriately respond to such reports according to the law while incorporating internal and external opinions with the aim of finding and correcting wrongful conduct, etc. of an early stage.

#### Main contents of the DIC WAY Code of Business Conduct

- Standards of Conduct Regarding Human Rights and Working Environment
- (2) Standards of Conduct Regarding the Environment, Safety and Health
- (3) Standards of Conduct Regarding Quality
- (4) Standards of Conduct Regarding Market Competition and International Business Transactions (including compliance with Anti-Monopoly Act and prohibition of unfair competition)
- (5) Standards of Conduct Regarding Customers/Suppliers, Public Officials and Shareholders
- (6) Standards of Conduct Regarding the Accuracy of Financial Information
- (7) Standards of Conduct Regarding the Prohibition against Insider Trading
- (8) Standards of Conduct Regarding Information Security, Intellectual Property Right and Properties Possessed by the Company
- (9) Standards of Conduct Regarding Contributions to Society
- (10) Standards of Conduct Regarding Conflicts of Interest

Employee's voice

VOICE

#### Enhancement of legal services in DIC (China)

I am in charge of legal issues in the DIC Group, including Sun Chemical, in China. I especially cooperate closely with the DIC Legal Department to promote projects within China with the aim of reducing risks. Companies worldwide, including China, are heightening their awareness of legal issues and compliance now. It is necessary to enhance the cooperative system between DIC and DIC (China) Co., Ltd. as well as DIC (China) Co., Ltd. and its operating subsidiaries in order to manage/reduce risks for the overall DIC Group. I am happy to be a part of the establishment work of a global network, in which DIC and its group companies can receive the same legal services.



Michelle Ding DIC (CHINA) Co., Ltd.

## Seeking to Reduce Disaster Risks

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

#### BCP Promotion by the DIC Group

DIC has been promoting the BCP (Business Continuity Plan) in order to respond to risks, such as major earthquakes, . We have checked the main products based on the degree of social impact, and revised them in the new organization, started in April, 2012. We will continue checking the main products according to market changes

In addition, the Purchasing Department and Technology Department have been taking the lead to promote efforts, to respond to concerns also in view of raw material I We will further enhance the coordination with domestic and overseas group companies in order to promote specific preparation of the BCP,.

#### BCP (Business Continuity Plan) Initiatives

Based on the contents of the emergency response manual, which was prepared in 2012, we conducted training to evaluate the actions according to the scenario of DIC Yokkaichi Plant being affected by the Earthquake. We were able to discover some points to improve, such as issues in local information collection of the disaster task force., and recognize responses that should be taken in the future. We have analyzed the training results and extracted points to improve in order to utilize the training results.

We have reflected those points and revised it to the "Headquarters Task Force Response Manual upon Earthquakes"We will continue to repeat training and improvement based on the more practical manual.

## Enhancement of the overall risk management system

On March 11, 2013, 2 years after the Great East Japan Earthquake, we conducted training for safety confirmation system for employees,. This is a training in which we transmit safety confirmation email to employees who are registered in the system and theyto correctly reply it As a result, 96% of the recipients of the safety confirmation email correctly replied. We will strive to increase the number of registered employees in group companies, while, encourage each plant to utilize the system on their own, and promote the system that enables us to thoroughly comprehend the safety of employees. At the same time, we will prepare manuals that individually respond to various disasters, such as accidents or pandemic, etc., based on the prepared "Headquarters Task Force Response Manual upon Earthquakes."

\* Pandemic: Nation-wide/worldwide outbreak of infectious diseases

#### OICE

Employee's voice

#### Striving for risk management that is recognized by each employee

I am in charge of the office for the Risk Management Conference. This conference formulates measures against various risks that may seriously affect the business activities of the DIC group and plays the role of the office to execute the measures. We prioritize a wide variety of risks, prepare task force response manuals for each risk, and evaluate the manuals while coordinating with various departments for each risk. We will revise the manuals based on the evaluation results and promote the PDCA cycle. We will strive for risk management in which each employee can recognize risks more



General Affairs and HR Department Manager Shigeki Takeda

## Initiatives to Ensure Information Security

WEB http://www.dic-global.com/en/csr/philosophy/management/security.html

## Basic Concept of Information Security by the DIC Group

The DIC Group has positioned information security as one of the top priorities of management and stipulated the "Basic Policy for Information Security" It is based on the recognition that protection of information asset that belongs to or is managed by the DIC Group is important in promoting business activities. Based on this "Basic Policy on Information Security," we have stipulated the "Confidential Information Management Regulations," "Information Management Guidelines," and "Individual Guidelines." These are prepared in order for each director and employee, to fully recognize the importance of information asset, appropriately manage it in a responsible manner and utilize them effectively. In addition, we will strive for further improvement by conducting internal audit and confirming the current issues.

#### Promotion and Enhancement of Information Security Response

In 2012, we promoted initiatives in preparation for the establishment of information security systems in each overseas group company with the cooperation of regional administrative companies. In 2013, we will aim to deploy the Confidential

Information Management Regulations and the guidelines to overseas group companies and further enhance information security response.

In the Asian/Pacific region, we will not only promote the standardization of work flows that are common for the region and promote further utilization of global management data by introducing the integrated new enterprise system. In order to support the internal control environment for this system, we have established a system administrated by the DIC headquarters for components that require sufficient security and reliability, such as access authority control, safety of data communication, and stable operation of server systems, etc.

#### Responding to a New Device

We started introducing smartphones in 2012 as new devices to utilize the internal system from the outside. In order to secure the convenience and safety of smartphones, we have introduced a number of information security measures, such as remote lock in case of loss and prohibition of download of internal information, etc. With the aim of further enhancing work efficiency and customer satisfaction, we will not only introduce tablet terminals but also take initiatives in ensuring information security in the future with the focus on safe and effective utilization.

VOICE

Employee's voice

#### The entire group will make efforts in promoting and enhancing information security as one

DIC has been deploying the new enterprise system (SAP), which is utilized in each DIC group company not only in Japan but also in Asia/Oceania, since 2012. Through this initiative, we have been establishing the information foundation, which will be necessary for the DIC Group to demonstrate the combined power in the future.

Upon this system introduction, subsidiaries in India and Southeast Asian countries, in which they have already started operating the system, were first perplexed by the required information security level improvement and unprecedented strict operation rules to comply with system utilization rules, which are globally common, such as user IDs and access authority setting, etc. However, they proactively took initiatives and realized the introduction.

As global coordination becomes more and more necessary, we will strive to further establish the importance of ensuring information security as the whole group through continuous education.



Information System Department (Stationed in DIC Asia Pacific Pte Ltd) Keiichiro Ito

## Toward the Achievement of a Sustainable Society

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

#### Basic Approaches to and Initiatives in Environment, Safety, and Quality

#### Basic Stance and Main Initiatives

In FY 2013, we established the five initiatives shown in the policy for Responsible Care activities in the poster on the right and implemented them throughout the DIC Group.

In addition, DIC created the slogan "promotion of Responsible Care activities by each employee and contribution toward the building of a sustainable society." Based on this ideal, and with top priority given to ensuring safety in environment and production operations, we have pledged to pursue corporate activities while promoting continuing preservation of and growth in society and environment. We establish these initiatives annually and translate them into English and Chinese in order to disseminate them throughout the entire DIC Group and promote relevant activities.

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"FY 2013 Policy for Responsible Care Activities" poster

#### **Occupational Safety and Health Initiatives**

#### Basic Approach to Ensuring Occupational Safety and Health

As an active member of society, the DIC Group recognizes that ensuring proper consideration of safety, the environment and health form the foundation of our operations, and we make every effort to incorporate this into all business activities in the following ways:

- Undertaking Responsible Care activities as part of overall Group activities
- Striving to firmly establish a safe corporate environment with the goal of "zero accidents"

We analyze accidents and communicate relevant information based on this fundamental approach, and undertake risk assessment in order to ensure occupational safety and health.

#### Status of Occupational accidents

There were 3 cases of occupational accident with lost work days in FY 2012 at DIC (3 cases in FY 2011), with a frequency rate of 0.68 (rate of 0.67 in FY 2011) and a severity rate of 0.03 (rate of 0.05 in FY 2011). Within the domestic DIC Group, there were 7 cases of occupational accident with lost work days in FY 2012 (12 cases in FY 2011), with an accident frequency rate of 0.63 (rate of 0.91 in FY 2011) and a severity rate of 0.025 (rate of 0.048 in FY 2011).

The numbers of accidents at both DIC and domestic affiliates have been decreasing with the proportions to FY 2010 and to FY 2011 each, and the DIC Group will continue to strengthen its safety management measures.

In an effort to bolster our safety activities further, the DART Rate\*, which is a common indicator among various countries, has been newly introduced within the DIC Group.

In FY 2012, the DART Rate was 9.0 at DIC, 8.6 within the domestic DIC Group, and 7.7 for the entire DIC Group including overseas affiliates.

\* DART Rate: an indicator of the number of days regularly working employees could not attend work as usual per 200,000 working hours

#### Results of Hands-on Safety Training in FY 2012 and Plans for FY 2013

In FY 2012, hands-on safety training was conducted at 19 locations (for 51 workplaces within the domestic DIC Group). A total of 3,714 people took part in the training and 134 instructors were cultivated. Labor Standards Inspection Office chiefs, labor standards association directors and occupational safety and health specialists from both inside and outside of the Company attended training sessions and praised them highly.

Employee responses when asked about their impressions of these training efforts included "I hope you will continue to hold training sessions on a regular basis" and "hands-on training enabled me to gain knowledge that videos, written materials and case examples alone could not have provided, which increased my awareness regarding potential dangers."

Five types of hands-on training using three different types of training equipment were added to hands-on training activities in FY 2013. This equipment is being utilized at various locations to "decrease the amount of risk workers" are willing to accept, which is the primary training goal.

DIC is also planning to implement "safe procedure inspections" in order to complement and further enhance hands-on safety training.

Among case examples at DIC, a few accidents occurred as a result of unsafe activity; we speculate that human factor is related to the causes of these accidents. By utilizing safe procedure inspections to explore "how workers see themselves subjectively" as

well as "how they actually appear objectively", we can show them the areas in which they need to take greater precaution and help them maintain high levels of knowledge and sensitivity.



Senior Managing Executive Officer Saito participating in hands-on safety training

#### Meeting for Personnel in Charge of Safety at DIC Production Sites in China

Meetings for local personnel in charge of safety at DIC's affiliated manufacturers in China are held once every two years as part of safety support measures.

A meeting was conducted in February 2013 at Nantong DIC Color Co., Ltd., and 32 representatives from 18 companies took part. FY 2012 DIC Group accident case examples, the results of audits conducted in China and other such information was reported at the meeting, and participants held discussions in pursuit of effective countermeasures at plants in China. Local safety-related personnel introduced information on and recent developments in Chinese legal regulations, and all participants took part in mutual patrols of photogravure ink, lithographic ink and pigment productions sites at Nantong DIC Color Co., Ltd. Case examples were introduced via poster sessions in order to explain safety efforts at each company, and lively exchanges of ideas were carried out on topics including methods of increasing the effectiveness of safety training and education, measures to save energy and reduce  $CO_2$  emissions, and countermeasures to prevent static electricity accidents. Members from the DIC headquarters lead role-playing exercises as an easy-to-understand form of education for risk assessment training.

Furthermore, safety-related personnel from each company tried out hands-on safety training equipment that had been installed at Nantong DIC Color Co., Ltd. in February 2013. Moving forward, implementation of hands-on training will be expanded to each company as part of training activities.





Risk assessment training

A group

#### Topics Topics DIC Employee Receives the JISHA Green Cross Award

Group Leader (GL) Keiichi Kajioka of the Kashima Plant Environment/Safety/Quality Group was chosen to receive the Green Cross Award from the Japan Industrial Safety & Health Association (JISHA), which was presented to him at the National Industrial Safety and Health Convention on October 24, 2012. JISHA provides support for corporate safety and health activities, and every year this organization presents the Green Cross Award for outstanding achievements to individuals, occupation-specific groups and others who have devoted numerous years of effort toward maintenance of and improvement in industrial safety, occupational health, etc.

For 21 years, GL Kajioka has established static electricity countermeasures necessary for the chemical manufacturing field, provided training on and disseminated risk assessment methods, and conducted other types of safety- and health-related work. Furthermore, he has energetically undertaken environmental safety audits at domestic Group companies and provided guidance to ensure safe and reliable operations at manufacturing locations. In recognition of these efforts, Kajioka received the Green Cross Award following a recommendation from the General Incorporated Association, Japan Chemical Industry Association (JCIA).



GL Kajioka at the awards ceremony

#### The Effort of Safe Corporate Climate Cultivation Working Groups

Safe corporate climate cultivation working groups are made up of personnel in charge of safety at DIC and DIC Graphics plants. These groups have been active since FY 2010, and their members hold discussions and exchange proposals regarding safety policies and measures.

In FY 2012, the working groups exchanged suggestions regarding safety policies and created precautionary stickers. Employee-created sticker designs offering clear explanations of dangers at a glance were gathered in an effort to provide visual warnings for potential hazards in the workplace. DIC plans to continue these activities within the domestic Group while also expanding efforts to overseas plants.

Moving forward, these working groups will continue to propose various safety-related measures.



#### Introduction of the "ETSITE" RC Data Management System

The Responsible Care (RC) data management system "ETSITE" was introduced in the domestic DIC Group with the goal of achieving rational management and effective utilization of industrial waste management data.

ETSITE is an Excel-based data management system enabling creation and management of each kind of master data files as well as uploading of required data for easy retrieval when necessary. In addition, reports to prefectural organizations, industrial waste disposal companies, disposal route and process flow data, and other such information can now be understood easily at a glance, and any changes made by persons involved are clearly and precisely expressed.

Currently, ETSITE is being implemented in industrial waste disposal and energy management activities. In the future, we plan to expand its usage further to manage environmental expenditures, safety-related expenses, accident-related statistics and other such areas.

#### Topics Utilizing the Safety Assessment System to Enhance Safety

The Safety Assessment System is a tool enabling companies to independently understand and assess safety levels at their offices with the goal of continually achieving safety improvements. This system was designed with consideration for corporate safety culture by the nonprofit organization Japan Society for Safety Engineering (JSSE) under assignment from the Ministry of Economy, Trade and Industry (METI). The Safety Enhancement Center was established in April 1, 2013 in order to promote widespread utilization of the Safety assessment System and improve the overall level of safety in Japan's chemical industry.

In FY 2012, DIC agreed to the plan for establishing the Safety Enhancement



Logos of the Safety Enhancement Center supporter companies

Center and has been providing support ever since. A project office was set up in November 2012 and employees of 18 major chemical companies were selected as members of the Safety Assessment Promotion Committee. These members participated in training related to areas including safety culture and disaster prevention while continuing with development of the Safety Assessment System.

Starting in April 2013, these 18 supporter companies began implementing the system throughout their organizations and utilizing it for self-assessments. DIC makes active use of the Safety Assessment System to assess safety at each plant while striving for continuing improvements.



#### **DIC Group Performance**

#### Overview of Environmental Impact Generated by Our Business Activities

The following is a broad overview of the environmental impact generated by the DIC Group's business activities in FY 2012.



\* See the following page for more information about the scope of the report:

\* Overseas data includes that from January 2012 to December 2012

WEB http://www.dic-global.com/en/csr/pdf/dic\_csr\_scope\_ja\_2013.pdf

#### Initiatives Related to the Climate Change Problem

#### Efforts to Reduce CO<sub>2</sub> Emissions

Thanks to stabilization of biomass boiler operations at the Kashima Plant and other measures (shown on the right),  $CO_2$  emissions for FY 2012 dropped by 40,000 tons from the previous year. Although operational stoppages at nuclear power plants resulted in an increased  $CO_2$  emission factor in electric power for a 25,000 ton increase, we utilized these measures shown to reduce total  $CO_2$  emissions by 10% compared with the previous year.

#### **CO2 Emission Reduction Measures**

(1) Aggressive energy-saving measures at individual plants (341 measures)	3,000-ton emission reduction (providing approx. 1% nationwide emissions reduction)
(2) Reduced heavy oil usage through stable operation of the Kashima Plant biomass boiler	Approx. 27,000-ton reduction in $CO_2$ emissions compared to previous year (providing approx. 10% nationwide emissions reduction)
(3) Operation of private-use power generators (cogeneration) installed at 4 plants, which contributed toward reduced utilization of thermal power plants	Approx. 10,000-ton reduction in $CO_2$ emissions compared to previous year (providing approx. 5% nationwide emissions reduction)
<ul> <li>(4) Other measures:</li> <li>Fuel conversion at the Kashima Plant</li> <li>Installation of solar power generation equipment on the roof of the technological research building</li> </ul>	• Heavy oils $\rightarrow$ low-CO <sub>2</sub> -emission LNG •80KW/h

#### Energy-Saving Activities

FY 2012 energy-saving measures at DIC included (1) efforts by energy-saving promotion committees (confirmation of progress, discussions, patrols, etc.), DIC energy-saving working groups (information exchange, research studies on new items, etc.), and others; (2) introduction of systems for visualizing energy consumption (Chiba, Kashima, General Research Center); and (3) implementation of internal audits on energy management conditions at individual plants (Saitama, Kashima, Chiba).

In addition, we began objective-based management for energy-saving activities at overseas affiliates (China and Asia/ Oceania)

#### Energy-Saving Measures in Distribution

In distribution, we performed examinations of distribution bases in FY 2011 in order to reveal low-efficiency locations while reevaluating local delivery operations conducted over relatively short distances. We also pursued a modal shift (marine, rail and air transport). Energy consumption in distribution was reduced by 10.5% compared with the previous year.

#### Reducing Emissions of Chemicals into the Environment

#### Initiatives to Reduce Emissions into the Environment of Substances Targeted for Study\*

In FY 2012, the domestic DIC Group was able to meet its targets for volumes of emissions into the environment by applying thorough management at VOC combustion facilities, etc.

\* For details on substances targeted for study, see the following page: WEB http://www.dic-global.com/en/csr/environment/

#### Reducing Environmental Impact on the Air, Water and Soil

#### Addressing VOC Regulations

The domestic DIC Group succeeded in its policy, initiated in FY 2007, of "reduction of atmospheric VOC emissions by 30% by FY 2010 using FY 2000 as the base year" as a voluntary emissions reduction target to limit the emission of VOCs. We will continue to set new targets and promote activities to reduce VOC emissions.





Changes in Energy Consumption (Crude Oil Equivalent) and Energy Consumption Index per Unit Production -

#### Environmental Emissions of Substances Targeted for Study (567 substances including PRTR-designated substances and 1 substance group)

DIC Emissions into the air: 283t Emissions into water: 13t Emissions into soil: 0t	296t	A decrease of 9% (28 tons) as compared with FY 2011
Domestic DIC Group Emissions into the air: 554t Emissions into water: 13t Emissions into soil: 0t	567t	A decrease of 25% (192 tons) as compared with FY 2011



\* Values for FY 2013 are totals from the 9-month period from April to December 2013

#### Soil and Groundwater Pollution Studies

The domestic DIC Group strictly observes the Soil Contamination Countermeasures Act, Water Pollution Control Act and other relevant laws. We implement soil and groundwater surveys and countermeasures as necessary and thoroughly assess environmental and safety-related risk in advance.

#### Reducing SOx, NOx and COD

Taking FY 1990 as the base year, the domestic DIC Group is working to reduce SOx and NOx, which can cause acid rain and harm to people's health, as well as COD, which serves as an indicator of water quality deterioration, in boiler equipment and wastewater processing facilities. We are achieving definite results in these areas.

#### Compliance with Regulations for Dioxin Emissions

The domestic DIC Group currently has incinerators and other such equipment at six of our facilities. We have achieved results that greatly surpass the standards specified in the Act on Special Measures against Dioxins.

#### **Reduction of Industrial Waste**

#### DIC Group Initiatives to Reduce Industrial Waste

DIC began zero-emission activities in FY 2001, and the domestic DIC Group are taking measures to reduce industrial waste disposed of as landfill. These efforts have produced steady results.







\* Values for FY 2013 are totals from the 9-month period from April to December 2013.

#### Topics Construction Completed for the Experimental Pigment Facility Incorporating Energy-saving Measures at the Kashima Plant

On April 30, 2013, DIC completed the construction of the Experimental Pigment Facility on the site of the former Kashima Plant technical facility that was damaged during the Great East Japan Earthquake, with the goal of consolidating scattered technical personnel and facilities at the Kashima Plant. The new facility features various energy-saving measures, including (1) solar power generation equipment, (2) LED lighting throughout the facility and (3) VAV-type (variable air volume) draft chamber\* facilities.

(1) Solar power generation equipment: 80 kW polycrystalline silicon modules were installed on the roof of the Experimental Pigment Facility to generate power while reducing heat transmission through the roof in order to reduce air conditioning costs. (2) LED lighting: Approximately 300 LED lights were installed throughout the facility to provide lighting, resulting in

reduced electricity consumption when compared with fluorescent light usage. Furthermore, provision of bright interior lighting contributes to the achievement of a working environment that employees can comfortably work in. (3) VAV: when the draft sash is closed, exhaust airflow is automatically reduced in order to lessen electricity consumption.

By utilizing these approaches, we expect to reduce annual  $CO_2$  emissions by 60 tons. In addition, the red accent coloring on the front of the building is provided by DIC200 panels (construction material products) using environment-conscious quinacridone pigment produced at the Kashima Plant, and the purpose of this coloring is to raise environmental consciousness.

At this experimental facility equipped with a full range of energy-saving features, we will continue with our efforts to develop environment-conscious products.

\* VAV-type draft chamber: VAV stands for "Variable Air Volume." This type of draft chamber suppresses exhaust airflow and maintains stable face velocity regardless of the degree to which the sash is open. It is extremely safe, facilitates more comfortable experiment operations and achieves excellent energy-saving results.





Solar modules installed on the roof

Laboratory with LED lighting and VAV-type draft facilities



## Responsible Care Activities Program at DIC Group Offices

The DIC Group is conducting Responsible Care activities programs globally. Various efforts such as ensuring production safety, energy conservation and CO<sub>2</sub> reductions are promoted at each plant in the DIC Group.



#### Safety Management at the Malaysia Plant

DIC Compounds (Malaysia) Sdn. Bhd. (Malaysia)

In 2011, a major accident occurred at DIC Compounds (Malaysia) in which a worker's finger was cut off by a rotating component. After a detailed analysis of the accident's cause, it was concluded that the effectiveness of group education sessions, risk assessment training and other such safety training had been insufficient. Malaysia is a multiethnic country in which Malay, Chinese and Indian people work, and differences between these various cultures (and ways of thinking) resulted in differing individual interpretations of the same explanations, resulting in significant disparities among workers' levels of safety awareness. In order to raise safety awareness among employees, hands-on safety training in collaboration with the Responsible Care Department was introduced.



#### Promoting Hands-on Safety Training Nantong DIC Color Co., Ltd. (China)

Nantong DIC Color Co., Ltd. manufactures organic pigments, lithographic inks and other such products. Following the May 2013 completion of the new photogravure ink plant and subsequent introduction of new equipment and materials, hands-on safety training utilized at DIC Group companies in Japan was implemented here for the first time at a Group company in China. Choosing from hands-on safety training equipment utilized in Japan, DIC built equipment for the following types of accidents: (1) entanglement in a chain, (2) entanglement in a v-belt, (3) ignition of an organic solvent volatized by static electricity from pellets\*, (4) scattering of a liquid that has not been depressurized and (5) chemical burn caused by an alkaline solution. DIC installed this equipment in the hands-on safety training area at the plant in China and initiated safety training for all employees.

Participants who utilized the training equipment told us that they had come to understand the necessity of protective covers for rotating components, the mechanism of static electricity generation, the importance of connecting the ground wire and ground wire clip connection procedures, etc. Their level of safety awareness regarding workplace safety management and adherence to work procedures is higher now than ever before. By utilizing six types of hands-on safety training equipment designed in 2013 together with local staff, employees simulate accidents using their own bodies or dummies, including falling from high places, entanglement in a rotation component, receiving a cutting wound and so forth. For example, by actually experiencing (1) how one becomes entangled, (2) the degree of pain it causes and (3) what happens afterward in the case of entanglement in a rotating component, it is possible for employees to cultivate their own safety awareness.

Moving forward, we will have employees read out the "DIC safety basic actions" (English and Malay translations) in turn during morning briefing sessions while working to rebuild a DIC-style culture of safety.

Because regular participation in hands-on safety training has produced great results in eliminating workers' willingness to accept risk, we are cultivating new hands-on safety training instructors as part of efforts to expand and firmly establish educational opportunities so that all employees can continue to receive this training.

DIC will continue with these efforts in order to realize our policy of prioritizing safety above all else.





Static electricity causes a solvent to catch fire Entanglement in a v-bell <Hands-on safety training at Nantong DIC Color Co., Ltd.>

\*Pellets: small particle plastic objects 3-5 mm in length

#### Chemical Substance Initiatives

DIC is undertaking in-house training on lawful manufacturing, importing and handling of chemical substances. Through these specialized education measures, we teach a representative in charge of chemical product exports about the Foreign Exchange and Foreign Trade Act (Export Trade Control Order, Foreign Exchange Order), while we teach a representative in charge of import operations about the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.; Industrial Safety and Health Act; Poisonous and Deleterious Substances Control Act; and so forth. Employees must take part in designated educational activities and then pass an in-house examination to receive a license-only those employees holding a license are permitted to engage in export- and import-related operations. These licenses expire after two or three years, at which point the training course must be retaken and the examination passed again. As of the end of March 2013, 967 employees have received the exporting license and 225 have received the importing license.

#### Product Information Provision System

DIC provides customers with SDS, MSDSplus\*1 and AIS\*2 documentation created using our proprietary chemical substance information comprehensive management system (CIRIUS). We create an SDS for each of our products, and the domestic DIC Group has a total of about 250,000 different SDS stored in the system. Customers can view and download the SDS for a product they have purchased at any time via the Company's website.

DIC directors and employees gave presentations to the Chemo-Bio Integrated Management Society and at the International Conference on Chemical Policy (ICCP) 2012 seminar in Korea, making a significant impact both within Japan and abroad.



Senior Manager Yamaguchi of the Responsible Care Department making a presentation at ICCP 2012

\*1 MSDSplus: Provides information on chemical substances contained within products that are subject to management under domestic and international legal regulations as well as industry standards. This supplementary document provides information that is not covered in the SDS. \*2 AIS: Provides information on chemical substances contained in molded products.

#### DIC Receives Achievement Award from ChemoBio Integrated Management Society Topics

DIC announced that it had received an achievement award from the ChemoBio Integrated Management Society (CBIMS)<sup>1</sup>, a Japanese non-profit organization (NPO), in recognition of its system for the integrated management of chemical substances in both the raw materials it uses and the products it supplies.

In 1995, DIC adopted Responsible Care (RC) as a key management precept. In the years since, the Company has taken decisive steps to address issues related to occupational safety, the environment, health and the stewardship of chemical substances, as well as to improve related initiatives. Of particular note, DIC uses CIRIUS, a comprehensive management system for information on chemical substances developed in-house that not only ensures an accurate, uniform grasp of information on chemical substances in raw materials and products, but also automatically flags chemical substances covered by laws in Japan, thereby helping to facilitate the manufacture and supply of safe products and the provision of accurate chemical substance-related information to customers. In addition to monitoring the volume of chemical substance emissions into the atmosphere, bodies of water and the soil production facilities from DIC Group production facilities, DIC works continuously to reduce its use of substances that exert a negative impact on the environment.

In making the award, CBIMS applauded DIC's establishment of a system for the meticulous management of chemical substances in both the extensive range of raw materials it uses and its vast lineup of products, as well as its efforts to ensure unwavering compliance with legal requirements in North America, Europe and elsewhere in Asia, as well as in Japan. CBIMS noted that DIC currently scores more than 80 points out of 100 in all areas-hazard



化学生物総合管理学会

奨励賞(2012#)

honorable certificate

assessment, exposure assessment, risk assessment and risk management-when assessed according to indicators in the Survey Regarding the Integrated Management of Chemical Substances<sup>2</sup>, used by the organization to evaluate corporate performance, underscoring of a well-balanced approach, and that its achievement rates have risen steadily in recent years. The organization praised DIC's initiatives for driving progress in the industry, as well as for contributing to debate on approaches to the integrated management of chemical substances both in Japan and overseas.

Going forward, DIC will continue working to reduce the impact of its business activities on the environment, provide appropriate information on pertinent chemical substances and further enhance the accuracy of its risk assessment practices, thereby helping to minimizes risks related to chemical substances for society as a whole.

DIC Receives Achievement Award from ChemoBio Integrated Management Society

- Established in 2004, the ChemoBio Integrated Management Society (CBIMS) is a Japanese NPO. CBIMS provides a forum for individuals and groups concerned with the assessment and management of risk associated with chemical (including technology-related) and biological substances and/or involved in actual assessment and management, or in related R&D, to exchange views on a wide range of issues, drawing on scientific knowledge and logic, with the aim of enhancing capabilities. The organization also publishes information for general consumption.
- The Survey Regarding the Integrated Management of Chemical Substances is an annual survey implemented since 2003 by the Life-World Watch Center, established at Ochanomizu Women's University in Tokyo to promote development, research and investigation-and to provide education and training-related to the safety and security of human life, as well as to the environment

## Regarding Implementation of WERCS (DIC Global SDS / Label Creation System)

GHS\*1 (Globally Harmonized System of Classification and Labeling of Chemicals) is increasingly being introduced in countries throughout Asia, and GHS-compatible SDS (safety data sheets) and labels\*2 are in increasing demand in domestic distribution operations as well as for export products.

CIRIUS (Chemical Substance Information Comprehensive Management System) is a specialized system specifically developed by DIC for domestic use within Japan; it has not been utilized as a Company-wide, integrated SDS/label creation and management system for export products. That is why DIC has decided to introduce the WERCS system for Company exports based on laws and regulations in destination countries that is capable of creating SDS and labels in the target country's language(s).

By utilizing know-how cultivated through the development of CIRIUS and knowledge on regulations in countries throughout Asia, we have built a WERCS system tailored to DIC specifications based on nine months of actual in-system implementation. In this way, DIC has been able to significantly enhance Asia-oriented SDS and label creation functionality in WERCS.

DIC began operation of WERCS within Japan in April 2013, and we plan to progressively adapt it for SDS and label creation in Korea, Europe, North America, China, and Taiwan. We will use WERCS to

#### **Quality Management Initiatives**

#### DIC Quality Management

#### In April 2012, DIC established a matrix-type organizational system that positions the Product Division on the vertical axis and Sales, Production and Technical Administrative Divisions on the horizontal axis in order to make use of mobility as well as comprehensive, overall strength. In accordance with this organizational style, we introduced a quality management system (QMS) based on ISO 9001 in the Product Division to facilitate smooth inter-division collaboration.

We have achieved ISO 9001 certification at our plants and established a QMS for the Product Division, and DIC utilizes these two systems in close conjunction to share customer feedback and other information within the matrix- type organization in an effort to achieve customer satisfaction.

#### FY 2012 Primary Quality Initiatives and Review

- 1. Number of complaints: 10% reduction compared with FY 2011.
- 2. Number of product returns: 10% reduction compared with FY 2011.
- The following seven locations sustained their certification under Sony Green Partner Standards: Komaki Plant, Yokkaichi Plant, Saitama Plant, Tatebayashi Plant, Chiba Plant, Hokuriku Plant and DIC Epoxy (Malaysia) Sdn. Bhd.
- 4. As part of efforts to take precise countermeasures and prevent reoccurrence of problems, the DIC group promoted application of "Naze-Naze Bunseki ('Why-Why' Analysis)"\*3 to logically uncover the causes of those problems.
- With the aim of enhancing the effectiveness of ISO 9001, DIC and DIC Graphics provided training to its internal auditors in order to strengthen internal auditing efforts, which serve as the foundation of ISO 9001.

\*3 "Naze-Naze Bunseki ('Why-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.

#### create SDS and labels for all exported products starting in April 2014.

Moving forward, DIC plans to expand the use of WERCS to domestic affiliates.

- \*1 GHS (Globally Harmonized System of Classification and Labeling of Chemicals): In accordance with globally uniform rules, this system is utilized to classify chemicals by type and degree of hazards, display that information through labels so that it is understandable at a glance, share safety data sheets, etc.
- \*2 SDS (safety data sheet): A sheet used for sharing information on the characteristics, handling instructions and other details of chemical substances upon delivery or provision to another company. Information contained therein covers hazards; emergency measures; precautions regarding handling, storage and disposal; etc. These sheets were formerly known as MSDS (Material Safety Data Sheet), but their name was changed to SDS in accordance with JIS Z7253:2012 standards.

#### Overseas Legal Regulations

DIC constantly gathers information on chemical substances through overseas consultants, experts at overseas affiliated companies, news distribution services, industry associations and other such sources, and adapts as quickly as possible to revisions to and other changes in overseas legal regulations.

As a company that exports numerous products, we create SDS and labels based on the recipient country's laws and regulations and in that country's language(s).

#### Green Procurement

When adopting new chemical materials, we obtain SDS, MSDSplus and material questionnaire documentation and organize it in CIRIUS to achieve integrated information management.





# Striving to Improve Job Satisfaction

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

## Goal of the DIC Group Human Resources Management

DIC proactively makes efforts to respect the work life balance of each and every employee and create a workplace that can provide job satisfaction with the aim of becoming a company in which all employees can exercise their full potential in jobs suited to their abilities.

#### **Respect for Human Rights**

The DIC Group clearly states to remove all human rights infringement in corporate activities and to respect diversity in the "DIC WAY Code of Business Conduct" and promotes business activities based on this philosophy.

#### Pursuing Deeper Trust between Labor and Management

We make efforts in cultivating trust based on dialogues, such as labor-management councils and casual management conferences, etc. with the aim of maintaining/improving healthy relationship with labor unions. Furthermore, we make efforts in sharing management information and visions in the labor-management councils and exchange honest opinions with labor unions.

#### **Diversity**

#### Development and Employment of Global Human Resources

The DIC Group has been establishing a system that enables us to develop staff in local affiliates of various countries, who are required to promote the new medium-term management plan, and employ human resources according to the business contents regardless of their nationalities. Specifically, we have been promoting it in group companies in Southeast Asia in steps, followed by group companies in China. These steps include the deployment of the human resources system for local employees and provision of management training to develop the next generation of top management, etc. We have also been making efforts in creating a database for national staff human resources and establishing systematic training programs, etc.

#### Globalization of employment

DIC not only promotes global human resources development for

Japanese employees but also promotes employment of foreign nationals among domestic college graduates and career employment as candidates for human



resources to become globally active. (2012 result: 4 employees)

Providing More Opportunities for Female Employees

DIS is working on "women's working opportunities promotion activities" so that all employees with motivation can exercise their full potential. In addition to our achievement of being one of the first companies in the chemical industry to introduce the Childcare Leave Program in 1986, we have been striving to enhance our systems to support work and childcare balance, including flexible work systems, etc., since 2007. As a result, the average lengths of service between male and female employees have become very close. Furthermore, we have also been continuing to provide management training for management positions and provide individual support to help female employees expand their work opportunities.

Through these efforts, the number of female employees who become qualified as candidates for management positions has certainly been increasing. DIC will continue promoting female employees' working opportunities with the focus on increasing the number in the future. We have also been employing female new graduates, who are the sources of such human resources, constantly while focusing on their talent.

Shift in the average length of service for employees\*



\*Average length of service for employees who are employed as of this point

#### Promotion of Employment of Persons with disabilities

The employment rate for persons with disabilities at the end of 2012 was 2.2%, which is over the 1.8% of the legally required employment rate in Japan. We will make further efforts to enhance the retention rate by streamlining the workplace environment and promote the enhancement of the workplace in which persons with disabilities can work even after the increase of the legally required employment rate (2.0%) in 2013.

#### Promotion of Re-employment after Retirement

According to the Law Concerning Stabilization of Employment of Older Person, DIC has not only established the system that enables us to re-employ those up to 65 years old but also been making efforts to secure re-employment opportunities by also utilizing work sharing. With this system, re-employment employees have been utilizing their previous experiences and exercising great skills and expertise that they have cultivated.

#### Initiatives to Achieve Work-Life Balance

DIC's "Work and Childcare Balance Support Program" stipulates a number of systems that more than satisfy legal requirements. We continue to make various improvements in the operation so that they can be easily utilized according to each employee's situation. In addition, we have been operating the system, in which an employee can select the course depending on relocation in the human resources system for general employees, since 2002. We have newly established the "relocation limiting system for management positions" in 2012 for people in management positions, for whom relocation is difficult due to childbirth, childcare, and nursing care, etc., so that they can also achieve work and life balance.

#### Employee's voice

#### Creation of employment opportunities for persons with handicaps promoted in the DIC Central Research Laboratory

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There are a number of people with various job types in addition to research and development working in the DIC Central Research Laboratory with the aim of achieving stable operation. We commission the management of the massive garden and cleaning of the inside and outside of the building to an external company. Since the average age of workers has been growing, we have started an initiative of employing persons with handicaps in cooperation with the local HelloWork, special needs schools, centers for employment of persons with disabilities, and external contractors as a new measure to secure human resources. We continue supparting their employment by sincerely responding to each and every person in order to help them work in DIC in a stable manner even after their employment. Thanks to their efforts, the beautification of the laboratory has been further improved, receiving many words of appreciation by many customers who visit the premises. We have also been certified with and awarded a "friendly office" by Chiba prefecture as a company that promotes employment of persons with disabilities in recognition of these efforts.

DIC Central Research Laboratory General Affairs GL Yasuo Kido

----- Number of employees utilizing the Childcare Leave Program -



#### Work and Childcare Balance Support Program

Childcare Leave Program	The maximum length of leaves is "until the child becomes 2 years and 6 months old," which is 1 year more than the legal requirement.
Childcare While Working Program	There are flexible work systems available, such as the short working hour system for childcare that allows employees to shorten the working hours up to 3 hours until the child finishes the third grade as well as the system that allows employees to choose staggered work shifts for childcare.
Rules concerning returning to one's previous (or equivalent) position	The rule specifies that the person will return to her original (or equivalent) position after leave.
Establishment of the Economic Support System	The system allows an employee on childcare leave without pay to borrow part of her bonus. There is an internal loan system to resolve financial concerns in case of large expenses for infertility treatment or childcare facility, etc.
Information sharing to promote program participation	The website in which DIC's concept on work and childcare balance support and the summary and usage of various systems are clearly explained can be found on our intranet.

#### Acquisition of the "Kurumin" Mark



DIC is acknowledged as "FY 2008 Accredited Employers" by the Ministry of Health, Labour and Welfare, as a company that actively drives the Measures to Support the Development of the Next Generation.

#### Establishing Comprehensive Mental Health Measures

#### Mental Health Measures

The DIC Group has appointed a specialist as the industrial doctor in charge of mental health in 2012 with the aim of enhancing the mental healthcare promotion system. Furthermore, we have been conducting line care training and self-management training in order to prevent mental illness through stress control improvement. 680 employees participated in the line care training and 376 employees participated in the self-management training in 2012.

#### Employment/development of Human Resources

#### Performance-Based Employee Qualification System and Fair Treatment

In order to enable all employees to exercise their full potential in jobs suited to their abilities and to fairly reflect this on their treatment, DIC has completely unified the qualification system regardless of the job type or education. For promotion selection for employee qualification, fair selection opportunities are given to all employees with motivation and skills by conducting selection tests based on objective standards. We also consider it important for skills and performance exercised by each person to be appropriately evaluated and reflected in a timely manner for their job satisfaction. The HR evaluation system has introduced a system based on "management by objective (MBO)." When we give the feedback of evaluation result for the employee, we disclose all the contents including reason of evaluation to them, so that we reflect the transparent and legitimate evaluation for their treatment.

#### Employee's voice

#### I really feel the joy of working

After graduating from college, I started job hunting with the focus on companies that would enable me to work in a global environment, hoping to utilize my language skills and experience of studying abroad. I was attracted by DIC's sophisticated technologies, the number of overseas group companies, and the great scale of their worldwide share in a specific area and decided to join the company.

After the employment, I was assigned to the Finance Department and have been mainly in charge of confirming the balance of foreign currency deposits, money transfer procedures to overseas, and calculation/analysis of financial reports submitted by group companies in the China region. With my work, I need not only acquire accounting knowledge but also understand financial knowledge, such as foreign currency exchange and risk hedging, etc. I was having trouble just studying the special terminology at first. However, now that I have gained a certain level of knowledge, work is exciting and fulfilling every day. I will make efforts to become part of the company's force as soon as possible by conducting my work as well as having awareness and responsibility as a member of society.

#### Training system

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DIC training is based on practical curricula with the aim of "enhancing field capabilities," which are required in promoting businesses, and business strategy-based "acceleration of changes."

With training by department, we promote the re-establishment of the training system required for each department/job type. We systematically established human resources development programs in the Production Department and Technology Department in 2012 and have been conducting training.

The "Global Challenge Program," which is global human resource development training, targets younger employees and includes not only languages but also various curricula, such as cultivation of global minds, understanding of different cultures, and mental toughness, etc. We have not only increased the number of overseas trainees from Japan to overseas group but also introduced the Reverse Trainee System, in which overseas group company staff come to Japan, in order to develop practical global human resources through human resource exchanges.



Finance Department Xin Zhoo

## Globally Expanding CSR Procurement

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

## Basic Concept of Supply Chain Management by the DIC Group

The DIC Group has stipulated the "DIC Group CSR Procurement Guidelines" in order to fulfill its social responsibility in the overall supply chain and considers that its deployment is promoted throughout the supply chain with each supplier understanding these guidelines.

We will revise part of the said guidelines and conduct questionnaire studies for guideline achievement status by visit to deepen the mutual understanding.

#### Promotion of CSR Procurement

Based on the "DIC Group Supply-chain CSR Deployment Guidebook" and the "DIC Group CSR Deployment Self-check Sheet" for self-evaluation, we have investigated the CSR procurement promotion status in over 400 suppliers and provided feedback since 2010. We visit some of the suppliers, deepen the mutual understanding while confirming the CSR activity status, and propose or further development. Through this successive actions, we also gained valuable information on the direction of CSR promotion.

This year, We have thoroughly revised the said guidebook and

included responses to the biodiversity conservation and conflict minerals, etc. to enhance the contents. We have also changed the answer sheet of self-evaluation questionnaire from the existing 3 levels to 5 levels to enable suppliers to reply to questions more easily.

## CSR Procurement Promoted by the Overall Supply Chain

In 2012, we also started proactively promoting efforts overseas in order to widely promote "the DIC Group CSR Procurement Guidelines" among suppliers. We visited suppliers in China, and investigated their status t based on the self-check sheet we conducted with them We also held CSR procurement seminars with DIC subsidiaries in Southeast Asia. We also started distributing the said guidebooks to suppliers there through each subsidiaryThis year, the actions is more advanced to investigate the status and providing feedback to the suppliers in overseas.

Through these efforts, we will globally establish the DIC CSR Procurement Guidelines through the supply chain of DIC -

overseas subsidiaries – overseas suppliers and continue striving to improve the CSR level with suppliers.



CSR procurement seminar in Bangkok

#### OMMENT

#### Stakeholder's remark

#### We work on CSR along with the community

We are a UV monomer manufacturing/selling company, which is a joint company with DIC and with a 60% investment by TOAGOSEI CO., LTD. We also supply ink resin raw materials to the DIC Group. Since the CSR introduction in 2011, we had faced troubles following it to the Chinese regulations etc (including compliance with Chinese laws, converting energy into CO<sub>2</sub> according to the Chinese system, and so on.). However, the internal CSR awareness has improved now. We have also been implementing social contribution activities, such as visiting to welfare schools and cleaning of public facilities, etc. and enhancing the ties with the local community.

Thanks to DIC explaining the CSR global procurement policy for the DIC Group in 2012, we re-acknowledged the width of DIC's scope that conducts business worldwide. We will continue to comply with the explained guideline policy and work on maintaining quality and stable supply in the future.



TOA-DIC Zhangjiagang Chemical Co., Ltd. Director, General Manager Mr. Ichiro Igarashi

## Establishing a Solutions Business

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

#### Capturing Changes in Social Needs

It is the cornerstone of DIC business that we propose individual solutions by combining multiple products and technologies when customers face problems. We also consider that it is important to group individual customers' problems and capture the changes in social needs in the background. We respond to changes in social needs based on the current market. On the other hand, we also focus on activities through which we extract social issues based on mega-trends being developed on a global level in order to anticipate future social needs.

#### Promotion of Social Needs-oriented Business Activities

We are facing a number of evolving issues on a global level, such as global warming, fossil fuel resources running dry, and exploding population, etc. Accordingly, responding to these issues, CO<sub>2</sub> reduction, development of clean energy, and enhancement of environmental conservation regulations, etc. are raised nowadays. A number of measures from all perspectives in order to solve these issues are requested. As a chemical manufacturer, what kind of contributions we can make to help solving these issues? We focus on marketing activities to answer this simple question. For example, there are new needs being created, such as sophistication of batteries and weight reduction of automobile bodies, etc. in response to the trend of electric vehicles, etc. Start researching the technical issues is our keynote. Based on the research, we promote technical development in order to propose specific solutions, such as materials to increase the battery capacity, technology to enhance the CFRP strength, and hard coating material for plastic, etc. Development of nano-pattern materials and printed electronics materials in the information/communication area are based on social needs for reduced size, thin, and/or flexible electronic devices due to the sophistication of information network society.

We will also proactively promote business proposals that are unique to DIC in the package & graphics area and life & living area in the same manner.

## In Order to Expand Solution Proposal Possibilities

The nature of such social needs changes with time. There is a limit for DIC alone to follow and supplement these changes. Therefore, we also proactively promote technology exchanges with companies that exist closely to one another in the value chain with us to promote our technologies. The scope and possibilities of solutions that the DIC Group can propose to society will further expand through cooperation with promising companies.

#### VOICE

Employee's voice

#### Capturing social issues and requests of customers in an accurate and speedy manner

DIC has utilized a wide variety of technologies in various products to respond to social needs. In 2012, we shifted into a matrix-like organization, in order to making further efforts in the optimization of both market and product perspective. By accurately capturing the changes and new trends in the global market and always be sensitive to solve the emerging social issues with the potential of chemicals, we will raise our marketing capabilities further. We will continuously promoting activities based on market and consumer-oriented needs in speedier manner, by supplying the best suited solutions, with our comrades who are active throughout the world, with the aim of achieving "color" and "comfort" in our lives ,



Life & Living Marketing Department Senior Manager Kazuya Ideta

## Proposing Solutions Utilizing Basic Technologies

WEB http://www.dic-global.com/en/csr/technology\_development.html

#### New Technology Development and Value Creation

The DIC Group proactively promoted the development of next generation products/new technologies that lead to sustainable growth and promotes the development of high-value added products by utilizing basic technologies, such as organic molecular design, polymer design, and dispersion, etc., and various component technologies, such as synthesis, composition, and surface treatment, etc. We focus on various domains, such as displays, electronics, digital printing, and packaging, etc., by integrating technical resources of the entire group with the aim of developing original new products/new technologies with competitive advantage.





#### Specific efforts

The DIC Group is making efforts in developing water-based and solventless materials as well as various environmentally-conscious products which can be utilized to create products with consideration for the environment in various fields, such as printing, electronic/electric products, and automobiles, etc. that use our products.

#### Various inks and adhesives

With gravure inks, we promoted the development of environmentally-conscious reverse printing lamination ink without toluene and MEK by considering not only the performance and cost but also reduction of raw material supply risks. We have been focusing on deploying adhesives for food packaging in India and Russia, etc. with hybrid and solventless environmentallyconscious products. We have also developed low migration resin that corresponds with European laws and regulations and have been promoting its deployment in the European region. In Sun Chemical (U.S.) they are shifting to non-cobalt dryer for sheet-feed printing inks, focusing on the improvement of printing performance.

#### Electronic/electric and automobile electric components

With organic pigments, we have not only been focusing on further performance improvement of green pigments, for which we have been highly acclaimed in the use of color filters for LC panels, but also developed a new blue pigment product. With fluorine chemical products used as additives for optical materials, we have focused on the development of products without PFOA, which is concerned to have impact on people and the environment, and completed a product lineup. With industrial adhesive tape, the glass protection film for smartphones and the water-resistant tape were utilized in many models, expanding the results. With polyphenylene sulfide (PPS) compounds, we have developed a high-fluidity and high-toughness type and insulated type with high thermal conductivity for electric components in hybrid vehicles, etc.

#### Promotion of Environmentally-conscious Products

We will strive to develop new products and technologies that contribute to society and increase the ratios of environmentallyconscious products with a great awareness for environmental consideration. We will reduce the usage of toxic substances, promote the usage of products with less toxicity, and promote the development of recyclable products and production processes with considerations for energy conservation with enhanced safety and less waste, etc. Furthermore, we will continue to conduct environmental assessments and observe the trends for legal requirements and environmental measures throughout the world in order to continue designing products that comply with chemical substance regulations in each country.

The business volume of environmentally-conscious products as a percent of all products in 2012 was 57%.

#### Consideration for Life Cycle Assessment (LCA)

In recent years, we have been required to quantitatively comprehend the consumption volume of exhaustible resources and exhaust volume of substances that impact the environment in product and service life cycles. DIC has also been considering LCA initiatives to comprehend the environmental aspect of our products. As part of the first step, we conducted the LCA investigation in 2012 by focusing on polyphenylene sulfide (PPS) resin, which is a material for electric components for automobiles. We calculated the fossil fuel resource consumption volume and the greenhouse effect gas volume in each process from harvesting of raw materials, manufacturing of PPS resin, processing of the resin into components, and installation on automobiles to disposal/recycling. We will consider the response while paying close attention to social movements, such as GHG Protocol Scope 3, etc., in the future.

a scope 5: Gro emissions inductivy induce by a company infoughout its supply chain in manufacturing, transportation, business trips, and commuting, etc.

#### Employee's voice

VOICE

#### Upon developing a blue pigment for color filters

Color filters are necessary components to display colors in LC displays and use pigments as color materials. We have developed and commercialized a blue pigment for color filters that simultaneously achieves brightness and contrast at a high level by utilizing DIC's unique pigment processing technology. Brightening helps reduce electricity consumption of LC displays, and high contrast helps improve the image quality of LC displays. The pigment has been well-received by customers. We will continue integrating the potentials of the DIC Group and strive to develop "only one" pigment for color filters.



Fine Synthesis Technical Division Color Materials R&D Group Ikuro Kiyoto

 <sup>\*1</sup> GHG Protocol: Standard for the calculation and reporting of Greenhouse Gas (GHG) emissions
 \*2 Scope 3: GHG emissions indirectly made by a company throughout its supply chain in

## For Colorful and Comfortable Lifestyles

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

#### Concept of Social Contribution by the DIC Group

Based on the Guidelines for Social Contribution Activities, which was stipulated in 2009. The DIC Group promotes activities with the focus on establishing a healthy relationship with the society

#### **Guidelines for Social Contribution Activities**

The DIC Group, based on its Management Vision: Color & Comfort by Chemistry will engage in social contribution activities in the three areas of business activities, culture and education, and communities and society

WEB

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

#### Highlights of Social Contribution Activities

Color Universal Design in interiors and signs in a sports club

Based on the management vision: "Color & Comfort by Chemistry," the DIC Group takes initiatives in Color Universal Design (UD). DIC Color Design Inc. provided color supervision upon the redesigning of the "Sports Club Renaissance, Makuhari," which is the original branch of RENAISSANCE INC. that runs sports clubs throughout Japan. DIC Color Design Inc. utilized the color investigation that was conducted in existing branches prior to the redesigning from the perspective of UD. You can see innovations in colors in the interior and signs, etc. that enable the Renaissance facility users to enjoy sports with a sense of security. Considerations for colors are given in a number of places, including steps in stairs and rails using colors that are



Exterior of Renaissance, Makuhar



Passage within the facility

#### MMENT

#### Stakeholder's remark

#### Facility development with the aim of achieving security and safety of users

The Makuhari branch is the first branch of Renaissance and is a facility that we have special feeling toward this branch. Upon the redesigning, we strived for a facility that can be a model case in all perspectives, such as contributions to society and environmental considerations, etc., in addition to enhancing equipment and items. Especially, the Makuhari branch is rooted in the community, and many elderly people also utilize our facility. Through this effort, we have learned that there were actually people who would have difficulties with the colors that we would otherwise have not paid attention to. In addition, we have truly learned the importance of not only producing a unified image in color design but also using color schemes that correctly communicate necessary information by considering the functionality of the facility and safety of users. We hope to widely spread this experience in the company and utilize it in the future facility development.



RENAISSANCE INC. Facility Development Department Ms. Itsuwa Hosaka



Science teaching in elementary schools

easy to recognize, signs for toilets using colors that are easy to differentiate, and signs using color schemes that stand out, etc.

#### Career Education Activities

In recent years, the educational field is strongly required to participate in corporate career education activities. DIC focuses on career education in a wide scope, including accepting interns from colleges of technology in plants throughout Japan, accepting workplace experience, practical training, and tours from nearby schools in the Chiba Plant, Hokuriku Plant, Kashima Plant, Komaki Plant, and Saitama Plant, etc. providing lab lessons in municipal elementary schools in the Itabashi Ward and Matsudo by Tokyo plant and headquarters, providing educational support classes to Chiba Prefectural Sakura High School and Sakurahigashi High School close to the DIC Central Research Laboratory, and visits by Chairman Sugie throughout Japan to give classes as part of Japan Association of Corporate Executives activities, etc. Children learn the significance of working and the fact that their studies lead to social lives by learning various ways of living and a sense of values by communicating with many different adults. DIC will continue to provide career education opportunities to children who will lead the future.

#### Lab Lesson Activities

In response to children moving away from science, which has become a social issue, DIC provides lab lessons to public elementary schools with the aim of enabling them to experience that "science classes are closely connected to life." These lessons with the title of "Making Life Colorful through Science" utilize the characteristics of DIC's businesses by including experiments involving planography and simple pigment synthesis. This year, we held lab lessons targeting approximately 400 sixth grade students from 5 schools, including Matsudo municipal Kurigasawa Elementary School, Samukazedai Elementary School, and Matsuhidaidaini Elementary School, as well as Hasune Elementary School and Hasunedaini Elementary School in Itabashi Ward. We will

continue holding these lab lessons by positioning them as part of important activities for "Harmony with the Community and Contribution to Society," which is one of the CSR themes.



Lab lesson

#### Kawamura Memorial DIC Museum of Art

DIC operates Kawamura Memorial DIC Museum of Art in Sakura, Chiba as part of the CSR activities.

This museum, which opened in 1990, celebrated its 23rd anniversary in 2013. The museum displays/stores artworks from a wide variety of genres, including impressionist art, such as Rembrandt, Monet, and Renoir, etc., Western modern art, such as Picasso and Chagall, etc., American art from the late 20th Century, and Japanese folding screen paintings, etc. The museum also hosts special exhibitions based on its collections.

#### Stakeholder's remark

#### Promoting career education that arouses intellectual curiosity and inquisitive minds

The DIC Central Research Laboratory has raised educational support in the CSR policy and has also been supporting "Sakura Academia," which is a cultural class that started in 2011 in our school. In this class, students visit laboratories to hear lectures by leading researchers with the aim of not only arousing students' intellectual curiosity and inquisitive minds but also encouraging them to strive to realize themselves and have career awareness. In 2013, our school was specified as a super science school (SSH) by the Ministry of Education, Culture, Sports, Science and Technology with the aim of developing human resources in the scientific technology field. Upon this, DIC dispatched an operational mentor as a representative of a local company. We are always deeply appreciative of DIC's stance to proactively contribute to the local educational industry through the scientific technology field.



Chiba Prefectural Sakura High School Vice-Principal Mr. Kazuomi Koshiba



Kawamura Memorial DIC Museum of Art

In addition, its garden, which is almost 25 acres where visitors can enjoy seasonal plants and flowers, is open to public free of charge. We strive to not only conserve woodlands but also enlighten visitors with the importance of conservation by establishing a satellite for the

Chiba Biodiversity Center, etc. We provide the field in the garden as the venue and provide support for local events (Sakura Auto History Forum in May and Niwanowa Arts & Crafts Nature walking path Fair, Chiba in June, etc.).



#### Harmony with Society through Spirulina

The DIC Group is the world's largest provider of the cyanobacteria called "Spirulina," which includes over 50 types of nutrients, such as vitamins, minerals, and amino acids. DIC concluded a support agreement with the Alliance Forum Foundation with "Spirulina Project" in 2009 to eradicate hunger and improve nutrition promoted in Africa/the Republic of Zambia by the foundation.

We started the project to measure the impact of the Spirulina supplies in the village of Kanakantapa in the Republic of Zambia, in which most of the population depends on income from agriculture, in order to promote the understanding of the effectiveness of Spirulina with the Ministry of Health to support people's health in June, 2012.

We targeted children with the average age of 1.5 years old to 3

years old (at the time of measurement start) and measured the effect until February, 2013. As a result of the analysis, we were able to confirm that Spirulina is effective in the growth of height of children who took Spirulina. This shows that Spirulina is effective in the chronic nutrition deficiency due to lack of micronutrient.

On the other hand, we also confirmed the decrease in the malaria onset rate among children who took Spirulina. In addition, we also received reports on the effect on children's skin and hair, resistance against common cold, and increased energy, etc. through interviews with their mothers. Needs for continuous Spirulina distribution is increasing in the area.

#### Support for Reconstruction after the Great East Japan Earthquake

DIC is participating in the IPPO IPPO NIPPON Project, a project launched by the Keizai Doyukai (Japan Association of Corporate Executives) to aid reconstruction in areas devastated by the Great East Japan Earthquake. Over the course of this five-year endeavor, the Association will continue to appeal for corporate and individual donations, which will be used to provide support, including to schools, with the aim of fostering human resources and revitalizing local economies. DIC has resolved to donate ¥5 million annually to the project beginning in 2012.

DIC will continue to take an active role in efforts aimed at rehabilitating guake-ravaged regions.



Project



## Promoting Communication and Information Disclosure

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

## Basic Concept of Communication Promotion

The DIC Group considers communication with stakeholders is really important and makes efforts through various opportunities, such as dialogues, exhibitions, website, and event, etc. We strive to gain sufficient understanding of stakeholders' expectations in order to reflect it to our actual business. In addition, we will also enhance our awareness on the concept of stakeholder engagement, in a manner that is consistent with ISO 26000.

#### Ties with Customers

With the aim of enhancing ties with customers, the DIC Group established a number of communication opportunities in 2012.

In October, we displayed our maijor products and just developed products in the package field in the "Tokyo Pack 2012," and made proposals to many visitors.

Furthermore, in terms of communication through the website, we provided solutions to over 3,500 inquiries within and outside of Japan by introducing the optimal DIC products and technologies.

#### Promoting Understanding through CSR

DIC offered study session on DIC's CSR initiatives upon request by our customers when they have plant tours. We have strived to further lead to the improvement of customer trust through the opportunities to help them understand DIC Group's activities for the environment and quality assurance with compliance and efforts throughout the supply chain.



Tokyo Plant tour by Benesse Corporation



CSR study session with Artron (China)

#### Ties with Shareholders and Investors

The DIC Group strives to make fair, appropriate and timely disclosure

of information, closely communicate with shareholders and investors, and take their remarks and requests into consideration on our business management.

For institutional investors in Japan, we not only held two operating results briefings per year but also participated in IR conferences and small meetings and held



November, 2012: Operating results briefings



February, 2013: Tokyo Stock Exchange IR Festa

plant tours, etc. in order to proactively enhance communication. For overseas institutional investors, we held IR meetings, in Hong Kong and Singapore in Asia and New York, Boston, and San Francisco in North America in order to enhance communication.

In addition, for individual investors, we participated in the "Tokyo Stock Exchange IR Festa" (event aimed for communication with individual investors) as well as company introductory sessions for individual investors. We have also been making efforts in enhancing our information provision initiatives through our website in order to promote understanding for DIC Group's business activities.

Remarks from shareholders/investors gained through such communication are provided to the management as necessary.

#### Communication with Society

#### Kawamura Memorial DIC Museum of Art Welcomes ASEAN Ambassadors, Embassy Employees and their Families

On November, 2012, members of the ASEAN Committee in Tokyo IACTI, comprising the ambassadors to Japan of the 10 Association of Southeast Asian Nations (ASEAN) member states\*, as well as embassy employees and their families, were invited to participate in ACT FAMILY DAY 2012, which was held on the multipurpose athletic field of the Kawamura Memorial DIC Museum of Art, in Sakura, Chiba.

Under bright sunshine, the approximately 350 guests took part in a variety games and workshops. Other events organized to promote international interaction included a lunch featuring dishes from each country, which were laid out on tables in tents set up for each embassy group.

The Kawamura Memorial DIC Museum of Art's curator gave three guided tours, enabling approximately 100 of the attending ambassadors, their spouses and embassy employees to fully enjoy

the facility's extensive exhibits.

\* The 10 member states of ASEAN are, in alphabetical order, are ; Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The association's headquarters are in Jakarta, Indonesia.



The curator gives a guided tour of the museum

#### Color Seminar at the Takamatsu City Office

In June, 2013, DIC held a Color Universal Design Seminar for employees of Takamatsu City Office in Kagawa Prefecture. Takamatsu established the Universal Design (UD) Promotion Office in April, 2012 with their basic principle of "highly respecting, supporting minds with hospitaility "At the seminar, DIC employees introduced UD color proposals, regardless of handicaps, to live comfortably, and UD examples now available in Takamatsu in front of 130 participants. Later the introduction of the brand "DIC200" that have been approved by the Color Universal Design Organization has

been done, and offered simulation experiences using filters simulating par tial color blindness, attracting participants' interests.



Scene from the simulation experience

#### Ties with Employees

With the aim of further rejuvenating communication with employees, the DIC Group also promoted various efforts in 2012.

We held two operating results briefings for employees within the year in order to promote their understanding of the current status for the DIC Group and management policy. We also held seminars for employees on "Spirulina Project," and establishing communicating opportunities through two seminars by employees of the Kawamura Memorial DIC Museum of Art Furthermore, we also promoted group work with the theme of social issues in new employee training as part of CSR enlightenment efforts and established opportunities for employees to learn the ties between business activities and social issues.

#### **Concerning Conflict Minerals**

DIC Group is working on Conflict Minerals issue seriously, and shows the following "Basic Policy concerning Conflict Minerals" as follows. DIC Group will be engaged in this issue jointly with the suppliers, through our supply chain.

#### Basic Policy concerning Conflict Minerals

The DIC Group refrains from using gold, tantalum, tungsten and tin that are classified as "conflict minerals," that is, minerals mined in conditions of armed conflict and abuse in the Democratic Republic of the Congo (DPR) and its neighboring countries. Moreover, should any raw materials purchased from third-party suppliers be found to contain conflict minerals, the DIC Group will immediately terminate procurement thereof.

## with DIC CSR Report 2013 ISO26000 Comparison Table

Core subjects	No.	Subjects	Reference page	Related efforts
	6.2	Organizational Governance	Table 2	The DIC Group's Corporate Social Responsibility Program
	0.2	organizational covernance	Table 2	CSR themes (2012)
			P04-05	Top message
			P06-07	Medium-term management plan,
Organizational			P14-15	The DIC Group's CSR Activities
Covernance			P16-17	RC Targets and Achievements of Major RC Activities
Governance			P19	Towards Fair and Transparent Corporate Activities
			P20	Seeking to Reduce Disaster Risks
			P35	Establishing a Solutions Business
			P41-42	Promoting Communication and Information Disclosure
	6.3.3	1. Due diligence	P31	Respect for Human Rights
	624	2 Human rights risk situations	P34	Conflict minerals
	6.3.5	3. Avoidance of complicity	Table 2	To continue being a "proud corporate citizen which is trusted globally"
		·····	P18	Supporting the UN Global Compact as a global chemicals manufacturer
			P34	Globally Expanding CSR Procurement
Human Rights			P42	Conflict minerals
	6.3.6	4. Resolving grievances		— Diversity
	638	5. Discrimination and vulnerable groups	P31	
	6.3.9	7. Economic. social and cultural rights	P40	Harmony with Society through Spirulina
	6.3.10	8. Fundamental principles and	Table 2	To continue being a "proud corporate citizen which is trusted globally"
		rights at work	P18	Supporting the UN Global Compact as a global chemicals manufacturer
	9.4.3	1. Employment and employment relationship	P31-33	Striving to Improve Job Satisfaction
	6.4.4	2. Conditions of work and social protection	P32 P31	Initiatives to Achieve Work-Life Balance
	6.4.6	4. Health and safety at work	P10	Special Topics: Yaita
Labour		······, ·····	P22-24	Basic Approaches to and Initiatives in "Environment, Safety, and Quality"
Practices				Occupational Safety and Health Initiatives
			500	Held a meeting for personnel in charge of safety in production plants in the DIC China region
	617	5 Human development and training in the workplace	P28	Responsible care initiatives in each DIC plant
	6.5.3	1 Prevention of pollution	P09	Special Topics: Ink/adhesive for food packaging
			P11	Special Topics: Epoxy resin/curing agent for electronic substrate
			P25-27	DIC Group Performance
				Reducing Emissions of Chemicals into the Environment
Tho				Reducing Environmental Impact on the Air, Water and Soil
Environment			P28	Reduction of industrial waste Responsible care initiatives in each DIC plant
Linvironnent			P29	Initiatives with chemicals
	6.5.4	2. Sustainable resource use	P36-37	Proposing Solutions Utilizing Elemental Technologies
	6.5.5	3. Climate change mitigation and adaptation	P25	Initiatives Related to the Climate Change Problem
	0.5.0	4. Protection of the environment, biodiversity and restoration of natural habitats	P39-40 P10	Rawamura Memorial DIC Museum of Art
	0.0.0	1. Anti-corruption	115	System to maintain compliance
Fair Operating	6.6.4	2. Responsible political involvement	—	_
Practices	6.6.5	3. Fair competition	P19	Main contents of the DIC WAY Code of Business Conduct
	6.6.6	4. Promoting social responsibility in the value chain	P34	Globally Expanding CSR Procurement
	673	Respect for property rights     Seir marketing, factual and unbiased	P19 P20 30	Initiatives with chemicals
	0.7.5	information and fair contractual practices	P09	Special Topics: Ink/adhesive for food packaging
	6.7.4	2. Protecting consumers' health and safety	P22-24	Basic Approaches to and Initiatives in Environment, Safety, and Quality
				Occupational Safety and Health Initiatives
				Held a meeting for personnel in charge of safety in production
			D38	plants in the DIC China region
Consumer	6.7.5	3. Sustainable consumption	P36-37	Proposing Solutions Utilizing Elemental Technologies
Issues	6.7.6	4. Consumer service, support, and	P29	System for Provision of Information for Products
		complaint and dispute resolution	P30	"WERCS" Operation
	677	E Concurrent data masteration and mail	DOA	Quality Management Initiatives
	678	5. Consumer data protection and privacy	PZ1	
	6.7.9	7. Education an awareness	_	_
	6.8.3	1. Community involvement	P38	Basic Concept of Social Contribution
			P40	Harmony with Society through Spirulina
Community	6.8.4	2. Education and culture	P39	Career Education Activities
Involvement				Kawamura Memorial DIC Museum of Art
and	6.8.5	3. Employment creation and skills		
Development	6.8.6	4. Technology development and access	P42	Color Seminar at the Takamatsu City Office
	6.8.7	5. Wealth and income creation	_	-
	6.8.8	6. Health	P40	Harmony with Society through Spirulina
	0.8.9	1. Social investment	r40	Support for the Great East Japan Earthquake

## Third-Party Opinion

for CSR Report 2013

The Japan Research Institute, Ltd. Counselor, 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 issues. 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). He was Japan expert for the ISO 26000 working group from March, 2005 until May, 2009. Author of such books as "An Introductory Guide to Environmental Management" and "Environmental Problems Illustrated for Businesses."



I think that the changes of the DIC Group in the last several years can be summarized into 3 points:

- (1) Overseas ratio in business is further increasing
- (2) Aggressively increase the business categorized in fine chemicals and application materials
- (3) Profit-oriented awareness has been established within the group

(1) The Top Message states that the awareness is "still at the initial stage of CSR promotion in the global perspective, including overseas subsidiaries." In addition to "Basic Policy for Internal Controls" and "Code of Business Conduct" (to be revised in 2013 in order to make it easier for multinational employees to understand), I hope that they also would significantly expand the information disclosure of overseas examples in the CSR report on the "policies/systems," "initiatives," and "results/achievements."

(2) It is expected that the domain of the issue to alleviate environmental impact as well as the domains that contribute to social issue solutions will also change. One example would be that with LC and PPS, I expect that considerations upon product disposal will be necessary due to the environmental impact, while conventional type of printing ink places a weight on its printing process.

I liked the style in which they raised "social issues" in the special topics, stated "what kind of issues there are" in a straightforward manner, and introduced "DIC's initiatives." However, only 3 examples are introduced here. I would like to ask DIC to expand

the examples in the future. I was interested in the mention of their proprietary Chemical Substance Information Comprehensive Management System (CIRIUS). Furthermore, I also focused on the initiative in which they are starting to establish a system to attach SDS to respond to GHS. I hope that DIC will disclose the progress of chemical substance replacement in products from the perspective of hazard assessment.

(3) I felt that it would be nice for DIC to discuss their selfawareness on what kind of steps CSR promotion follows to lead to the improvement of corporate values. Although I was able to comprehend the steps in which they will respond to customer demands of energy conservation, resource conservation, and cost saving with environmentally-conscious products and services, I think chronological target setting and information disclosure would be desired for the business volume of environmentally-conscious products as a percent of all products. In terms of the working women promotion activities, they have set the difference between the average lengths of service for male and female employees as the KPI. I think that their achievement in recent years is notable, however, I also hoped that DIC would further expand this issue and analyze what kind of effects this achievement is creating.

Finally, seeing article that "they offer study session on DIC's CSR initiatives upon customers' plant tours," I felt as if I have witnessed how DIC is promoting CSR with confidence. I look forward to DIC's developing initiatives and information disclosure again next year.

I have provided this third-party opinion for the ways of CSR activities and information disclosure by the DIC Group which I have understood through this report from the perspective as one who provides corporate information to financial institutions for the sake of socially responsible investment. This opinion is not intended to provide judgment concerning whether or not this report has been accurately measured and calculated in accordance with the preparation criteria for environmental reports, etc. that are generally regarded appropriate or whether or not this report covers important items without omission.

## Introduction of Communication Tools

that connect DIC and stakeholders

The DIC Group strives to transmit information through various communication tools in order to promote communication with stakeholders and encourage them to deepen their understanding toward our corporate activities.

We also introduce more detailed information and data on CSR information on the website.



#### Website



<Contact>

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