

CSR REPORT 2018

DMC Co., Ltd.
DMC CSR Report 2018





Contents	Message from the President	Corporate Profile	Corporate Management & CSR	Product Safety & Security	Business Practice & Human Rights Protection	Fair & Equitable Business Transactions	Environmental Conservation	Contribution to Regional Society	Management Structure	GRI Sustainability Reporting Guidelines
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Editorial Policy

2017 DMC CSR activities have been released in PDF format (2018 CSR Report) to ensure availability to as many stakeholders as possible.

■ Target Organizations

Companies names used in this report are abbreviated as follows:

- “DMC” or “DMC Group”
DMC Co., Ltd. and Indonesia Factory
- “DMC Co., Ltd.”
DMC Co., Ltd. only
- “PT. DMC TEKNOLOGI INDONESIA” or “Indonesia Factory”
PT. DMC TEKNOLOGI INDONESIA only

■ Reporting Period

January 1, 2017 - December 31, 2017
(Some activities in this report include content before and after the above period.)

■ Referenced Guidelines

- GRI Sustainability Reporting - General Standard Disclosures 2016

■ Date of Issue

August 2018 (Next issue to be published in August 2019)

■ Issuing Department & Contact Information

DMC Co., Ltd. Management Department
Aioi Nissay Dowa Insurance Midousuji-Bldg. 3F,
3-6-1 Hirano-cho, Chuo-ku, Osaka, 541-0046, Japan

Corporate Profile As of December, 2017

Company Name:	DMC Co., Ltd.
Head Office:	Takanawa Sengakuji Ekimae Building 11F, 2-18-10 Takanawa, Minato-ku, Tokyo, 108-0074, Japan
Date of Foundation:	1973
Business Description:	Design, manufacture, and sale of touchscreens and related products
Capital:	75.6 million JPY
Annual Sales:	4.934 million JPY*1
Subsidiary:	PT. DMC TEKNOLOGI INDONESIA
Parent Company:	USCO Corporation
Employees:	854 (Consolidated)*1 121 (Non-consolidated)*1 *Including full-time employees, dispatched employees (only in Indonesia), and part-time employees
Client Companies:	140*2

*1: Consolidated: As of December 31, 2017 *2: As of March 31, 2018



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Message from the President

DMC is committed to developing cutting-edge technology with customer-oriented services and technological capabilities to meet customer needs as we move into the future.



Leveraging technological capabilities as well as accumulated experience and knowledge to effectively respond to changes in market trends

DMC is actively engaged in the industrial equipment business around the globe as a touchscreen manufacturer. The increasing use of smartphones in our everyday lives has also influenced the expansion of demand for touchscreens to switch panels for bicycles and car navigation systems. Along with this is the shift from the resistive touch technology (Press) to a capacitive touch technology (flick & swipe). The movement toward industrial-use touchscreens has also been

accelerated as the generation raised with smartphones has entered the workforce.

DMC takes full advantage of its technology and its accumulated experience and knowledge as a resistive touch technology manufacturer to promptly and effectively respond to fast-changing market trends. We leverage our technology and experience to design new products featuring both resistive touch (NEW-MTR) and capacitive touch technology as we explore and develop ever better sales routes. Ever conscious of sustainable growth, we integrate our strengths with the environment and trends surrounding touchscreens to continue expanding business.

Accepting the challenges of the future

The USCO Group motto, “Toward an exciting future,” expresses the courage to accept the challenges ahead of us. In line with this slogan, DMC promises to support its stakeholders into the future. To keep this promise, we established the 2018 Action Plan to enable us to meet the challenges presented by an ever-changing environment.

Following the devastation caused by the Great East Japan Earthquake, DMC has continued forward to overcome the difficulties it faces. Shirakawa Factory operations were transferred from Fukushima after



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Message from the President

significant damage was incurred during the earthquake. Operations will be expanded in 2018 to enhance the factory's ability to respond to the needs of customers and society.

DMC continues forward into the future with effective approaches designed to meet stakeholder needs.

Business expansion responding to requests from society

In the run-up to the 2020 Tokyo Olympic and Paralympic Games, around 29 million tourists from overseas visited Japan in 2017, the highest number ever. Along with this jump in tourism, the number of non-Japanese employees



in Japan has increased and is expected to continue rising. This increase will be accompanied by inevitable problems, the most obvious of which is communication. DMC identifies the potential of its products and services to solve such problems. touchscreens allow direct operations with fingers, which we feel makes it possible to respond to the needs of society where multi-lingual communications exist.

Requests from society vary from general to specific. Using its strengths in small-lot multi-production, DMC can satisfy these diverse needs with high value-added products.

For a better future

DMC issues its first CSR report in 2017, which developed our awareness that CSR and business are closely related. Review of our CSR activities also helped us to recognize priority issues for each department. We became aware of the importance of communication in regional society where our factories exist, which has promoted DMC employees to take actions to build better relationship between the Company and the society. In 2017, DMC held events at the Business Park where our offices are located and interactions with local companies in Indonesia to vitalize the regions. We continue promoting activities closely

related to each region and also supporting bright future of people in the region.

Companies have an obligation to fulfill their social responsibility while pursuing growth, and this is clearly expressed in DMC's corporate Philosophy: "DMC strives to achieve sustainable growth while promoting happiness throughout society." This Corporate Philosophy keeps us focused on and aware of what society expects from us. We also believe that business activities based on such a firm philosophy and CSR contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

In 2018, we will further enhance our development of human resources capable of working on the global stage and supporting DMC's move into the future to reinforce our worldwide business activities. We engage in business while promoting CSR, and gladly accept the challenge to use our strengths to secure a happy and bright future for all.

Tetsuya Sada

President, DMC Co., Ltd.



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Corporate Profile

Global Business Structure (As of the end of July 2018)

DMC increases synergetic effects among USCO Group companies and manufactures attractive products.

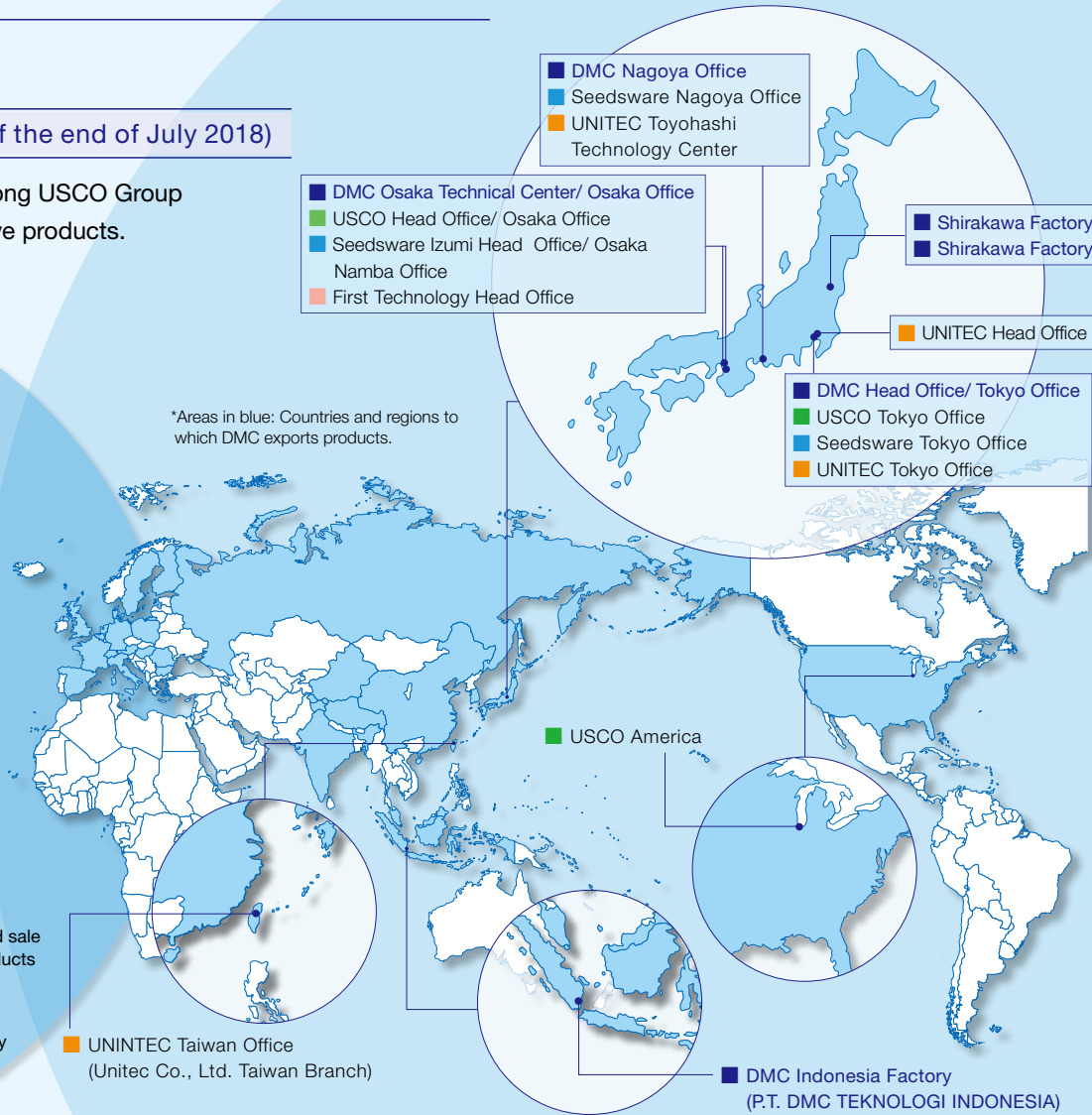
USCO Group Companies

Through a consistent development system employed in cooperation with USCO Group companies, we provide user interface that meets customer needs.

[Electronics Business Structure]

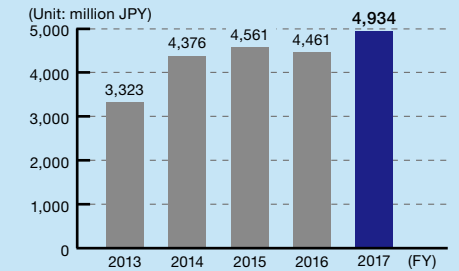


- USCO Corporation** Business support specializing in truck and electronics
- DMC Co., Ltd.** Development, manufacture, and sale of touchscreens
- Seedsware Corporation** Development, manufacture, and sale of touchscreen application products
- Unitec Co., Ltd.** Design, development, and manufacture of software and hardware using digital technology
- First Technology** Providing IT consulting system solutions

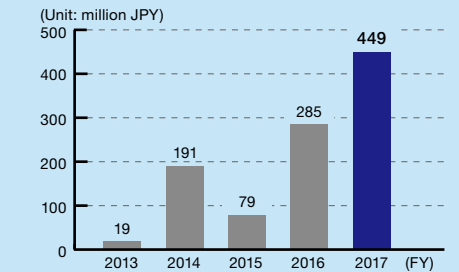


Financial Information (DMC Co., Ltd.)

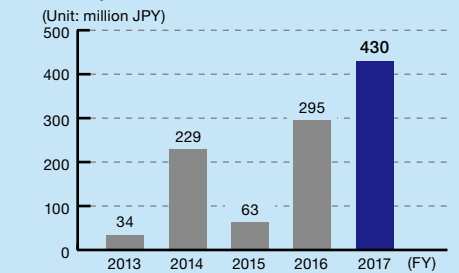
Net Sales



Operating Income



Ordinary Income





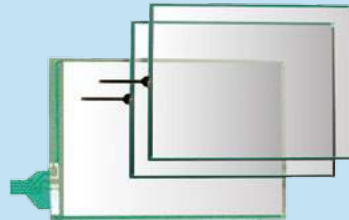
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DMC Products & Services

1

Resistive Touchscreens

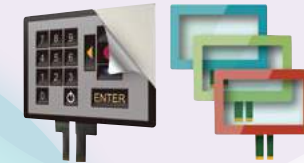
Resistive touchscreens detect points touched with fingers or a pen by measuring changes in voltage. It is easy to use, and it features reliable operability. Operation with gloves or pen is possible. In addition to a single-touch type, we offer a multi-touch type that expands the range of operability.



3

Other

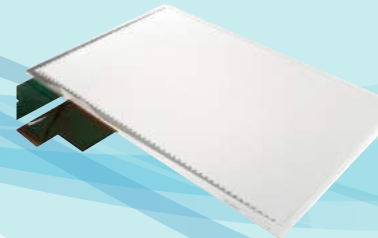
We offer a wide range of options to enhance functionality and improve the usability of touchscreens. You can choose the best combination of touchscreens with the options that increase the value of your products.



2

Capacitive touchscreens

Capacitive touchscreens detect points touched by finger utilizing capacitance-couplings generated by touch. It provides excellent operational smoothness, visual clarity, toughness and weatherability. We offer multi-touch type screens.



DMC Products

DMC grows with its many associates through the manufacture and sale of touchscreens and the provision of support.

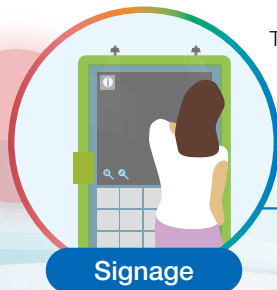
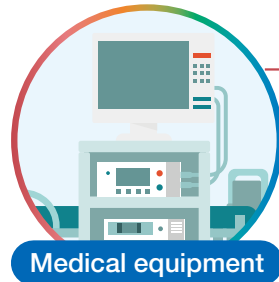
In addition to more than 100 types of standard touchscreens, we have smooth communication with customers, from the design and development stage to ensure that products are suitable for the environment and conditions.

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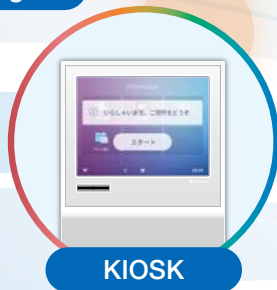
DMC products that help in everyday life

DMC Group helps to make everyone's life more secure, rich, and comfortable through the development of leading-edge products. We make a shape of the potential of touchscreens and offer a wide range of solutions to the world.

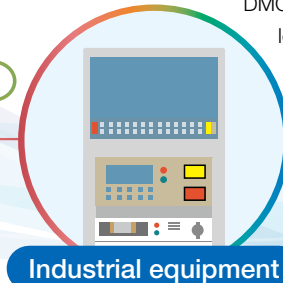
DMC touchscreens for use in healthcare include screens for treatment, diagnosis, analysis, and examination devices that feature anti-fouling and anti-bacterial films that keep the screen surface clean.



Terminal screens feature high durability for reception, advertising, and information searches. Outdoor terminal screens employ ultraviolet protection film to reduce glare and increase visibility.



Demand for touchscreens at KIOSK, which serves children, the elderly and visitors from abroad has been increasing because of their convenience.



DMC Group's experience, know-how and long history of producing touchscreens for industrial equipment has earned strong customer trust. DMC touchscreens feature stable long-term supply, long service life, and high cost performance in response to a wide range of customer needs.



Leading-edge touchscreen panels feature designability, transparency and design-print cover glass for outstanding advertising displays.

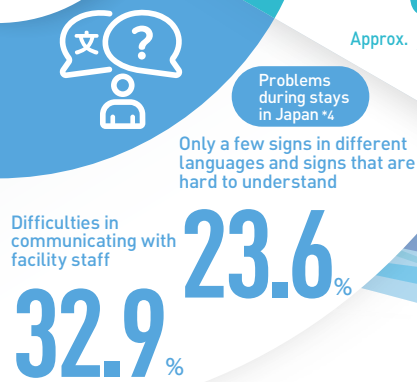
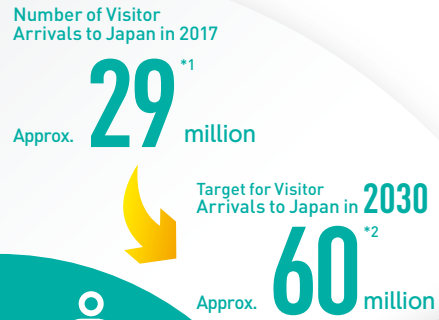


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People and Language Lead to the Creation of New Values

Contributing to smooth communication with multi-language touchscreens

Action by the Japanese government designed to increase Japan's appeal as a tourism advanced country has been accelerated to establish an environment that enhances visitor convenience and satisfaction. According to the results of a 2016 Japan Tourism Agency questionnaire targeting tourists from abroad, the most frequently mentioned difficulty during stays in Japan was communication with facility staff, and the third most frequent concern was having only a few signs in different languages and signs that are hard to understand. Touchscreen devices can be operated intuitively, and switched into different languages at a moment to solve the above-mentioned problems. DMC cooperates with touchscreen manufacturers to develop and produce touchscreens suitable for the multi-language devices.



DMC places a priority on detailed responses to customer requests.



DMC works in close cooperation with engineers and other staff at our factories to keep abreast of touchscreen market needs. Equipment with multi-language touchscreens is suitable for outdoor use by the general public. Therefore, these adopt electrostatic capacity touchscreens that feature high durability and weather resistance. DMC exerts its strength in in-house development including sensor controllers to ensure a detailed response to customer requests that mass-produced all-purpose products cannot accommodate. We continue developing products that meet ever-changing needs.

Kazuhiro Yoshida
General Manager, Sales Department



^{*1}: Japan National Tourist Organization "Trends in Visitor Arrivals to Japan (2016)"
^{*2}: Japanese Government "Tourism Vision to Support the Future of Japan"
^{*3}: Calculated using data based on "Situation of Notified Foreign National Employment Status" by the Ministry of Health, Labour and Welfare (As of the end of October each year)
^{*4}: Japan Tourism Agency "Questionnaire on Creating a More Welcoming Environment for International Visitors to Japan (2016)"




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Management & CSR

Management Vision

USCO Group Motto



もっとワクワクする明日へ

Challenge Today for an Exciting Tomorrow

With the USCO Group motto of “Toward an exciting future” as our guide, we strive to provide the most effective support to companies working to achieve their dreams.

Following this motto, DMC provides touchscreens with the novel potential to create happiness and a brighter future for all.

DMC Corporate Philosophy

DMC strives to achieve sustainable growth while promoting happiness throughout society.

DMC considers its corporate philosophy the heart and soul of its business activities. Following this philosophy, all employees work together to contribute to the affluence and sustainability of the society we serve.



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DMC Corporate Philosophy Structure

Action Agenda

Pursuing cooperation between Indonesia and Japan, DMC establishes trusting customer relationships and maintains stable profits.

Purposes

- Prioritizing employee happiness while contributing to regional society
- Promoting regional employment
- Investing profit into next-generation business

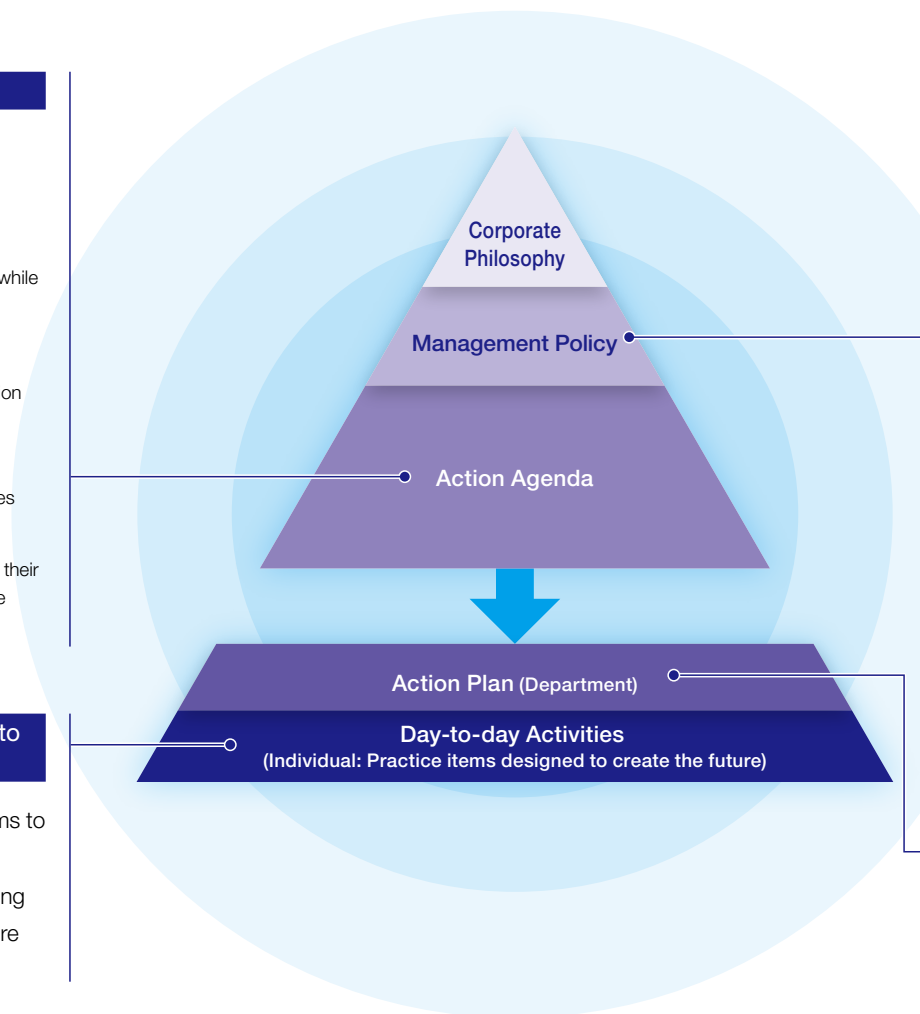
Goals

- All employees improve themselves while helping others to improve.
- Employees take responsibility for their current and future roles, and take effective action.

Daily Activities (Practice items designed to create the future)

We list day-to-day work attitudes in Practice Items to Create the Future.

All employees recite them together at the morning assembly to increase their awareness and ensure that they are put into practice.



DMC Management Policy

- (1) We promote fair, transparent and free competition and ensure appropriate transactions in accordance with rules and principles.
- (2) We work on procurement, production and sales with social and environmental consideration that contribute to the realization of a sustainable society.
- (3) We provide customers with the best value to ensure mutual growth.
- (4) We respect the individuality of all employees as we provide a safe and secure working environment for mutual growth through sustainable business.
- (5) We respect the culture and customs of our neighbors around the world as we strive to contribute to the development of society through sustainable business growth.

Action Plan 2018

To follow our dreams for the future!
Ensuring high profitability that remains stable against the external environment



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DMC CSR

CSR Concept

DMC touchscreens are used in indicators, industrial-use monitors, machine tools, measurement devices, and KIOSK and other terminals. Recently, expanded use in public services includes medical devices, ticket machines, and digital signage, showing the important social responsibility that DMC has accepted. We recognize that providing products, solutions and other services, returning our business achievements to society, and sincerely performing business activities while assuring product safety and security, environmental conservation, compliance with laws and regulations, respect for human rights, and fair and equitable transactions lead to the fulfillment of our social responsibility. We also recognize that participating in regional activities is an extremely important social responsibility and we are always on the lookout for more ways to be involved.

CSR Promotion Structure

DMC has established a CSR promotion structure centering on its CSR Secretariat to uniformly promote a wide range of approaches by individual departments and divisions. The CSR Secretariat is directed by the president to ensure that top management is directly involved in the operation of CSR activities. DMC has also established a structure to discuss and report important CSR matters at management meetings to promote uniform approaches for both management and CSR.

To promote effective activities, DMC leverages multidisciplinary cooperation with departments and divisions in charge of CSR, including product quality, environment, human rights protection, procurement and social contribution, and the CSR Secretariat supports the activities.

Stakeholders

Stakeholder Engagement

DMC strives to communicate with stakeholders through a wide range of systems to ensure that it remains a company capable of contributing fully to the society we serve. We report opinions of our stakeholders to the top management and reflect them to management activities with stakeholder engagement as the top priority.

Stakeholders	Details	Major Responsibilities and Issues	Means of Communication
Customers	DMC sells touchscreens to distributors and manufacturers around the world.	<ul style="list-style-type: none"> Manufacturing high-quality and safe products Disclosing product information Designing environmentally friendly products Stable supply of products and provision of support 	<ul style="list-style-type: none"> Communication from product development to supply Providing solutions Inquiries Customer satisfaction surveys
Shareholders & Financial Institutions	DMC has seven shareholders. The parent company owns 88.8% of its shares.	<ul style="list-style-type: none"> Improvement of corporate value Appropriate return of profits Timely and appropriate information disclosure 	<ul style="list-style-type: none"> Shareholders meeting Financial settlement briefing Shareholder meeting reports
Suppliers	Suppliers manufacture ingredients and parts that DMC procures for touchscreen production	<ul style="list-style-type: none"> Fair transactions Stable ordering CSR promotion throughout the supply chain 	<ul style="list-style-type: none"> Factory audit Periodical discussions Contact information
Employees	DMC has 857 employees in Japan and Indonesia.	<ul style="list-style-type: none"> Ensuring a safe and secure working environment Respect for human rights Respect for diversity Development and utilization of human resources 	<ul style="list-style-type: none"> Hotline Personnel affairs division Safety and Health Committee Labor Union (Indonesia) and periodical meetings
Regional Society	DMC respects regional cultures and customs around the world.	<ul style="list-style-type: none"> Social contribution through business Respect for regional cultures and customs Protection of the regional environment Prevention of accidents at factories Creation of employment 	<ul style="list-style-type: none"> Regional volunteer activities Factory visits Support for restoration from disasters Contact information School visits in the local communities and internship system
Supervisory Authority	DMC understands the laws and regulations of each country where we perform business.	<ul style="list-style-type: none"> Compliance to laws and regulations Cooperation to solve social issues 	<ul style="list-style-type: none"> Making proposals to solve social issues



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Approaches to Sustainable Development Goals (SDGs)

To fulfill its social responsibility through business, DMC maintains close communications with its customers and other stakeholders to understand their needs and requests, and to identify social issues. We then promote approaches to sustainable development goals (SDGs) to address the identified social issues.

•What are SDGs?

The SDGs comprise 17 goals and 169 targets set by the United Nations in September 2015 in “Transforming our World: the 2030 Agenda for Sustainable Development.” Under the leadership of the United Nations, many countries have pledged their cooperation to address social and economic development issues such as poverty, gender equality, and social justice within the 15 years from 2015 to 2030 with the hope of realizing a world in which no one is left behind.



Relationship between SDGs and DMC Business

We compare major DMC approaches with SDGs.

Related Goals	DMC Approaches
<p>3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> Development and manufacture of medical-use touchscreens
<p>4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> Global human resource development (Support to obtain specialized knowledge/ Different training for different groups) Development and production of touchscreens for electronic blackboards used in correspondence education programs
<p>5 GENDER EQUALITY Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> Promotion of diversity (Promotion of social participation by women)
<p>8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> Promotion of work-life balance (Approaches to ensuring appropriate working hours/ Support for child rearing and nursing care/ CSR procurement) Promotion of diversity (Continuation system/ Promotion of employment of individuals with disabilities)
<p>10 REDUCED INEQUALITIES Reduce inequality within and among countries</p>	<ul style="list-style-type: none"> Protecting human rights (In-house rooting of human rights policy/ Compliance with human rights policy) Development and manufacture of touchscreens responding to multi-language needs
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> Publication of CSR Report Reduction of waste Chemical substance management Development and manufacture of durable touchscreens with weather resistance Water resource conservation Afforestation (Mangrove seedlings) Reduction in the use of paper Development and manufacture of touchscreens corresponding to touch pen operation to realize paperless meetings
<p>13 CLIMATE ACTION Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> Reduction of CO₂ emissions Environmental education (Holding seminars on quality control and environmental management systems)



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CSR Mid-term Policy

DMC established FY2018 CSR Mid- and Long-term Policies to promote CSR activities. We share annual goals, issues, and improvement plans among all employees and implement the PDCA cycle aiming to achieve goals.

Fields	CSR Items	Mid- and Long-term Policies	FY2018 Targets
Management Structure	Corporate Governance	DMC ensures transparency and fairness in its business activities, continues sustainable growth and increases corporate values.	<ul style="list-style-type: none"> • Holding board of directors' meetings (once per month) • Holding meetings with stakeholders (once per month)
	Compliance	DMC understands and follows both domestic and overseas laws, regulations, and customs and take actions with the spirit of high corporate ethics.	<ul style="list-style-type: none"> • Understanding participation rate of seminars regarding compliance • Holding seminars regarding compliance • Making approaches to prevention of bribery and corruption
	CSR Management	DMC promotes CSR management responding to the need of and request from stakeholders and society.	<ul style="list-style-type: none"> • Publication and improvement of CSR Report
Products Safety & Security	Product Safety & Security	Continual operation of quality management system	<ul style="list-style-type: none"> • Quality management assessment by a third party
Business Practice & Human Rights Protection	Working Environment Safety	DMC promotes safety and health of employees and perform vigorous business management.	<ul style="list-style-type: none"> • Health check rate: Achieved 100%
	Promotion of Diversity	DMC develops and utilizes a wide variety of human resources to reinforce diversity management.	<ul style="list-style-type: none"> • Aiming to improve the female manager ratio • Aiming to improve the female employee recruitment ratio
	Human Rights Protection	Establishment and operation of the system that develops human rights awareness	<ul style="list-style-type: none"> • Establishment and thorough spreading of human rights policy to employees • Thorough spreading and appropriate operation of internal report system (hotline)
	Human Resource Development	DMC develops abilities of employees to develop human resources that support its business activities.	<ul style="list-style-type: none"> • DMC continues providing human resource development seminars while fulfilling the content.
	Promotion of Work-life Balance	DMC improves working environment that allows employees to maintain a good balance between work and family.	<ul style="list-style-type: none"> • Improving beneficial systems for employees and promoting them to use them • Maintaining the ratio of taking paid-holidays at 50% or greater • Reducing the average total overtime working hours within 15 hours per month
Fair & Equitable Business Transactions	CSR Procurement	DMC promotes suppliers to follow CSR procurement guidelines and expands the application to new customers.	<ul style="list-style-type: none"> • Establishment of CSR guidelines • Asking customers to cooperate for CSR procurement • Providing CSR supplier questionnaires
Environmental Conservation	Environmental Conservation	DMC effectively uses energy and resources and contributes to environmental conservation through reduction of wastes and recycling.	<ul style="list-style-type: none"> • Reducing CO₂ emissions (Compared with the previous year) • Reducing final disposal volume (Compared with the previous year)
Regional Contribution	Contribution to Regional Society	DMC contributes to the realization of better society through social contribution activities as a company trusted by stakeholders.	<ul style="list-style-type: none"> • Participation in social contribution activities • Organizing social contribution activities • Promoting forest conservation activities including afforestation, etc. (Overseas)



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DMC offers high-quality, safe and secure products to customers and end users.

Product Safety & Security

Quality first, customer satisfaction, pro-environment and, trust and reassurance are our mottos. As a leading touchscreen manufacturer, DMC sets quality and environmental policies that reassure and build trust with customers in accordance with our quality and environmental policies through an ISO9001 certified quality management system. DMC's Shirakawa Factory, Shirakawa Factory II, Indonesia Factory, Tokyo Office, Osaka Office, and Nagoya Service Office have all acquired ISO certification for the design and development of touchscreens. All DMC Group production bases have acquired ISO certification. All employees understand and are aware of the quality and environmental policies, follow the PDCA cycle to achieve the targets specified by action plans established for each department, and place a priority on continual improvement in business activities.

Quality & Environmental Policies

DMC has established quality and environmental policies that express our corporate philosophy of "achieving sustainable growth while promoting happiness throughout society."

1. We will provide products to all our markets that are high-quality and satisfy customer requirements, laws, and regulatory requirements.
2. We will measure and analyze the response of the customers and regions we serve to continuously improve our products, processes and systems.
3. We seek to reduce environmental footprint through our commitment to preventing pollution, reducing waste and saving resources.

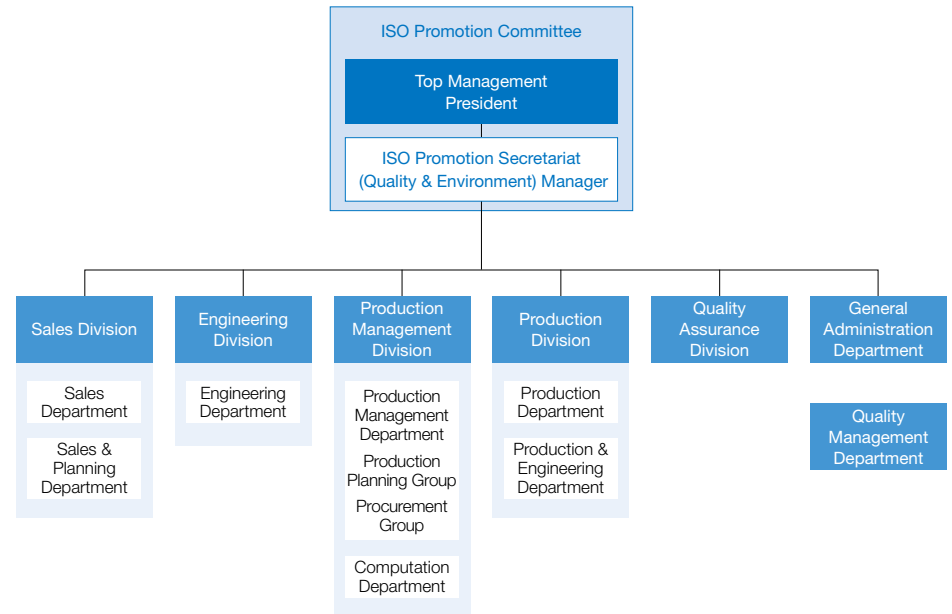
April 1, 2018
Tatsuya Sada
 President, DMC Co., Ltd.

Quality Management System

DMC's quality assurance system aims to meet customer expectations for safe, high-quality products and services. We conduct yearly review to examine and evaluate the state of our quality management system in line with our quality policy and targets to ensure constant improvement. We also conduct yearly internal audits.

We perform thorough quality management and periodical quality patrols to prevent contamination in all processes in the manufacture of touchscreens. This is critical due to the fact that the quality of these sensitive products can be affected by even a small amount of dust.

Quality & Environmental Management System Diagram



QMS/EMS Application Range : Shirakawa Factory, Shirakawa Factory II
 Tokyo Office, Osaka Office Nagoya Service Office



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Business Practice & Human Rights Protection

DMC respects the rights and individuality of all stakeholders, as it strives to maintain appropriate business practices and provide a safe, secure and comfortable working environment.



Human Rights Protection

DMC protects the human rights of all employees and stakeholders as a company engaged in global business. We have established a human rights policy to inform appropriate action regarding the potential impact of our business activities on human rights, and we provide seminars to promote thorough understanding and compliance.

Sharing the Human Rights Policy throughout the company

DMC provided seminars regarding human rights for all employees in Japan and Indonesia for the thorough sharing of the Human Rights Policy throughout group companies.

Compliance with Human Rights Policy

DMC has established a consultation desk to provide appropriate and prompt responses to reports and consultations regarding human rights to prevent the risk of violations. We thoroughly observe the confidentiality of individuals and prohibit the inappropriate handling of information.

In addition, we recruit individuals based on their aptitude and abilities regardless of nationality, ethnicity, thought or beliefs, religion, physical disability, gender, gender identity, or sexual preference. When recruiting individuals, we confirm age to prevent child labor. At our DMC factory in Indonesia, which has a high risk of child labor, we require all employees to submit documents to confirm their age. In addition, we prohibit forced labor.

Human Rights Policy

In accordance with the corporate philosophy of “achieving sustainable growth while promoting happiness throughout society,” DMC strives to realize a sustainable society through its business taking account of social and environmental issues. In order to do so, we place a priority on our responsibility to protect human rights.

[Corporate responsibility to protect human rights]

We understand it is a significant corporate responsibility to promote human rights protection, to protect all stakeholders’ rights and individuality, and to provide a safe, secure and comfortable working environment.

The DMC Human Rights Policy conforms to the International Bill of Human Rights and the Declaration on Fundamental Principles and Rights at Work by the International Labor Organization (ILO).

Responsibility for human rights protection applies to all executives and employees at DMC and its affiliated companies. We also require all our suppliers and business partners to protect human rights. If human rights are violated, we take prompt and appropriate action.

[Fulfillment of our responsibility to protect human rights]

DMC promotes human rights protection in accordance with the Guiding Principles on Business and Human Rights specified by the United Nations.

DMC has established human rights due diligence processes to identify DMC business that impact human rights, and reduce or prevent human rights violations.

In the event that DMC business activities cause a negative impact on human rights, either directly or indirectly, we shall strive to address the issue immediately through appropriate action.

DMC follows the laws and regulations of the regions where it conducts business activities. In the event that there is a contradiction among internationally adopted human rights conventions and laws and regulations in individual countries and regions, we strive to follow the international principles of human rights protection.

DMC provides appropriate education and enlightenment to implement this basic policy into its business activities.

We also discuss with our stakeholders’ responses to potential and actual impact on human rights.

DMC discloses the progress and results of its approaches to human rights protection on its website and reports.



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• Human resource data

① Number of employees

(Unit: person)

		2015	2016	2017
Japan	Male	64	76	74
	Female	53	51	47
	Subtotal	117	127	121
Indonesia	Male	259	280	316
	Female	451	441	417
	Subtotal	710	721	733
Total		827	848	854

① Number Hired (non-consolidated)

(Unit: person)

		2015	2016	2017
New graduates	Male	1	0	0
	Female	0	0	0
	Subtotal	1	0	0
Mid-career recruits	Male	9	15	7
	Female	16	2	1
	Subtotal	25	17	8

① Average number of working

(Unit: year)

		2015	2016	2017
Japan	Male	9.2	9.0	8.7
	Female	6.3	7.6	8.2
Indonesia	Male	8.0	8.0	7.8
	Female	6.5	6.0	6.0

① Average age

(Unit: age)

		2015	2016	2017
Japan	Male	40.0	41.0	40.0
	Female	41.0	41.0	41.5
Indonesia	Male	28.0	27.0	26.8
	Female	25.0	24.5	24.8

Promotion of Diversity

Basic Concept

DMC aims to cultivate a corporate climate that respects and accepts the individuality, nationality, ethnicity, gender, and sense of value of each employee to promote diversity. We believe that will lead to create a company where all employees can work happily. We also believe that such a corporate climate allows us to produce new and flexible ideas that can meet the diversified needs of our customers and to secure excellent human resources.

Women's Empowerment

DMC recruits potential human resources based on common standards regardless of gender, and provides support for career formation through our human resource development programs regardless of gender.

① Number of individuals in managerial positions

(Unit: person)

		2015	2016	2017
Japan	Male	15	13	15
	Female	0	0	0
	Subtotal	15	13	15
Indonesia	Male	43	45	37
	Female	6	5	6
	Subtotal	49	50	43

① Female employee ratio

(%)

	2015	2016	2017
Japan	45.3	40.2	38.8
Indonesia	63.5	61.2	56.9

VOICE

Attractive working environment where both male and female employees can work happily

Risa Kawamorita, Design Group, Engineering Division

In my previous position, I was engaged in chemical analysis for plating solutions. However, I was interested in an engineering position that would allow me to work on products and quality improvement, and that would also allow me to improve my abilities. This is the reason I joined DMC. I am now working on the design of resistive film touchscreens, selecting new materials, and assessment at the Design Group, Engineering Division. Although men generally tend to be assigned to the engineering division, DMC provides a working environment where all employees regardless of gender can work anywhere happily. Female employees are treated as equal to male employees, which allows us to work comfortably. My goal is to continue working after becoming a mother. In order to realize my desired future, I would like to improve myself and grow further.





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Employment Continuation System (Reemployment System)

DMC has a reemployment system that allows employees with accumulated experience and knowledge to exert their abilities after retirement. Retiring employees who satisfy predetermined requirements and express a desire to do so are eligible to continue working up to 65 years of age. Losing senior employees with accumulated knowledge and experience due to retirement is a significant loss for DMC, a company whose business requires advanced skill to maintain its competitiveness. DMC utilizes senior employees to educate younger employees as a way to improve the company's capability in the engineering business.

Promoting the Employment of Individuals with Disabilities

DMC respects the right of individuals with disabilities to work and actively recruits from this valuable pool of human resources. The employment rate of individuals with disabilities in 2017 was 1.01% (non-consolidated). We continue working to improve the employment rate of the disabled.

◎ Employment Rate of Individual with Disabilities (non-consolidated basis as of June 1 each year) (%)

2015	2016	2017
1.08	1.03	1.01

Work-life Balance

DMC improves in-house systems in accordance with laws and regulations to allow all employees to exercise their abilities in a working environment that helps to maintain a good work-life balance according to family situation.

Approaches to Appropriate Working Hours

DMC ensures fair labor conditions for employees through employment and salary regulations specifying appropriate working hours, breaks, overtime, holiday work, salary and so forth in

accordance with laws and regulations. Overtime and holiday work limits are determined through labor-management agreements negotiated with employee representatives. Overtime and holiday work are monitored each month by divisions, and we inform individual employees whose actual hours are close to exceeding the limit to prevent excessive overtime. In 2017, we reduced overtime work by more than 35% compared with the previous year.

DMC also posts articles that increase employee awareness of work-life balance in the Kenko Dayori, a newsletter focusing on healthy lifestyles for employees, to promote the use of paid holidays.

◎ Rate of Taking Annual Paid Holidays (%)

		2015	2016	2017
Japan	Male	57	66	66
	Female	81	79	85
Indonesia	Male	69	53	55
	Female	79	42	57

Support for Child Rearing and Nursing Care

DMC has childcare leave, nursing care leave, and childcare time systems to help employees caring for children and family members requiring nursing care to continue working.

Division Managers have meetings with employees who are taking care of children or family members requiring nursing care to better understand the employees' situations and promote the use of support systems.

◎ Childcare & Nursing Care Support Systems

System	Details
Nursing care leave	Employees caring for children under one year of age are eligible for childcare leave or the short working hour system for childcare.
Nursing care leave	Employees caring for family members requiring nursing care are eligible for nursing care leave or the short working hour system.
Childcare time	Employees caring for children under one year of age are eligible to take childcare time twice each day for 30 minutes in addition to breaks.



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Human Resource Development

Basic Concept

DMC believes in individual potential and works on the improvement of in-house education systems aiming to help employees exercise their abilities and improve themselves.

Management Systems & Operations

DMC continues organizing systems and tools to improve compliance, employee capabilities and awareness of human rights protection, and develops human resources that support DMC business activities. We establish annual plans for education and training to provide employees chances to improve their knowledge and skills under the supervision of each division manager. We create a framework that helps individual employees manage their targets and improve their skills.

In addition, we also provide company information sessions and school visits to secure human resources specialized in engineering to secure human resources for the future of the DMC Group.

- **Support to help employees acquire specialized knowledge**

The production of DMC touchscreens requires advanced skill and knowledge. In order to keep providing high-quality products, we provide support that helps employees acquire fluency in English and Japanese, and certifications such as forklift operator training.

In 2017 and 2018, DMC has been creating manuals for all divisions to standardize and hand down business activities that depend upon individual knowledge and skills.

- **Training for groups at different levels**

DMC provides periodic group training for different levels to promote interaction and the development of human resources.

We conducted evaluator training in 2016 and training for target setting in March 2017 and April 2018. Through TV conferencing, approximately 50 employees participated in the seminars.

- **Group Training: Overview (2017)**

Name of the Training	Subjects	Description
Evaluator Training	Advanced Level Manager	This training is provided to ensure proper performance ratings. Using case studies, we share evaluation points used throughout the company among participants.
Target Setting Training	Employees (excluding Managers)	This training is provided to develop employee skill in setting next-term targets utilizing the "target setting, PDCA, and growth" cycle. Participants share evaluation points. This training focuses on specific guidelines and points used to set 2018 targets.

- **Human Resource Development for Global Business**

Expanding business to the global level through factories in Indonesia and Japan, DMC enhances human resources through a system that allows employees to experience business outside Japan, a practical skills training system at a factory in Japan for employees working at the Indonesia Factory, and a system that dispatches Japanese engineers to provide training to employees at the Indonesia Factory. DMC also holds events at the Indonesia Factory to promote interaction among Indonesian and Japanese employees. These approaches are designed to ensure products with the same quality based on the same standards. We also provide Japanese classes twice each week at the Indonesia Factory for executive trainees and those who are scheduled to participate in technical training in Japan to ensure smooth communication with the head office staff while assigned to management positions in the future.

VOICE

One-year work experience at the Shirakawa Factory for further improvement

AHYAR MUHAMMAD, Production Improvement Training, Production Division

I am working at the Production Division at the Indonesia Factory. I analyze complaints from customers and improve production equipment. I had the chance to train at the Shirakawa Factory for one year as a part of the practical skills training system. I received training in intermediate and appearance inspections to master effective methods of article inspection required prior to glass parts assembly. This experience gave me the opportunity to observe first-hand Japanese work customs and culture as well as important skills required for effective inspections. I have changed through those lessons and would like to use this experience to improve product quality and productivity in Indonesia.





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Working Environment Safety

Basic Concept

Based on the idea that human resources are treasures for the company, DMC strives to ensure a work climate that prioritizes the safety and health of employees to create a work environment in which all the employees can fulfill their potential and find satisfaction.

Management System & Operation

To establish a safety and sanitation management system in accordance with the Industrial Safety and Health Act, DMC assigns Safety and Health Managers to promote organizational activities such as improvement of the safety and health promotion system, proposals for improving safety and sanitation, education for safety and sanitation, and measures to improve health status. DMC holds monthly Safety and Sanitation Committee meetings to discuss basic measures to prevent risk and health impairment. The company's industrial physician attends Safety and Sanitation Committee meetings to provide advice and instruction on the improvement of the working environment and employee health, and conducts inspections at each office. In the event that the state of operations and sanitation presents a risk to health, the industrial physician has the authority to take necessary measures immediately to correct insufficiencies. In addition, DMC conducts annual health checks to maintain employee health. The health check rate in 2017 was 100% throughout the DMC Group.

- Mental Health**

DMC provides employee stress checks specified by the Industrial Safety and Health Act. We understand the physical burden of individual employees, a physician provides guidance, and DMC takes measures for better employment to ensure the mental health of all employees.

- Hotline**

DMC operates a hotline to accept reports and provide consultations for a wide range of problems that occur at the workplace. This hotline is designed to ensure the early detection of problems

and to facilitate prompt and effective resolutions. DMC confirms the content of reports and consultations, takes corrective action and provides guidance. We also provide follow-up support to confirm that employees are not treated unfairly to provide appropriate protections. There were no reports or consultations in 2017.

Approaches to Prevention of Labor Accidents

The DMC Group safety and sanitation management system strives to prevent labor accidents. We provide a wide range of training including safety instruction for new graduates, the sharing of minor incidents, and training for risk assessment. Risk assessment helps identify potential risks and hazards at the workplace and removes or reduces them. There were no labor accidents in 2017.

○ Labor Accident Frequency Rate & Severity Rate (DMC CO.,Ltd.)

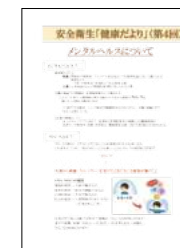
	2015	2016	2017
Labor Accident Frequency Rate*1	0.0	14.3	0.0
Labor Accident Severity Rate*2	0.0000	0.0047	0.0000
Industrial Accident Frequency Rate (Electronics)	0.43	0.38	0.34
Industrial Accident Severity Rate (Electronics)	0.01	0.01	0.03

*1 Labor Accident Frequency Rate: Number of deaths and injuries in labor accidents per 1 million actual working hours. It shows the frequency of labor accidents.
 *2 Labor Accident Severity Rate: Number of work days lost per 1,000 actual working hours. It shows the severity of accidents.

Health Support for Employees

DMC considers employee health and safety to be of the utmost importance for the continuation of business activities. Since 2017, we have published the newsletter Kenko Dayori for all employees of the DMC Group.

We select monthly themes related to health promotion, themes such as mental health and food to increase immunity for the influenza season. These themes are designed to increase employee awareness of health and safety.



Newsletter Kenko Dayori



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Fair & Equitable Business Transactions

DMC establishes cooperative and trusting relationships with suppliers throughout the world and conducts fair business transactions to continue providing high-quality touchscreens.



CSR Procurement

The DMC Group established its Procurement Policy to specify our mission to purchase materials and services in consideration of the environment and society. DMC CSR Procurement Guidelines promote appropriate procurement throughout our supply chain by thoroughly familiarizing suppliers with our commitment to the realization of a sustainable society. We also provide questionnaires regarding CSR procurement to suppliers to supervise their approaches.

Management System & Operation

Procurement is managed by the Procurement Group and supervised by the Production Management Department Manager. When we consider new business transactions, the selection of partners is based on our Procurement Policy. In the primary assessment, each division assesses engineering capability, reliability, hazardous substances contained in materials, and material performance in accordance with the evaluation and selection criteria specified by DMC. In the secondary assessment, the Purchase Group assesses the stability of supply, price, and CSR procurement questionnaire results to determine supplier qualification. Existing suppliers are assessed over a wide range, including compliance, response to defects, and CSR approaches, to determine their continuing eligibility. The evaluation and selection criteria are also reviewed accordingly and spread thoroughly to all employees to establish a system that ensures proper judgment throughout the group companies.

Procurement Policy

DMC follows the laws and regulations specified by each country, social norms, and corporate ethics, conducts fair procurement activities to fulfill its social responsibility taking into account human rights, the global environment, and labor safety, and establishes cooperative and trusting relationships with its employees and businesses to grow together.

1. Compliance with Laws, Regulations and Social Norms
DMC conducts procurement activities in accordance with laws, regulations and social norms both at home and abroad.
2. Fair and Equitable Business Transactions based on Economic Rationality
DMC thoroughly evaluates economic rationality such as quality, reliability, price, delivery date, and procurement period to conduct fair, equitable and transparent business transactions.
3. Ensuring Quality and Safety
DMC strives to maintain and improve quality and safety with suppliers to provide valuable products.
4. Human Rights Protection
DMC procurement activities respect human rights in accordance with our Human Rights Policy.
5. Environmental Conservation
DMC strives to manufacture products containing fewer hazardous substances and conducts activities considering environmental conservation.

Questionnaire on CSR Procurement

DMC works with suppliers on procurement in consideration of the environment and regional society in accordance with the Procurement Policy and CSR Procurement Guidelines. We monitor supplier CSR approaches and promote their activities through the provision of a CSR procurement questionnaire. The questionnaire includes the items shown on the right. We are planning to extend the subjects of the questionnaire.

Questionnaire Items

1. Labor
2. Safe and Sanitation
3. Environment
4. Ethics
5. Management System



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Response to Conflict Minerals

Basic Concept

DMC is committed to not using materials we know contain conflict minerals, minerals mined under conditions in which armed conflict, human rights abuse, and environmental destruction occur, to prevent funds from flowing to armed groups. We procure the tin and gold used as raw materials in the manufacture of DMC touchscreens from conflict-free smelters such as CFSI*. If we find that our product contains conflict minerals, we take prompt corrective measures.

*CFSI: International conflict-free sourcing initiative

Management System & Operation

Tin and gold are essential to the manufacture of touchscreens. DMC established a system under the supervision of the Director & Production Management Division Manager designed to prevent the use of conflict minerals. We gather information on conflict minerals from all suppliers and require tin and gold to be procured from smelters whose products are certified conflict-free. We use the Conflict Mineral Reporting Template (CMRT) developed by RBA and GeSI to monitor our 91 suppliers. We collected answers from 91.2% suppliers and confirmed that none used conflict minerals.



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Environmental Conservation

DMC recognizes environmental issues as significant and promotes environmentally friendly approaches in its business activities.



Environmental Conservation

DMC Group has acquired ISO14001 certification for its domestic factories and its Indonesia Factory, and the company performs environmental activities with the participation of all employees. Our environmental management system was established to unify company management and environmental activities, implement environmental action plans into our business activities, and take a wide range of approaches in accordance with our Quality and Environmental Policies. We strive to increase individual employee awareness of energy saving and contribute to the prevention of global warming throughout the company. We work together to reduce the use of electricity in offices, and the use of energy in sales and production activities to decrease our environmental load and increase environmental conservation.

Environmental Management System

DMC Group strongly believes that business activities and environmental conservation should be part of the same decision-making process. We implement our environmental management system into each business activity process to promote environmental management.

DMC Group established an ISO Promotion Committee chaired by the President as the highest organ of decision making for environmental management. The ISO Promotion Secretariat handles the management of factories, divisions, and business bases under the supervision of the ISO Promotion Committee. Each division establishes Quality and Environmental Plans and reports progress and results at monthly Quality and Environmental

Conferences that each division top attends.

© See page 13 Quality & Environmental Management System Diagram

Internal Audit

DMC carries out annual internal audits for the environment through which skillful internal auditors confirm conformance to ISO14001 standards and the effective implementation of PDCA cycle.

DMC holds meetings before and after audits to confirm priority items and the state of the environmental management system throughout the DMC Group, and shares recommendations and issues to improve the quality of the internal audit and environmental activities performed by the DMC Group.

In-house Education

DMC Group considers human resource development critical to the promotion of its environmental management activities. We have established a curriculum to provide individual employee education based on specialization and level.

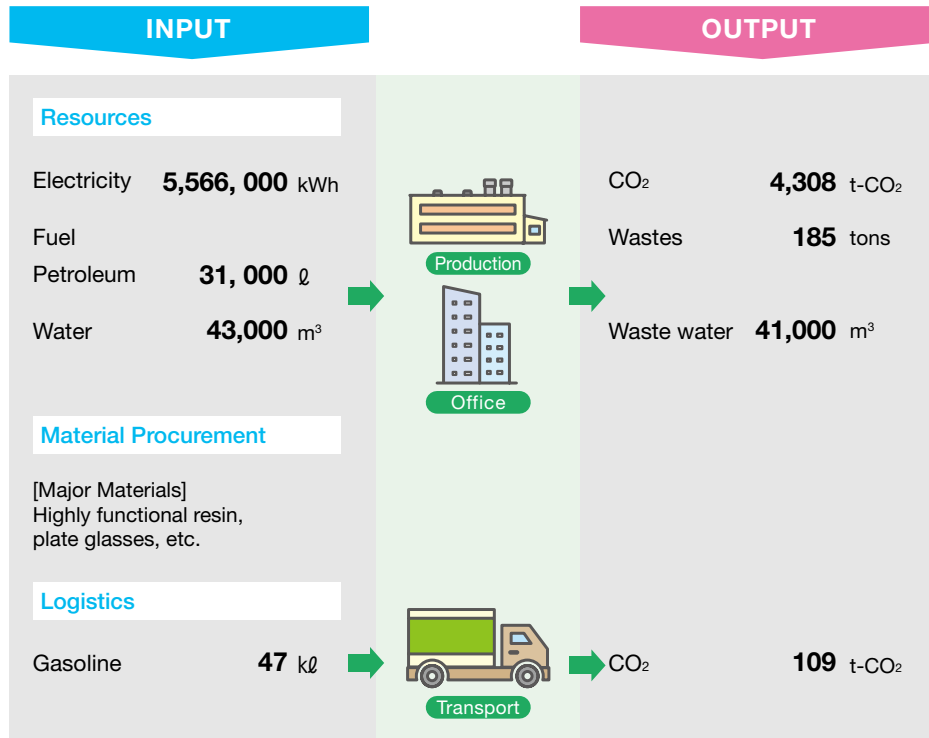
DMC provides opportunities for employees at each division to learn ISO policies and recognize their own as well as division targets. In 2017 we published a leaflet that describes ISO policies and division targets to increase employee awareness.

Each division also holds employee study meetings to provide highly-specialized knowledge on the environment in preparation for quality control testing and to teach the basic concepts of materials and methods.



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Material Balance



* Figures represent the total of Japan and Indonesia

Response to Climate Change

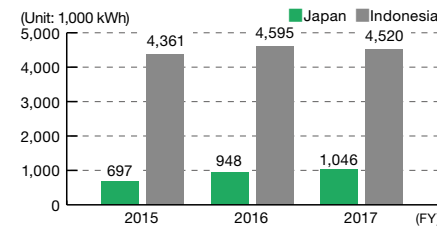
Basic Concept

In the face of global warming, DMC considers the reduction of the CO₂ emissions that contribute to increasing temperatures as a corporate responsibility and works toward this in all phases of the production and delivery of touchscreens through the effective use of energy and other approaches.

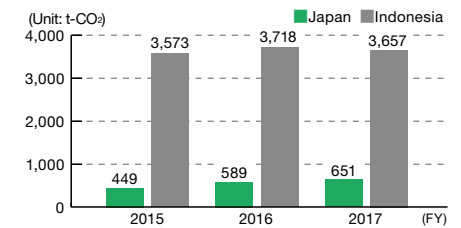
Management System & Operation

DMC already promotes energy-saving throughout the company, has shifted to LED lighting, implemented highly-efficient PC monitors and other devices, and has shifted to eco-friendly vehicles throughout the company to continually improve energy efficiency in all phases of the manufacturing process.

Power Usage



CO₂ emissions (in production)



Starting to calculation SCOPE 3

DMC Group calculated greenhouse gases emitted in all its business activities in accordance with SCOPE 3, the recognized standard for the calculation and reporting of greenhouse gas emissions throughout the supply chain. Clarifying emissions throughout our supply chain and the identifying the potential for reducing emissions will lead to CO₂ reduction and contribute to the fight against global warming.

CO₂ Emissions by Scope & Category

Scope & Category	Emissions (t-CO ₂)
SCOPE 1	186
SCOPE 2	4,231
SCOPE 3	12,215
Category 1 Purchased Goods and Services	9,500
Category 2 Capital Goods	234
Category 3 Fuel- and Energy-related Activities (not included in scope 1 or 2)	197
Category 4 Transportation and Delivery (Upstream)	863
Category 5 Waste Generated in Operations	6
Category 6 Business Travel	1
Category 7 Employee Commuting (Only in Japan)	96
Category 11 Use of Sold Products	1,318

* Figures represent the total of Japan and Indonesia

Source: Official website of the Ministry of the Environment
https://www.env.go.jp/earth/ondanka/supply_chain/gvc/supply_chain.html



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Approaches to Waste Reduction

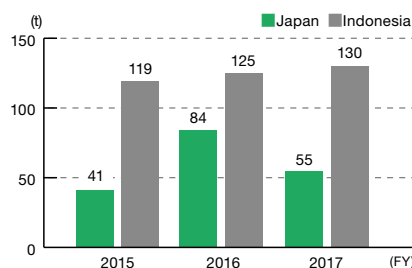
Basic Concept

DMC strives to realize a sustainable recycling-oriented society through the effective utilization of resources, and the reduction and recycling of wastes following predetermined targets.

Management System & Operation

DMC issues an industrial waste management manifest to monitor waste discharged from its factories and offices. We utilize an exclusive database to ensure uniform control over the management of disposal service providers and the issuance and collection of manifests, and constantly check the status of waste disposal to reduce waste.

Volume of Waste Disposal



Approaches to paper reduction at DMC

DMC Group digitalizes and shares documents, and manages decision-making processes, order sheets, and work hours by computer to reduce paper. We also thoroughly reduce copy paper waste. We continue working on reducing paper while improving our business processes.

Water Resource Conservation

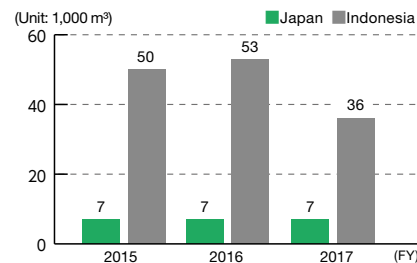
Basic Concept

Infrastructure improvement has been delayed due to an increase in population and demand for water resources that have accompanied economic growth. This has accelerated water shortages and pollution, which has had a significant impact on our lives and environment. DMC considers the effective use of water in its manufacturing and measures against pollution to conserve water resources.

Management System & Operation

DMC Group established an integrated management system for water and environmental quality to promote water resource conservation. We also apply the PDCA management cycle to improve environmental management. We select waste water treatment plants and outsource the neutralization of waste water discharged at our plants to reduce environmental load. To effectively use precious water resources, we implemented a recycling system into processes requiring large amounts of water in Indonesia in 2017, which resulted in a more than 30% reduction in water usage.

Volume of Water Usage





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Chemical Substance Management

Basic Concept

DMC Group strictly adheres to the laws and regulations related to chemical substances contained in our products and reduces the use of hazardous chemical substances that impact people and the environment. In addition to reducing the use of hazardous substances in the design and manufacturing stages, we also consider it important to reduce the hazardous substances contained in the materials we purchase. We strive to eliminate hazardous substances in all processes, from design to delivery.

Management System & Operation

DMC Group monitors for and strictly controls hazardous substances restricted by the RoHS directive, including lead, mercury, cadmium, and hexavalent chromium, to ensure that we are in full compliance the laws and regulations. When any of these substances are detected, we conduct an environmental impact assessment, and reduce or cease use of substances that are determined to have a high environmental risk. The Quality Assurance Department handles the management of chemical substances and places a priority on remaining up-to-date to promptly respond to revisions in laws and regulations and reduce the impact of chemical substances on the environment.

No Discharge or transfer of PRTR substances detected in the fiscal year.

Third-party Assurance



Independent Assurance Statement August 23, 2018

Mr. Tatsuya Sada
President
DMC Co., Ltd.

1. Purpose
We, Sustainability Accounting Co., Ltd., have been engaged by DMC Co., Ltd. (hereinafter "the Company") to provide limited assurance on the CO₂ emissions of the Company and PT. DMC TEKNOLOGI INDONESIA in FY2017, which are 186t-CO₂ (Scope1), 4,231t-CO₂ (Scope2) and 12 thousand t-CO₂ (Scope3). The purpose of this task is to carry out our assurance procedures and express our conclusion on whether the CO₂ emissions were calculated in accordance with the Company's standards. The Company's management is responsible for calculating the CO₂ emissions. Our responsibility is to independently express our assurance conclusion.

2. Procedures Performed
We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and 3410 (ISAE3410). The key procedures we carried out included:

- Interviewing the Company's responsible personnel to understand the Company's standards
- Reviewing the Company's standards
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the CO₂ emissions were calculated in accordance with the Company's standards.

3. Conclusion
Based on the procedures performed, nothing has come to our attention that causes us to believe that the CO₂ emissions have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.



Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.



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Management Structure

In accordance with the Management Policy, DMC strives to establish environments and systems that enable our corporate governance functions effectively.



Corporate Governance

DMC Management Policy: (1) We promote fair, transparent and free competition and ensure appropriate transactions in accordance with rules and principles; (2) We work on procurement, production and sales with social and environmental consideration that contribute to the realization of a sustainable society; (3) We provide customers with the best value to ensure mutual growth; (4) We respect the individuality of all employees as we provide a safe and secure working environment for mutual growth through sustainable business; and (5) We respect the culture and customs of our neighbors around the world as we strive to contribute to the development of society through sustainable business growth. In accordance with this policy, DMC strives to establish environments and systems that enable our corporate governance to function effectively to cultivate a corporate climate that respects the rights and benefits of our stakeholders and to reinforce a wide range of in-house systems.

Governance System

The DMC Board of Directors has responsibility for business management decisions. Composed of four Directors, the Board makes management decisions based on the results of frank discussion and reinforces its supervising functions for management. Board Meetings are held monthly and as necessary to address important matters regarding management and reports the state of business performance.

DMC also holds Management Meetings with the participation of Directors, external

advisors, and other appropriate individuals to reinforce prompt decision making, supervisory functions, and business execution functions. The members thoroughly discuss basic measures regarding business, management policy, management plans and other important issues submitted by divisions prior to Board Meetings, which enhances the optimization of decision making.

Audit System

DMC audits are conducted by part-time auditors. Shareholder supervision rights are enhanced to allow demands for the convocation of Board of Directors Meeting in event that a director acts outside the scope of the purpose of the company as well as for the purpose of expressing opinions. Shareholders supervise director behaviors to confirm that business is performed in accordance with laws, regulations and articles of incorporation.

Compliance

Prevention of Bribery

Basic Concept

In line with the trend of countries around the world enhancing control over corruption, DMC recognizes bribery and corruption as serious risk factors that have the potential to significantly damage the reputation of the company, and is committed to preventing illegal acts as well as scandals due to a lack of awareness.

DMC prohibits not only the inappropriate compensation of public servants and representatives of private companies for the purpose of gaining or maintaining business, but also the promise or approval of such inappropriate compensation. DMC also maintains standards for expenses regarding dining and other entertainment with business partners as well as the approval processes for such expenses, the management of business partners, and education and enlightenment activities for company executives and employees.

In the event of a violation of these rules, DMC promptly addresses such violation and takes



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strict action against the individuals responsible for such violation. In addition, we require advance application prior to the use of customer-related entertainment expenses and detailed reporting after the use of such customer-related entertainment expenses to prevent bribery and corruption.

Internal Reporting System

DMC Group has established an Internal Reporting Desk to enhance prevention and early detection of violations against laws and regulations, acts of dishonesty, and improvement of its reliability in society. No reports were received in FY2017, and no violations against laws and regulations were reported.

Compliance Seminars

DMC strives to increase employee awareness of compliance through seminars. In FY2017, we held three seminars focusing on the revised Subcontract Proceeds Act and CSR approaches with the participation of 40 individuals in managerial positions. For the seminars, we select issues that have a risk of violating laws and regulations taking account of the external environment and teach the importance of thorough compliance.

Information Security

Basic Concept

DMC recognizes the importance of personal and other information received from our customers. In line with this, we have established a system to control such information and work to increase employee awareness and knowledge of the appropriate handling of such information to enhance the management system.

DMC has established “Information Management Regulations” and “Personal Information Protection and Management Regulations” for appropriate information management. We also strive to increase employee awareness and knowledge of information management through the provision of education. We assign an Information System Manager in accordance with the Information Management Regulations, and assign a Personal Information Protection Manager in accordance with the “Personal Information Protection and Management Regulations” to perform appropriate management and take measures for security.

In FY2017, we reinforced in-house computer network information management to improve the information security.

In addition, we enhanced information security by installing a fingerprint authentication system for entry to and exit from the Indonesia Factory to prevent unauthorized entry and information leakage.

Furthermore, for thorough information management, in addition to the destruction of information that is no longer required, we enhance our management of contractors by requiring recycling service providers to issue a certificate of data destruction.

Risk Management

Risk Management System

DMC places a priority on risk management to accurately recognize risks that may have a significant influence on corporate value and business continuity, and strive to minimize damage by such risks.

Each year, each division manager clarifies both internal and external issues to identify and evaluate risks associated with such issues. Approaches to risk assessment are appropriately managed in accordance with the management plan and targets set for each risk. Top management assesses appropriateness, validity, and effectiveness quarterly and shares its assessment with responsible personnel to realize effective risk management.



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Approaches to Business Continuity Plan (BCP)

DMC established a BCP in preparation for emergencies to ensure the safety of human life and the continuation of business activities. When a large disaster occurs, we continue to provide supplies to customers. This promotes employment and the vitalization of the local community, which is consistent with our responsibility as an electronic parts manufacturer to respond to society's expectations.

We have established an organizational structure headed by the president and subleaders who are assigned to perform external response, restoration, financial management and logistics support. This structure is capable of receiving top-down instructions and securing information management.

The business continuation plan includes estimation of damage for emergencies, advanced measures for the selection and provision of priority products, emergency systems, an education plan and standards for reconsideration of the plan.

In FY2019 and after, we will expand BCP-related systems as well as clarify emergency procedures and target restoration times for the Shirakawa Factory, our major production base. We will establish a system of settlement, maintenance and revision of the BCP with our employees through periodical BCP education and training, and opinion exchange.

We will also improve approaches to the BCP through opinion exchange among group companies, and cooperate with companies in our supply chain, counterparts and regional communities to create an effective BCP and operation system.



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GRI Standard Contents Index

CSR Report 2018 is prepared in reference to the GRI Sustainability Reporting Standards and contains Standard Disclosures.

GRI Standards		
Disclosure	Indicator	Report Page
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102-11	Precautionary Principle or approach	27-28
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102-17	Mechanisms for advice and concerns about ethics	14,26-27
102-18	Governance structure	10,26
102-19	Delegating authority	—
102-20	Executive-level responsibility for economic, environmental, and social topics	—
102-21	Consulting stakeholders on economic, environmental, and social topics	—
102-22	Composition of the highest governance body and its committees	—
102-23	Chair of the highest governance body	26
102-24	Nominating and selecting the highest governance body	—
102-25	Conflicts of interest	10
102-26	Role of highest governance body in setting purpose, values, and strategy	—
102-27	Collective knowledge of highest governance body	—
102-28	Evaluating the highest governance body's performance	—
102-29	Identifying and managing economic, environmental, and social impacts	—
102-30	Effectiveness of risk management processes	26
102-31	Review of economic, environmental, and social topics	—
102-32	Highest governance body's role in sustainability reporting	—

102-33	Communicating critical concerns	—
102-34	Nature and total number of critical concerns	—
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102-36	Process for determining remuneration	—
102-37	Stakeholders' involvement in remuneration	—
102-38	Annual total compensation ratio	—
102-39	Percentage increase in annual total compensation ratio	—
102-40	List of stakeholder groups	10
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GRI 201: Economic Performance		
201-1	Direct economic value generated and distributed	4
201-2	Financial implications and other risks and opportunities due to climate change	—
201-3	Defined benefit plan obligations and other retirement plans	—
201-4	Financial assistance received from government	—
GRI 205: Anti-corruption		
205-1	Operations assessed for risks related to corruption	—
205-2	Communication and training about anti-corruption policies and procedures	26
205-3	Confirmed incidents of corruption and actions taken	No violation
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305-5	Reduction of GHG emissions	22
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GRI 306: Effluents and Waste		
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306-2	Waste by type and disposal method	22-23
306-3	Significant spills	—
306-4	Transport of hazardous waste	—
306-5	Water bodies affected by water discharges and/or runoff	—
GRI 307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Not applicable
GRI 401: Employment		
401-1	New employee hires and employee turnover	15
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403-4	Health and safety topics covered in formal agreements with trade unions	—
GRI 404: Training and Education		
404-1	Average hours of training per year per employee	—
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404-3	Percentage of employees receiving regular performance and career development reviews	—

GRI 405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	15
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GRI 406: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Not applicable
GRI 408: Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	14
GRI 413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	25
413-2	Operations with significant actual and potential negative impacts on local communities	—
GRI 414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	—
414-2	Negative social impacts in the supply chain and actions taken	19
GRI 415: Public Policy		
415-1	Political contributions	—
GRI 416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	13
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No violation
GRI 417: Marketing and Labeling		
417-1	Requirements for product and service information and labeling	19
417-2	Incidents of non-compliance concerning product and service information and labeling	No violation
417-3	Incidents of non-compliance concerning marketing communications	No violation
GRI 418: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not applicable
GRI 419: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	No violation Not applicable