

Pentel

Corporate Report



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# Outline of the Pentel Group

Pentel, which started with the production and distribution of crayons, water colors, and other school stationery, has developed to become a manufacturer that creates a comprehensive range of stationery and office supplies, including innovative writing instruments, based on its superior technological prowess and creativity. Our business areas have expanded further to include production and sales of electronic devices, industrial robots, and industrial automatic assembly machines as well as OEM products such as cosmetics containers.

## Outline

**Name:** Pentel Co., Ltd.  
**Head Office:** 7-2 Koami-cho, Nihonbashi, Chuo-ku, Tokyo 103-8538, Japan  
**Phone:** +81-3-3667-3333  
**Establishment:** March 1946  
**Capital:** 450 million yen



From stationery to beyond

## Business Overview

### Stationery and Office Supplies

Pentel produces and sells artists' materials, erasers, markers, ballpoint pens, mechanical pencils, refill lead, and many other stationery and office supplies. Based on the strategy of creating world-first products to open up new markets and cultivate new demand, we have developed a wide spectrum of innovative products, such as the world's first knock-type mechanical pencil, the Pentel Pencil, the mega-hit product Pentel Sign Pen, and the Pentel brush pen made from artificial fibers. We will continue to offer products greatly appreciated by customers by cherishing our spirit of adventure and creativity, which has been passed on since the company's inauguration.



→ P.7

Pentel's sales network with 21 sales offices covering more than 120 countries

## Global Network

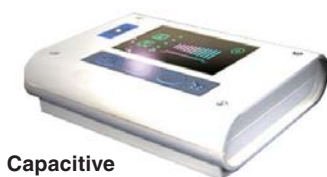
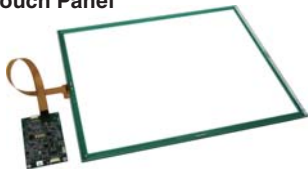
● Sales office ● Factory (as of March 31, 2013)



### Electronic Division

Our leading-edge user interface products include capacitive touch panels, pen tablets, capacitive switches, and digital pens which convert handwriting into digital data.

#### Surface Capacitive Touch Panel



Capacitive Switch

<http://www.e-pentel.jp/>

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### Functional Plastic Container Division

We produce cosmetics containers, medical devices and their components, and other OEM products in accordance with customers' specifications, which are sold under customers' brand names. Pentel's technologies sustain customer brand development.

#### Cosmetics containers



Cosmetic brushes

<http://www.oem.pentel.co.jp/>

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### Machine & Tool Division

Based on knowhow accumulated through the development of our product production lines, we have shipped more than 2,000 factory automation systems and molds to companies in automotive, medical, daily necessities, and other industries. We will continue to work on the development of advanced technologies to further expand our business in this area.



Finished product

Medical needle insert molding system

<http://machine.pentel.co.jp/>

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# Pentel returns to its foundation to enhance corporate performance and provide products that exceed expectations

## Revitalizing the workplace with a view to growth

### What exactly is Pentel's "foundation"?

The company's foundation is set out in the Pentel Company Policy, which consists of six meaningful principles that reflect our aspirations. The first five principles outline the vision of the company as a whole while the last one specifies the attitudes expected of employees. [See page 5 for details.]

In seeking to meet the expectations of our stakeholders, including our customers, shareholders and partners, I believe it is first essential to ensure that we provide a good working environment. This is because creating good products and growing the company requires the concerted efforts of individual employees. I therefore intend to take measures to revitalize the workplace in order to achieve the results that our stakeholders are looking for.

### Please describe Pentel's management policy.

Our first priority is to improve our business performance, which requires efforts on three fronts: achieving group-wide management, becoming more nimble in our decision-making and reigniting a "can-do" spirit.

Pentel currently operates 21 sales companies and seven production sites as local corporations outside Japan. In the past, we were able to give them more independence, but globalisation makes it necessary for us to enhance the management of the entire group, including our overseas corporations, in order to achieve growth. In light of unstable exchange rates, we will aggressively transfer production overseas for total Group-wide optimisation so as to put Pentel on a growth track as early as possible.

To become more nimble, we will expedite decision-making at meetings and improve the efficiency of meeting procedures. I intend to personally go on-site and observe local situations first hand in order to speed up decision-making. The ultimate goal is to launch new products that will take the world by surprise, which is something that our customers and partners are strongly anticipating.

Reigniting a "can-do" spirit is crucial for Pentel to regain its identity, and we are starting by thoroughly ensuring product quality. To that end, we have established a president-sponsored quality meeting. We will also put more efforts into enhancing technology development. The development of new technologies often results in the creation of unexpected new products, but we have been too focused on products of late. We will therefore redirect our energy back into basic R&D to deliver the kinds of innovative new products that Pentel is known for.





## For all stakeholders

### What kinds of environmental initiatives is Pentel taking?

Three of our factories in Japan and one in Taiwan have been certified under ISO 14001 and we are, as a matter of policy, implementing related activities to reduce environmental impacts. Meanwhile, with a focus on reducing the environmental impacts of our products, we are also working on design to improve recyclability and facilitate sorting at the time of disposal.

Although stationery products are small in size, an enormous number of them are used in daily life. Many of them are made from a complex combination of metals and plastics. We recognise eco-friendly product design as an issue that we must continue to address in a proactive manner.

### Lastly, please describe the company's aspirations as they relate to its stakeholders.

Our corporate responsibilities, such as highly transparent management, compliance and risk management enhancement, must be fulfilled to the letter. On that basis, we are committed not only to maintain quality to reassure our customers but to also provide convenience and enjoyment not offered by conventional products. To meet the primary demand of shareholders and investors for stable management and improved performance, we are determined to achieve every aspect of our medium-term management plan. As for our partners, we will live up to their expectations by revitalizing the already-mature market in which we operate. With regard to our employees, we will reward proactive and hard-working individuals with challenging tasks and meaningful work. We will require them to take ownership of their assigned tasks and projects, but I believe from my own experience that empowered employees are motivated employees and that helping people gain a sense of accomplishment is necessary for producing the next generation of leaders.



Showing his “can-do” spirit calligraphy

A piece of calligraphy showing the name '和田 優' (Wada Masaru) in black ink on a white background. The characters are written in a traditional, expressive style.

Masaru Wada  
President  
Pentel Co., Ltd.

# Foundation of All Our Actions across the Pentel Group

We established the Pentel Company Policy in 1962 to declare our basic stance and policy, outlining the vision of what the company should be, the course of action the company should take, and the expected attitudes of employees.

We also formulated the Corporate Action Agenda based on the Pentel Company Policy in 2005 as a code of conduct for employees and incorporated those actions into our corporate activities.

The Pentel Company Policy is the foundation of all our actions and is a very important asset for the company. The policy also serves as the basis for our CSR activities.

Through offering products valued by customers, we will continue to pursue our mission of developing together with society and will achieve sustainable growth.

## Pentel Company Policy

We will **make worthwhile contributions to Society and Nations by improving our work performance** through creating products valued by customers and committing ourselves to honest, sound, and environmentally conscious corporate management.

We will **gain universal confidence and trust by explaining the benefits and quality of our products and our superior quality control** based on the belief that high-quality products will appeal to customers around the world, regardless of their nationality or race.

We will try to **understand the people with whom we come into contact, show our gratitude, and have the willingness to make sacrifices for others** in order to build a corporate culture of trust and affection.

One little idea may bring joy and comfort to people's everyday life and enhance convenience for people the world over. We will be **prepared to share and benefit from the ideas of others during research**.

We cannot function as a company without the cooperation of employees, affiliates, and suppliers. **Through achieving a reasonable level of profit by reducing waste, we will ensure that our business will benefit both the company and its employees** to build a trusting relationship with employees and business partners.

Each employee will **be friendly and courteous** and act proactively for the benefit of local communities, society in general, and the upcoming generations.

- **Contribution to Society and Nations by Job Execution**
- **Universal Trust Accumulation through Product Reliability**
- **Spirit of Gratitude and Dedication by Sympathetic Actions**
- **Research Minded Attitude to Honour Inspirational Ideas**
- **Company and Employees Prosperity through Proper Profit and Waste Reduction**
- **Enrichment of Right and Amicable Personality**

## Corporate Action Agenda

The level of ethical standards that companies are expected to achieve is becoming increasingly higher. In order for companies to survive, earning the trust of society is more important than anything else.

Since the sustainable growth of a company can be accomplished only through the daily efforts of each and every employee, it is essential that all Pentel employees behave in compliance with the code of professional ethics and legislation.

Against this background, we have established the Corporate Action Agenda based on the Pentel Company Policy and ensure that it is observed thoroughly by all employees.

### Corporate Action Agenda

- We shall communicate widely with the society and fairly disclose our corporate information.
- Recognizing that commitments to environmental problems represent one of the common objectives for all humanity and an essential requirement for the corporate existence and activities, we shall act independently and actively.
- With due consideration of the quality, environment, safety and protection of personal/customers' information, we shall develop and provide socially useful products to increase consumers'/customers' satisfaction and confidence.
- As "good corporate citizenship," we shall actively promote social contribution activities.
- We shall ensure fair, transparent and unfettered competition and appropriate transactions. We shall also maintain sound and normal relationships with governments and administrative authorities.
- We shall respect employees' diversity, personalities and characteristics, while creating a safe and worker-friendly environment to ensure comfort and affluence.

Giving shape to our vision for quality development

# Pentel Quality Vision

- ◆ The Pentel Quality Vision is a basic stance underlying the management of the Pentel Group, and is shared among all the Pentel Group employees.
- ◆ The Pentel Quality Vision has been established as a common vision of the global Pentel Group on the basis of the Pentel Company Policy and the Corporate Action Agenda.
- ◆ While the Pentel Company Policy and the Corporate Action Agenda represent our universal, unchanging policy, the Pentel Quality Vision changes from time to time to match the needs of the times and society.

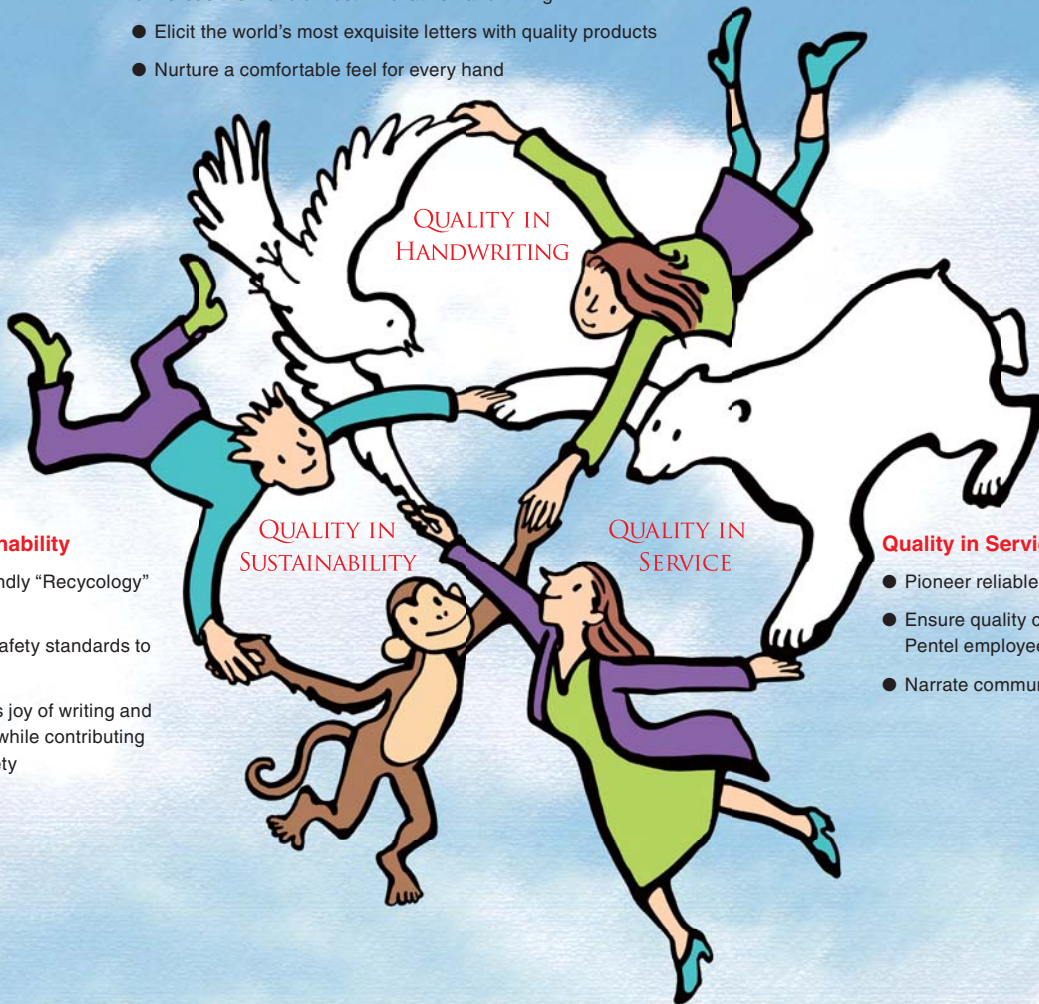
## EMBRACE THE FUTURE.

### Quality in Handwriting

- Pursue the world's most innovative handwriting
- Elicit the world's most exquisite letters with quality products
- Nurture a comfortable feel for every hand

### Quality in Sustainability

- Promote Eco-friendly "Recycology" products
- Elevate product safety standards to the highest levels
- Nourish children's joy of writing and drawing by hand while contributing positively to society



### Quality in Service

- Pioneer reliable service around the world
- Ensure quality consciousness by every Pentel employee
- Narrate communication — from the heart

## PENTEL QUALITY VISION

For the ease and joy of handwriting and drawing in a harmonious world.

The tradition of Pentel craftsmanship  
— always a step ahead.



# Stationery and Office Supplies

Our Stationery and Office Supplies Division produces and sells artists' materials, erasers, markers, ballpoint pens, mechanical pencils, refill leads, and many other stationery and office supplies. We have developed many world-first products based on our superior technological prowess and creativity.

## Worldwide best-selling pen

Best-selling gel ink ballpoint pen that has sold over 200 million units in the 10 years since its release. Our commitment to quality and continued improvement efforts in response to customers' needs have resulted in this global best seller. The "EnerGel ink inside" logo simply indicates how novel, reliable and user-friendly these pens are.

### ENERGEL



Best-selling water-based pen that has sold over 2.1 billion units in the 50 years since its release.



## Wide range of products





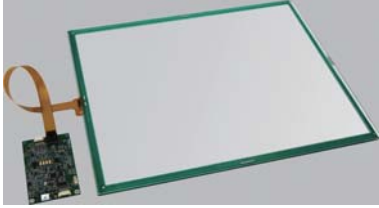
# Electronic Division

Our Electronic Division provides capacitive touch panels, pen tablets, capacitive switches, and other leading-edge user interface products.

## Capacitive touch panels

### Surface Capacitive Touch Panel Flat Plus+ series

Using the newly developed AG hard coat, Surface Capacitive Touch Panel is suitable for long-term use by the general public in products such as gaming machines, Kiosk terminals, and ticket vending machines.



#### New AG hard coat AAA

The development of a special high-definition pattern that is not subject to interference from the dot pitch of liquid crystal allowed us to prevent XGA- to FHD-level green screens from glaring and enhance resistance to scratching and abrasions. We also succeeded in reducing blur on liquid crystal displays when seen over a capacitive touch panel. \*Patent applied for.

#### Three features: AAA

- Anti-glare
- Anti-scratch
- Anti-blur

## Liquid crystal pen tablets

Pen tablets that come with dedicated touch pens are the most suitable devices for drawing characters or pictures, or for detailed work that cannot be done by hand or a mouse. Using a non-contact sensing system, these tablets are superior in durability and allow the use of up to four touch pens.



- High-definition and high resolution
- Fast response to co-ordinate data transmission at a speed of 200 points per second
- Allows use of up to four touch pens per tablet
- Provides optimum value for pen stroke or weight according to the purpose
- Uses reinforced glass

## Capacitive switches

Capacitive switches allow for flat and innovative design, regardless of whether the surface is flat or quadric. Depending on the switch's shape or arrangement and the setting of firmware, they allow a wide range of applications, including a scroll wheel, slider, and an attuned response to the area or the length of touch.



- Can be arranged on flat and quadric surfaces
- Easy-to-clean flat operating panel
- Long-life non-contact switch structure
- Operating panel can be glass or resin
- Switch can be an illuminating switch or touch function on the LCD screen when combined with LED or liquid crystal

# Functional Plastic Container Division

Our Functional Plastic Container Division aims to be a partner who can satisfy the needs of customers around the world by applying technologies acquired through the development of stationery and office supplies. This division produces and sells products and parts according to customers' brands and specifications, and is making continued effort to assist customers with Pentel's technologies.

## Cosmetics business

### Pen tip applicators

By applying stationery mechanism technology, we can meet diverse needs for pen tips with regard to coating and discharging performance.



### Cosmetic brushes

By applying brush processing technology and using fiber blending technology, we developed cosmetic brushes with performance comparable to that of the Grey Squirrel hair brush, which was difficult to achieve with conventional technologies.



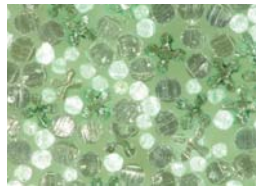
Cosmetic brush in use



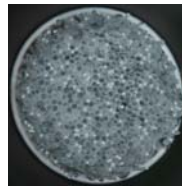
## Other hair processing technology



Chemical tapering



Material combination



Fiber blending

## Equipment



Molding and assembly in a clean room environment is possible.

## Medical parts business

We assist customers in developing functional containers that satisfy their needs, from the phase of concept and product design to commercialization and mass production.

Products we have produced in the past include:

- Bottles, chips, syringes, cartridges, diagnostic product packages
- Medical applicator containers, containers to discharge a fixed quantity, handled brushes



Medical containers

# Machine & Tool Division

Our Machine & Tool Division originally started machine manufacturing by creating in-house production equipment for Pentel stationery and office supplies. Since then, it has kept a close eye on the production line to gain insights and improve machinery processes. For every new product plan, it has worked on a new mechanism. Members of this division, who retain a passion for machinery and enjoy friendly competition, provide customers with machines that include the following attributes.

## Entering a wide variety of fields

Using our expertise in manufacturing stationery production equipment, the division's external sales provide production equipment in all areas, including the automotive, electronics, medical instruments, daily necessities, and other industries.

**Automotive industry**



**Medical industry**

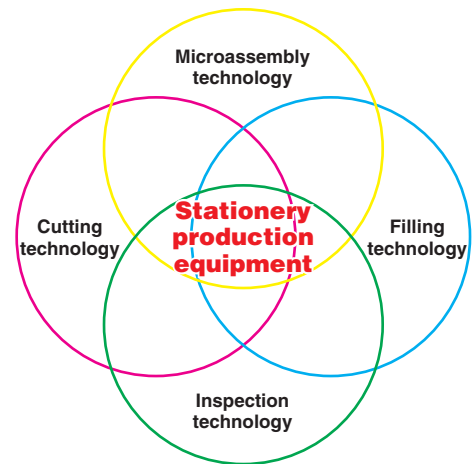


**Daily necessities**



## Factory automation

Pentel, as a stationery manufacturer, has built up element technology related to automation systems by promoting automation of production lines and has created industrial robots in-house ahead of its competitors. Stationery production equipment requires wide-ranging automation technologies, including microassembly, cutting, filling, and inspection. As we have accumulated these technologies through stationery production, we have succeeded in conceiving unparalleled ideas and developing highly distinctive automation systems. By using these extensive automation technologies, Pentel has developed and manufactured some 2,000 systems not only for the stationery industry but also for the automotive, medical and other fields.



## Insert molding system

Our insert molding system that uses our own SCARA robot has become so evolved that we have developed and produced about 500 systems; and customers now recognize Pentel as having an outstanding insert technology. By taking advantage of our in-house SCARA robot, PUHA, with double-tool and triple-tool features, we can build systems that can conduct post-insert-molding product inspection (image processing, insulation/resistance inspection), which has been demanded by customers in recent years, to achieve high production quality.

**BCG syringe parts**





# Environmental Preservation



## Environmental Principles

Pentel formulated its Environmental Principles in 1996 to fulfill its social responsibility as a corporate citizen of the global community and established an organization for environmental management and promotion in 1997. We also established the Corporate Environmental Management Committee in 2003 to facilitate company-wide environmental activities with particular focus on production sites, which are considered to have greater environmental impact than other locations.

### Environmental Principles (Established in 1996)

#### ● Basic Philosophy

As a good corporate citizen in the global community, Pentel recognizes the importance of responsibility for the community. We are committed to global environmental protection and protection against contamination, in line with our corporate management philosophy. We increase the environmental awareness of employees and promote environmentally friendly corporate activities to create a society where people can live in harmony with the environment.

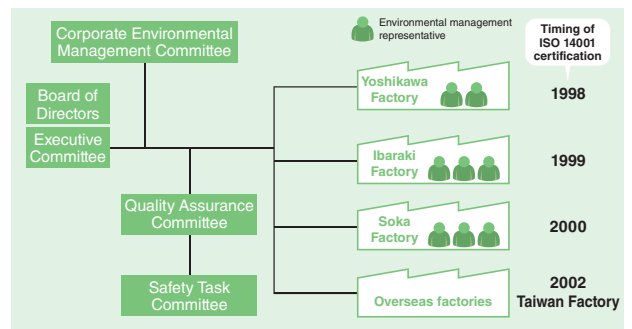
#### ● Action Agenda

1. In every stage from design and development to disposal, across our corporate activities, we shall develop and provide environmentally aware products and services.
2. Complying with environmental laws, regulations, agreements and commitments inside and outside Japan, we shall continuously contribute to environmental conservation and improvement.
3. In our overseas operations, we shall ensure the environmental conservation of the relevant countries.
4. When planning a new project, we shall perform continuous assessment and remain committed to environmental conservation.
5. We shall provide information and education concerning environmental conservation to our employees, while providing relevant information for environmental conservation to customers, governments and regional societies.
6. We shall communicate and enforce this agenda to all employees and organizations, while improving our knowledge about and technologies for environmental conservation.

## Environmental management framework

Based on the Basic Philosophy of the Environmental Principles, we have built an environmental management framework, developing and operating environmental management systems, to make our activities at factories and offices even more environmentally conscious and effective for environmental conservation. The three factories in Japan acquired ISO 14001\*1 certification one by one starting in 1998, followed by the Taiwan Factory, and these factories steadfastly continue to make improvements in their environmental performance.

### Environmental management framework



### Internal environmental audit and improvement activities

The environmental management representative of each factory and internal environmental auditors check that all business activities conducted at their respective sites are in compliance with the ISO 14001 standard and the company's environmental management system. They also use these audits as an opportunity to hear proposals from every division regarding on-going improvements of the environmental activities conducted at each site. The company also employs a bottom-up approach in its efforts to improve the environment by encouraging every employee to take part through quality control (QC) circle activities such as environmental improvement planning and "wall newspaper" contests.



ISO 14001 certificate (Ibaraki Factory)

#### \*1 ISO 14001

A set of standards for the development of an environmental management system designed to continuously improve environmental

performance of corporate activities, products, and services (including the reduction of their impact on the environment).

## Zero emissions

With the aim of realizing zero emissions<sup>\*1</sup>, we are striving to reduce waste and promote recycling by making the best use of resources.

In FY2010, the overall recycling rate of the three factories in Japan was 99%. This is because landfill disposal was more appropriate for some waste than recycling and there was a need to suppress waste disposal costs. The Ibaraki Factory, however, achieved a 100% recycling rate and zero emissions in FY2011 through such measures as changing the materials of products to recyclable alternatives. The Ibaraki Factory was certified by the Ibaraki Prefectural Government as an outstanding recycling business site.

Under environmental slogans adopted by each site according to their respective goals, every employee is working hard to achieve resource and energy conservation and address various other environmental issues.

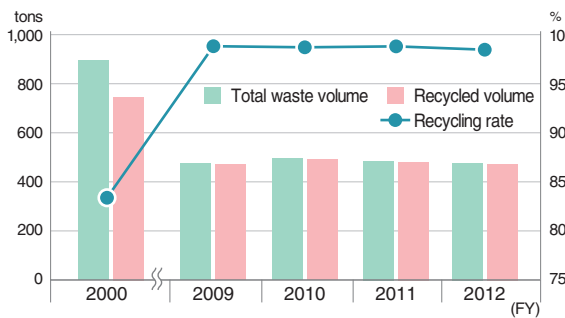


Outstanding recycling business site certificate awarded from the Ibaraki Prefectural Government

### Activities to achieve zero emissions

- Sorting and conversion of waste into valuable resources
- Use of waste plastics as blast furnace feed; recycling of waste plastics as cement materials
- Composting of garbage
- Recycling of waste fluorescent tubes

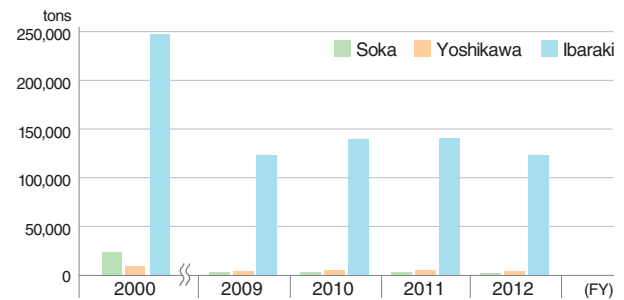
### Waste generation and recycling at three factories in Japan



## Reduction of water consumption

Water consumption and discharge of wastewater are monitored at all times at the Ibaraki Factory. The factory is working to reduce water consumption by reusing cooling water used in production facilities and through other water-saving efforts.

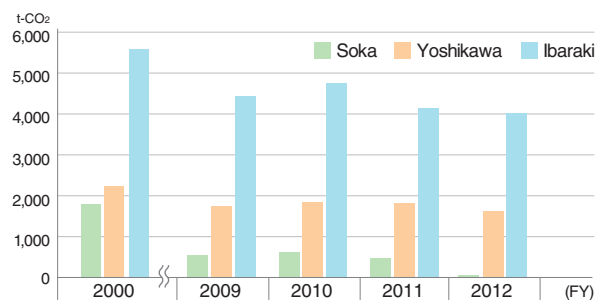
### Water consumption by factory



## Reduction of CO<sub>2</sub> emissions

Pentel is working hard to reduce CO<sub>2</sub> emissions by, among other measures, cutting electricity and other energy consumption, utilizing reprocessed resin, and reducing waste. At the three factories in Japan, CO<sub>2</sub> emission reduction targets are set every year, and everyone across the company is united in working towards achieving these goals.

### CO<sub>2</sub> emissions by factory



\* The past figures have been modified based on the CO<sub>2</sub> emission intensity (0.463 kg-CO<sub>2</sub>/kWh) reflecting carbon credits published by Tokyo Electric Power Company (TEPCO) in FY2011.

### \*1 Zero emissions

It represents building or aiming to build a system for eliminating waste from society as a whole, by introducing production processes

that do not pollute the environment, or recycling waste with the collaboration of different industries (companies).

# Quality

## Quality assurance system

High-quality products appeal to customers around the world regardless of their nationality or race. Based on this belief, we ensure that our products satisfy the world's highest quality standards at all times. The foundation of these quality assurance efforts is Pentel's total quality management (TQM) system. As a result of consistent quality control activities conducted as a major part of our business management since the company's establishment, we were awarded the Deming Prize\*1 in 1976; a first for the stationery industry. We have promoted TQM activities even more vigorously since the award, leading to ISO 9001\*2 certification for factories inside and outside of Japan.

### Accomplishments in ISO 9001 certification

1995	Ibaraki Factory
	Yoshikawa Factory
1998	Electronic Division
	Machine & Tool Division
1999	Taipei Factory (Taiwan)
	Paris Factory (France)
2000	Pentel Chemical Corporation
	Pentel Stationery (Tianjin) Co., Ltd.
2003	Pentel Stationery (Tianjin) Co., Ltd.
2007	India Factory
2009	Mexico Factory



ISO 9001 certificate (Ibaraki Factory)

## Legal compliance management

To ensure compliance with various regulations concerning chemical substances, we have established a management framework to assure the quality and safety of chemical substances used, as well as the proper way of waste management.

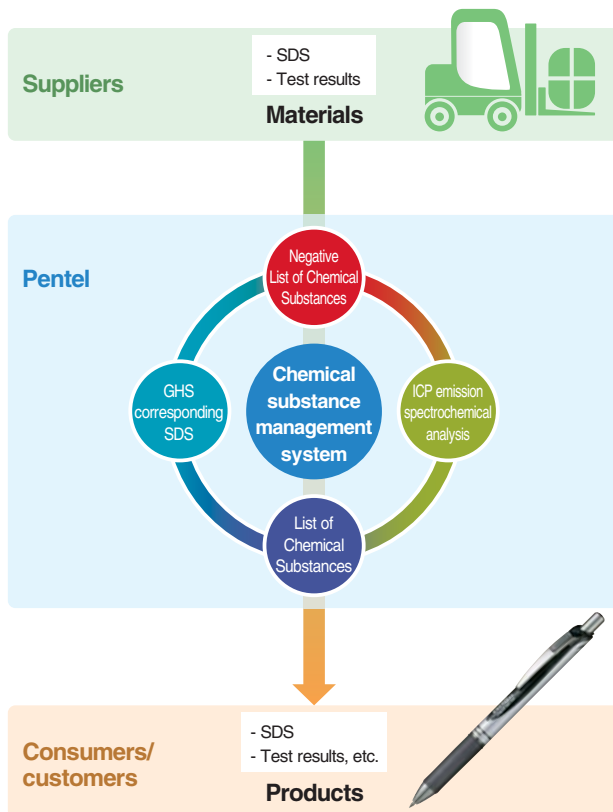
### Proper management of chemical substances

To ensure compliance with the RoHS Directive\*3, the REACH Regulation\*4, and other regulations concerning chemical substances, we have developed a database on the safety of chemical substances

used for each product and material as part of our efforts to build a robust chemical substance management system.

In FY2011, a GHS\*5 corresponding safety data sheet (SDS) creation system was introduced, making it possible to quickly check The Negative List of Chemical Substances and The List of Chemical Substances, investigate the chemical content of materials submitted by suppliers, and make decisions on whether inductively coupled plasma (ICP) emission spectrochemical analysis is necessary.

### Chemical substance management framework



### Emission control of PRTR-designated chemical substances

We have built an emission data collection system for PRTR\*6-designated chemical substances and are working to reduce the use of such chemicals by replacing them with safer chemicals and by other means.

#### \*1 Deming Prize

The Deming Prize was established in 1951 in honor of the late Dr. William Edwards Deming, who promoted statistical quality control in post-war Japan and helped



the quality of Japanese products to improve significantly to the world's best standards. The prize is considered to be one of the world's most prestigious awards concerning total quality management.

#### \*2 ISO 9001

ISO 9001 is a standard for quality control and assurance established in 1987 by the International Organization for Standardization (ISO).

#### \*3 RoHS Directive

The Restriction of Hazardous Substances (RoHS) Directive was issued by the Europe Union (EU) to restrict the use of six hazardous substances (lead, mercury, etc.) in electrical and electronic equipment.



# Social Contributions

## Social contributions by our business

### Breast cancer awareness campaign

Pentel (Stationery) Ltd. in the United Kingdom and other overseas group companies take part in the Breast Cancer Care (BCC) campaign which is intended to raise people's awareness of the importance of early detection, diagnosis, and treatment.

A portion of sales of pens with pink casings was donated to the campaign to support eradication of breast cancer.



An article from a local newspaper, the Swindon Advertiser, on November 1, 2011, reporting Pentel's charity efforts



An entry from Japan which received the Minister of Education, Culture, Sports, Science and Technology's Encouragement Award



An entry from abroad which received the Japanese Foreign Minister's Award

### Collaboration with a U.S. nonprofit organization

In collaboration with Desert Arc, a nonprofit organization that serves about 300 mentally disabled adults by providing them with opportunities to work and supporting their integration into society, Pentel of America has launched an e-commerce site, for which trained disabled workers undertake the entire packaging and shipping process. A part of the sales from the e-commerce venture is provided to support disabled people's participation in society.



Staff who launched the e-commerce site (at Desert Arc)



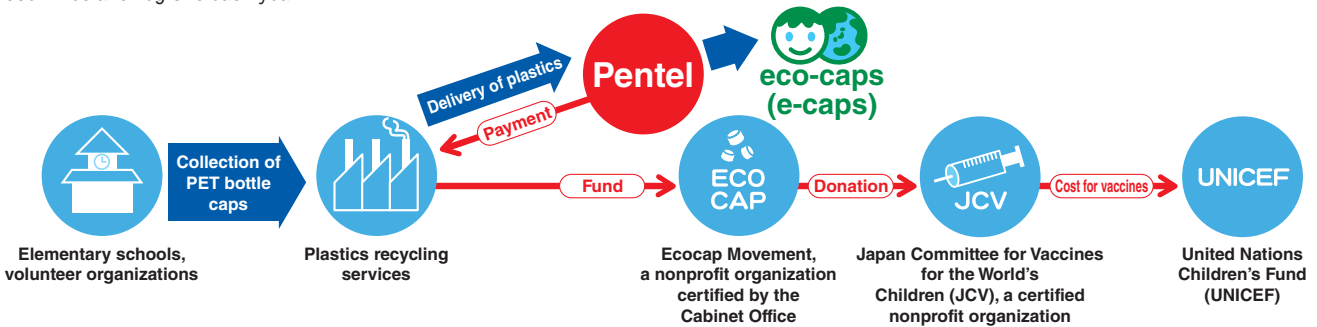
People working at Desert Arc

### Support for the Ecocap Movement

Through manufacturing and selling colors in laminated tubes with "eco-caps (e-caps)," we are supporting the Ecocap Movement to deliver vaccines to children in developing countries who are in need of vaccination. The e-caps are made by recycling PET bottle caps collected through the Ecocap Movement, and part of the material costs of the caps is donated to fund vaccines for children.

### Support for the International Children's Art Exhibition (ICAE)

Pentel is a sponsor of the International Children's Art Exhibition (ICAE) organized by the Biiku Bunka Kyokai (The Foundation of Art Education in Japan) annually since 1970. The exhibition, the first of which was held on the site of the Japan World Exposition '70, celebrated its 43rd anniversary in 2012. It is one of the world's largest children's art exhibitions, attracting more than 130,000 entries (100,000 from Japan and 30,000 from abroad) from 39 countries and regions each year.



### \*4 REACH Regulation

An EU regulation for registration, evaluation, authorization and restriction of chemicals.

### \*5 GHS

The Globally Harmonized System of Classification and Labelling of Chemicals (GHS) is a proposal made by the United Nations in July 2003. Its intention is to promote standard criteria for classifying chemicals

according to their hazards as well as for providing information on chemicals used through labeling and SDS to help prevent accidents and protect people's health and the environment.

### \*6 PRTR

The Pollutant Release and Transfer Register (PRTR) is a system that requires businesses to gather, compile, and disclose data on hazardous chemical substances released to the environment or transferred in waste outside the business site.

# Corporate Governance

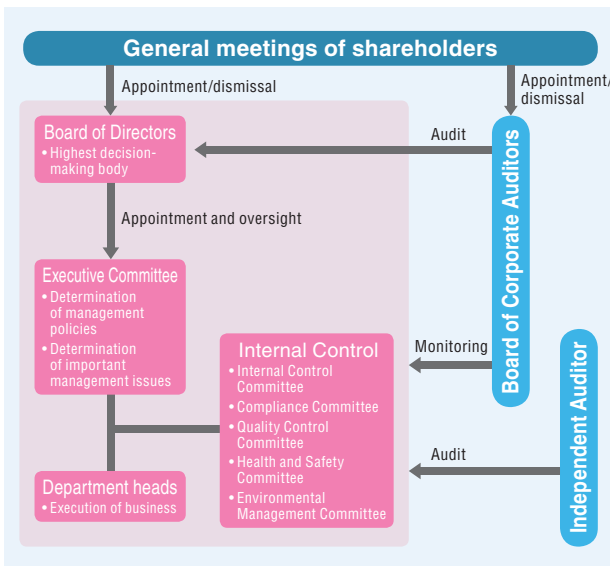


## Corporate Governance

Pentel conducts its business operations in a sound and ethical manner and strives hard to fulfil its responsibilities to stakeholders. To ensure this, we have established our Basic Policy of Internal Control to provide the guiding principles of our corporate governance.

Pentel's highest decision-making body is the Board of Directors. Board meetings are held on a regular and as-needed basis to facilitate discussion and decision-making on important issues concerning groupwide business. The Board of Corporate Auditors, consisting of three members, including (as of June 30, 2012) two outside corporate auditors, works with the independent auditor and the Risk Management Department to ensure early detection and correction of operational weaknesses and flaws and provide advice and recommendations for improved operations.

### Corporate governance system



### Requirements under the Compliance Manual

- 1. Respect for basic human rights and workers' rights**
  - (1) Banning child labour or forced/compulsory labour
  - (2) Consideration for workplace health and safety and workers' well-being
  - (3) Freedom of association and collective bargaining rights
  - (4) Banning discrimination or abusive disciplinary practices
  - (5) Fair working hours and remuneration
- 2. Appropriate business transactions**
  - (1) Compliance with the Antimonopoly Act and the Subcontracting Act
  - (2) Avoiding unfair competition
  - (3) Instituting import and export procedures along with security and trade management
  - (4) Intellectual property management
  - (5) Banning bribery and ensuring appropriate gift-giving and entertaining
- 3. Environmental conservation**
- 4. Appropriate management of confidential information and personal information**
- 5. Appropriate accounting practices and tax filing**
- 6. Avoiding conflicts of interest, etc.**



### Key internal regulations

- Labour laws**
- Security and trade management**
  - Internal Regulations on Export Trade Compliance (compliance programs)
  - Documented procedures for CP, guidelines, checklist
  - International user list, etc.
- Basic policy on environmental conservation**
  - ISO 14001 environmental management system

(Basic principles and action guidelines)
- Privacy policy**

## Compliance

As a global business operator, Pentel considers compliance to be a top priority. Furthermore, we define compliance in a broad sense to mean not only adhering to laws and regulations, but also strictly complying with accepted corporate and social ethical codes and our own internal rules, as well as national and local legislation and restrictions. We further espouse and promote compliance across the entire Group as a guiding principle for appropriate action.

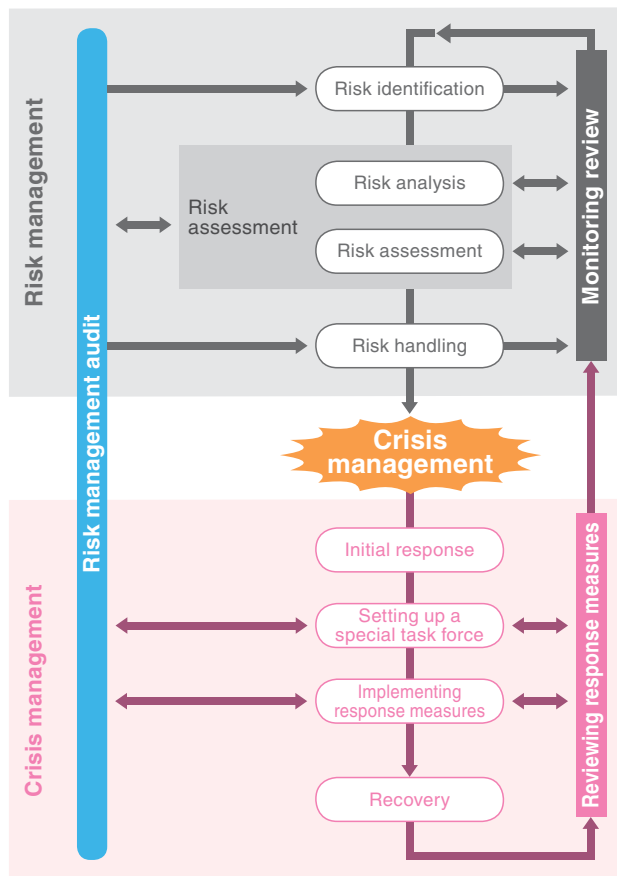
### Security and trade management

To ensure our technologies and goods are used only for peaceful purposes, we have formulated Internal Regulations on Export Trade Compliance. In accordance with these rules, we establish appropriate management systems in export-related departments and provide employee training and education as well as performing regular audits to ensure legal compliance and proper risk management.

## Risk management

At Pentel, we have established a Crisis Management Team, led by the President and CEO, based on our recognition of the importance of two of our leading management priorities: to prevent a wide variety of risks that may have significant impacts on our business and, in the event that such a risk develops into an incident, to minimize the damage and take immediate actions toward recovery.

### Risk management processes



### Protection and use of intellectual property

At Pentel, the Intellectual Property Management Office run by our Central Research Laboratory is charged with the central management of the company's intellectual property. The office also formulates and implements our intellectual property strategies in line with our research and development and product themes. We file patent applications pertaining to the achievements of our R&D efforts in a timely manner and apply for protection

of peripheral rights to prevent imitations from appearing on the market. As it is our intention to respect the intellectual property of others, we conduct investigations regarding the related rights of other companies in every phase of our research and development activities. We have also filed trademarks applications and obtained trademark rights in more than 100 countries around the world. We take a firm stand against imitations and strive to protect our products and their related rights through the collaborative efforts of the Intellectual Property Management Office and our R&D departments, as well as with the cooperation of sales departments and overseas group companies.

### Business continuity planning

We have made companywide efforts to put business continuity plans (BCPs) in place and continually upgrade them to ensure full preparedness for possible contingencies.

In November 2010, we formulated a Manual on the Management of New Strains of Influenza based on the related guidelines issued by the Ministry of Health, Labour and Welfare and the Ministry of Economy, Trade and Industry of Japan. The manual specifies how we should operate our businesses in the event of an outbreak of a new type of flu, placing top priority on safety and security. It also defines infection control measures for our employees assigned overseas and other matters.

To prepare for computer system-related disasters, we periodically transfer and store backup data to remote sites and conduct data recovery drills several times a year.

Our three factories in Japan have their own crisis management manuals, which specify prevention measures and imperative emergency responses and procedures. Thanks to these, when the Great East Japan Earthquake of March 2011 hit our Ibaraki Factory, none of our employees suffered injury or loss of life and the factory was able to resume production relatively early. At the same time, the disaster helped us to identify problems related to our IT operations and raw materials procurement. We are currently working to solve the identified problems and improve our systems.



# Milestones of Pentel

Pentel has been growing with the times while pursuing greater convenience and higher quality in our products for communication and expression.

## The company's milestones

1940/50

1946

- The Japan Stationery Co., Ltd. established.
- Soka Factory put into operation.



1953

- Export of products started into overseas markets.

1960

1963

- Yoshikawa Factory put into operation.

1964

- Branches established in Hong Kong and Chicago.

- Ibaraki Factory put into operation.



1965

- Pentel of America, Ltd. established.



1966

- Received The Prime Minister Award for the company's contribution to increased exports.
- Euro Pentel S.A.S. established.

1970

1970

- The company takes part in the Japan World Exposition '70 by holding an exhibition in the International Children's Art Pavilion.



1971 B

- The company name changed to Pentel Co., Ltd.

1976

- The Deming Prize awarded as a result of company-wide efforts for quality management.



1978

- Dr. Deming, the father of quality management, visited Pentel's factory.



1979

- Pentel Rolling Writer adopted as an official writing instrument for the Tokyo Summit Meeting.



## Product milestones

1950

1955

- Pentel Oil Pastel released.



1960

1960

- The world's first knock type mechanical pencil Pentel Pencil and oil-based Pentel Pen released.



1963 A

- Pentel Sign Pen released.



1970

1972

- Water-based ballpoint pen Ball Pentel released.



1975

- Pentel brush pen released.



1980

1983

- Pentel Correction Pen released.



## TOPICS

1950

1960

1970

1980

A 1963

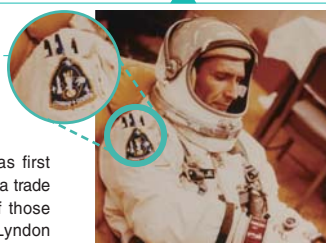
### Sign Pen in outer space

— Long-seller, ever-popular product —

Sales of the Sign Pen were relatively slow when it was first released in Japan. So we decided to distribute samples at a trade fair in the United States, and this somehow led one of those samples to fall into the hands of then-U.S. President Lyndon Johnson. The President liked the pen very much, and when this was reported in newspapers and magazines, sales were boosted! The pen was also adopted as an official writing instrument for the National Aeronautics and Space Administration (NASA), and travelled to outer space and returned safely to Earth in 1966. This space mission also attracted Japanese consumers' attention, making the pen a long-selling product with total sales exceeding 2 billion.



An advertisement from the early days



The Sign Pen on a space mission

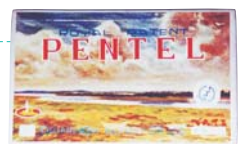


An article about the pen in a U.S. newspaper published on October 5, 1964

B 1971

### Origin of the company name

The company name Pentel has a close connection with the origins of the company which started as an artists' materials manufacturer. Pentel was created combining the words "painting" (creating a picture using colors, crayons, or pastel crayons) and "pastel" (solid drawing material). The name also implies "pen" (a general term for writing instruments) and "tell" (communicating, expressing). Pentel is thus a name that symbolizes the company's products and businesses.



Pentel Boy

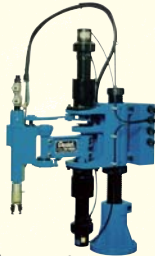


◀ Pepe and Lulu, Pentel mascots

1980

1980

- PUHA, a small precision assembling robot, was developed, marking Pentel's advance into the industrial robot industry.



1986

- Pentel takes part in Japan's first international stationery and office products show as an exhibitor.

1990

1992

- Support activities for the World Wildlife Fund (WWF) started.

1994

- Pentel Tradio PulaMan awarded the gold prize at an international trade fair in Paris.



1995

- ISO 9001 certification obtained by the Ibaraki and Yoshikawa factories for the first time in the stationery industry.



2000

2000

- All three factories in Japan ISO 14001 certified.

2005

- Communication of the corporate statement "Spirit of Wonder" started.

2006

- The "Longest Picture in the World" drawn by employees to commemorate the 60th anniversary of Pentel registered in the Guinness Book of Records.



2009

- Thai Factory, Pentel's seventh overseas factory, put into operation.



2010

2010

- Pentel Rus LLC, Pentel's 21st overseas distribution company, established in Russia.

2011 D

- The Contemporary Art Masters' Exhibition organized to commemorate the 100th anniversary of the birth of Yukio Horie, the founder of Pentel.



1990

1989

- Neutral ballpoint pen Hybrid released.



1994

- White board marker Maxiflo released.



1996 C

- Hybrid Milky series released.

2000

2000

- F-Watercolor in Poly-tubes Japan's first Eco Mark certified paint tubes, released.



2001

- Water-based gel ink ballpoint pen ENERGEL released.



2010

2010

- Low viscosity oil-based ink ballpoint pen VICUÑA released.

- Refill lead STEIN released.



2013

- 50th anniversary of the release of Pentel Sign Pen



1990

C 1996

**Milky phenomenon**

—A mega-hit product whose sales exceeded 100 million in one year

The Hybrid Milky is a pastel color ballpoint pen put on the market in 1996. The pen can be used on photos, "purikura" photo stickers, and black paper, and became hugely popular, especially among junior high and high school girls, immediately after its release. The Milky sold out as soon as it was delivered to shops throughout Japan, and was the first stationery product for which a "sold out" notice was put up in shops. Having all seven colors was a kind of "status symbol" for junior high and high school girls at that time.



2000

D 2011

**The Contemporary Art Masters' Exhibition in commemoration of the 100th anniversary of the birth of Yukio Horie**

The Contemporary Art Masters' Exhibition was held at the Head Office in 2011 in commemoration of the birth of Yukio Horie. Several dozens paintings selected from the collection of the late Yukio Horie, the founder of Pentel, were displayed. Many of the works were created by famous artists inside and outside of Japan using Pentel art materials and writing instruments gifted by Yukio Horie, whose intention was to show the quality of the company's products to the world through art. These works included those by Fernand Léger and Kiyoshi Yamashita, famous artists of the 20th century, and the exhibition attracted many visitors.



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