



# Notice of Convocation

of the 120th Annual General Meeting of Shareholders

## Color & Comfort



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Please note that this is an unofficial English translation of the Japanese Notice of Convocation of the 120th Annual General Meeting of Shareholders, and is provided for your reference and convenience only, without any warranty as to its accuracy or otherwise. The original Japanese version of the Notice of Convocation is the sole official version.

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# Color & Comfort

Making it Colorful

Innovation through Compounding  
Specialty Solutions

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# To Our Shareholders

Allow me to begin by conveying my appreciation to our shareholders for their ongoing support. I would also like to extend my thanks to new shareholders. We are grateful for your encouragement and support.

In January 2018, I succeeded Yoshiyuki Nakanishi as Representative Director, President and CEO of DIC. With the aim of further enhancing corporate value, I will work tirelessly to respond to the expectations of all shareholders in the years ahead.

This year, we are celebrating the 110th anniversary of DIC's establishment. Today, we operate in an environment characterized by changes that differ in nature from anything we have faced in our century-plus history. Under our Color & Comfort brand slogan, we will continue striving to contribute to society as a distinctive manufacturer of fine chemicals.

In fiscal year 2017, rising raw material prices and other external factors had a significant impact on our operating results. Nonetheless, consolidated operating income and consolidated ordinary income reached record levels for the second consecutive year, amounting to 56.5 billion yen and 57.0 billion yen, respectively. Consolidated net income attributable to owners of the parent for the period was also an all-time high. Taking this performance into consideration, we propose to pay a year-end dividend of 60 yen per share of common stock, in line with our initial forecast, bringing the annual dividend for fiscal year 2017 to 120 yen per share of common stock, an increase of 20 yen from fiscal year 2016. Your approval of this proposal would be greatly appreciated.

In the years ahead, we look forward to your continued support and guidance.

**Kaoru Ino**  
Representative Director





# Notice of Convocation

Securities Code: 4631  
March 12, 2018

To Our Shareholders,

(Registered Office) 35-58, Sakashita 3-chome, Itabashi-ku, Tokyo  
(Corporate Headquarters) 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo

## DIC Corporation

Kaoru Ino, Representative Director

### Notice of Convocation of the 120th Annual General Meeting of Shareholders

The 120th Annual General Meeting of Shareholders of DIC Corporation (the "Company") will be held as described below and you are cordially invited to attend.

If you cannot attend the General Meeting in person, you may exercise your voting rights by mail or via the Internet or other electromagnetic means. Upon review of the Reference Documents for the General Meeting of Shareholders (pages 7–19), please exercise your voting rights in accordance with the Guidance Notes on the Exercise of Voting Rights (pages 5 and 6) by 5:15 p.m., Wednesday, March 28, 2018 (Japan time).

#### Date and Time

10:00 a.m., Thursday, March 29, 2018 (Japan time)

#### Place

Nihonbashi Mitsui Hall, COREDO Muromachi 1 (Reception Desk: 4th Floor)  
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

#### Agenda of the General Meeting

##### Matters to be Reported:

1. Business Report, Consolidated Financial Statements and Audit Reports of the Independent Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements for the 120th Fiscal Year (January 1, 2017–December 31, 2017)
2. Non-Consolidated Financial Statements for the 120th Fiscal Year (January 1, 2017–December 31, 2017)

##### Matters to be Resolved:

- Proposal 1.** Appropriation of Surplus  
**Proposal 2.** Election of 9 Directors  
**Proposal 3.** Election of 1 Alternate Corporate Auditor

## Matters Decided upon Convocation of the General Meeting

- (1) If you exercise your voting rights redundantly both by mail and via the Internet or other electromagnetic means, the vote cast via the Internet or other electromagnetic means shall be considered the valid vote.
- (2) If you exercise your voting rights on the same agenda more than once via the Internet or other electromagnetic means, the latest vote cast shall be considered the valid vote.

In the event that revisions are made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Non-Consolidated Financial Statements, the revised items will be posted on the Company's website (<http://www.dic-global.com/en/ir/stocks/meeting.html>).

### Materials Disclosed via the Internet

Pursuant to applicable laws and regulations and Article 15 of the Articles of Incorporation of the Company, the following materials are disclosed on the Company's website and not included in the attachments to this notice:

- ① Notes to the Consolidated Financial Statements
- ② Notes to the Non-Consolidated Financial Statements

#### IR Information

<http://www.dic-global.com/en/ir/stocks/meeting.html>

The Consolidated Financial Statements and Non-Consolidated Financial Statements, which have been audited by the Corporate Auditors and the Independent Auditor, include the materials contained in the attachment to this notice, the Notes to the Consolidated Financial Statements and the Notes to the Non-Consolidated Financial Statements. The Notes are available on the Company's website.

Please note that as of 2017 the Company no longer hands out souvenirs at the General Meeting of Shareholders. We appreciate your understanding.

## Guidance Notes on the Exercise of Voting Rights

You may exercise your voting rights by the following means:

1

### Attend the General Meeting



Please present your Exercise of Voting Rights Form to the reception desk at the place of the General Meeting to be held **at 10:00 a.m., Thursday, March 29, 2018 (Japan time)**.

2

### Mail your Exercise of Voting Rights Form



Please indicate your approval or disapproval of each proposal on the Form and mail it so that it reaches us **by 5:15 p.m., Wednesday, March 28, 2018 (Japan time)**.

3

### Exercise your voting rights via the Internet, etc. (with a personal computer, smartphone or mobile phone)



Please enter your approval or disapproval of each proposal on the website designated for the exercise of voting rights at <https://evote.tr.mufg.jp/> **by 5:15 p.m., Wednesday, March 28, 2018 (Japan time)**.

## Electronic Voting Platform for Institutional Investors

For custodian banks or other nominee shareholders (including standing proxies), in addition to the exercise of voting rights via the Internet, etc., as described below, the electronic voting platform for institutional investors operated by ICJ, Inc., which was formed by Tokyo Stock Exchange, Inc. and others, is available for the exercise of voting rights by electromagnetic means at the General Meetings of Shareholders of the Company if the application for utilization of the platform is filed in advance.

## Guidance Notes on the Exercise of Voting Rights via the Internet, etc.

If you exercise your voting rights via the Internet, etc., you may do so by accessing the website for the exercise of voting rights designated by the Company (<https://evote.tr.mufg.jp/>) with a personal computer, smartphone or mobile phone. (Please note that the website cannot be accessed between 2:00 a.m. to 5:00 a.m. (Japan time) daily.)

### ■ Example: Access through Personal Computer



#### Access the Website

<https://evote.tr.mufg.jp/>

- ① Click "Go to Next Screen"



#### Login

- ② Enter the "Login ID" and "Temporary Password" provided at the bottom right of your Exercise of Voting Rights Form
- ③ Click "Login"



#### Register (Change) Password

- ④ Enter the Temporary Password in "Current Password" and enter a new password in "New Password" and "New Password (for confirmation)"
- ⑤ Click "Submit"

Enter Approval or Disapproval in Accordance with the Guidance on the Screen

### Cautionary Notes

To exercise voting rights with a mobile phone, please use the service provided by i-mode, EZweb or Yahoo! Keitai. For security reasons, the website is only compatible with mobile phones capable of encrypted communication (TLS communication) and transmission of mobile phone information.

\* "i-mode", "EZweb" and "Yahoo!" are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation and Yahoo! Inc. in the United States, respectively.

Depending on your specific Internet connection settings which include, but are not limited to, the use of a firewall, antivirus software or a proxy server, you may not be able to use the website for the exercise of voting rights.

Any costs arising from access to the website for exercising voting rights (such as Internet connection fees, transmission fees, etc.) shall be borne by the individual shareholder.

Inquiries Regarding the  
Electronic Voting System, etc.

Stock Transfer Agency Department (Help Desk)  
Mitsubishi UFJ Trust and Banking Corporation  
Telephone **0120-173-027** (Toll Free)  
Operating Hours: 9:00 a.m.–9:00 p.m. (Japan time)

# Reference Documents for the General Meeting of Shareholders

## Proposal 1

## Appropriation of Surplus

The Company has a basic policy on the appropriation of retained earnings by ensuring stable management fundamentals and bringing more satisfactory profit returns to the shareholders.

The Company endeavors to maintain the internal reserves and uses those reserves effectively in order to promote the future interests of the shareholders by reinforcing the fundamentals of the Company.

The Company proposes the year-end dividends as follows:

### 1 Type of Dividend

Cash

### 2 Allocation of Dividend Property to Shareholders and Total Amount of Dividend

60 yen per share of common stock

Total amount of dividend: 5,687,778,660 yen

The Company previously paid out 60 yen per share as an interim dividend. Accordingly, the aggregate amount of the annual dividends for the fiscal year 2017 will be 120 yen per share.

### 3 Effective Date of Dividend

March 30, 2018



## Proposal 2

## Election of 9 Directors

The term of office of all nine incumbent Directors will be expired at the conclusion of the General Meeting. Accordingly, the Company proposes the election of nine Directors.

The candidates for Directors are as follows:

Candidate No.	Candidate Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors' Meeting	
1	Yoshiyuki Nakanishi	Chairman of the Board of Directors	14/14	Re-Nominated
2	Kaoru Ino	Representative Director President and CEO	14/14	Re-Nominated
3	Masayuki Saito	Representative Director Executive Vice President Assistant to President and CEO CFO	14/14	Re-Nominated
4	Yoshihisa Kawamura	Director	14/14	Re-Nominated
5	Hideo Ishii	Director Managing Executive Officer President, Printing Inks Business Unit General Manager, Printing Inks Product Div. General Manager, Printing Inks Production Div.	10/10	Re-Nominated
6	Toshifumi Tamaki	Managing Executive Officer Head of Corporate Strategy Unit In Charge of Kawamura Memorial DIC Museum of Art	—	Newly Nominated
7	Yukako Uchinaga	Director	14/14	Re-Nominated Outside Director Independent Director
8	Kazuo Tsukahara	Director	10/10	Re-Nominated Outside Director Independent Director
9	Yoshiaki Tamura		—	Newly Nominated Outside Director Independent Director

Re-Nominated Re-Nominated Director Candidate

Newly Nominated Newly Nominated Director Candidate

Outside Director Outside Director Candidate

Independent Director Independent Director Candidate

Note: Figures for attendance at Board of Directors' meetings for Hideo Ishii and Kazuo Tsukahara reflect the number of meetings held subsequent to these individuals' assumption of office on March 29, 2017 until December 31, 2017.

Candidate No.

1



Number of the Company's  
Shares Held  
**12,100**

Attendance at Board of  
Directors' Meetings  
**14/14**

# Yoshiyuki Nakanishi

[DOB: November 3, 1954]

## ▶ Brief Personal History, Positions and Responsibilities

April 1978	Joined the Company
April 2008	Division President, Functional Polymers Div.
April 2010	Executive Officer; In Charge of Corporate Strategy Div. and Kawamura Memorial Museum of Art
June 2011	Director; Executive Officer; In Charge of Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
April 2012	Representative Director; President and CEO
January 2018– Present	Chairman of the Board of Directors

## ▶ Reasons for Being a Candidate for Director

After joining the Company, Yoshiyuki Nakanishi held several key posts in the Polymer Segment and served as Executive Officer in Charge of the Corporate Strategy Div. Between 2012 and 2017, he served as Representative Director, President and CEO. At present, he is Chairman of the Board of Directors and supervises management of the DIC Group. He has extensive experience, achievements and knowledge regarding the management of chemical industrial companies. Accordingly, he is once again a candidate for Director.

Note: There are no special interests between Yoshiyuki Nakanishi and the Company.

Candidate No.

2



Number of the Company's  
Shares Held  
**2,900**

Attendance at Board of  
Directors' Meetings  
**14/14**

# Kaoru Ino

[DOB: September 15, 1957]

## ▶ Brief Personal History, Positions and Responsibilities

April 1981	Joined the Company
April 2008	General Manager, Finance Dept.
April 2011	General Manager, Purchasing and Logistics Dept.
April 2012	Executive Officer; General Manager, Corporate Planning Dept.
January 2014	Executive Officer; In Charge of Corporate Strategy Div.; General Manager, Corporate Planning Dept.
January 2016	Managing Executive Officer; In Charge of Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
March 2016	Director; Managing Executive Officer; In Charge of Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
January 2018– Present	Representative Director; President and CEO

## ▶ Reasons for Being a Candidate for Director

Kaoru Ino previously served as General Manager of the Finance Dept., General Manager of the Purchasing and Logistics Dept., General Manager of the Corporate Planning Dept. and Executive Officer in Charge of Corporate Strategy Div. At present, he is Representative Director, President and CEO. He has extensive experience, achievements and knowledge regarding the management of global businesses. Accordingly, he is once again a candidate for Director.

Note: There are no special interests between Kaoru Ino and the Company.

Candidate No.

3



Number of the Company's  
Shares Held  
**10,912**

Attendance at Board of  
Directors' Meetings  
**14/14**

# Masayuki Saito

[DOB: November 8, 1954]

## ▶ Brief Personal History, Positions and Responsibilities

April 1977	Joined the Company
April 2007	General Manager, Finance Dept.
April 2008	Executive Officer; In Charge of Finance & Accounting Div.
June 2010	Director; Executive Officer; In Charge of Finance & Accounting Div.
April 2011	Director; Managing Executive Officer; In Charge of Finance & Accounting Div.
April 2012	Representative Director; Senior Managing Executive Officer; Assistant to President and CEO; In Charge of Finance & Accounting Div.
January 2016– Present	Representative Director; Executive Vice President; Assistant to President and CEO; CFO

## ▶ Principal Concurrent Position Held at Other Organization

Chairman of the Supervisory Board, Sun Chemical Group Coöperatief U.A.

## ▶ Reasons for Being a Candidate for Director

Masayuki Saito previously served as General Manager of the Corporate Strategic Planning Dept., Managing Director of the regional headquarters for Asia and General Manager of the Finance Dept. At present, he is CFO and assists the President and CEO as Representative Director and Executive Vice President. He has extensive experience, achievements and knowledge regarding the management of global businesses. Accordingly, he is once again a candidate for Director.

Note: There are no special interests between Masayuki Saito and the Company.

Candidate No.

4



Number of the Company's  
Shares Held  
**85,452**

Attendance at Board of  
Directors' Meetings  
**14/14**

## Yoshihisa Kawamura

[DOB: November 12, 1960]

### ▶ Brief Personal History, Positions and Responsibilities

April 1984	Joined Mitsui & Co., Ltd.
April 1991	Joined the Company
June 2004	Executive Officer; General Manager, Strategic Global Purchasing Div.
June 2007	Director; General Manager, Corporate Strategic Planning Dept.
April 2008	Director; Managing Executive Officer; President, Graphic Arts Materials Business Operation
July 2011	Director; Managing Executive Officer; President, Neo-Graphic Arts Materials Business Operations
January 2014– Present	Director

### ▶ Principal Concurrent Position Held at Other Organization

Chairman of the Board of Directors, DIC Graphics Corporation

### ▶ Reasons for Being a Candidate for Director

Yoshihisa Kawamura previously served as General Manager of the Corporate Strategic Planning Dept., President of the Graphic Arts Materials Business Operations and President of the Neo-Graphic Arts Materials Business Operations. At present, he supervises management of the DIC Group as a Director. He has extensive experience, achievements and knowledge regarding the management of global businesses. Accordingly, he is once again a candidate for Director.

Note: There are no special interests between Yoshihisa Kawamura and the Company.



Candidate No.

5



Number of the Company's  
Shares Held  
**4,000**

Attendance at Board of  
Directors' Meetings  
**10/10**

## Hideo Ishii

[DOB: December 30, 1954]

### ▶ Brief Personal History, Positions and Responsibilities

April 1979	Joined the Company
April 2009	General Manager, Graphic Arts Materials Technical Administrative Dept.
April 2010	Division President, Imaging & Reprographic Products Div.
January 2014	Executive Officer; In Charge of Application Materials Segment; General Manager, Liquid Compounds Product Div.
January 2015	Managing Executive Officer; In Charge of Printing Inks Segment; General Manager, Printing Inks Product Div.
March 2017– Present	Director; Managing Executive Officer; President, Printing Inks Business Unit (formerly, the Printing Inks Segment); General Manager, Printing Inks Product Div.; General Manager, Printing Inks Production Div.

### ▶ Reasons for Being a Candidate for Director

Hideo Ishii previously served as General Manager of the Graphic Arts Materials Technical Administrative Dept., Division President of the Imaging & Reprographic Products Div. and General Manager of the Liquid Compounds Product Div. At present, he is President of the Printing Inks Business Unit. He has extensive experience, achievements and knowledge regarding the management of global businesses. Accordingly, he is once again a candidate for Director.

Note: There are no special interests between Hideo Ishii and the Company.

Candidate No.

6



Number of the Company's  
Shares Held  
**2,900**

Attendance at Board of  
Directors' Meetings  
—

# Toshifumi Tamaki

[DOB: January 30, 1956]

Newly Nominated

## ▶ Brief Personal History, Positions and Responsibilities

April 1980	Joined the Company
October 2010	General Manager, Polymer Technical Div. 2
April 2012	Executive Officer; General Manager, Corporate R&D Div.; General Manager, Color Science Laboratory; General Manager, Central Research Laboratories
January 2016	Managing Executive Officer; In Charge of Technical Segment (Technical Administrative Div. and Corporate R&D Div.); General Manager, Technical Administrative Div.
January 2018– Present	Managing Executive Officer; Head of Corporate Strategy Unit; In Charge of Kawamura Memorial DIC Museum of Art

## ▶ Principal Concurrent Position Held at Other Organization

Chairman, DIC (CHINA) CO., LTD.

## ▶ Reasons for Being a Candidate for Director

Toshifumi Tamaki has experience in research and development in the polymers business and previously served as General Manager of the Polymer Technical Div. 2, General Manager of the Corporate R&D Div. and General Manager of the Technical Administrative Div. At present, he is Head of Corporate Strategy Unit. He has extensive experience and achievements in research and development, as well as global knowledge regarding the DIC Group's products and technologies. Accordingly, he is a candidate for Director.

Notes:

1. Toshifumi Tamaki is a newly nominated candidate for Director.
2. There are no special interests between Toshifumi Tamaki and the Company.

Candidate No.

7



Number of the Company's  
Shares Held  
**0**

Attendance at Board of  
Directors' Meetings  
**14/14**

# Yukako Uchinaga

[DOB: July 5, 1946]

**Outside Director Candidate** **Independent Director**

## ▶ Brief Personal History, Positions and Responsibilities

July 1971	Joined IBM Japan, Ltd.
April 1995	Director, IBM Japan, Ltd.
April 2004	Director and Senior Executive Officer, IBM Japan, Ltd.
April 2008	Director and Vice Chairman, Benesse Corporation; Chairman of the Board, President and CEO, Berlitz Corporation
October 2009	Director and Executive Vice President, Benesse Holdings, Inc.
April 2013	Honorary Chairman, Berlitz Corporation
March 2014– Present	Outside Director, the Company

## ▶ Principal Concurrent Positions Held at Other Organizations

Board Chair, Japan Women's Innovative Network (J-Win), a non-profit organization  
Outside Director, AEON CO., LTD.  
Outside Director, HOYA CORPORATION

## ▶ Reasons for Being a Candidate for Outside Director

As indicated above, Yukako Uchinaga has been engaged in corporate management for many years. Accordingly, she is once again a candidate for Outside Director so that her experience and insight can continue to be applied to the management of the Company.

### Notes:

1. There are no special interests between Yukako Uchinaga and the Company.
2. Yukako Uchinaga is a candidate for Outside Director. Matters to be particularly mentioned in connection therewith are as follows:
  - (1) Number of Years since the Candidate First Assumed the Office of Outside Director of the Company  
At the conclusion of the General Meeting, she will have served for four years as Outside Director of the Company.
  - (2) Summary of Liability Limitation Contracts  
The Company plans to extend the contract for limitation of liability with her if she is reelected. Pursuant to the contract, if she neglects her duties and causes damages to the Company, she shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that she acted in good faith and was not grossly negligent in performing her duties.
  - (3) Designation as Independent Director  
She is designated as Independent Director pursuant to the rules of the Tokyo Stock Exchange. For the Company's Independence Standards for Independent Outside Officers, please refer to page 19.

Candidate No.

8



Number of the Company's  
Shares Held  
0

Attendance at Board of  
Directors' Meetings  
10/10

# Kazuo Tsukahara

[DOB: April 17, 1950]

Outside Director Candidate Independent Director

## ▶ Brief Personal History, Positions and Responsibilities

April 1974	Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently, IHI Corporation)
April 2006	Executive Officer, IHI Corporation
April 2008	Director and Managing Executive Officer, IHI Corporation
April 2012	Representative Director and Executive Vice President, IHI Corporation
June 2014–	Advisor, IHI Corporation
Present	
March 2017–	Outside Director, the Company
Present	

## ▶ Principal Concurrent Position Held at Other Organization

Outside Director, NACHI-FUJIKOSHI CORP.

## ▶ Reasons for Being a Candidate for Outside Director

As indicated above, Kazuo Tsukahara has been engaged in corporate management for many years. Accordingly, he is once again a candidate for Outside Director so that his experience and insight can continue to be applied to the management of the Company.

### Notes:

1. There are no special interests between Kazuo Tsukahara and the Company.
2. Kazuo Tsukahara is a candidate for Outside Director. Matters to be particularly mentioned in connection therewith are as follows:
  - (1) Number of Years since the Candidate First Assumed the Office of Outside Director of the Company  
At the conclusion of the General Meeting, he will have served for one year as Outside Director of the Company.
  - (2) Summary of Liability Limitation Contracts  
The Company plans to extend the contract for limitation of liability with him if he is reelected. Pursuant to the contract, if he neglects his duties and causes damages to the Company, he shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that he acted in good faith and was not grossly negligent in performing his duties.
  - (3) Designation as Independent Director  
He is designated as Independent Director pursuant to the rules of the Tokyo Stock Exchange. For the Company's Independence Standards for Independent Outside Officers, please refer to page 19.

Candidate No.

9

Number of the Company's  
Shares Held

0

Attendance at Board of  
Directors' Meetings

—

# Yoshiaki Tamura

[DOB: October 3, 1954]

Newly Nominated

Outside Director Candidate

Independent Director

## ▶ Brief Personal History, Positions and Responsibilities

April 1979	Joined Asahi Glass Co., Ltd.
January 2007	Executive Officer, Asahi Glass Co., Ltd.
January 2010	Senior Executive Officer, Asahi Glass Co., Ltd.
January 2013	Executive Vice President, Asahi Glass Co., Ltd.
March 2013	Representative Director and Executive Vice President, Asahi Glass Co., Ltd.
March 2014	Executive Vice President, Asahi Glass Co., Ltd.
March 2017– Present	Executive Fellow, Asahi Glass Co., Ltd.

## ▶ Reasons for Being a Candidate for Outside Director

As indicated above, Yoshiaki Tamura has been engaged in corporate management for many years. Accordingly, he is a candidate for Outside Director so that his experience and insight can be applied to the management of the Company.

### Notes:

1. Yoshiaki Tamura is a newly nominated candidate for Director.
2. There are no special interests between Yoshiaki Tamura and the Company.
3. Yoshiaki Tamura is a candidate for Outside Director. Matters to be particularly mentioned in connection therewith are as follows:

#### (1) Summary of Liability Limitation Contracts

The Company plans to enter into a contract for limitation of liability with him if he is elected. Pursuant to the contract, if he neglects his duties and causes damages to the Company, he shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that he acted in good faith and was not grossly negligent in performing his duties.

#### (2) Designation as Independent Director

The Company plans to designate him as Independent Director pursuant to the rules of the Tokyo Stock Exchange. For the Company's Independence Standards for Independent Outside Officers, please refer to page 19.



## Proposal 3

## Election of 1 Alternate Corporate Auditor

With the expiration of the term of office of Alternate Corporate Auditor Norifumi Tateishi at the start of the General Meeting, the Company proposes the election of one Alternate Outside Corporate Auditor to ensure that it is prepared in the event the number of Outside Corporate Auditors falls below that required by laws and regulations.

This election may be cancelled prior to the Alternate Outside Corporate Auditor taking office by a resolution of the Board of Directors upon the consent of the Board of Corporate Auditors.

This proposal has received the consent of the Board of Corporate Auditors.

The candidate for Alternate Corporate Auditor is as follows:



## Satoshi Hiyama

[DOB: October 15, 1972]

Newly Nominated

Outside Corporate Auditor Candidate

Independent Corporate Auditor

(if appointed)

### ▶ Brief Personal History and Positions

March 1998	Completed the training courses of the Legal Training and Research Institute
April 1998	Assistant Judge, Tokyo District Court
April 2000	Assigned to Civil Affairs Bureau, General Secretariat, Supreme Court
April 2002	Assistant Judge, Tokyo District Court
April 2003	Assistant Judge, Kokura Branch, Fukuoka District Court
August 2004	Joined Anderson Mori & Tomotsune
October 2006	Joined Sudoh & Takai Law Office
October 2015	Partner, Kikkawa Law Offices
July 2017–	Partner, Kikkawa Sogo Law Offices
Present	

### ▶ Reasons for Being a Candidate for Alternate Outside Corporate Auditor

Satoshi Hiyama has earned a reputation in the area of corporate legal affairs, in which he has extensive knowledge and experience. He is seen as an individual capable of fulfilling the role of Outside Corporate Auditor for the Company. Accordingly, he is a candidate for Alternate Outside Corporate Auditor.

#### Notes:

1. There are no special interests between Satoshi Hiyama and the Company.
2. Satoshi Hiyama is a candidate for Alternate Outside Corporate Auditor. Matters to be particularly mentioned in connection therewith are as follows:

##### (1) Summary of Liability Limitation Contracts

The Company plans to enter into a contract for limitation of liability with him if he takes office of Outside Corporate Auditor. Pursuant to the contract, if he neglects his duties and causes damages to the Company, he shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that he acted in good faith and was not grossly negligent in performing his duties.

##### (2) Designation as Independent Corporate Auditor

The Company plans to designate him as Independent Corporate Auditor if he takes office of Outside Corporate Auditor pursuant to the rules of the Tokyo Stock Exchange. For the Company's Independence Standards for Independent Outside Officers, please refer to page 19.

## Reference

**1 Policy for Nominating Director and Corporate Auditor Candidates**

The Company's policy is to nominate Director and Corporate Auditor candidates who have high ethical standards and who have the knowledge, experience and ability to perform their duties as delegated by shareholders in a manner that will contribute to sustainable growth and increased corporate value for the DIC Group as a whole.

**2 Independence Standards for Independent Outside Officers**

The Company does not recognize individuals with the connections listed below as being independent in the appointment of Independent Outside Officers.

- 1) Individuals who are executives of the Company or one of its consolidated subsidiaries (collectively, the "DIC Group") at present or have been in the preceding 10 years.
- 2) Individuals to whom any of the following items have applied in the preceding 3 years:
  - ① A business partner or any executive of said business partner of the DIC Group with whom transactions exceed 3% of the DIC Group's consolidated net sales in a single fiscal year.
  - ② A business partner or any executive of said business partner for whom transactions with the DIC Group exceed 3% of the business partner's consolidated net sales in a single fiscal year.
  - ③ A shareholder or any executive of said shareholder who holds 5% or more of the voting rights of the Company.
  - ④ A principal lender or any executive of said principal lender of the DIC Group from which the loans in a single fiscal year exceed 3% of the DIC Group's total assets.
  - ⑤ An individual who or any individual of an organization which has received a contribution of more than 10 million yen annually from the DIC Group.
  - ⑥ An accountant or member, partner or employee of an audit firm who serves as an independent auditor or accounting advisor for the DIC Group.
  - ⑦ Excluding those to whom item ⑥ applies, providers of professional services, such as consultants, accountants or attorneys, who received remuneration from the DIC Group in excess of 10 million yen annually not including remuneration received as a director or corporate officer of DIC Group, or an individual of an organization that received remuneration in excess of 3% of the organization's consolidated net sales in compensation for professional services, such as consulting, accounting or legal.
  - ⑧ An executive of another company, in the event that an executive of the Company takes office as an outside officer of that company.
- 3) Spouses and relatives within the second degree of kinship of individuals listed in Sections 1) and 2).
- 4) An individual whose term as an outside officer of the Company exceeds 8 years.

(Attachment)

# Business Report

(January 1, 2017 - December 31, 2017)

## 1 Operating Results of the DIC Group for the Fiscal Year 2017

### 1 Overview of Operating Results

While economic conditions worldwide recovered gradually in fiscal year 2017, ended December 31, 2017, economic uncertainty, fluctuations in the financial and capital markets and the direction of oil prices, among others, continued to warrant caution. Moderate recovery persisted in the economies of North America and Europe. A revival was seen in Asia. Japan's economy also continued to rally steadily.

In this environment, consolidated net sales increased 5.1%, to 789.4 billion yen, reflecting multiple factors, including firm shipments.

Operating income advanced 4.2%, to 56.5 billion yen, as increased sales of high-value-added products and the progress of cost reductions offset the impact of rising raw materials prices, among others.

Ordinary income rose 2.1%, to 57.0 billion yen, with contributing factors including higher operating income and an improved financial position.

Net income attributable to owners of the parent climbed 11.0%, to 38.6 billion yen, owing to a decrease in extraordinary loss and other factors.

Operating income, ordinary income and net income attributable to owners of the parent were record highs.

(Billions of yen)

	Fiscal Year 2016	Fiscal Year 2017	Change (%)	Change (%) [Local Currency Basis]
Net sales	751.4	789.4	5.1%	3.5%
Operating income	54.2	56.5	4.2%	3.9%
Ordinary income	55.8	57.0	2.1%	—
Net income attributable to owners of the parent	34.8	38.6	11.0%	—

Note: The exchange rates used to translate the results of overseas DIC Group companies for fiscal years 2017 and 2016, respectively, are as follows:

Fiscal year 2017: ¥112.33/US\$1.00 (average for the year ended December 31, 2017)

Fiscal year 2016: ¥109.96/US\$1.00 (average for the year ended December 31, 2016)

Results of operations by segment are as follows:

(Billions of yen)

Segment	Net Sales				Operating Income			
	Fiscal Year 2016	Fiscal Year 2017	Change (%)	Change (%) [ Local Currency Basis ]	Fiscal Year 2016	Fiscal Year 2017	Change (%)	Change (%) [ Local Currency Basis ]
Printing Inks	365.2	373.7	2.3%	0.5%	18.4	17.4	-5.0%	-4.0%
Fine Chemicals	128.2	135.4	5.7%	3.5%	14.4	17.4	20.3%	18.3%
Polymers	180.9	197.9	9.4%	8.4%	19.6	19.6	-0.2%	-0.7%
Compounds	61.1	64.7	5.8%	4.8%	5.0	5.0	0.3%	0.9%
Application Materials	55.7	56.1	0.7%	0.4%	1.9	2.6	39.2%	38.9%
Others, Corporate and Eliminations	-39.7	-38.4	—	—	-5.1	-5.5	—	—
Total	751.4	789.4	5.1%	3.5%	54.2	56.5	4.2%	3.9%

Segment results in key markets are as follows. Year-on-year percentage changes in squared parentheses represent increases or decreases on a local currency basis. Interregional transactions within the Printing Inks segment are included. Accordingly, the aggregates of regional net sales and operating income figures for the Printing Inks segment differ from the figures presented above.



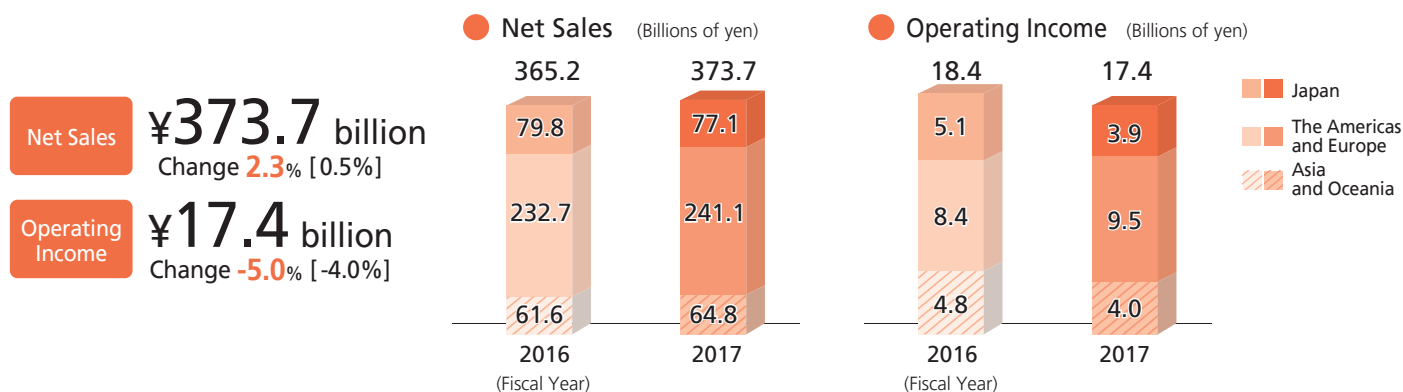
## Printing Inks

# 45.1%

Net Sales Composition Ratio

### Principal Products

[Printing Inks Product Div.] Offset Inks, Gravure Inks, Flexo Inks, Can Coatings, News Inks, Package Adhesives, Presensitized (PS) Plates, Printing Supplies



Net Sales

¥373.7 billion  
Change 2.3% [0.5%]

Operating Income

¥17.4 billion  
Change -5.0% [-4.0%]

Japan  
The Americas and Europe  
Asia and Oceania



### Japan

Net Sales ¥77.1 billion  
Change -3.3%

Operating Income ¥3.9 billion  
Change -22.5%

Sales of packaging inks benefited from firm shipments. Nonetheless, overall sales in Japan decreased, reflecting factors such as diminished demand for publishing inks and news inks.

Operating income fell sharply, owing to the aforementioned sales results and other factors.



### The Americas and Europe

Net Sales ¥241.1 billion  
Change 3.6% [1.4%]

Operating Income ¥9.5 billion  
Change 12.9% [16.5%]

Although demand for publishing inks and news inks waned, sales in North America were flat, with causes including higher shipments of packaging inks. In Europe, sales edged up, as firm shipments of publishing inks and packaging inks countered falling demand for news inks. Sales in Central and South America rose, buoyed by robust shipments of packaging inks. As a result, overall sales in the Americas and Europe increased.

Operating income advanced, bolstered by the aforementioned sales results and rationalization measures, among others.



### Asia and Oceania

Net Sales ¥64.8 billion  
Change 5.3% [2.2%]

Operating Income ¥4.0 billion  
Change -17.2% [-19.8%]

While shipments of packaging inks were solid, sales in the People's Republic of China (PRC) decreased, hindered by factors such as flagging demand for publishing inks and news inks. In Southeast Asia, sales were pushed up by higher shipments of publishing inks and packaging inks. Sales in Oceania fell, with causes including fading demand for news inks. Sales in India increased, bolstered by brisk shipments of publishing inks and packaging inks. For these and other reasons, overall sales in Asia and Oceania rose.

Operating income declined, regardless of the aforementioned sales results, a consequence of rising raw materials prices and other factors.





## Fine Chemicals

**16.4%**  
Net Sales Composition Ratio

### Principal Products

[Pigments Product Div.] Organic Pigments for Printing Inks, Organic Pigments for Coatings and Plastics, Organic Pigments for Color Filters, Special Effect Pigments, Pigments for Cosmetics, Metal Carboxylates, Sulphur Chemicals (Lubricant Additives)

[Liquid Crystal Materials Product Div.] Thin Film Transistor (TFT) LCs, Super Twisted Nematic (STN) LCs

Net Sales

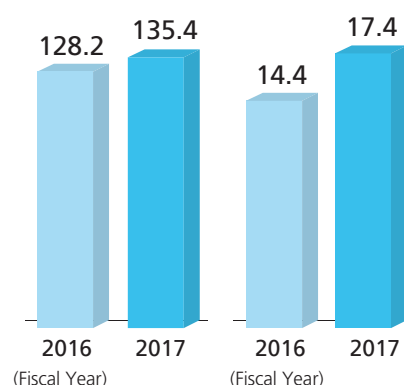
¥135.4 billion  
Change 5.7% [3.5%]

Operating  
Income

¥17.4 billion  
Change 20.3% [18.3%]

● Net Sales  
(Billions of yen)

● Operating Income  
(Billions of yen)



Sales of pigments were down, despite a steep increase in shipments of functional pigments, including those for color filters, owing to flagging demand for other pigments. Sales of TFT LCs rose substantially, reflecting favorable shipments. These factors supported higher segment sales.

Segment operating income was up significantly, underpinned by an improved product mix, among others.



## Polymers

**23.9%**  
Net Sales Composition Ratio

### Principal Products

[Polymers Product Div.] Synthetic Resins for Inks and Coatings, Molded Products, Adhesives and Textiles (Polyurethane, Epoxy, Polystyrene, Polyester, Acrylic and Phenolic Resins, and Plasticizers), Papermaking Chemicals, Alkylphenols

Net Sales

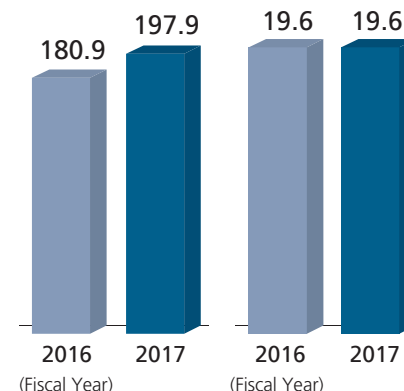
¥197.9 billion  
Change 9.4% [8.4%]

Operating  
Income

¥19.6 billion  
Change -0.2% [-0.7%]

● Net Sales  
(Billions of yen)

● Operating Income  
(Billions of yen)



Sales in Japan rose, bolstered by increased shipments of high-value-added products, polystyrene and other products. Sales overseas were up sharply, thanks to generally firm shipments. For these and other reasons, segment sales advanced.

Notwithstanding the impact of rising raw materials prices, segment operating income was flat. Factors behind this result included the aforementioned sales results.



## Compounds

**7.8%**

 Net Sales Composition Ratio
 

### Principal Products

[Liquid Compounds Product Div.] Jet Inks, Fiber and Textile Colorants

[Solid Compounds Product Div.] Polyphenylene Sulfide (PPS) Compounds, Plastic Colorants, High-Performance Optical Materials

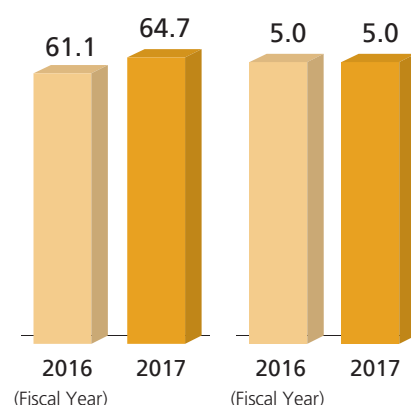
Net Sales

**¥64.7 billion**  
Change **5.8%** [4.8%]

 Operating  
Income

**¥5.0 billion**  
Change **0.3%** [0.9%]

 ● Net Sales  
(Billions of yen)

 ● Operating Income  
(Billions of yen)


Healthy shipments pushed up sales of PPS compounds. Steadily expanding shipments bolstered sales of jet inks. Owing to these and other factors, segment sales rose.

Segment operating income remained level. Reasons behind this result included the aforementioned sales results, which offset increases in raw materials prices and costs associated with advance investments.



## Application Materials

**6.8%**

 Net Sales Composition Ratio
 

### Principal Products

[Application Materials Product Div.] Coextruded Multilayer Films, Industrial Adhesive Tapes, Interior Housing Products, Decorative Boards, Plastic Pallets, Containers, Hollow Fiber Membranes, Hollow Fiber Membrane Modules, Bathtubs and Bath Units, Synthetic Marble, Health Care Foods, Coatings for Building Materials, Sheet Molding Compounds (SMCs)

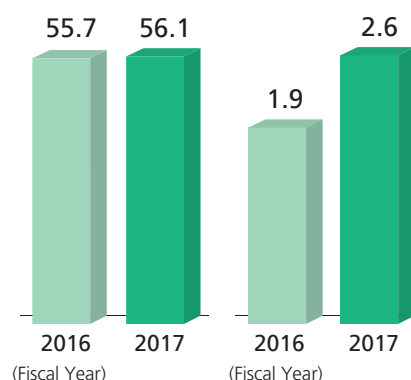
Net Sales

**¥56.1 billion**  
Change **0.7%** [0.4%]

 Operating  
Income

**¥2.6 billion**  
Change **39.2%** [38.9%]

 ● Net Sales  
(Billions of yen)

 ● Operating Income  
(Billions of yen)


Segment sales increased with contributing factors including higher shipments of industrial adhesive tapes and hollow fiber membrane modules.

Segment operating income rose substantially, spurred by an improved product mix and efforts to reduce costs, among others.

## 2 Operating Results and Financial Position

Consolidated operating results and financial position are as follows:

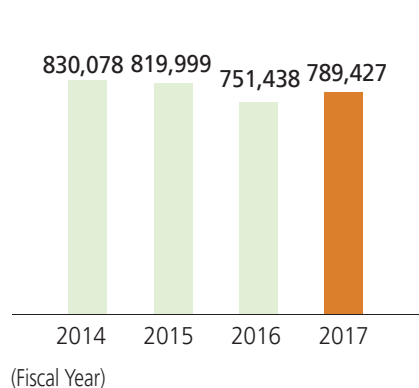
Category	Fiscal Year 2014 (January 1, 2014 – December 31, 2014)	Fiscal Year 2015 (January 1, 2015 – December 31, 2015)	Fiscal Year 2016 (January 1, 2016 – December 31, 2016)	Fiscal Year 2017 (January 1, 2017 – December 31, 2017)
Net Sales (Millions of yen)	830,078	819,999	751,438	789,427
Operating Income (Millions of yen)	41,076	51,068	54,182	56,483
Operating Margin (%)	4.9	6.2	7.2	7.2
Ordinary Income (Millions of yen)	39,925	48,995	55,797	56,960
Net Income Attributable to Owners of the Parent (Millions of yen)	25,194	37,394	34,767	38,603
Earnings per Share (Yen)	26.78	38.94	366.72	407.56
Net Assets (Millions of yen)	276,723	289,857	307,017	343,951
Total Assets (Millions of yen)	803,703	778,857	764,828	831,756

Notes:

- The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 with July 1, 2016, as the effective date. Earnings per share is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year 2016.
- From the fiscal year 2017, the Company introduced the Board Benefit Trust (BBT). The shares held by the trust are recorded under net assets as treasury shares. The number of treasury shares excluded from the weighted-average number of shares issued during the fiscal year used for the calculation of earnings per share includes the number of shares held by the trust.

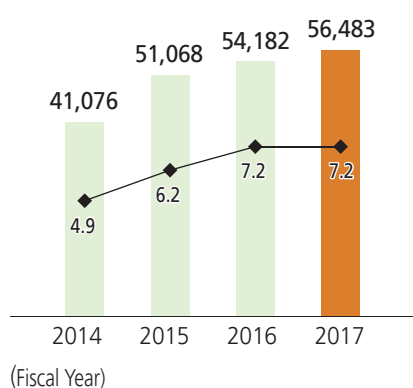
### Net Sales

(Millions of yen)



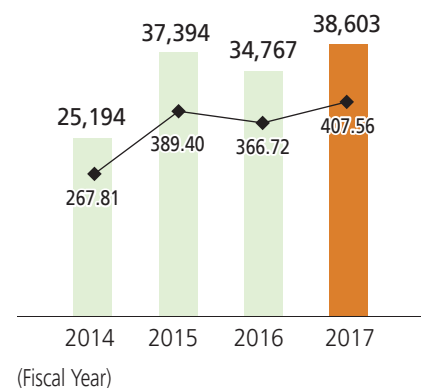
### Operating Income/Operating Margin

(Millions of yen/%)



### Net Income Attributable to Owners of the Parent/Earnings per Share

(Millions of yen/Yen)



Note: The impact of the consolidation of shares has been adjusted.

### 3 Financing Activities

#### 1) Methods of Financing

During the fiscal year 2017, the DIC Group raised necessary funds through borrowing from financial institutions and issuing corporate bonds and commercial papers.

As a consequence, as of December 31, 2017, the total interest-bearing debt amounted to 265.7 billion yen (including leases), an increase of 24.4 billion yen from the previous fiscal year-end, owing to transactions such as share acquisition of TAIYO HOLDINGS CO., LTD.

#### 2) Principal Borrowings (as of December 31, 2017)

Lender	Balance of Borrowings (Millions of yen)
Mizuho Bank, Ltd.	52,580
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	43,965
Mitsubishi UFJ Trust and Banking Corporation	28,573

### 3) Investment in Facilities

In addition to placing a high priority on product development and research themes that promise long-term growth, the DIC Group invests in increasing labor efficiency, rationalizing operations, promoting preservation and environmental safety.

In fiscal year 2017, the DIC Group invested 33.6 billion yen in facilities. Principal investments to build new or expand existing facilities, by segment, were as follows:

Printing Inks	Australia	Introduction of highly efficient production facilities for printing inks
Fine Chemicals	Poland Russia	Expansion of production facilities for special effect pigments
Polymers	Thailand	Introduction of facilities for solar power generation
Compounds	Japan	Expansion of production facilities for PPS polymers
Application Materials	Japan	Expansion of production facilities for hollow fiber membrane modules
	U. S. A.	Expansion of production facilities for natural blue food coloring
Others and Corporate	Japan	Construction of new technical building Introduction of biomass boiler Introduction of new co-generation power system



Production facilities for hollow fiber membrane modules (Japan)



New co-generation power system (Japan)

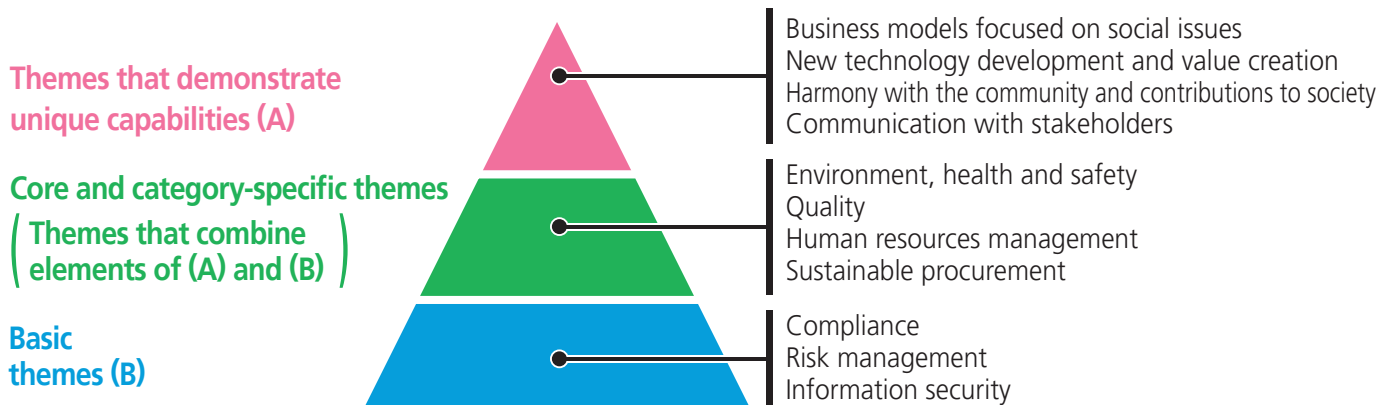


## 4 Sustainability Initiatives

The need to achieve sustainability in a manner that takes into account, among others, the environment, ecosystems and socioeconomic systems has gained increased social recognition. The DIC Group launched its own corporate social responsibility (CSR) program in fiscal year 2007. Effective from fiscal year 2014, the Company changed the designation used across its program from “CSR” to “sustainability.” Today, the DIC Group promotes a variety of sustainability initiatives worldwide and works to maintain an accurate grasp of social imperatives pertaining to environment, society and governance (ESG)-related issues.

The DIC Group is dedicated to conducting its business while retaining a strong commitment to five key concepts: 1) preserving safety and health, 2) ensuring fair business practices and respect for diversity and human rights, 3) maintaining harmony with the environment and advancing its protection, 4) managing risks and 5) creating value for society through innovation. Through the implementation of initiatives in line with these concepts, the DIC Group strives to remain an organization that contributes to sustainability for society and the global environment by achieving unfaltering growth, as well as ensures its own sustainability, thereby earning the trust of its stakeholders.

The DIC Group organizes its sustainability initiatives in line with three themes, as shown below:



Special Topic

1

# The DIC Group's ESG Initiatives

## Working to Prevent Global Warming

The DIC Group is promoting a wide range of environmental, social and governance (ESG) initiatives with the aim of helping achieve a sustainable society. To date, the Group has implemented a variety of social ("S") initiatives centered on issues such as occupational safety, health management and diversity, and governance ("G") initiatives emphasizing, among others, corporate governance and risk management. In fiscal year 2017, the Group focused on environmental ("E") initiatives.

A key target of environmental initiatives is to reduce carbon dioxide (CO<sub>2</sub>) emissions by the global DIC Group by 7% from the fiscal year 2013 level by fiscal year 2020.

### 1 Global Deployment: Initiatives to Reduce Energy Consumption and Promote Low-Carbon Energy Sources

Principal initiatives  
in fiscal years 2016  
and 2017

**Hainan DIC Microalgae Co., Ltd.**  
Biomass boiler  
(Reduction in annual CO<sub>2</sub> emissions:  
1,250 metric tonnes)

**Qingdao DIC Finechemicals Co., Ltd.**  
Installation of solar panels  
(Generating capacity: 400 kW; Reduction in  
annual CO<sub>2</sub> emissions: 300 metric tonnes)



**Siam Chemical  
Industry Co., Ltd.**  
Installation of solar panels  
(Generating capacity: 700 kW; Reduction in  
annual CO<sub>2</sub> emissions: 600 metric tonnes)



**PT. DIC Graphics Karawang Plant**  
Project to replace a portion of fuel  
used to fire boilers with biomass  
(coconut shells)  
(Launched in fiscal year 2017)



**Kashima Plant**  
Megasolar system  
(Generating capacity: 1,600 kW;  
Reduction in annual CO<sub>2</sub> emissions:  
1,200 metric tonnes)



**Hokuriku Plant**  
Biomass boiler  
(Reduction in annual CO<sub>2</sub> emissions:  
2,300 metric tonnes)

### 2 Key Developments

- DIC Hokuriku Plant (Hakusan, Ishikawa, Japan): Biomass Boiler**  
The plant has installed a biomass (wood chip)-fired boiler, which is expected to facilitate a 12% reduction in the plant's annual CO<sub>2</sub> emissions from fiscal year 2017.
- DIC Kashima Plant (Kamisu, Ibaraki, Japan): Megasolar System**  
The plant has built a megasolar system (annual output: 1,700 MWh), in addition to biomass boiler and wind power generation facilities, with the goal of improving the performance of power generation by an optimal power mix for the plant.
- Siam Chemical Industry Co., Ltd. (Bangkok, Thailand): Solar Panels**  
The company installed solar panels (annual output: approx. 1,050 MWh) and is promoting efforts to help prevent global warming through its operations.

## 5 Key Management Issues

The DIC Group has formulated a medium-term management plan DIC108 as what we need to do between 2016 and 2018 in order to realize sustainable growth based on our Mission, Vision and Corporate Values. The basic strategies of DIC108 are outlined as below:

- 1 Four Business Initiatives
  - Expand Businesses that will Drive Growth
  - Pursue Opportunities for Strategic Investments (M&As etc.)
  - Rationalize Operations in Mature Markets
  - Create Next-Generation Businesses
- 2 Strive to Balance Investment in Growth, Financial Health and Shareholder Returns with Cash Flow Management
- 3 Support Globalization and Increase Sophistication with Establishment of a Solid Management Infrastructure

### [Mission]

Through constant innovation, the DIC Group strives to create enhanced value and to contribute to sustainable development for its customers and society

### [Vision]

Color & Comfort by Chemistry

### [Corporate Values]

#### Making it Colorful

- DIC helps make life colorful -

#### Innovation through Compounding

- DIC brings innovation to society through its core compounding technologies -

#### Specialty Solutions

- DIC draw on its expertise and comprehensive strengths to offer solutions -

(The following information is as of December 31, 2017, unless otherwise noted.)

Special Topic

2

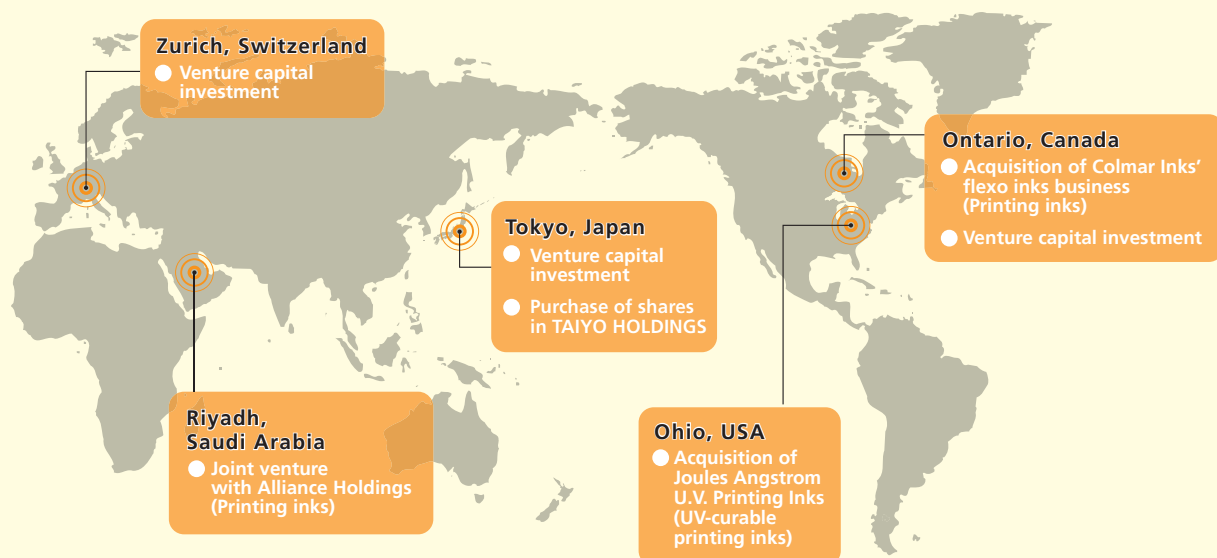
## Strategies for Sustainable Growth: Progress Report

In accordance with the three-year medium-term management plan, DIC 108, DIC has established a framework for strategic investment of 150 billion yen and has committed to the development of next-generation businesses which will serve as the cornerstone for the transformation of its business portfolio. In fiscal year 2017, DIC has taken the following measures in the implementation of DIC 108.

### 1 Capital and Business Alliance with TAIYO HOLDINGS and Other Strategic Investments

On January 25, 2017, DIC announced a capital and business alliance with TAIYO HOLDINGS CO., LTD., as a result of which TAIYO HOLDINGS became an equity-method affiliate of DIC. Total investment in TAIYO HOLDINGS amounted to 24.9 billion yen. The acquisition was completed on February 10, 2017. The alliance brings together the DIC Group's materials development capabilities, which draw on its core technologies, and TAIYO HOLDINGS' extensive supply chain, which encompasses solder resist and printed wiring boards (PWBs), to promote the swift and efficient development of molded interconnect devices (MIDs) and other next-generation materials.

Group company Sun Chemical Corporation, operations of which are centered in North America and Europe, also continued to promote key strategic investments aimed at reinforcing its sales configuration in high-growth markets and regions. In July 2017, Sun Chemical acquired Joules Angstrom U.V. Printing Inks Corp., a specialized manufacturer of UV-curable printing inks, while in November it formed a joint venture, combining its printing inks business on the Arabian Peninsula with the operations of Alliance Holdings Company Ltd.'s subsidiary Ink Products Company, Ltd., the region's top printing inks manufacturer in terms of market share. Sun Chemical's stake in the new company is 51%.



Special Topic

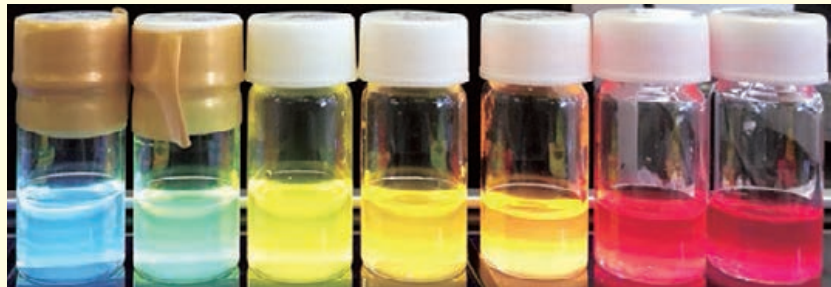
2

## 2 Development of Next-Generation Display Materials: Inkjet Inks for QD-CFs

DIC is currently working with U.S. firm Nanosys, Inc. to develop inkjet inks for use in the production of quantum dot color filters (QD-CFs), the most promising new technology for next-generation organic light-emitting diode (OLED) displays.

### 1) QDs

QDs are light-emitting inorganic semiconductor nanoparticles. The color emitted can be controlled freely by changing dot size. QDs enable the production of displays that deliver a wider color gamut than conventional liquid crystal displays (LCDs) and OLED displays, resulting in greater color accuracy and more lifelike picture quality. Another benefit is exceptional brightness, which greatly improves power efficiency.



Colloidal quantum dots dispersion irradiated with a UV light

### 2) QD-CFs

QDs are attracting considerable attention for use in color filters for displays. Inkjet printing is seen as the ideal approach to producing these color filters. Having positioned inkjet inks as a key growth business, DIC will apply technologies cultivated over many years to advance the development of inkjet printed QD-CFs with the aim of entering the next-generation display market.

### 3) Nanosys

At present, most of the QDs fabricated are cadmium-based. However, the need to comply with environmental restriction is fueling demand from display manufacturers for alternatives that do not contain cadmium. Nanosys has thus set its sights on the development of cadmium-free QDs. Through collaboration, DIC and Nanosys will endeavor to create the world's first inkjet inks for producing QD-CFs with cadmium-free QDs.

DIC will continue promoting development with the goal of marketing these QD inkjet inks as a core offering in its display materials business, alongside liquid crystal (LC) materials and organic pigments for color filters, by fiscal year 2020.



## 6 Principal Facilities (Principal Offices, Plants and R&D Facilities)

### 1) The Company

#### Corporate Headquarters

7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo

#### Branch Offices

Osaka Branch (Osaka)    Nagoya Branch (Aichi)

#### Plants and R&D Facilities

Tokyo Plant (Tokyo)

Sakai Plant (Osaka)

Komaki Plant (Aichi)

Central Research Laboratories (Chiba)

Chiba Plant (Chiba)

Kashima Plant (Ibaraki)

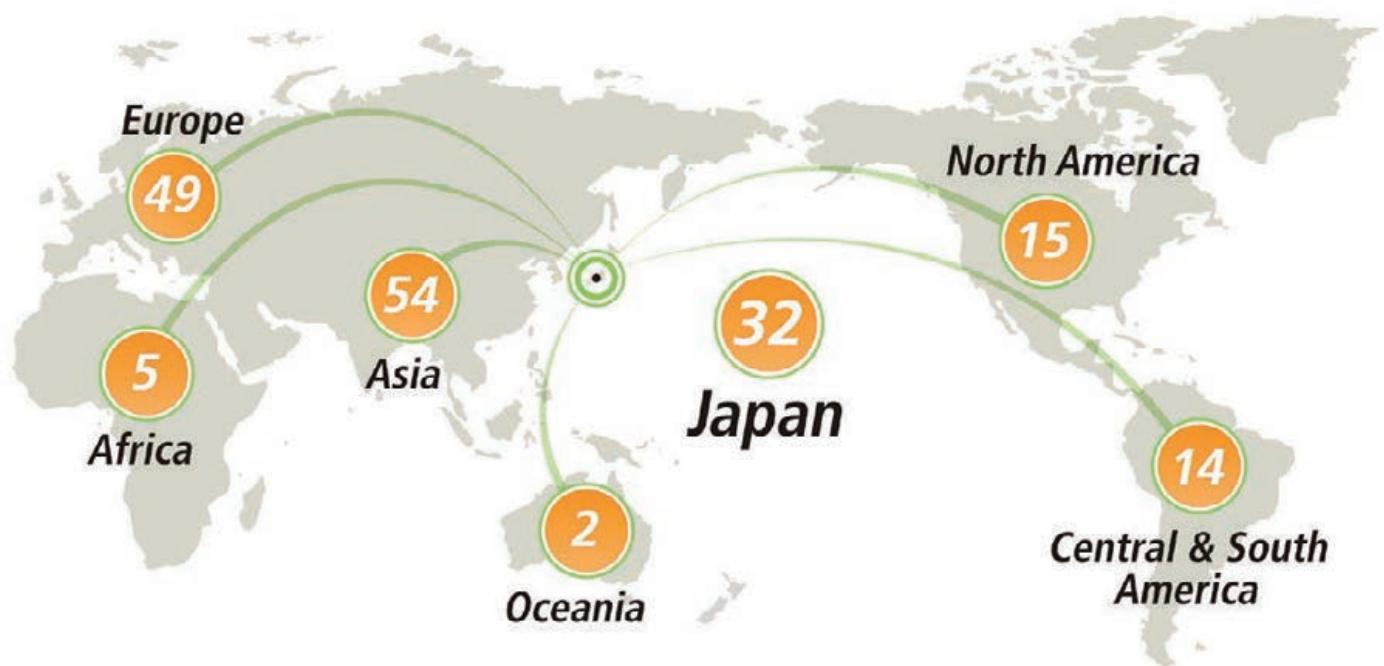
Saitama Plant (Saitama)

Hokuriku Plant (Ishikawa)

Yokkaichi Plant (Mie)

Tatebayashi Plant (Gunma)

### Global Network (171 companies in 64 countries and territories)



## 2) Subsidiaries and Affiliates

### Printing Inks (105 companies)

DIC Graphics Corporation (Tokyo, Japan)  
Sun Chemical Group Coöperatief U.A. (Netherlands)  
PT. DIC GRAPHICS (Indonesia)  
Nantong DIC Color Co., Ltd. (PRC)  
DIC India Ltd. (India)  
DIC (Malaysia) Sdn. Bhd. (Malaysia)  
DIC Graphics (Thailand) Co., Ltd. (Thailand)  
and 98 other companies

### Fine Chemicals (5 companies)

Qingdao DIC Finechemicals CO., LTD. (PRC)  
and 4 other companies

### Polymers (27 companies)

SEIKO PMC CORPORATION (Tokyo, Japan)  
DIC Material Inc. (Tokyo, Japan)  
DIC Kitanihon Polymer Co., Ltd. (Miyagi, Japan)  
Siam Chemical Industry Co., Ltd. (Thailand)  
DIC Zhangjiagang Chemicals Co., Ltd. (PRC)  
LIDYE CHEMICAL CO., LTD. (Taiwan)  
Changzhou Huari New Material Co., Ltd. (PRC)  
DIC SYNTHETIC RESINS (ZHONGSHAN) CO., LTD. (PRC)  
and 19 other companies

### Compounds (6 companies)

DIC EP Corporation (Chiba, Japan)  
DIC Compounds (Malaysia) Sdn. Bhd. (Malaysia)  
PT. DIC Astra Chemicals (Indonesia)  
and 3 other companies

### Application Materials (15 companies)

DIC Decor, Inc. (Saitama, Japan)  
DIC PLASTICS Inc. (Saitama, Japan)  
DIC KAKO INC. (Shiga, Japan)  
Earthrise Nutritionals LLC (U.S.A.)  
and 11 other companies

### Others (12 companies)

DIC Asia Pacific Pte Ltd (Singapore)  
DIC (CHINA) CO., LTD. (PRC)  
and 10 other companies

## 7 Principal Subsidiaries and Affiliates

Company Name	Location	Capital	Percentage of Ownership	Principal Business
Sun Chemical Group Coöperatief U.A.	Netherlands	€1,501,852 thousand	100.0%	Investment in and financing for Sun Chemical Group companies
DIC Asia Pacific Pte Ltd	Singapore	S\$305,793 thousand	100.0%	Investment in and financing for DIC Group companies in the Asia and Oceania regions, and manufacture and sale of DIC products
DIC (CHINA) CO., LTD.	PRC	RMB697,380 thousand	100.0%	Investment in and financing for DIC Group companies in the PRC
DIC Graphics Corporation	Tokyo, Japan	¥500 million	66.6%	Manufacture and sale of printing inks and supplies
SEIKO PMC CORPORATION	Tokyo, Japan	¥2,000 million	53.8%	Manufacture and sale of papermaking chemicals and resins for printing inks and imaging and reprographic products
DIC INVESTMENTS JAPAN, LLC.	Tokyo, Japan	¥91 million	100.0%	Investment in and financing for DIC Group companies
TAIYO HOLDINGS CO., LTD.	Saitama, Japan	¥9,232 million	19.5%	Investment in and financing for TAIYO Group companies
RENAISSANCE, INCORPORATED	Tokyo, Japan	¥2,210 million	17.5%	Sports club business and nursing care and rehabilitation business

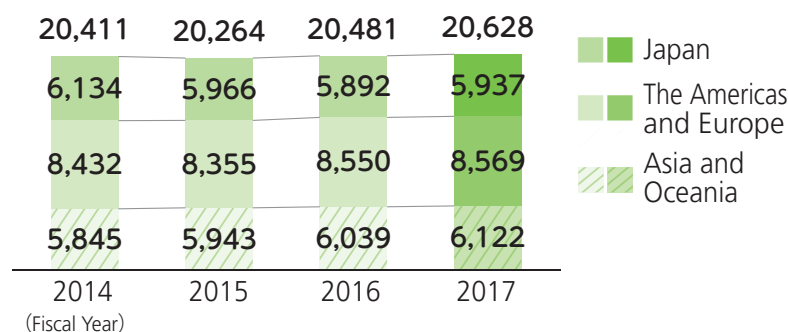
Notes:

1. The figure for capital of Sun Chemical Group Coöperatief U.A. is equivalent to the company's capital reserve since the company has no figure equivalent to the capital.
2. Percentage of ownership includes indirect investments.
3. Percentage of ownership of TAIYO HOLDINGS CO., LTD. is 19.5% but the Company deems it as affiliate because the Company has substantial influence over it.
4. Percentage of ownership of RENAISSANCE, INCORPORATED is 17.5% but the Company deems it as affiliate because the percentage of voting right is 20% and more.

## 8 Workforce Statistics

Segment	Number of Employees
Printing Inks	10,571
Fine Chemicals	2,544
Polymers	3,261
Compounds	1,274
Application Materials	1,046
Others	707
Corporate (Shared)	1,225
<b>Total</b>	<b>20,628</b>

■ Number of Employees



## 2 Stock Information

### 1 Total Number of Shares Authorized

150,000,000

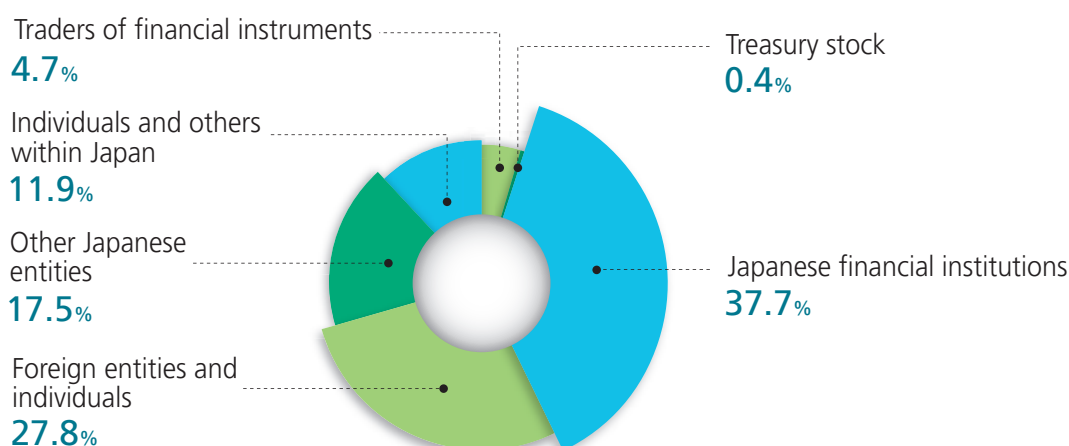
### 2 Total Number of Shares Issued

95,156,904

### 3 Numbers of Shareholders

35,482

#### ■ Distribution of Shareholders by Investor Type



### 4 Major Shareholders

Name of Shareholder	Number of Shares Owned (Thousands)	Shareholding Percentage (%)
Nissei Real-Estate Co., Ltd.	5,310	5.60
Japan Trustee Services Bank, Ltd. (Trust Account)	4,715	4.97
Dainichi Can Co., Ltd.	4,256	4.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,948	4.17
JP MORGAN CHASE BANK 385632	3,527	3.72
The Dai-ichi Life Insurance Company, Limited	3,500	3.69
Nissin Trading Co., Ltd.	3,127	3.30
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,055	3.22
Aioi Nissay Dowa Insurance Co., Ltd.	2,590	2.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,337	2.47

Notes:

- The above table lists the top 10 shareholders.
- The shareholding percentage is calculated by subtracting the number of treasury shares (360,893 shares) from the total number of shares issued. The number of treasury shares does not include shares held by Trust & Custody Services Bank, Ltd. (151,700 shares) as trustee of the Company's board benefit trust (BBT).

## 3 Matters Concerning Directors and Corporate Auditors

### 1 Directors and Corporate Auditors

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations
Representative Director President and CEO	Yoshiyuki Nakanishi	
Representative Director Executive Vice President	Masayuki Saito	Assistant to the President and CEO CFO Chairman of the Supervisory Board, Sun Chemical Group Coöperatief U.A.
Director	Yoshihisa Kawamura	Chairman of the Board of Directors, DIC Graphics Corporation
Director Managing Executive Officer	Hitoshi Wakabayashi	President, Fine Chemicals Segment General Manager, Pigments Product Div.
Director Managing Executive Officer	Kaoru Ino	In Charge of Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
Director Managing Executive Officer	Hideo Ishii	President, Printing Inks Segment General Manager, Printing Inks Product Div. General Manager, Printing Inks Production Div.
Outside Director Independent Director Director	Takao Suzuki	
Outside Director Independent Director Director	Yukako Uchinaga	Board Chair, Japan Women's Innovative Network (J-Win, a non-profit organization) Outside Director, AEON CO., LTD. Outside Director, HOYA CORPORATION
Outside Director Independent Director Director	Kazuo Tsukahara	Outside Director, NACHI-FUJIKOSHI CORP.
Fulltime Corporate Auditor	Yoshiyuki Mase	
Fulltime Corporate Auditor	Jiro Mizutani	
Outside Auditor Independent Auditor Corporate Auditor	Katsunori Takechi	Attorney Outside Auditor, Tokyu Fudosan Holdings Corporation
Outside Auditor Independent Auditor Corporate Auditor	Cindy Yoshiko Shirata	Guest Researcher, Research Institute for Innovation Management, Hosei University Outside Director, WIN-Partners Co., Ltd. Outside Director, Ryoden Corporation Outside Director, TAKARA PRINTING CO., LTD.

#### Notes:

- Directors Takao Suzuki, Yukako Uchinaga and Kazuo Tsukahara are Outside Directors.
- Corporate Auditors Katsunori Takechi and Cindy Yoshiko Shirata are Outside Corporate Auditors.
- Corporate Auditor Yoshiyuki Mase is qualified as a certified public tax accountant, oversaw corporate accounts at the Company for many years, and has extensive expertise in finance and accounting.
- In addition to providing expertise in corporate law, Outside Corporate Auditor Katsunori Takechi provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act and has extensive expertise in finance and accounting.
- Outside Corporate Auditor Cindy Yoshiko Shirata engages in the study and education of financial accounting and management as an academic expert in accounting, and has extensive expertise in finance and accounting.
- Outside Directors Takao Suzuki, Yukako Uchinaga and Kazuo Tsukahara and Outside Corporate Auditors Katsunori Takechi and Cindy Yoshiko Shirata are designated as Independent Directors/Auditors in accordance with the rules of the Tokyo Stock Exchange.
- Directors Hideo Ishii and Kazuo Tsukahara were newly elected and assumed office at the 119th Annual General Meeting of Shareholders, held on March 29, 2017.
- The Company executed the contract for limitation of liability with all of the Outside Directors and Outside Corporate Auditors. Pursuant to the contract, if they neglect their duties and cause damages to the Company, they shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that they acted in good faith and were not grossly negligent in performing their duties.



9. As of January 1, 2018, certain Directors' position and responsibilities at the Company were amended as shown below.

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations
Chairman of the Board of Directors	Yoshiyuki Nakanishi	
Representative Director President and CEO	Kaoru Ino	
Director Advisor	Hitoshi Wakabayashi	

(Reference)

The Company has adopted an Executive Officer system in order to facilitate the prompt execution of operations and better clarify responsibilities. As of January 1, 2018, Executive Officers who do not concurrently serve as Directors are as shown below.

Position	Name	Responsibilities at the Company
Managing Executive Officer	Toshio Hasumi	President, Polymers Business Unit General Manager, Polymers Product Div.
Managing Executive Officer	Kazunari Sakai	In Charge of Technical Segment (Technical Management Unit, R&D Management Unit) General Manager, Technical Management Unit
Managing Executive Officer	Masami Hatao	General Manager, Marketing Management Unit
Managing Executive Officer	Toshifumi Tamaki	Head of Corporate Strategy Unit In Charge of Kawamura Memorial DIC Museum of Art Chairman, DIC (CHINA) CO., LTD.
Managing Executive Officer	Naoyoshi Furuta	General Manager, Production Management Unit
Managing Executive Officer	Masaya Nakafuji	Head of General Affairs and Legal Unit Head of ESG Unit In Charge of Diversity
Managing Executive Officer	Kazuo Hatakenaka	President, Fine Chemicals Business Unit General Manager, Liquid Crystal Materials Product Div.
Executive Officer	Rudi Lenz	President and CEO, Sun Chemical Corporation
Executive Officer	Koji Tanigami	Representative Director, President and CEO, DIC Graphics Corporation Deputy General Manager, Printing Inks Product Div.
Executive Officer	Shinsuke Toshima	President, Application Materials Business Unit General Manager, Application Materials Product Div.
Executive Officer	Taihei Mukose	Head of Purchasing and Logistics & Information Systems Unit General Manager, Purchasing Dept.
Executive Officer	Kiyotaka Kawashima	General Manager, R&D Management Unit General Manager, Central Research Laboratories
Executive Officer	Masanobu Mizukoshi	President, Compounds Business Unit General Manager, Liquid Compounds Product Div. General Manager, Solid Compounds Product Div.
Executive Officer	Hiroyuki Ninomiya	Head of Finance and Accounting Unit
Executive Officer	Paul Koek	Managing Director, DIC Asia Pacific Pte Ltd
Executive Officer	Myron Petruch	General Manager, Pigments Product Div. President, Performance Pigments, Sun Chemical Corporation
Executive Officer	Takeshi Asai	General Manager, Corporate Planning Dept. In Charge of Osaka Branch and Nagoya Branch

## 2 Remuneration for Directors and Corporate Auditors

Category	Number of Directors and Corporate Auditors	Composition of Remuneration (Millions of yen)			Total Amount (Millions of yen)
		Basic Remuneration	Bonus	Stock Compensation	
Directors	9	242	65	48	355
Outside Directors included in the above	3	33	—	—	33
Corporate Auditors	4	83	—	—	83
Outside Corporate Auditors included in the above	2	24	—	—	24
Total	13	325	65	48	438

Notes:

1. The total amount in the bonus column represents bonuses that are scheduled to be paid after the 120th Annual General Meeting of Shareholders.
2. The total amount of stock compensation is in accordance with the performance-based stock compensation plan that was approved at the 119th Annual General Meeting of Shareholders.

### Reference Outline of System of Remuneration for Directors and Corporate Auditors

The Company's system of remuneration for Directors and Corporate Auditors is as follows.

Remuneration for Directors consists of basic remuneration; bonuses, which are linked to consolidated operating results and achievement of individual targets; and stock compensation, which is based on medium- to long-term operating results. Directors who serve concurrently as executive officers are eligible for bonuses and stock compensation. Other Directors and Outside Directors are eligible for basic remuneration only.

Corporate Auditors are eligible for basic remuneration only.

#### Remuneration for Directors and Corporate Auditors

	Type of Remuneration	Method of Determination	Maximum Limit	Date of Resolution of Annual General Meeting of Shareholders
Directors	Basic remuneration	①	700 million yen/year as aggregate total of basic remuneration and bonus	June 27, 2007
	Bonuses	②		
	Stock compensation (performance-based stock compensation)	③	250 million yen as maximum contribution to trust by the Company for three fiscal years	March 29, 2017
Corporate Auditors	Basic remuneration	④	100 million yen/year	June 28, 2005

- ① Basic remuneration for Directors is determined by the Remuneration Committee based on level of responsibility and with consideration given to prevailing market rates.
- ② Bonuses are determined by the Remuneration Committee. Amounts are linked to increases/decreases in consolidated operating income, taking into account individual contribution, with consideration given to prevailing market rates.
- ③ Each fiscal year, eligible Directors are granted points, the number of which is determined based on degree of achievement of targets for the year's consolidated operating income and consolidated net income attributable to owners of the parent set forth in the Company's medium-term management plan. Upon retirement, these Directors receive shares of the Company and cash equivalent to the shares of the Company at the market price corresponding to the number of points they have accumulated.
- ④ Basic remuneration for Corporate Auditors is determined through discussion involving all Corporate Auditors, in accordance with internal rules established by the Board of Corporate Auditors, with consideration given to ensuring a balance with remuneration for Directors and to prevailing market rates.

### 3 Outside Directors and Corporate Auditors

#### 1) Relationship between the Company and Organizations in which Outside Directors and Corporate Auditors Concurrently Hold Principal Positions

The Company has engaged the Japan Women's Innovative Network (J-Win), a non-profit organization, to provide training and other services. The Company is also engaged in minor sales transactions with HOYA CORPORATION. Outside Director Yukako Uchinaga holds a principal concurrent position in both organization. These transactions account for less than 0.1% of consolidated net sales of the DIC Group annually. The Company also has transactions involving the purchase of equipment with Ryoden Corporation, in which Outside Corporate Auditor Cindy Yoshiko Shirata holds a principal concurrent position. These transactions account for less than 0.1% of consolidated net sales of the DIC Group annually.

There are no other special interests between the Company and the organizations in which Outside Directors and Corporate Auditors concurrently hold principal positions.

#### 2) Principal Activities of Outside Directors and Corporate Auditors

Position	Name	Attendance at Board of Directors' Meetings	Attendance at Board of Corporate Auditors' Meetings	Statements at the Meetings
Director	Takao Suzuki	14/14	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
	Yukako Uchinaga	14/14	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
	Kazuo Tsukahara	10/10	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
Corporate Auditor	Katsunori Takechi	14/14	14/14	Proactively made statements on proposed resolutions from his perspective as an attorney with specialized expertise
	Cindy Yoshiko Shirata	14/14	14/14	Proactively made statements on proposed resolutions from her perspective as an academic expert in accounting with specialized expertise relating to financial accounting and management

Note: Figure for attendance at Board of Directors' meetings for Kazuo Tsukahara reflects the number of meetings held subsequent to his assumption of office on March 29, 2017 until December 31, 2017.

## 4 Matters Concerning the Independent Auditor

### 1 Name of Audit Firm

Deloitte Touche Tohmatsu LLC

### 2 Remuneration and Other Payments for the Independent Auditor

	Total Amount (Millions of yen)
Amount of Remuneration and Other Payments Paid by the Company	140
Total Amount of Money and Other Property Benefits to be Paid by the Company and its Subsidiaries	228

Notes:

1. The audit agreement entered into by the Company and its Independent Auditor does not distinguish clearly between the amount derived from the audit under the Companies Act and the amount derived from the audit under the Financial Instruments and Exchange Act and the two amounts cannot be substantially distinguished from each other. Consequently, both are included in the amount of remuneration to be paid by the Company.
2. The accounts of principal overseas subsidiaries are audited by firms other than the firm named above (independent auditor or public accountants or other individuals or firms that hold a certification equivalent to that of independent auditor in Japan) in conformity with the requirements of laws in their respective countries of domicile that correspond to the Companies Act or Financial Instruments and Exchange Act.
3. The Board of Corporate Auditors received briefings about the audit performance for the past fiscal year done by the Independent Auditor, transitional changes of remuneration for them, quality of audit and remuneration standards for other audit firms from Directors and about audit plans for fiscal year 2017 from the Independent Auditor, and reviewed said briefings accordingly. As a result, remuneration and other payments for the Independent Auditor were approved by the Board of Corporate Auditors, because it was appropriate to conduct the audit plan and align the standard to maintain audit quality.

### 3 Non-Audit Services

The Company provides remuneration to the Independent Auditor for non-audit services which are services other than those listed in Article 2, Paragraph 1 of the Certified Public Accountants Act. These include the preparation of comfort letters.

### 4 Policy on Decisions Concerning Dismissal or Non-Reappointment of the Independent Auditor

The Company's Board of Corporate Auditors shall dismiss the Independent Auditor, with the Corporate Auditors' unanimous consent, if it determines that any act or circumstance of the Independent Auditor falls under any of the events set forth in Article 340, Paragraph 1 of the Companies Act.

In such cases that impair the Independent Auditor's competence or independence, thus making it difficult for the Independent Auditor to conduct an appropriate audit, the Company's Board of Corporate Auditors has the right to determine the contents of a proposal for dismissal or non-reappointment of the Independent Auditor to be submitted to the General Meeting of Shareholders by the Board of Directors.

## 5

## Summary of Resolutions Regarding, and the Operational Status of, Systems for Ensuring that the Performance of Duties by Directors Complies with Laws, Regulations and the Company's Articles of Incorporation and for Ensuring the Propriety of Other Operations

The following is a summary of resolutions regarding, and the operational status of, the aforementioned systems.

### I. Basic Concepts Regarding Internal Controls

In striving to conduct its operations in accordance with The DIC Way, the DIC Group maintains a keen awareness of four key objectives, which are to ensure the effectiveness and efficiency of businesses, uphold the reliability of its financial reporting, comply with laws and regulations relevant to its business activities, and safeguard its assets. To these ends, the Company has prepared and operates a system of internal controls, key components of which are summarized below, to ensure proper business activities, based on the Companies Act and the Financial Instruments and Exchange Act.

### II. DIC Group Internal Control Systems

#### 1 Systems for Ensuring that the Performance of Duties by Directors and Employees of the DIC Group Complies with Laws, Regulations and the Articles of Incorporation

- 1) The Company shall prepare regulations for meetings of the Board of Directors and regulations for *Ringi* (approval by written circular) and shall clarify decision-making authority within the DIC Group.
- 2) The Company shall appoint Outside Directors and shall work to bolster monitoring functions with regard to management.
- 3) The Company shall work to set forth the DIC Group Code of Business Conduct as the standard regarding compliance, which Directors and employees of the DIC Group should comply with, and disseminate the same.
- 4) The Company shall establish an internal auditing department and shall monitor the status of the implementation and operation of internal control systems of the DIC Group on a periodic basis. Important matters that are discovered through such monitoring and the status of improvements shall be reported to Representative Directors on a periodic basis, and those matters of particular importance are to be reported to the Board of Directors.
- 5) The Company shall, as a part of its compliance activities, establish an internal notification system as a channel available for the employees of the DIC Group and set up multiple notification channels independent from channels for communication used in the conduct of business. The Company shall prepare a structure that can quickly respond to domestic and international notifications. In addition, a system shall be put into place so that any person making a notification will not suffer any detriment.
- 6) The Company shall sever any and all connection with antisocial elements and shall collaborate with legal counsel and the police in making firm responses to unwarranted demands made by such antisocial elements.

#### Operational Status

The Company has clarified decision-making authority within the DIC Group by establishing the Articles of Incorporation, regulations for meetings of the Board of Directors, regulations for *Ringi*, regulations for authorization, etc. The Company has amended the standards of matters to be decided by the Board of Directors in order to accelerate decision-making and enhance supervisory function of the Board of Directors.

The Company has added one Outside Director for a total of three Outside Directors who constitute one-third of the Board of Directors.

An e-learning program regarding the DIC Group Code of Business Conduct was implemented at DIC Group entities to instill an awareness of compliance. The Company handled internal claims appropriately by conducting investigations and interviews.

The Company's internal audit function monitored the status of implementation and operation of the internal controls system and reported to Representative Directors on important matters discovered through such monitoring, as well as on the status of improvements.



## 2 Systems for Ensuring that Duties of Directors of the DIC Group are Performed Efficiently

- 1) In order to ensure the duties of Directors are performed properly and efficiently within the DIC Group, the Company shall establish regulations regarding company organization and authority.
- 2) In order to speed up the conduct of business and clarify responsibilities, the Company shall introduce an Executive Officer system. As well as resolving important business affairs of the DIC Group in accordance with the Articles of Incorporation and regulations of the Board of Directors, the Board of Directors shall also supervise the status of Executive Officers' business conduct.
- 3) The Company shall formulate medium-term management plans and the annual budget based upon management policies and management strategies of the DIC Group, and, through dissemination of the same, ensure common goals are shared within the DIC Group. The Company shall make progress reports to the Board of Directors.

### Operational Status

The Company made important business decisions based upon regulations for meetings of the Board of Directors, regulations for *Ringi* and other related regulations. Information on medium-term management plans and the annual budget was shared through internal briefings and monthly progress reports were submitted to the Board of Directors. Explanations of the principal operations of individual product divisions were given at Board of Directors' meetings and challenges were shared, after which discussions were held regarding future business strategies.

## 3 Systems for the Preservation and Management of Information Pertaining to the Performance of Duties by Directors

- 1) Information pertaining to the performance of duties by Directors, such as minutes of the Board of Directors and *Ringi* documents, shall be recorded, retained and managed appropriately based upon the regulations for document management.
- 2) The Company shall establish regulations for systems of information management and shall prepare a system for preventing leakage of confidential information of the DIC Group.

### Operational Status

The Company retains and manages its information appropriately based upon regulations for document management, regulations for confidential information management and other related regulations. The Information Security Committee held meetings periodically and advanced topics regarding information security. In order to raise an awareness of information security, an E-Learning program and targeted e-mail attack drills were conducted.

## 4 Regulations and Other Systems Relating to the Management of Risk of Loss to the DIC Group

- 1) The Company shall formulate a risk management policy and shall identify, assess, prioritize and address any risks that may have a significant impact on management of the DIC Group.
- 2) The Company shall establish a risk management system for the DIC Group and shall ensure its effectiveness by repeating the plan-do-check-act (PDCA) cycle.

### Operational Status

The Company confirmed that the Risk Management Committee finished identifying high priority risks and implemented appropriate countermeasures based on the Company's risk management policy. As part of its business continuity management (BCM) program, the Company held lecture on business continuity planning (BCP) at individual product divisions and domestic sites and reinforced disaster prevention and business continuity initiatives.

## 5 Other Systems for Ensuring Proper Operations of the DIC Group

- 1) The Company shall determine an administrative department for each subsidiary from the standpoints of the conduct of business and business management, and shall supervise business affairs by dispatching a director to each subsidiary.
- 2) The Company shall clarify important matters pertaining to subsidiaries that require reporting to the Company.

### Operational Status

In addition to dispatching directors to each subsidiary from the pertinent administrative department, the Company conducted training for newly appointed presidents of subsidiaries regarding corporate governance and internal controls. In addition, the Company has established regulations regarding authority within the DIC Group, which include matters that require approval of or reporting to the Company. The Company established regulations specifying the management and support structure for domestic Group companies.

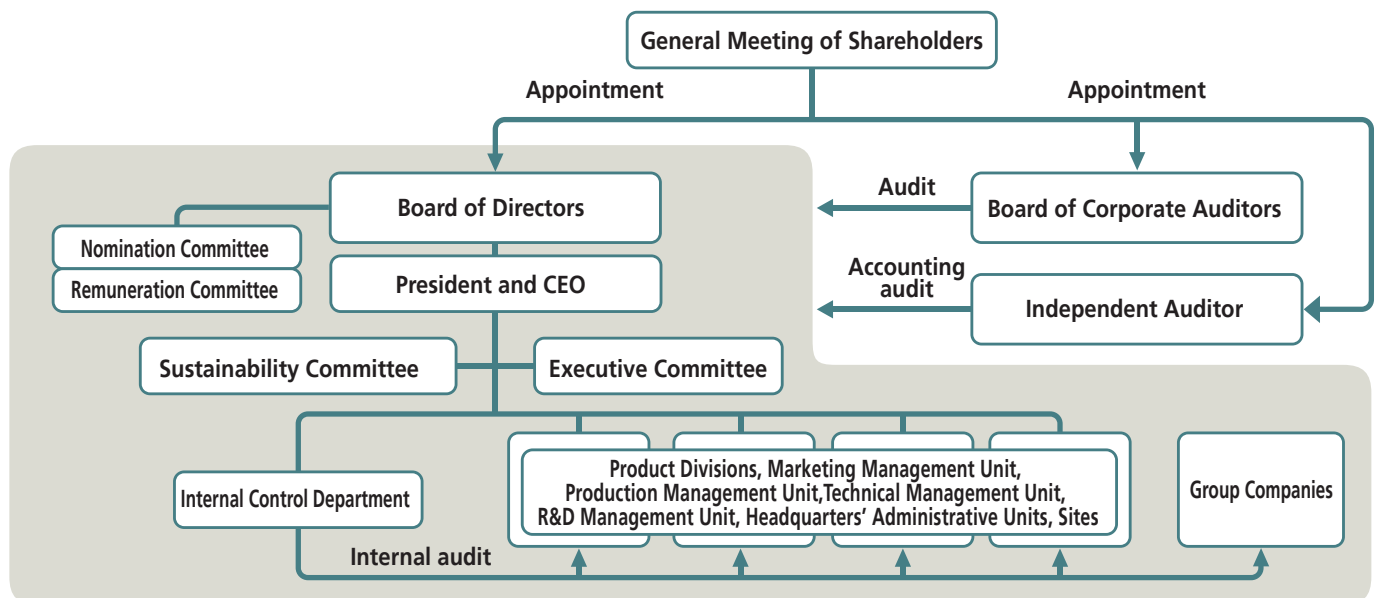
## 6 Systems for Ensuring that Audits by Corporate Auditors are Conducted Effectively

- 1) As well as attending meetings of the Board of Directors and other important meetings, Corporate Auditors may inspect the contents of *Ringi* approvals at any time.
- 2) In addition to meeting with Representative Directors on a periodic basis to exchange information and opinions, Corporate Auditors shall strive to foster close cooperation by holding liaison meetings on a periodic basis with the internal auditing department, the Independent Auditor and the Corporate Auditors of subsidiaries.
- 3) Directors and employees of the DIC Group shall report facts that could cause substantial damage to the Company and matters designated by the Board of Corporate Auditors as "Matters to be Reported to Corporate Auditors or the Board of Corporate Auditors" to Corporate Auditors or the Board of Corporate Auditors.
- 4) The DIC Group shall not treat persons who report to Corporate Auditors unfavorably because of the report.
- 5) The Company shall establish an Office of Corporate Auditors and shall assign dedicated personnel to assist Corporate Auditors in their duties. Such personnel shall obey only the directions and orders of the Corporate Auditors. Evaluations shall be conducted by Corporate Auditors and matters such as personnel changes and disciplinary actions will require the prior consent of Corporate Auditors.
- 6) The Company shall pay the costs and fees that Corporate Auditors need to perform their duties.

### Operational Status

Corporate Auditors attended important meetings, including those of the Board of Directors and the Executive Committee, and reviewed the contents of *Ringi* approvals as necessary. In addition, the Company held periodic meetings with Representative Directors, the Company's internal audit function, the Independent Auditor and the Corporate Auditors of subsidiaries to exchange opinions. Directors and employees reported on matters designated by the Board of Corporate Auditors, as well as on other important matters.

### Corporate Governance Structure



## Reference Corporate Governance

### 1 Basic Approach to Corporate Governance

The DIC Group defines corporate governance as a mechanism to ensure effective decision making pertaining to its management policy of achieving sustainable corporate growth and expansion through sound and efficient management, while at the same time guaranteeing the appropriate monitoring and assessment of and motivation for management's execution of business activities. With the aim of achieving a higher level of trust with our shareholders, customers and other stakeholders and enhancing corporate value, the DIC Group also promotes ongoing measures to reinforce its management system and ensure effective monitoring thereof.

The Company has prepared and disclosed a Policy on Corporate Governance to explain its basic approach to corporate governance.

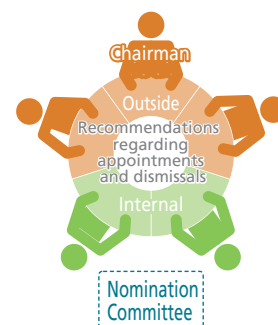
### 2 Outline of the Company's Corporate Governance

#### 1) Board of Directors

From the perspective of making business decisions in a timely manner and reinforcing corporate governance, the Board of Directors consists of nine Directors, three of whom are Outside Directors. The Board of Directors typically meets once a month to make decisions on matters delegated to it under the Companies Act and on important business matters stated in the regulations for meetings of the Board of Directors, as well as to receive status reports on the execution of business operations and supervise the execution of the business.

#### 2) Nomination Committee

To ensure objectivity in the nomination of Directors, Corporate Auditors and Executive Officers, among others, the Company has established a Nomination Committee, which provides recommendations to the Board of Directors regarding the appointment and dismissal of Directors, Corporate Auditors and Executive Officers. The Nomination Committee consists of five Directors, three of whom are Independent Outside Directors, with an Independent Outside Director serving as Chairman.



#### 3) Remuneration Committee

To ensure objectivity in the determination of remuneration for Directors and Executive Officers, the Company has established a Remuneration Committee, which has been entrusted with responsibility for determining remuneration, among others, for Directors and Executive Officers. The Remuneration Committee consists of five Directors, three of whom are Independent Outside Directors, with an Independent Outside Director serving as Chairman.



#### 4) Executive Committee

Established as a body to advise on important matters related to the execution of business, the Executive Committee meets twice monthly in principle. The Executive Committee consists of Executive Officers and others appointed by the Board of Directors. As part of the auditing process, one Corporate Auditor also attends Executive Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

#### 5) Sustainability Committee

The Sustainability Committee, which functions as an advisory body, meets several times annually to formulate sustainability policies and activity plans, as well as to evaluate and promote sustainability initiatives. The Sustainability Committee consists of directors and others designated by the Board of Directors. As part of the auditing process, one Corporate Auditor also attends Sustainability Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

## 6) Board of Corporate Auditors

The Board of Corporate Auditors consists of four Corporate Auditors, two of whom are Outside Corporate Auditors. In principle, the Board of Corporate Auditors meets once monthly. In addition to deliberating and making decisions on audit policies and planning, Corporate Auditors present their audit reports.

For more information of the Policy on Corporate Governance, please refer to the Company's website:  
[http://www.dic-global.com/en/about/pdf/governance\\_en.pdf](http://www.dic-global.com/en/about/pdf/governance_en.pdf)

# Consolidated Financial Statements

## Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2017	Previous Fiscal Year As of December 31, 2016 (Reference)	Accounts	Current Fiscal Year As of December 31, 2017	Previous Fiscal Year As of December 31, 2016 (Reference)
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>I Current assets</b>	<b>424,976</b>	<b>398,737</b>	<b>I Current liabilities</b>	<b>266,590</b>	<b>265,339</b>
Cash and deposits	17,883	17,241	Notes and accounts payable-trade	117,199	94,392
Notes and accounts receivable-trade	226,968	215,369	Short-term loans payable	61,385	52,744
Merchandise and finished goods	90,010	82,611	Current portion of long-term loans payable	27,677	43,647
Work in process	9,053	9,461	Lease obligations	557	584
Raw materials and supplies	58,911	53,605	Income taxes payable	4,793	4,153
Deferred tax assets	9,574	9,915	Deferred tax liabilities	399	322
Other	23,340	21,374	Provision for bonuses	7,071	7,050
Allowance for doubtful accounts	(10,763)	(10,839)	Other	47,509	62,447
<b>II Non-current assets</b>	<b>406,780</b>	<b>366,091</b>	<b>II Non-current liabilities</b>	<b>221,215</b>	<b>192,472</b>
<b>Property, plant and equipment</b>	<b>231,677</b>	<b>226,660</b>	Bonds payable	50,000	30,000
Buildings and structures	92,443	92,092	Long-term loans payable	122,017	109,918
Machinery, equipment and vehicles	70,554	66,342	Lease obligations	4,045	4,394
Tools, furniture and fixtures	11,129	10,142	Deferred tax liabilities	11,653	9,598
Land	50,307	50,169	Net defined benefit liability	22,774	28,072
Construction in progress	7,244	7,915	Asset retirement obligations	1,329	1,334
<b>Intangible assets</b>	<b>7,584</b>	<b>8,942</b>	Other	9,397	9,156
Goodwill	199	501	<b>Total liabilities</b>	<b>487,805</b>	<b>457,811</b>
Software	3,837	4,878	<b>(Net assets)</b>		
Other	3,548	3,563	<b>I Shareholders' equity</b>	<b>375,942</b>	<b>348,979</b>
<b>Investments and other assets</b>	<b>167,519</b>	<b>130,489</b>	Capital stock	96,557	96,557
Investment securities	76,867	41,007	Capital surplus	94,445	94,094
Deferred tax assets	31,871	36,996	Retained earnings	186,768	159,541
Net defined benefit asset	33,408	28,074	Treasury shares	(1,828)	(1,213)
Other	26,858	25,899	<b>II Valuation and translation adjustments</b>	<b>(60,813)</b>	<b>(70,444)</b>
Allowance for doubtful accounts	(1,485)	(1,487)	Valuation difference on available-for-sale securities	7,874	5,248
<b>Total assets</b>	<b>831,756</b>	<b>764,828</b>	Deferred gains or losses on hedges	(3)	(187)
			Foreign currency translation adjustment	(46,462)	(48,626)
			Remeasurements of defined benefit plans	(22,222)	(26,879)
			<b>III Non-controlling interests</b>	<b>28,822</b>	<b>28,482</b>
			<b>Total net assets</b>	<b>343,951</b>	<b>307,017</b>
			<b>Total liabilities and net assets</b>	<b>831,756</b>	<b>764,828</b>

# Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2017	Previous Fiscal Year Ended December 31, 2016 (Reference)
<b>I Net sales</b>	<b>789,427</b>	<b>751,438</b>
<b>II Cost of sales</b>	<b>605,809</b>	<b>571,895</b>
Gross profit	183,618	179,543
<b>III Selling, general and administrative expenses</b>	<b>127,135</b>	<b>125,361</b>
<b>Operating income</b>	<b>56,483</b>	<b>54,182</b>
<b>IV Non-operating income</b>	<b>8,352</b>	<b>7,031</b>
Interest income	1,817	575
Dividends income	447	401
Equity in earnings of affiliates	4,069	3,266
Foreign exchange gains	—	607
Other	2,019	2,182
<b>V Non-operating expenses</b>	<b>7,875</b>	<b>5,416</b>
Interest expenses	3,565	3,227
Foreign exchange losses	1,456	—
Other	2,854	2,189
<b>Ordinary income</b>	<b>56,960</b>	<b>55,797</b>
<b>VI Extraordinary income</b>	<b>2,112</b>	<b>920</b>
Gain on sales of non-current assets	1,156	—
Gain on change in equity	641	—
Gain on sales of subsidiaries and affiliates securities	315	—
State subsidy	—	842
Gain on bargain purchase	—	78
<b>VII Extraordinary loss</b>	<b>4,243</b>	<b>6,821</b>
Loss on disposal of non-current assets	2,682	4,412
Severance costs	951	1,416
Early termination fee	376	—
Impairment loss	234	—
Provision of allowance for doubtful accounts	—	553
Loss on disaster	—	440
<b>Income before income taxes and non-controlling interests</b>	<b>54,829</b>	<b>49,896</b>
Income taxes-current	10,517	11,565
Income taxes-deferred	3,388	767
<b>Net income</b>	<b>40,924</b>	<b>37,564</b>
Net income attributable to non-controlling interests	2,321	2,797
<b>Net income attributable to owners of the parent</b>	<b>38,603</b>	<b>34,767</b>



## Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2017	96,557	94,094	159,541	(1,213)	348,979
Change in FY 2017					
Dividends from surplus			(11,376)		(11,376)
Net income attributable to owners of the parent			38,603		38,603
Purchase of treasury shares				(615)	(615)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		351			351
Net changes of items other than shareholders' equity					
Total change in FY 2017	—	351	27,227	(615)	26,963
Balance at December 31, 2017	96,557	94,445	186,768	(1,828)	375,942

	Valuation and translation adjustments					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at January 1, 2017	5,248	(187)	(48,626)	(26,879)	(70,444)	28,482	307,017
Change in FY 2017							
Dividends from surplus							(11,376)
Net income attributable to owners of the parent							38,603
Purchase of treasury shares							(615)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							351
Net changes of items other than shareholders' equity	2,626	184	2,164	4,657	9,631	340	9,971
Total change in FY 2017	2,626	184	2,164	4,657	9,631	340	36,934
Balance at December 31, 2017	7,874	(3)	(46,462)	(22,222)	(60,813)	28,822	343,951

# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2017	Previous Fiscal Year As of December 31, 2016 (Reference)	Accounts	Current Fiscal Year As of December 31, 2017	Previous Fiscal Year As of December 31, 2016 (Reference)
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>I Current assets</b>	<b>146,777</b>	<b>142,324</b>	<b>I Current liabilities</b>	<b>229,620</b>	<b>236,538</b>
Cash and deposits	918	791	Notes payable-trade	10,795	2,789
Notes receivable-trade	7,522	9,740	Accounts payable-trade	58,243	55,187
Accounts receivable-trade	65,708	61,838	Short-term loans payable	136,929	147,358
Merchandise and finished goods	21,595	19,760	Accounts payable-other	15,150	23,644
Work in process	3,926	4,033	Income taxes payable	1,979	250
Raw materials and supplies	7,458	7,273	Accrued consumption taxes	—	383
Advance payments-trade	540	441	Provision for bonuses	4,667	4,676
Prepaid expenses	1,626	1,417	Provision for directors' bonuses	63	63
Deferred tax assets	3,240	3,284	Accrued expenses	486	580
Short-term loans receivable	8,440	9,257	Advances received	193	221
Accounts receivable-other	25,277	23,998	Deposits received	601	616
Other	546	547	Asset retirement obligations	35	—
Allowance for doubtful accounts	(20)	(55)	Other	478	772
<b>II Non-current assets</b>	<b>540,951</b>	<b>507,436</b>	<b>II Non-current liabilities</b>	<b>174,512</b>	<b>147,722</b>
<b>Property, plant and equipment</b>	<b>98,085</b>	<b>94,202</b>	Bonds payable	50,000	30,000
Buildings	32,202	30,993	Long-term loans payable	106,408	101,190
Structures	6,010	5,925	Provision for retirement benefits	17	14
Machinery and equipment	24,663	21,096	Provision for stock payments	121	—
Vehicles	61	65	Provision for loss on business of subsidiaries and affiliates	3,600	3,600
Tools, furniture and fixtures	5,221	4,442	Asset retirement obligations	481	512
Land	27,973	28,015	Deferred tax liabilities	9,580	7,811
Construction in progress	1,955	3,666	Other	4,306	4,595
<b>Intangible assets</b>	<b>4,570</b>	<b>4,176</b>	<b>Total liabilities</b>	<b>404,132</b>	<b>384,260</b>
Software	3,107	3,908	<b>(Net assets)</b>		
Other	1,463	268	<b>I Shareholders' equity</b>	<b>279,860</b>	<b>265,519</b>
<b>Investments and other assets</b>	<b>438,296</b>	<b>409,058</b>	<b>Capital stock</b>	<b>96,557</b>	<b>96,557</b>
Investment securities	18,977	14,798	<b>Capital surplus</b>	<b>94,156</b>	<b>94,156</b>
Stocks of subsidiaries and affiliates	360,040	335,413	Legal capital surplus	94,156	94,156
Investments in capital of subsidiaries and affiliates	19,322	19,322	<b>Retained earnings</b>	<b>90,976</b>	<b>76,020</b>
Long-term loans receivable	8	489	Other retained earnings		
Prepaid pension cost	21,711	20,600	Reserve for tax deferral of subsidies	27	29
Other	18,322	18,519	Reserve for tax deferral of insurance gains	9	9
Allowance for doubtful accounts	(83)	(83)	Reserve for tax deferral of capital gains from eminent domain	896	916
			Reserve for reduction entry of replaced property	5,264	5,527
			Retained earnings brought forward	84,781	69,539
			<b>Treasury shares</b>	<b>(1,828)</b>	<b>(1,213)</b>
			<b>II Valuation and translation adjustments</b>	<b>3,736</b>	<b>(19)</b>
			Valuation difference on available-for- sale securities	7,253	4,816
			Deferred gains or losses on hedges	(3,518)	(4,835)
<b>Total assets</b>	<b>687,728</b>	<b>649,760</b>	<b>Total net assets</b>	<b>283,596</b>	<b>265,500</b>
			<b>Total liabilities and net assets</b>	<b>687,728</b>	<b>649,760</b>

## Non-Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2017	Previous Fiscal Year Ended December 31, 2016 (Reference)
<b>I Net sales</b>	<b>232,045</b>	<b>228,876</b>
<b>II Cost of sales</b>	<b>184,169</b>	<b>183,684</b>
Gross profit	47,877	45,192
<b>III Selling, general and administrative expenses</b>	<b>32,333</b>	<b>31,994</b>
<b>Operating income</b>	<b>15,543</b>	<b>13,198</b>
<b>IV Non-operating income</b>	<b>17,514</b>	<b>8,074</b>
Interest income	63	73
Dividends income	16,662	6,928
Other	789	1,073
<b>V Non-operating expenses</b>	<b>2,672</b>	<b>3,232</b>
Interest expenses	1,870	2,184
Other	802	1,047
<b>Ordinary income</b>	<b>30,385</b>	<b>18,040</b>
<b>VI Extraordinary income</b>	<b>—</b>	<b>846</b>
Gain on sales of land	—	4
State subsidy	—	842
<b>VII Extraordinary loss</b>	<b>1,453</b>	<b>760</b>
Loss on disposal of non-current assets	1,076	760
Early termination fee	376	—
<b>Income before income taxes</b>	<b>28,933</b>	<b>18,127</b>
Income taxes-current	2,436	2,216
Income taxes-deferred	165	549
<b>Net income</b>	<b>26,332</b>	<b>15,361</b>

## Non-Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus		Retained earnings						Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings					Total retained earnings		
				Reserve for tax deferral of subsidies	Reserve for tax deferral of insurance gains	Reserve for tax deferral of capital gains from eminent domain	Reserve for reduction entry of replaced property	Retained earnings brought forward			
Balance at January 1, 2017	96,557	94,156	94,156	29	9	916	5,527	69,539	76,020	(1,213)	265,519
<b>Change in FY 2017</b>											
Reversal of reserve for tax deferral of subsidies				(2)				2	—		—
Reversal of reserve for tax deferral of insurance gains					(1)			1	—		—
Reversal of reserve for tax deferral of capital gains from eminent domain						(20)		20	—		—
Reversal of reserve for reduction entry of replaced property							(263)	263	—		—
Dividends from surplus								(11,376)	(11,376)		(11,376)
Net income								26,332	26,332		26,332
Purchase of treasury shares										(615)	(615)
Net changes of items other than shareholders' equity											
<b>Total change in FY 2017</b>	—	—	—	(2)	(1)	(20)	(263)	15,241	14,956	(615)	14,341
Balance at December 31, 2017	96,557	94,156	94,156	27	9	896	5,264	84,781	90,976	(1,828)	279,860

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at January 1, 2017	4,816	(4,835)	(19)	265,500
<b>Change in FY 2017</b>				
Reversal of reserve for tax deferral of subsidies				—
Reversal of reserve for tax deferral of insurance gains				—
Reversal of reserve for tax deferral of capital gains from eminent domain				—
Reversal of reserve for reduction entry of replaced property				—
Dividends from surplus				(11,376)
Net income				26,332
Purchase of treasury shares				(615)
Net changes of items other than shareholders' equity	2,437	1,318	3,755	3,755
<b>Total change in FY 2017</b>	2,437	1,318	3,755	18,095
Balance at December 31, 2017	7,253	(3,518)	3,736	283,596

# Audit Reports

## Audit Report of the Independent Auditor for the Consolidated Financial Statements

### INDEPENDENT AUDITOR'S REPORT

February 26, 2018

To the Board of Directors of  
DIC Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Yoshiaki Kitamura

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Koji Inoue

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of December 31, 2017 of DIC Corporation (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from January 1, 2017 to December 31, 2017, and the related notes.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DIC Corporation and its consolidated subsidiaries as of December 31, 2017, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.



## Audit Report of the Independent Auditor for the Non-Consolidated Financial Statements

### INDEPENDENT AUDITOR'S REPORT

February 26, 2018

To the Board of Directors of  
DIC Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Yoshiaki Kitamura

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Koji Inoue

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Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of December 31, 2017 of DIC Corporation (the "Company"), and the related statements of income and changes in net assets for the 120th fiscal year from January 1, 2017 to December 31, 2017, and the related notes and the accompanying supplemental schedules.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of DIC Corporation as of December 31, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

## Audit Report of the Board of Corporate Auditors

### AUDIT REPORT

With respect to the Directors' performance of their duties during the 120th fiscal year (from January 1, 2017 to December 31, 2017), the Board of Corporate Auditors of DIC Corporation (hereinafter referred to as "the Company") has prepared this audit report after deliberations based on the audit reports prepared by each Corporate Auditor and hereby reports as follows:

#### 1. Methods and Details of Audit by Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors has established the audit policies and the audit plans, etc. and received reports from each Corporate Auditor regarding the status of conduct of audits and results thereof. In addition, the Board of Corporate Auditors has received reports from the Directors, etc. and the Independent Auditors regarding the status of performance of their duties, and requested them to provide explanations as necessary.
- (2) In conformity with the Corporate Auditors auditing standards established by the Board of Auditors, and in accordance with the audit policies and audit plans, each Corporate Auditor endeavored to communicate with the Directors, internal audit departments and other relevant employees, endeavored to collect information and maintain and improve the audit environment and conducted audit with methods described below;
  - ① Each Corporate Auditor attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the Directors and relevant employees, requested them to provide explanations as necessary, examined important documents regarding decisions and approvals made and inspected the status of the business and property at the head office and other principal business locations. With respect to subsidiaries, each Corporate Auditor endeavored to communicate with and exchanged information with the Directors, the Corporate Auditors, and relevant employees of each subsidiary, received reports on their business as necessary, and investigated the status of their operations and property at some of subsidiaries.
  - ② Regarding maintenance and improvement of internal control systems that are set forth in Companies Act of Japan, each Corporate Auditor received reports of the Board of Directors' resolution and the status of establishment and operation from the Directors and relevant employees, requested them to provide explanations as necessary and expressed opinions. On internal controls of the corporate group, each Corporate Auditor received reports from Directors and relevant employees of subsidiaries and requested them to provide explanations as necessary.
  - ③ Each Corporate Auditor monitored and verified whether the Independent Auditors maintained their independence and properly conducted their audits, received reports from the Independent Auditors on the status of their performance of duties, and requested them to provide explanations as necessary. Each Corporate Auditor was notified by the Independent Auditors that they had established a system to ensure that the performance of the duties of the Independent Auditors is being properly conducted in accordance with the "Quality Control Standards for Audits" constituted by the Business Accounting Council, and requested them to provide explanations as necessary.

Based on the above-described methods, each Corporate Auditor examined the non-consolidated financial statements and the annexed detailed statements, as well as the consolidated financial statements, for the fiscal year.

## 2. Results of Audit

### (1) Results of Audit of the Business Report and Other Relevant Documents

- ① We acknowledge that the business report and annexed detailed statements fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- ② We discovered no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company in connection with the Directors' performance of their duties.
- ③ We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not discover any matter to be mentioned with respect to the Directors' performance of their duties concerning the internal control systems.

### (2) Results of Audit of Non-Consolidated Financial Statements and Annexed Detailed Statements

We acknowledge that the methods and results of the audit performed by the Independent Auditors, Deloitte Touche Tohmatsu LLC are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of the audit performed by the Independent Auditors, Deloitte Touche Tohmatsu LLC are appropriate.

February 27, 2018

The Board of Corporate Auditors of DIC Corporation

Fulltime Corporate Auditor	Yoshiyuki Mase	[Seal]
Fulltime Corporate Auditor	Jiro Mizutani	[Seal]
Outside Corporate Auditor	Katsunori Takechi	[Seal]
Outside Corporate Auditor	Cindy Yoshiko Shirata	[Seal]

[End of the Business Report of 120th Fiscal Year]



**1** Fulltime Corporate Auditor  
Yoshiyuki Mase

**2** Fulltime Corporate Auditor  
Jiro Mizutani

**3** Corporate Auditor \*  
Katsunori Takechi

**4** Corporate Auditor \*  
Cindy Yoshiko Shirata  
\* Outside



# DIC Celebrates its 110th Anniversary

## 1 DIC Group Milestones

- 1908 Established as Kawamura Ink Manufactory (February 15)
- 1925 Begins production of organic pigments for its own use
- 1952 Makes full-scale entry into the synthetic resins business
- 1962 Changes company name to Dainippon Ink and Chemicals, Inc.
- 1968 Commences sales of the *DIC Color Guide*
- 1973 Enters the market for LCs
- 1986 Acquires the graphic arts materials division of Sun Chemical Corporation
- 1990 Opens Kawamura Memorial Museum of Art (later renamed Kawamura Memorial DIC Museum of Art)
- 1999 Acquires Coates, the printing inks division of France's TOTALFINA S.A.



- 2008 Changes company name to DIC Corporation
- 2009 Establishes DIC Graphic Corporation
- 2010 Develops green pigments for color filters, expanding its functional pigments business
- 2012 Expands its global development and production configuration for PPS compounds
- 2015 Completes reconstruction of corporate headquarters in Nihonbashi
- 2016 Launches branding program based on its new brand slogan, "Color & Comfort"
- 2017 Enters into capital and business alliance with TAIYO HOLDINGS
- 2018 Celebrates 110th anniversary (February 15)



## 2 110th Anniversary Commemorative Advertisement

To commemorate its 110th anniversary, DIC placed a special advertisement in newspapers and magazines in Japan. Based on the concept "Make your heart more colorful," the advertisement uses a colorful balloon motif. DIC has also developed special content for its Japanese-language corporate website, including a 110th anniversary video and graphics.



### On Air: The Second Installment of DIC's Brand Advertisement for Television (*Irodori no Uta*)



Airing details  
 Program: *Hodo Station* (in-depth weekly news program on TV Asahi-affiliated stations across Japan)  
 Day/time: Wednesday  
 9:54 p.m. – 11:10 p.m.  
 (As of March 2018)

With the aim of helping to bolster brand value in advance of its 110th anniversary, in fiscal year 2016 DIC embarked on a new branding program. At present, *Irodori no Uta* ("Poem of Colors"), the second installment of DIC's brand advertisement, which stars actress Riho Yoshioka, is on air in Japan.

The advertisement was developed based on the concept "Make your heart more colorful," which draws on the Group's brand slogan, "Color & Comfort," and one of its three corporate values, "Making it Colorful." In addition to an enchanting recitation by Ms. Yoshioka, the advertisement features uniquely beautiful visual imagery that combines film and state-of-the-art drone footage.