

# DIC Corporation

## Notice of Convocation of the 119th Annual General Meeting of Shareholders

Please note that this is an unofficial English translation of the Japanese Notice of Convocation of the 119th 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.



## To Our Shareholders

Let me begin by conveying my appreciation to shareholders for their ongoing encouragement and guidance. I would also like to extend my thanks to new shareholders. I look forward to your support in the years ahead.

In January 2016, we kicked off a new medium-term management plan, “DIC108”, to guide our efforts from fiscal year 2016 through fiscal year 2018. The plan sets forth a medium- to long-term growth scenario and outlines 4 business initiatives aimed at positioning the DIC Group on a new path to growth, which are to ① expand businesses that will drive growth, ② pursue opportunities for strategic investments (M&As etc.), ③ rationalize operations in mature markets, and ④ create next-generation businesses. Over the 3 years of the plan, we will take decisive steps to ensure the successful implementation of these strategies.

In fiscal year 2016, we witnessed dramatic changes in our operating environment brought about by factors that affect our businesses, including fluctuating currency exchange rates and naphtha prices. Nonetheless, thanks to steady efforts to promote the strategies of “DIC108” we reported consolidated operating income of 54.2 billion yen and consolidated ordinary income of 55.8 billion yen, both of which are record highs. Taking into consideration these results, as well as the fact that net income attributable to owners of the parent exceeded our forecast, we intend to allocate 60 yen per share of common stock as a year-end dividend. Approval of this proposal will be greatly appreciated.

Yoshiyuki Nakanishi  
Representative Director

A handwritten signature in black ink, appearing to read 'Yoshiyuki Nakanishi', written in a cursive style.

# Notice of Convocation

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Securities Code: 4631

March 13, 2017

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

Yoshiyuki Nakanishi, Representative Director

### Notice of Convocation of the 119th Annual General Meeting of Shareholders

The 119th 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 Meeting in person, you may exercise your voting rights in writing or by electromagnetic means (the Internet etc.). Upon review of the "Reference Documents for the General Meeting of Shareholders" (on pages 7 through 22), please exercise your voting rights in accordance with the "Guidance Notes on the Exercise of Voting Rights" (on pages 5 and 6) by 5:15 p.m., Tuesday, March 28, 2017 (Japan time).

#### Date and Time

10:00 a.m., Wednesday, March 29, 2017 (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 Meeting

##### Matters to be Reported:

1. Business Report and Consolidated Financial Statements for the 119th Fiscal Year (from January 1, 2016 to December 31, 2016), and Audit Reports of the Independent Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements
2. Non-Consolidated Financial Statements for the 119th Fiscal Year (from January 1, 2016 to December 31, 2016)

##### Matters to be Resolved:

- |             |   |
|-------------|---|
| Proposal 1. | Appropriation of Surplus                                      |
| Proposal 2. | Election of 9 Directors                                       |
| Proposal 3. | Election of 1 Corporate Auditor                               |
| Proposal 4. | Introduction of the Performance-Based Stock Compensation Plan |

## Matters Decided upon the Convocation of the 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 Non-Consolidated Financial Statements, or the 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 the 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 attachment to this notice:

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

IR Information

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

Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Corporate Auditors and Independent Auditors include, in addition to the materials contained in the attachment to this notice, the Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements disclosed on the Company's website.

**The Company will no longer hand out souvenirs at the General Meeting of Shareholders from this year. 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 Meeting

Please present your Exercise of Voting Rights Form to the reception desk at the place of the Meeting to be held at 10:00 a.m., Wednesday, March 29, 2017 (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., Tuesday, March 28, 2017 (Japan time).
- 3** Exercise your voting rights via the Internet etc. (through a personal computer, smartphone, or mobile phone)

Please enter your approval or disapproval of each proposal on the website for the exercise of voting rights at <http://www.evotest.jp/> by 5:15 p.m., Tuesday, March 28, 2017 (Japan time).

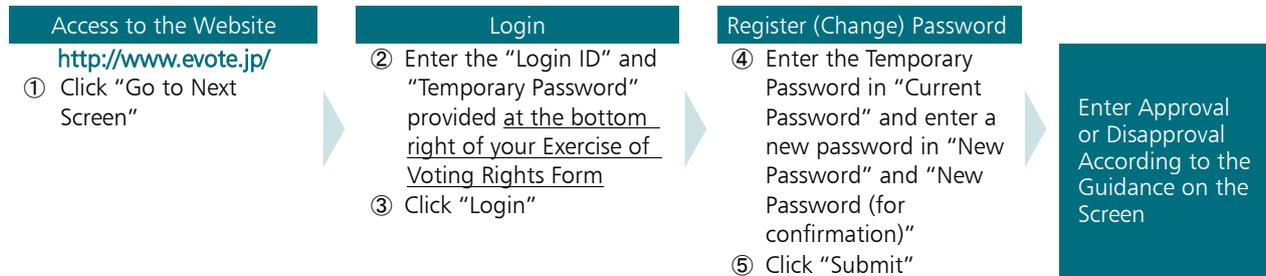
## Electronic Voting Platform for Institutional Investors

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 (<http://www.evotep.jp/>) through a personal computer, smartphone, or mobile phone (Please note that you will not be able to access the website from 2:00 a.m. to 5:00 a.m. (Japan time) every day.).

### ■ Example: Access through Personal Computer



### Cautionary Notes

In exercising voting rights through 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  
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

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### Proposal 1

### Appropriation of Surplus

The Company believes that it should pursue 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 them effectively in order to promote the future interests of the shareholders by reinforcing the business essentials 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: 5,688,021,120 yen

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. The Company previously paid out 4 yen per share as an interim dividend, calculated as of June 30, 2016. Therefore the aggregate amount of annual dividends for the fiscal year under review will be, in the case that the annual dividends are calculated based on non-consolidation shares, 10 yen per share; 4 yen per share as the interim dividend plus 6 yen per share as the year-end dividend. In the case that annual dividends are calculated based on consolidation shares, the aggregate amount of the annual dividends for the fiscal year under review will be 100 yen per share; 40 yen per share as the interim dividend plus 60 yen per share as the year-end dividend.

#### 3 Effective Date of Dividend

March 30, 2017

## Proposal 2

## Election of 9 Directors

The term of office of all 7 incumbent Directors is expired at the conclusion of the Meeting. At this time the Company would like to increase the number of Directors by 2, in order to reinforce the governance of the Company. The Company proposes the election of 9 Directors.

The candidates for Directors are as follows:

Candidate No.	Candidate Name	Positions and Responsibilities at the Company	
1	Yoshiyuki Nakanishi	Representative Director President and CEO	Re-Nominated
2	Masayuki Saito	Representative Director Executive Vice President Assistant to President and CEO CFO	Re-Nominated
3	Yoshihisa Kawamura	Director	Re-Nominated
4	Hitoshi Wakabayashi	Director Managing Executive Officer President, Fine Chemicals Segment General Manager, Pigments Product Div.	Re-Nominated
5	Kaoru Ino	Director Managing Executive Officer Responsible for Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art	Re-Nominated
6	Hideo Ishii	Managing Executive Officer President, Printing Inks Segment General Manager, Printing Inks Product Div. General Manager, Printing Inks Production Div.	Newly Nominated
7	Takao Suzuki	Director	Re-Nominated Outside Director Independent Director
8	Yukako Uchinaga	Director	Re-Nominated Outside Director Independent Director
9	Kazuo Tsukahara		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

Candidate No.

1



Number of the Company's Shares Held  
10,800

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 as an employee
- April 2008 Division President, Functional Polymers Div.
- April 2010 Executive Officer; Responsible for Corporate Strategy Div. and Kawamura Memorial Museum of Art
- June 2011 Director; Executive Officer; Responsible for Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
- April 2012 Representative Director; President and CEO to present

### ▶ Reasons for Being a Candidate for Director

Since Mr. Yoshiyuki Nakanishi joined the Company, he has assumed several key posts in the Polymer Segment and has experience as Executive Officer responsible for the Corporate Strategy Div. Since 2012, he has been serving as Representative Director, President and CEO. As a result he has a wide variety of experiences, actual achievements, and knowledge about the management of chemical industrial companies as well as the management of global businesses. Accordingly, Mr. Yoshiyuki Nakanishi is once again a candidate for Director.

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

Candidate No.

2



Number of the Company's Shares Held

10,112

Attendance at Board of Directors Meetings

13/14

## Masayuki Saito [DOB: November 8, 1954]

### ▶ Brief Personal History, Positions, and Responsibilities

- April 1977 Joined the Company as an employee
- April 2007 General Manager, Finance Dept.
- April 2008 Executive Officer; Responsible for Finance & Accounting Div.
- June 2010 Director; Executive Officer; Responsible for Finance & Accounting Div.
- April 2011 Director; Managing Executive Officer; Responsible for Finance & Accounting Div.
- April 2012 Representative Director; Senior Managing Executive Officer; Assistant to President and CEO; Responsible for Finance & Accounting Div.
- January 2016 Representative Director; Executive Vice President; to present Assistant to President and CEO; CFO

### ▶ Principal Concurrent Positions Held at Other Organizations

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

### ▶ Reasons for Being a Candidate for Director

Mr. Masayuki Saito has experience as General Manager of the Corporate Strategic Planning Dept., Managing Director of the regional headquarters of the Asia region, and General Manager of the Finance Dept. At present, he is CFO and assisting to President and CEO as Representative Director and Executive Vice President. As a result he has a wide variety of experiences, actual achievements, and knowledge about the management of global businesses. Accordingly, Mr. Masayuki Saito is once again a candidate for Director.

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

Candidate No.

3



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. as an employee  
April 1991    Joined the Company as an employee  
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 Operation  
April 2012    Director; Managing Executive Officer  
April 2013    Director; Managing Executive Officer; Responsible  
for Sales & Marketing Support Div.  
January 2014    Director  
to present

### ▶ Principal Concurrent Positions Held at Other Organizations

Director and Chairman of the Board, DIC Graphics Corporation

### ▶ Reasons for Being a Candidate for Director

Mr. Yoshihisa Kawamura has experience 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 is supervising the management of the DIC Group as Director. As a result he has a wide variety of experiences, actual achievements, and knowledge about the management of global businesses. Accordingly, Mr. Yoshihisa Kawamura is once again a candidate for Director.

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

Candidate No.

4



Number of the Company's Shares Held  
3,500

Attendance at Board of Directors Meetings  
14/14

## Hitoshi Wakabayashi [DOB: August 29, 1953]

### ▶ Brief Personal History, Positions, and Responsibilities

- April 1974 Joined the Company as an employee
- April 2008 Division President, Pigments Div.
- April 2011 Executive Officer; Division President, Pigments Div.
- April 2012 Executive Officer; General Manger, Fine Chemicals Product Div.
- January 2014 Managing Executive Officer; Responsible for Fine Chemicals Segment; General Manger, Fine Chemicals Product Div.
- March 2015 Director; Managing Executive Officer; Responsible for Fine Chemicals Segment; General Manger, Fine Chemicals Product Div.
- January 2016 Director; Managing Executive Officer; President, Fine Chemicals Segment; General Manager, Pigments Product Div.; Senior Manager, Pigments Product
- January 2017 to present Director; Managing Executive Officer; President, Fine Chemicals Segment; General Manager, Pigments Product Div.

### ▶ Reasons for Being a Candidate for Director

Since Mr. Hitoshi Wakabayashi joined the Company, he has assumed several key posts in the Pigments Segment and he has experience as President of the Pigments Division. At present, he is President of the Fine Chemicals Segment. As a result he has a wide variety of experiences, actual achievements, and knowledge about the management of global businesses. Accordingly, Mr. Hitoshi Wakabayashi is once again a candidate for Director.

Note: There are no special interests between Mr. Hitoshi Wakabayashi and the Company.

Candidate No.  
5



Number of the Company's Shares Held  
2,500

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 as an employee
- 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; Responsible for Corporate Strategy Div.; General Manager, Corporate Planning Dept.
- January 2015 Executive Officer; Responsible for Corporate Strategy Div.
- January 2016 Managing Executive Officer; Responsible for Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
- March 2016 to present Director; Managing Executive Officer; Responsible for Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art

### ▶ Reasons for Being a Candidate for Director

Mr. Kaoru Ino has experience as General Manager of the Finance Dept., General Manager of the Purchasing and Logistics Dept., and General Manager of the Corporate Planning Dept. At present, he is Managing Executive Officer responsible for the Corporate Strategy Div. As a result he has a wide variety of experiences, actual achievements, and knowledge about the management of global businesses. Accordingly, Mr. Kaoru Ino is once again a candidate for Director.

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

Candidate No.

6



Number of the Company's Shares Held  
3,600

Attendance at Board of Directors Meetings  
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## Hideo Ishii [DOB: December 30, 1954]

Newly Nominated

### ▶ Brief Personal History, Positions, and Responsibilities

- April 1979 Joined the Company as an employee
- April 2009 General Manager, Graphic Arts Materials Technical Administrative Dept.
- April 2010 Division President, Imaging & Reprographic Products Div.
- January 2014 Executive Officer; Responsible for Application Materials Segment; General Manager, Liquid Compounds Product Div.
- January 2015 Managing Executive Officer; Responsible for Printing Inks Segment; General Manager, Printing Inks Product Div.
- January 2016 Managing Executive Officer; President, Printing Inks Segment; General Manager, Printing Inks Product Div.; General Manager, Printing Inks Production Div.

### ▶ Reasons for Being a Candidate for Director

Mr. Hideo Ishii has experience 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 Segment. As a result he has a wide variety of experiences, actual achievements, and knowledge about the management of global businesses. Accordingly, Mr. Hideo Ishii is a candidate for Director.

#### Notes:

1. Mr. Hideo Ishii is a newly nominated candidate for Director.
2. There are no special interests between Mr. Hideo Ishii and the Company.

Candidate No.

7



Number of the Company's Shares Held

0

Attendance at Board of Directors Meetings

14/14

## Takao Suzuki [DOB: January 12, 1946]

Outside Director Candidate

Independent Director

### ▶ Brief Personal History, Positions, and Responsibilities

April 1969 Joined Hitachi, Ltd. as an employee  
June 2003 Executive Officer, Hitachi, Ltd.  
January 2006 Vice President and Executive Officer, Hitachi, Ltd.  
April 2006 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi Transport System, Ltd.  
June 2006 Representative Executive Officer, President and CEO, and Director, Hitachi Transport System, Ltd.  
June 2013 to present Outside Director, the Company  
June 2013 Director and Chairman of the Board, Hitachi Transport System, Ltd.  
June 2016 to present Chairman Emeritus, Hitachi Transport System, Ltd.

### ▶ Reasons for Being a Candidate for Outside Director

Mr. Takao Suzuki, as stated in the Brief Personal History above, has been engaged in corporate management for a long time. Accordingly, Mr. Takao Suzuki 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 Mr. Takao Suzuki and the Company.
2. Mr. Takao Suzuki is a candidate for Outside Director, and the matters to be particularly mentioned in this connection 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 Meeting, Mr. Takao Suzuki will have served for 3 years and 9 months as Outside Director of the Company.
  - (2) Summary of Liability Limitation Contracts  
The Company plans to extend the contract for limitation of liability with Mr. Takao Suzuki, 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 acts in good faith and is not grossly negligent in performing his duties.
  - (3) Designation of Independent Director  
Mr. Takao Suzuki 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

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. as an employee  
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 Outside Director, the Company  
to present

### ▶ 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  
President and CEO, Globalization Research Institute Co., Ltd.

### ▶ Reasons for Being a Candidate for Outside Director

Ms. Yukako Uchinaga, as stated in the Brief Personal History above, has been engaged in corporate management for a long time. Accordingly, Ms. Yukako Uchinaga 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 Ms. Yukako Uchinaga and the Company.
2. Ms. Yukako Uchinaga is a candidate for Outside Director, and the matters to be particularly mentioned in this connection 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 Meeting, Ms. Yukako Uchinaga will have served for 3 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 Ms. Yukako Uchinaga, 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 acts in good faith and is not grossly negligent in performing her duties.
  - (3) Designation of Independent Director  
Ms. Yukako Uchinaga 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

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## Kazuo Tsukahara [DOB: April 17, 1950]

Newly Nominated 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 Adviser, IHI Corporation
- to present

### ▶ Principal Concurrent Positions Held at Other Organizations

Outside Director, NACHI-FUJIKOSHI CORP.

### ▶ Reasons for Being a Candidate for Outside Director

Mr. Kazuo Tsukahara, as stated in the Brief Personal History above, has been engaged in corporate management for a long time. Accordingly, Mr. Kazuo Tsukahara is a candidate for Outside Director so that his experience and insight can be applied to the management of the Company.

#### Notes:

1. Mr. Kazuo Tsukahara is a newly nominated candidate for Director.
2. There are no special interests between Mr. Kazuo Tsukahara and the Company.
3. Mr. Kazuo Tsukahara is a candidate for Outside Director, and the matters to be particularly mentioned in this connection are as follows:
  - (1) Summary of Liability Limitation Contracts  
The Company plans to enter into a contract for limitation of liability with Mr. Kazuo Tsukahara, 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 acts in good faith and is not grossly negligent in performing his duties.
  - (2) Designation of Independent Director  
The Company plans to designate Mr. Kazuo Tsukahara 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.

With the expiration of the term of office of 1 incumbent Corporate Auditor, Mr. Katsunori Takechi, at the conclusion of the Meeting, the Company proposes the election of 1 Corporate Auditor.

This proposal has been consented to by the Board of Corporate Auditors.

The candidate for Corporate Auditor is as follows:



Number of the Company's Shares Held	0
Attendance at Board of Directors Meetings	14/14
Attendance at Board of Auditors Meetings	14/14

## Katsunori Takechi [DOB: January 11, 1971]

Outside Auditor Candidate Independent Auditor

### ▶ Brief Personal History and Positions

March 1998 Completed the Course of Legal Research and Training Institute  
 April 1998 Assistant Judge of Osaka District Court  
 April 2000 Public Prosecutor, the Civil Affairs Bureau of the Ministry of Justice  
 August 2003 Assistant Judge of Tokyo District Court  
 October 2003 Joined Anderson Mori and Tomotsune  
 January 2006 Partner, Anderson Mori and Tomotsune  
 November 2006 Partner, Kataoka and Kobayashi  
 July 2011 Managing Partner, Takechi and Partners to present  
 June 2013 Outside Auditor, the Company to present

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

Mr. Katsunori Takechi has earned a reputation in area of corporate legal affairs and he has a wide variety of knowledge and experiences. In addition, he has actual achievements as the Company's Outside Auditor. Accordingly, Mr. Katsunori Takechi is once again a candidate for Outside Auditor.

#### Notes:

- There are no special interests between Mr. Katsunori Takechi and the Company.
- Mr. Katsunori Takechi is a candidate for Outside Auditor, and the matters to be particularly mentioned in this connection are as follows:
  - Number of Years since the Candidate First Assumed the Office of Outside Auditor of the Company  
 At the conclusion of the Meeting, Mr. Katsunori Takechi will have served for 3 years and 9 months as Outside Auditor of the Company.
  - Summary of Liability Limitation Contracts  
 The Company plans to extend the contract for limitation of liability with Mr. Katsunori Takechi, 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 acts in good faith and is not grossly negligent in performing his duties.
  - Designation of Independent Auditor  
 Mr. Katsunori Takechi is designated as Independent 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)

### Independence Standards for Independent Outside Officers

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

- 1** Individuals who have been Operations Executives of the Company or of the consolidated subsidiaries of the Company (collectively, the "Company Group") at present or within the preceding 10 years.
- 2** Individuals to whom any of the items ① through ⑧ listed below applied during the preceding 3 years:
  - ① A principal business partner of the Company Group (a business partner in which the transactional amount during 1 business year exceeds 3% of the sales of the Company Group), or an Operations Executive of the same
  - ② Those individuals for whom the Company Group is a principal business partner (a business partner in which the transactional amount during 1 business year exceeds 3% of the consolidated sales of said business partner), or an Operations Executive of the same
  - ③ A shareholder who holds 5% or more of the voting rights of the Company, or an Operations Executive of the same
  - ④ A principal lender of the Company Group (a lender in which the loan amount during 1 business year exceeds 3% of the total assets of the Company Group), or an Operations Executive of the same
  - ⑤ An individual who has received a contribution of more than 10 million yen annually from the Company Group, or an individual belonging to a group that has received the same
  - ⑥ An accounting auditor or an accountant, and the like, who is an accounting advisor of the Company Group, or an individual who is an employee, partner or worker of the audit firm
  - ⑦ An individual to whom item ⑥ above does not apply, but who received remuneration from the Company Group in excess of 10 million yen annually as a provider of professional services, such as a consultant, accountant or attorney, not including remuneration received as an officer; or an individual who belongs to any group that has received remuneration in excess of 3% of consolidated sales in consideration for professional services such as a consultant, accountant or attorney
  - ⑧ An Operations Executive of another company in the event that an Operations Executive of the Company takes office as an outside officer at said other company.
- 3** Spouses and relatives within the second degree of kinship of individuals listed in Section 1 and Section 2 above.
- 4** An individual whose term in office as an Outside Officer exceeds 8 years.

**1 Reasons for the Proposal**

With regard to the compensation for Executive Officers, as well as Directors who concurrently serve as Executive Officers (the "Target Officers"), the Company proposes to introduce a new performance-based stock compensation plan called Board Benefit Trust (BBT) (the "Plan"). The purpose of the Plan is to further clarify the linkage between the compensation of the Target Officers, and corporate performance and the value of the Company's shares. The intended result is strengthening the Target Officers' awareness of their contributions to the medium- to long-term improvement of corporate performance and value.

This proposal is submitted for approval as provided in section **2** below. The Plan would provide new stock compensation for Directors of the Company who concurrently serve as Executive Officers in addition to the compensation for Directors which was approved at the 109th Annual General Meeting of Shareholders held on June 27, 2007.

If "Proposal 2. Election of 9 Directors" is approved, the number of Directors eligible for inclusion under the Plan will be 5.

**2 Amount of Compensation etc. and Outline of the Plan****1) Outline of the Plan**

The proposed trust established under the Plan (the "Trust") will acquire the Company's shares by cash contributed by the Company. The Trust will provide shares of the Company and the cash equivalent to the market price of the shares of the Company (the "Company's Shares and Cash Benefits") to the Target Officers, in accordance with the Rules of Officer Share Benefit established by the Company. The Target Officers shall in principle receive the Company's Shares and Cash Benefits upon their retirement.

Please note that the Company would like to entrust the details of the Plan to the Board of Directors within the scope of the structure provided in this section **2**.

**2) Individuals Eligible for the Plan**

Executive Officers as well as Directors who concurrently serve as Executive Officers (excluding Outside Directors and Corporate Auditors)

**3) Amount of Trust Cash**

On the condition that this proposal is approved, the Company shall contribute the following amount of cash to the Trust as funds to acquire shares of the Company, initially targeting the 3 fiscal years beginning from fiscal year ending December 2017 to the fiscal year ending December 2019 (the period of the 3 fiscal years concerned is hereinafter referred to as the "Initial Covered Period", with each subsequent 3-year fiscal period thereafter a "Covered Period".) as well as each subsequent Covered Period, for the purpose of granting the Company's Shares and Cash Benefits to the Target Officers under the Plan.

The Company shall contribute up to 600 million yen to the Trust as the necessary funds under the Plan with regard to the Initial Covered Period when the Trust is established (May 2017 (estimated)).

In addition, following the Initial Covered Period, and during the time until the Plan ends, the Company shall make additional contributions of funds in such amounts necessary, subject to the upper limit of 600 million yen, for each Covered Period. However, if, when conducting such additional contributions, the shares of the Company (excluding the shares of the Company that are corresponding to the points granted to the Target Officers and of which provision to the Target Officers has not yet been completed) and cash remain in the Trust (hereinafter, such shares and cash shall be referred to as the "Residual Shares and Cash"), the upper limit for the additional contributions that the Company can make in the subsequent Covered Period shall be the amount calculated by deducting the amount of the Residual Shares and Cash (for shares, the book value on the day immediately preceding the commencement of the Covered Period) from 600 million yen. When the Company determines additional contributions, the Company will make an appropriate disclosure in a timely manner.

#### **4) Amount of Compensation**

In line with the introduction of the Plan, the Company shall contribute up to 600 million yen to the Trust for each Covered Period. The Company proposes that the Company shall contribute up to 250 million yen out of the above 600 million yen for Directors who concurrently serve as Executive Officers.

#### **5) Method and Number of Acquisition of the Shares of the Company**

The Trust shall acquire the shares of the Company through the stock market or through subscribing to the Company's disposal of treasury shares by using the funds contributed as in 3) above as the underlying funds.

As a reference, if the shares of the Company were to be acquired at the closing price on February 27, 2017, in the Initial Covered Period, 151,515 shares could be acquired from funds, assuming an upper limit of 600 million yen as the underlying funds that the Company will contribute for acquiring shares to be provided to the Target Officers. The Company will acquire the shares of the Company by the Trust without any delay in the Initial Covered Period. The Company will make an appropriate disclosure on the details of the acquisition of the shares of the Company by the Trust in a timely manner.

#### **6) Method for Determining the Number of the Company's Shares and Cash Benefits to be Granted to the Target Officers**

Each fiscal year, the Target Officers shall be granted a specified number of points fixed according to predetermined factors including the position of the Target Officers and the degree of achievement of performance of the Company, and which shall be granted in accordance with the Rules of Officer Share Benefit.

It should be noted that when providing the Company's Shares and Cash Benefits as in 7) below, points granted to the Target Officers shall be converted into the Company's common shares at the rate of 1 common share of the Company per 1 point. However, if a share split, allotment without consideration, share consolidation, etc. of the Company's shares occurs after the approval of this proposal, reasonable adjustments shall be made to the number of points that have been granted to the Target Officer or the conversion rate in accordance with the share split ratio, share consolidation ratio, or other relevant ratio, etc.

The number of points for a Target Officer that is used as the basis for the provision of the Company's Shares and Cash Benefits as in 7) below shall be fixed at the number of cumulative points granted to that Target Officer until the time of retirement from office (the "Finalized Point Number").

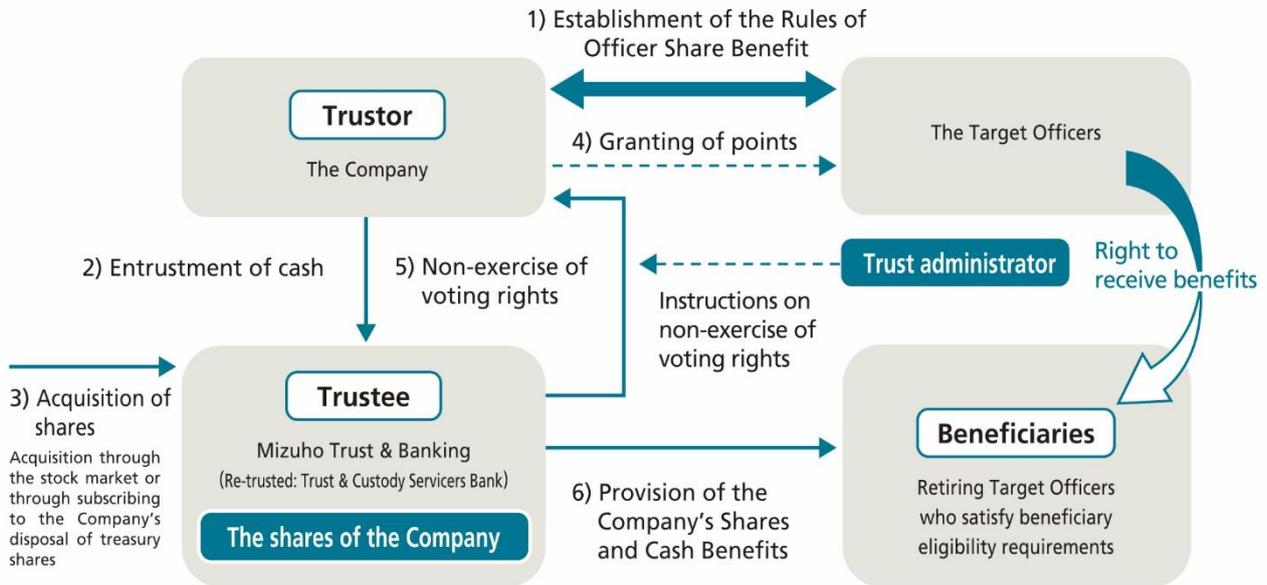
#### **7) Provision of the Company's Shares and Cash Benefits**

If a Target Officer fulfills the beneficiary eligibility requirements stipulated in the Rules of Officer Share Benefit, the Target Officer can, upon retirement from office, receive the shares of the Company corresponding to the Finalized Point Number fixed as in 6) above, from the Trust. However, if requirements stipulated separately in the Rules of Officer Share Benefit are fulfilled in addition to the beneficiary eligibility requirements, the Target Officers shall receive provision of cash equivalent to the amount obtained if converting the shares of the Company at the market price in lieu of the shares of the Company for a certain proportion of the number of points granted to the relevant Target Officers. It should be noted that the shares of the Company may be sold by the Trust in order to provide cash to the Target Officers.

#### **8) Treatment of Dividends**

Dividends on the shares of the Company in the Trust account shall be received by the Trust, and used for the acquisition of the shares of the Company and trust fees payable to the trustee of the Trust, among other things. It should be noted that if the Trust is terminated, the dividends remaining in the Trust shall be provided to the Target Officers in office at that time in proportion to the number of points that each of them holds, in accordance with the Rules of Officer Share Benefit.

(Reference)  
Structure of the Plan



- 1) The Company shall establish the Rules of Officer Share Benefit within the scope of the structure approved in this proposal.
- 2) The Company shall entrust cash within the scope approved in this proposal.
- 3) The Trust shall acquire the shares of the Company through the stock market or subscribing to the Company's disposal of treasury shares by using cash entrusted as in 2) above as the underlying funds.
- 4) The Company shall grant points to the Target Officers in accordance with the Rules of Officer Share Benefit.
- 5) The Trust shall not exercise voting rights of the shares of the Company in the Trust account in accordance with the instructions from the trust administrator independent of the Company.
- 6) The Trust shall provide those individuals who retire from office as the Target Officers and fulfill the beneficiary eligibility requirements stipulated in the Rules of Officer Share Benefit (the "Beneficiaries") with the shares of the Company according to the number of points granted to the relevant Beneficiaries. However, if the Target Officers fulfill requirements stipulated separately in the Rules of Officer Share Benefit, the Company shall provide the Target Officers with cash equivalent to the amount obtained if converting the shares of the Company at the market price in lieu of the shares of the Company for a certain proportion of the number of points granted to the relevant Target Officers.

(Attachment)

## Business Report

(January 1, 2016 - December 31, 2016)

1

### Operating Results of the DIC Group for the Fiscal Year, Ended December 31, 2016

#### 1 Overview of Operating Results

In fiscal year 2016, ended December 31, 2016, the economies of North America and Europe continued to see moderate recovery. In Asia, a revival was seen in the People's Republic of China (PRC) and Southeast Asia. Conditions in India remained on a gentle upswing. Japan's economy, while still fragile, showed signs of a gradual rally.

In this environment, consolidated net sales declined 8.4%, to 751.4 billion yen, notwithstanding firm shipments, owing to the appreciation of the yen against other major currencies, among others.

Operating income advanced 6.1%, to 54.2 billion yen. Factors behind this result included increased sales of high-value-added products and cost reductions.

Ordinary income rose 13.9%, to 55.8 billion yen, bolstered by an improved financial position and other factors. Both operating income and ordinary income results represented record highs.

Net income attributable to owners of the parent decreased 7.0%, to 34.8 billion yen, with contributing factors including a decline in gain on sales of noncurrent assets.

(Billions of yen)

	Fiscal Year 2015	Fiscal Year 2016	Change	Change Excluding the Impact of Foreign Currency Fluctuations
Net Sales	820.0	751.4	-8.4%	-0.3%
Operating Income	51.1	54.2	6.1%	14.7%
Ordinary Income	49.0	55.8	13.9%	—
Net Income Attributable to Owners of the Parent	37.4	34.8	-7.0%	—

Notes:

- The exchange rates used to translate the results of overseas DIC Group companies for fiscal years 2016 and 2015, respectively, are as follows:  
Fiscal year 2016: ¥109.96/US\$1.00 (average for the year ended December 31, 2016)  
Fiscal year 2015: ¥120.85/US\$1.00 (average for the year ended December 31, 2015)
- Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and other regulations. As a result, the presentation method for "Net Income" was changed to "Net Income Attributable to Owners of the Parent".

Results of operations by segment are as follows:

(Billions of yen)

Segment	Net Sales				Operating Income			
	Fiscal Year 2015	Fiscal Year 2016	Change	Change Excluding the Impact of Foreign Currency Fluctuations	Fiscal Year 2015	Fiscal Year 2016	Change	Change Excluding the Impact of Foreign Currency Fluctuations
Printing Inks	412.6	365.2	-11.5%	-0.7%	19.0	18.4	-3.3%	8.8%
Fine Chemicals	135.5	128.2	-5.4%	2.2%	13.1	14.4	10.0%	16.8%
Polymers	194.6	180.9	-7.0%	-3.0%	16.0	19.6	23.0%	29.6%
Compounds	63.6	61.1	-3.9%	3.5%	5.7	5.0	-13.3%	-6.1%
Application Materials	57.5	55.7	-3.2%	-0.5%	2.1	1.9	-11.1%	-9.4%
Others, Corporate and Eliminations	(43.8)	(39.7)	—	—	(4.8)	(5.1)	—	—
Total	820.0	751.4	-8.4%	-0.3%	51.1	54.2	6.1%	14.7%

Note: Effective from January 1, 2016, the Company revised its segmentation to coincide with the launch of its new medium-term management plan, "DIC108". Accordingly, certain figures for fiscal year 2015 have been restated.

Segment results in key markets are as follows. Year-on-year percentage changes in squared parentheses represent increases or decreases excluding the impact of foreign currency fluctuations. 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

### 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  
Composition  
Ratio  
**46.2%**

**Net Sales ¥365.2 billion**  
Change **-11.5%** [-0.7%]

**Operating Income ¥18.4 billion**  
Change **-3.3%** [8.8%]

### ● Net Sales

(Billions of yen)

	Fiscal Year 2015	Fiscal Year 2016
Japan	80.8	79.8
The Americas and Europe	273.1	232.7
Asia and Oceania	70.5	61.6
Total	412.6	365.2

### ● Operating Income

(Billions of yen)

	Fiscal Year 2015	Fiscal Year 2016
Japan	3.1	5.1
The Americas and Europe	10.5	8.4
Asia and Oceania	5.3	4.8
Total	19.0	18.4

### Japan

**Net Sales ¥79.8 billion**  
Change **-1.2%**

**Operating Income ¥5.1 billion**  
Change **62.5%**

Sales of packaging inks benefited from healthy shipments. However, overall sales in Japan slipped, reflecting decreased demand for publishing inks and news inks and the erosion of sales prices across the board.

Operating income soared, underpinned by the aforementioned shipments, as well as by the positive impact of cost reductions and an improved product mix, among others.

### The Americas and Europe

**Net Sales ¥232.7 billion**  
Change **-14.8%** [-1.1%]

**Operating Income ¥8.4 billion**  
Change **-19.7%** [-0.0%]

Although sales of packaging inks rose, sales in Europe and North America were down, owing to waning demand for publishing inks and news inks. Sales in Central and South Americas advanced, buoyed by brisk shipments of packaging inks and publishing inks. As a consequence of various factors, including these results, and of the impact of foreign currency fluctuations, overall sales in the Americas and Europe declined.

Foreign currency fluctuations also hindered operating income, which decreased despite being level in local currency terms.

### Asia and Oceania

**Net Sales ¥61.6 billion**  
Change **-12.6%** [-0.3%]

**Operating Income ¥4.8 billion**  
Change **-8.9%** [3.5%]

While shipments of packaging inks were solid, flagging sales prices in all product categories pushed down sales in the PRC. A sharp increase in sales of publishing inks and packaging inks underpinned higher sales in Southeast Asia. In Oceania, sales rose, bolstered by robust shipments of publishing inks and packaging inks. Sales in India slipped, with contributing factors including falling sales of news inks. For these and other reasons, overall sales in Asia and Oceania decreased, hampered by foreign currency fluctuations.

Operating income was up in local currency terms, bolstered by higher sales of high-value-added products, cost reductions, and other factors, but down after translation, reflecting foreign currency fluctuations.



## Fine Chemicals

Net Sales  
Composition  
Ratio  
**16.2%**

### 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 ¥128.2 billion**  
Change **-5.4%** [2.2%]

**Operating Income ¥14.4 billion**  
Change **10.0%** [16.8%]

#### ● Net Sales

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
135.5	128.2

#### ● Operating Income

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
13.1	14.4

In pigments, sales in Japan were lifted by brisk shipments of functional pigments, including those for color filters, while sales in the Americas and Europe decreased, notwithstanding a substantial increase in sales of pigments for cosmetics, as a consequence of foreign currency fluctuations. Sales of TFT LCs rose substantially, reflecting higher shipments from a new production facility in the PRC and the start of full-scale shipments from Japan, which had been delayed. While these factors boosted results in local currency terms, segment sales were down after translation, owing to foreign currency fluctuations.

Segment operating income advanced substantially, underpinned by an improved product mix, among others.



## Polymers

Net Sales  
Composition  
Ratio  
**22.9%**

### 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 ¥180.9 billion**  
Change **-7.0%** [-3.0%]

**Operating Income ¥19.6 billion**  
Change **23.0%** [29.6%]

#### ● Net Sales

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
194.6	180.9

#### ● Operating Income

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
16.0	19.6

Despite generally firm shipments, sales in Japan declined as a result of falling sales prices. Sales overseas were also down, hindered by the deterioration of sales prices and by foreign currency fluctuations, although sales to customers in the electrical and electronics industries were solid. For these and other reasons, segment sales decreased.

Cost reductions and other factors sparked a sharp increase in segment operating income.



## Compounds

Net Sales  
Composition  
Ratio  
**7.7%**

### 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 **¥61.1 billion**  
Change **-3.9%** [3.5%]

Operating Income **¥5.0 billion**  
Change **-13.3%** [-6.1%]

### ● Net Sales

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
63.6	61.1

### ● Operating Income

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
5.7	5.0

Sales of PPS compounds advanced, as shipments were healthy both in Japan and overseas. Thanks to robust shipments overseas, sales of jet inks were up overall, despite the negative impact of foreign currency fluctuations on exports, which hurt domestic sales. Although these factors led to an increase in local currency terms, segment sales decreased after translation, owing to foreign currency fluctuations.

Segment operating income declined, reflecting segment sales results, among others.



## Application Materials

Net Sales  
Composition  
Ratio  
**7.0%**

### 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 **¥55.7 billion**  
Change **-3.2%** [-0.5%]

Operating Income **¥1.9 billion**  
Change **-11.1%** [-9.4%]

### ● Net Sales

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
57.5	55.7

### ● Operating Income

(Billions of yen)

Fiscal Year	Fiscal Year
2015	2016
2.1	1.9

Persistently robust shipments sustained an increase in sales of hollow-fiber membrane modules. Nonetheless, segment sales declined, despite being level in local currency terms. Reasons for this result included dwindling sales of industrial adhesive tapes, which were hindered by sluggish demand for products used in smartphones.

Segment operating income fell, with contributing factors including the aforementioned sales results.

## 2 Operating Results and Financial Position

Consolidated operating results and financial position are as follows:

Category	116th Fiscal Year (April 1, 2013– December 31, 2013)	117th Fiscal Year (January 1, 2014– December 31, 2014)	118th Fiscal Year (January 1, 2015– December 31, 2015)	119th Fiscal Year (January 1, 2016– December 31, 2016)
Net Sales (millions of yen)	705,647	830,078	819,999	751,438
Operating Income (millions of yen)	40,181	41,076	51,068	54,182
Operating Margin (%)	5.7	4.9	6.2	7.2
Ordinary Income (millions of yen)	37,123	39,925	48,995	55,797
Net Income Attributable to Owners of the Parent (millions of yen)	26,771	25,194	37,394	34,767
Earnings per Share (yen)	29.23	26.78	38.94	366.72
Net Assets (millions of yen)	218,947	276,723	289,857	307,017
Total Assets (millions of yen)	761,690	803,703	778,857	764,828

Notes:

1. For the Company and its domestic subsidiaries, with the exception of one company, the 116th fiscal year was 9-month period (April 1, 2013 – December 31, 2013). For overseas subsidiaries and 1 domestic subsidiary, the 116th fiscal year was 12-month period (January 1, 2013 – December 31, 2013).
2. Effective from the fiscal year under review, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and other regulations. As a result, the presentation method for “Net Income” was changed to “Net Income Attributable to Owners of the Parent”.
3. 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 basic is calculated based on the assumption that the consolidation had been implemented at the beginning of the 119th fiscal year.

### 3 Financing Activities

#### 1) Methods of Financing

During the period under review, 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, 2016, total interest-bearing debt amounted to 241.3 billion yen (including leases), a decrease of 18.2 billion yen from the previous fiscal year-end.

#### Balance of Interest-Bearing Debt and D/C Ratio



\*D/C Ratio: Interest-Bearing Debt / (Interest-Bearing Debt + Net Assets)

#### 2) Principal Borrowings (as of December 31, 2016)

Lender	Balance of Borrowings (millions of yen)
Mizuho Bank, Ltd.	47,500
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	40,527
Mitsubishi UFJ Trust and Banking Corporation	26,788

### 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 the fiscal year, ended December 31, 2016, the DIC Group invested 31.3 billion yen in facilities. Principal investments to build new or expand existing facilities, by segment, were as follows:

Printing Inks	Japan	Construction of new production facilities for photomask
	Indonesia Turkey	Construction of new production facilities for gravure inks
Fine Chemicals	Poland	Expansion of production facilities for special effect pigments
Polymers	Japan	Expansion of production facilities for synthetic resins
Compounds	Japan	Expansion of production facilities for PPS polymers
	PRC	Construction of new production facilities for PPS compounds
Application Materials	Japan	Introduction of production equipment for screening examination-related products
Others and Corporate	Japan	Construction of new technical building Development of management information system



Production facilities for gravure inks (Indonesia)



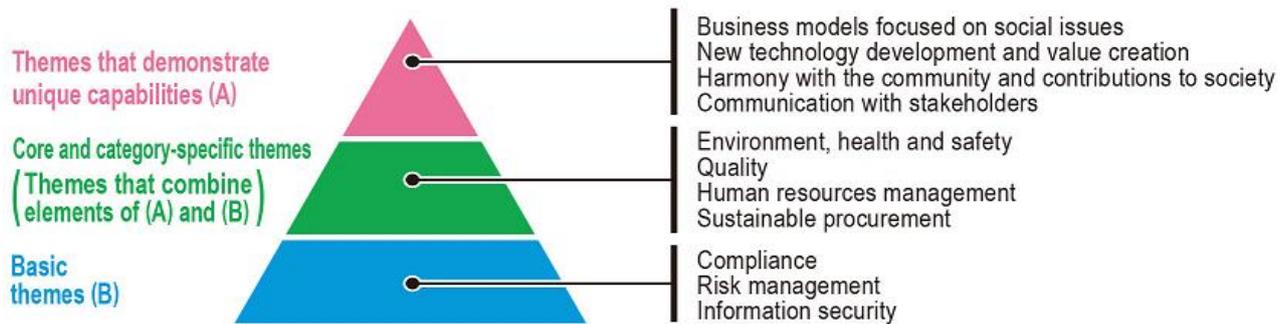
Production facilities for PPS compounds (PRC)

## 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”, which it feels is more appropriate for a globally active entity. 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 5 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 unceasing implementation of initiatives in line with these concepts, the DIC Group will strive 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 3 themes, as shown below:





# Materiality Analysis for the DIC Group

The DIC Group has abstracted and analyzed material issues, that is, issues with the potential to affect its performance, and identified those of particular significance for the DIC Group. The DIC Group is taking steps to effectively and efficiently address these issues with the aim of reinforcing its operations.

## 1 Materiality Analysis Process

### (1) Abstraction of Issues

The Company has abstracted issues of particular significance for the DIC Group based on the Global Reporting Initiative (GRI)'s G4 Sustainability Reporting Guidelines, its own sustainability themes, and issues delineated in, among others, the "DIC108" medium-term management plan.

### (2) Materiality Analysis

The DIC Group has divided the issues abstracted into 3 groupings—environment (E), society (S), and governance (including economic issues) (G)—and assessed the materiality thereof from the twin perspectives of importance to the DIC Group businesses and importance to stakeholders. The DIC Group has organized these issues into 22 general materiality categories as shown below.

<b>Environment (E)</b>	<ul style="list-style-type: none"> <li>• Practical application of measures to reduce environmental impact</li> <li>• Contribution to the realization of a low-carbon society</li> <li>• Promotion of products and services that contribute to environmental protection</li> </ul>
<b>Society (S)</b>	<ul style="list-style-type: none"> <li>• Ability to foster and strengthen global human resources</li> <li>• Promotion of diversity</li> <li>• Respect for human rights</li> <li>• Efforts to address needs engendered by an aging society and falling birthrates</li> <li>• Promotion of occupational health and safety and consumer health</li> <li>• Contributing to colorful and comfortable lifestyles</li> <li>• Harmony with and contribution to society</li> <li>• Enhancement of brand strength/reputation (evaluation)</li> </ul>
<b>Governance (including economic issues) (G)</b>	<ul style="list-style-type: none"> <li>• Response to the growth of digital businesses</li> <li>• Response to economic globalization/efforts to reinforce governance</li> <li>• Promotion of supply chain management</li> <li>• Improvement of quality management capabilities</li> <li>• Efforts to increase productivity</li> <li>• Efforts to reinforce marketing</li> <li>• Provision of solutions</li> <li>• Innovation through compounding</li> <li>• Efforts to strengthen global technology development capabilities</li> <li>• Creation of next-generation businesses</li> <li>• Promotion of open innovation</li> </ul>

## 2 Examples of Initiatives Implemented to Address Key Issues

### Contribution to the Realization of a Low-Carbon Society

- Establishment of CO<sub>2</sub> reduction target (-7.0% from the fiscal year 2013 level by fiscal year 2020)

### Creation of Next-Generation Businesses

- A global framework for product development, to accelerate R&D in the area of advanced materials



## 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 4 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 draws on its expertise and comprehensive strengths to offer solutions -

(The following information is as of December 31, 2016, unless otherwise noted.)



## Achieving the Goals of “DIC108”

### Making Steady Progress toward Translating the “DIC108” Growth Scenario into Reality

The DIC Group’s current medium-term management plan, “DIC108”, which began in fiscal year 2016 and will guide its efforts for 3 years, includes a number of targets, including 120 billion yen in ordinary investments and 150 billion yen in strategic investments. With the aim of transforming the growth scenario outlined in “DIC108”, the Company is pressing ahead with investments in businesses that are expected to drive growth, particularly those involving high-performance materials.

#### 1 The Company Expands Production Capacity for Aluminum Powders and Pastes Used in ALC

“DIC108” identifies a number of high-performance materials as businesses that are expected to drive growth going forward. One such business is special effect pigments, for which DIC is taking steps to enhance its production capabilities. Recently, DIC invested to expand the Group’s production capacity for aluminum powders and pastes used as foaming agents in autoclaved lightweight aerated concrete (ALC).

ALC is a highly porous concrete building material that boasts excellent fire resistance, thermal and acoustic insulating properties, workability, and lightness, making it suitable for a broad range of construction applications, including houses, high-rise buildings, electric power plants, retaining walls for transportation infrastructure, roofing, and floor panels. The global market for ALC continues to see annual growth in the area of 7–8%, a trend that is expected to persist for the foreseeable future.

The DIC Group currently manufactures aluminum powders and pastes, particularly for use in ALC, at 2 plants, located in Poland and Russia. Expanding the capacity of these plants will enable the Group to lock in expanding demand, thereby contributing to profit growth in the years ahead.



Plant for aluminum powders and pastes (Poland)

#### 2 The Company Announces Further Expansion of Production Capacity for Linable® Natural Blue Food Coloring

In fiscal year 2016, the Company resolved to expand the production capacity of its U.S. subsidiary that manufactures Linable®, a natural blue food coloring derived from the edible algae Spirulina. This follows an investment for the same purpose in November 2013. New facilities are scheduled to commence operation in fiscal year 2018.

Linaline® is phycocyanin, a natural blue colorant extracted from Spirulina, the edible blue-green algae that forms the core of its health foods business. In 2013, phycocyanin became the first natural blue food coloring to be approved by the U.S. Food and Drug Administration. Since then, demand has increased dramatically, particularly in the Americas and Europe, which have seen a rapid shift in consumers’ preference toward natural food colorings. Concurrently, sales of Linaline®—the outstanding quality of which has earned the DIC Group a 90%-plus share of the global market for natural blue food colorings—have risen sharply, particularly for use in frozen desserts and confections.



Linaline® natural blue food coloring

By further expanding production capacity, the DIC Group is moving to ensure worldwide supremacy, positioning it to capitalize on sharp growth in demand to maintain its overwhelming global market share.

## 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)

Chiba Plant (Chiba)

Hokuriku Plant (Ishikawa)

Sakai Plant (Osaka)

Kashima Plant (Ibaraki)

Yokkaichi Plant (Mie)

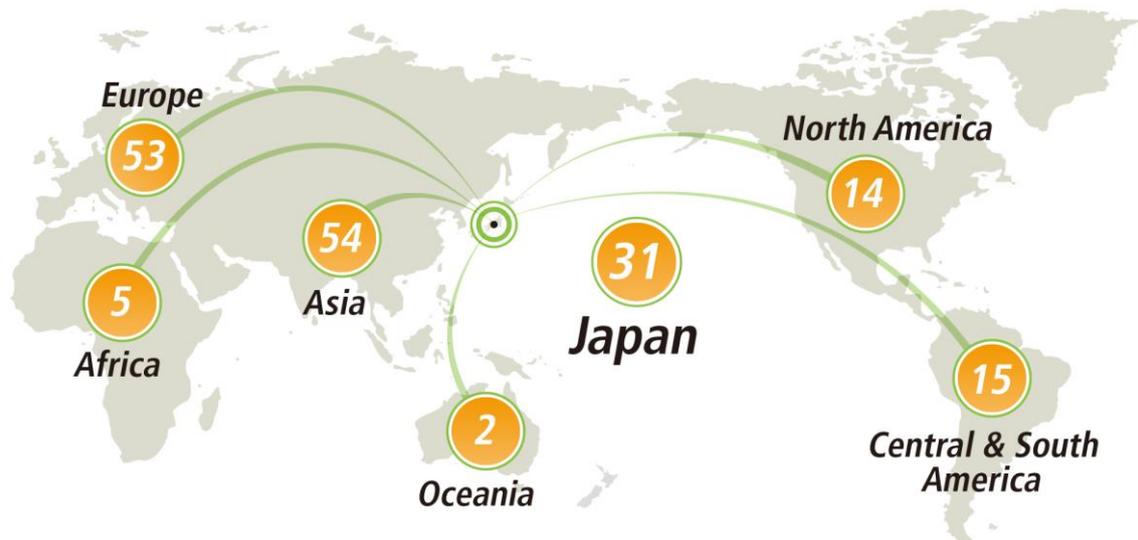
Komaki Plant (Aichi)

Saitama Plant (Saitama)

Tatebayashi Plant (Gunma)

Central Research Laboratories (Chiba)

### ■ Global Network (174 companies in 63 countries and territories)



## 2) Subsidiaries and Affiliates

### Printing Inks (109 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 102 other companies

### Fine Chemicals (6 companies)

Qingdao DIC Finechemicals CO., LTD. (PRC)  
Lianyungang DIC Color Co., Ltd. (PRC)  
and 4 other companies

### Polymers (26 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)  
Changzhou Huari New Material Co., Ltd. (PRC)  
LIDYE CHEMICAL CO., LTD. (Taiwan)  
DIC SYNTHETIC RESINS (ZHONGSHAN) CO., LTD. (PRC)  
and 18 other companies

### Compounds (5 companies)

DIC EP Corporation (Chiba, Japan)  
DIC Compounds (Malaysia) Sdn. Bhd. (Malaysia)  
PT. DIC Astra Chemicals (Indonesia)  
and 2 other companies

### Application Materials (15 companies)

DIC PLASTICS Inc. (Saitama, Japan)  
DIC KAKO INC. (Shiga, Japan)  
DIC Decor, Inc. (Saitama, 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	Percent 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
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. Percent of ownership includes indirect investments.
3. The percent of ownership of RENAISSANCE, INCORPORATED is 17.5% but the Company deems it as affiliate because the percent of voting right is 20% and more.

## 8 Workforce Statistics

Segment	Number of Employees
Printing Inks	10,519
Fine Chemicals	2,521
Polymers	3,237
Compounds	1,265
Application Materials	1,056
Others	672
Corporate (Shared)	1,211
Total	20,481

### ■ Number of Employees

	116th Fiscal Year	117th Fiscal Year	118th Fiscal Year	119th Fiscal Year
Japan	6,066	6,134	5,966	5,892
The Americas and Europe	8,311	8,432	8,355	8,550
Asia and Oceania	5,657	5,845	5,943	6,039
Total	20,034	20,411	20,264	20,481

## 2

## Stock Information

## 1 Total Number of Authorized Shares

150,000,000

## 2 Total Number of Issued Shares

95,156,904

Note: The Company implemented a consolidation of shares of common stock by a factor of 10 to 1 and changed the minimum unit of tradeable shares from 1,000 shares to 100 shares with July 1, 2016, as the effective date.

## 3 Number of Shareholders

36,895

## ■ Distribution of Shareholders by Investor Type

Investor Type	Percentage of Total Shares (%)
Financial Institutions	38.8
Foreign Entities	27.6
Other Domestic Entities	17.1
Individuals and Others	12.5
Securities Companies	3.7
Treasury Stock	0.4

## 4 Major Shareholders

Name of Shareholder	Number of Shares Owned (thousands)	Shareholding Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,434	6.79
Nissei Real-Estate Co., Ltd.	5,310	5.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,526	4.78
Dainichi Can Co., Ltd.	4,256	4.49
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)	2,680	2.83
Aioi Nissay Dowa Insurance Co., Ltd.	2,590	2.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,269	2.39
Nippon Life Insurance Company	1,900	2.00

Notes:

1. The above table lists the top 10 shareholders.
2. The shareholding percentage is calculated by subtracting the number of treasury shares from the total number of issued shares.

## 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 President and CEO CFO Chairman of the Supervisory Board, Sun Chemical Group Coöperatief U.A.
Director	Yoshihisa Kawamura	Director and Chairman of the Board, DIC Graphics Corporation
Director Managing Executive Officer	Hitoshi Wakabayashi	President, Fine Chemicals Segment General Manager, Pigments Product Div. Senior Manager, Pigments Product
Director Managing Executive Officer	Kaoru Ino	Responsible for Corporate Strategy Div. and Kawamura Memorial DIC Museum of Art
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 President and CEO, Globalization Research Institute Co., Ltd.
Corporate Auditor (full-time)	Jiro Mizutani	
Corporate Auditor (full-time)	Yoshiyuki Mase	
Outside Auditor Independent Auditor Corporate Auditor	Katsunori Takechi	Attorney
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

## Notes:

- Directors, Mr. Takao Suzuki and Ms. Yukako Uchinaga, are Outside Directors.
- Corporate Auditors, Mr. Katsunori Takechi and Ms. Cindy Yoshiko Shirata, are Outside Auditors.
- Corporate Auditor, Mr. 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 Auditor, Mr. 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, Ms. 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, Mr. Takao Suzuki and Ms. Yukako Uchinaga, and Outside Auditors, Mr. Katsunori Takechi and Ms. Cindy Yoshiko Shirata, are designated as Independent Directors/Auditors in accordance with the rules of the Tokyo Stock Exchange.
- Director, Mr. Kaoru Ino, was newly elected and assumed office at the 118th Annual General Meeting of Shareholders held on March 29, 2016.
- At the conclusion of the 118th Annual General Meeting of Shareholders held on March 29, 2016 Director, Mr. Tetsuro Agawa, retired from his position.
- The Company executed the contract for limitation of liability with all of Outside Directors and Outside 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 act in good faith and is not grossly negligent in performing their duties.

10. As of January 1, 2017, certain Director's responsibilities at the Company and principal concurrent positions held at other organizations were amended as shown below.

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations
Director Managing Executive Officer	Hitoshi Wakabayashi	President, Fine Chemicals Segment General Manager, Pigments Product Div.

(Reference)

The Company adopts an Executive Officer system in order to operate the business promptly and clarifies the responsibility. As of January 1, 2017, Executive Officers who do not concurrently serve as Directors are as shown below.

Position	Name	Responsibilities at the Company
Managing Executive Officer	Yoshiaki Masuda	Responsible for General Affairs & Legal Div.
Managing Executive Officer	Toshio Hasumi	President, Polymers Segment General Manager, Polymers Product Div.
Managing Executive Officer	Kazunari Sakai	Managing Director, DIC Asia Pacific Pte Ltd
Managing Executive Officer	Hideo Ishii	President, Printing Inks Segment General Manager, Printing Inks Product Div. General Manager, Printing Inks Production Div.
Managing Executive Officer	Masami Hatao	General Manager, Marketing Div.
Managing Executive Officer	Toshifumi Tamaki	Responsible for Technical Segment (Technical Administrative Div. and Corporate R&D Div.) General Manager, Technical Administrative Div.
Executive Officer	Naoyoshi Furuta	Deputy Managing Director (South Asia), DIC Asia Pacific Pte Ltd
Executive Officer	Rudi Lenz	President and Chief Executive Officer, Sun Chemical Corp.
Executive Officer	Hideki Inouchi	Chairman and General Manager, DIC (CHINA) CO., LTD. Chairman, DIC (Shanghai) Co., Ltd.
Executive Officer	Masaya Nakafuji	General Manager, Corporate Planning Dept. Responsible for Osaka Branch and Nagoya Branch
Executive Officer	Koji Tanigami	President and CEO, DIC Graphics Corporation
Executive Officer	Shinsuke Toshima	President, Application Materials Segment General Manager, Application Materials Product Div.
Executive Officer	Sakae Yoshida	General Manager, Production Administrative Div.
Executive Officer	Taihei Mukose	Responsible for Purchasing and Logistics & Information Systems Div. General Manager, Purchasing Dept.
Executive Officer	Kiyotaka Kawashima	General Manager, Corporate R&D Div. General Manager, Central Research Laboratories
Executive Officer	Masanobu Mizukoshi	President, Compounds Segment General Manager, Liquid Compounds Product Div.
Executive Officer	Hiroyuki Ninomiya	Responsible for Finance & Accounting Div.
Executive Officer	Kazuo Hatakenaka	General Manager, Liquid Crystal Materials Product Div. Senior Manager, Liquid Crystal Materials Product
Executive Officer	Paul Koek	Chief Financial Officer, DIC Asia Pacific Pte Ltd
Executive Officer	Myron Petruch	Deputy General Manager, Pigments Product Div. President, Performance Pigments, Sun Chemical Corp.

## 2 Remuneration and Other Payments for Directors and Corporate Auditors

Category	Number of Directors and Corporate Auditors	Total Amount (millions of yen)
Directors	8	254
Outside Directors (included in the above)	2	24
Corporate Auditors	4	81
Outside Auditors (included in the above)	2	24
Total	12	335

Notes:

1. Remuneration for Directors is decided by the Remuneration Committee by reference to the standard market price. Remuneration for Executive Officers is decided by reference to the standard market price, taking decrease or increase in consolidated operating income, and contribution to the Company into account.
2. Remuneration for Corporate Auditors is decided by discussion among all Corporate Auditors in accordance with the internal rule that the Board of Corporate Auditors provides, considering balance with the remuneration for Directors and the standard market price.
3. The above data includes 1 Director who retired at the conclusion of the 118th Annual General Meeting of Shareholders held on March 29, 2016.
4. The maximum aggregate limit on remuneration and other payments for Directors, which is determined by a resolution of the General Meeting of Shareholders, is 700 million yen annually, including bonuses.
5. The total amount to be paid for Directors includes bonuses of 64 million yen scheduled to be paid after the 119th Annual General Meeting of Shareholders.
6. The maximum aggregate limit on remuneration for Corporate Auditors, which is determined by a resolution of the General Meeting of Shareholders, is 100 million yen annually.

### 3 Outside Directors and Auditors

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

The Company is listed as a member company of the Japan Women's Innovative Network, a non-profit organization, is engaged in minor sales transactions with HOYA CORPORATION, and also engages in service transactions with Globalization Research Institute Co., Ltd.; in each of which Outside Director, Ms. Yukako Uchinaga, holds a principal concurrent position. The amount of each of the transaction fees is less than 0.1% of the consolidated net sales of the DIC Group.

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

#### 2) Principal Activities of Outside Directors and 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 long experience and expertise in corporate management
	Yukako Uchinaga	14/14	—	Proactively made statements on proposed resolutions based on long 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

## 4

## Matters Concerning the Independent Auditors

### 1 Name of Audit Firm

Deloitte Touche Tohmatsu LLC

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

	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	223

Notes:

1. The audit agreement entered into by the Company and its Independent Auditors does not distinguish clearly between the amount derived from the audit under Japan's Companies Act and the amount derived from the audit under Japan's Financial Instruments and Exchange Act and the 2 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 auditors or public accountants or other individuals or firms that hold a certification equivalent to that of independent auditors in Japan) in conformity with the requirements of laws in their respective countries of domicile that correspond to Japan's 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 Auditors, 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 2016 from the Independent Auditors, and reviewed said briefings accordingly. As a result, remuneration and other payments for the Independent Auditors 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 Independent Auditors for non-audit services other than those listed in Article 2, Paragraph 1 of the Certified Public Accountants Act. These include the preparation of comfort letters, advising and/or providing guidance regarding the International Financial Reporting Standards.

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

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

In such cases that impair the Independent Auditors' competence or independence, thus making it difficult for the Independent Auditors 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 Auditors to be submitted to the General Meeting of Shareholders by the Board of Directors.

Summary of resolutions of the Board of Directors of the Company and operational status of the systems above are as follows:

## I. Basic Concepts Regarding Internal Control

In order for the Company and its subsidiaries (the "DIC Group") to achieve the 4 objectives of "the effectiveness and efficiency of business", "the reliability of financial reporting", "the strict observance of laws regarding business activities", and "the preservation of assets" in the conduct of management in accordance with "The DIC Way", the Company shall prepare and operate systems to ensure proper business activities as set forth below, based upon the Companies Act and the Financial Instruments and Exchange Act (the "Internal Control Systems").

## II. Content of the 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 of the DIC Group.
- 2) The Company shall appoint Outside Directors and shall work to bolster monitoring functions with regard to management of the DIC Group.
- 3) The Company shall work to set forth the "DIC Group Code of Business Conduct" as a 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 preparation and operation of the 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 establish an internal notification system as a common rule 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 the authorization of decision making 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 implemented an e-learning program regarding the "DIC Group Code of Business Conduct" at the DIC Group entities in order to instill the consciousness of compliance. For internal claims, the Company has handled them appropriately by conducting investigations and interviews.

The internal auditing department monitored the status of preparation and operation of the Internal Control Systems, and reported to Representative Directors the important matters which were found as well as the status of the improvement of these matters.

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

- 1) In order to ensure a system so that the duties of Directors are performed properly and efficiently at 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 the dissemination of the same, the DIC Group shares the common goals. Reports are made to the Board of Directors outlining the status of progress.

### [Operational Status]

The Company made important business decisions based upon regulations for meetings of the Board of Directors and regulations for *Ringi* as well as other related regulations. For medium-term management plans and the annual budget, the Company shared such information through internal briefings and submitted the monthly progress reports to the Board of Directors.

## 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.

## 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 properly 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 PDCA cycle.

### [Operational Status]

The Company confirmed that the risk management committee finished identifying high priority risks and took appropriate measures against the risks based upon the Company's risk management policy.

## 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 approval from or reporting to the Company.

### [Operational Status]

In addition to dispatching directors to each subsidiary from the administrative department, the Company conducted training for new executive members dispatched to subsidiaries regarding corporate governance and internal controls. In addition, the Company has established regulations for DIC Group authorization including requirements of approval of and reporting to the Company.

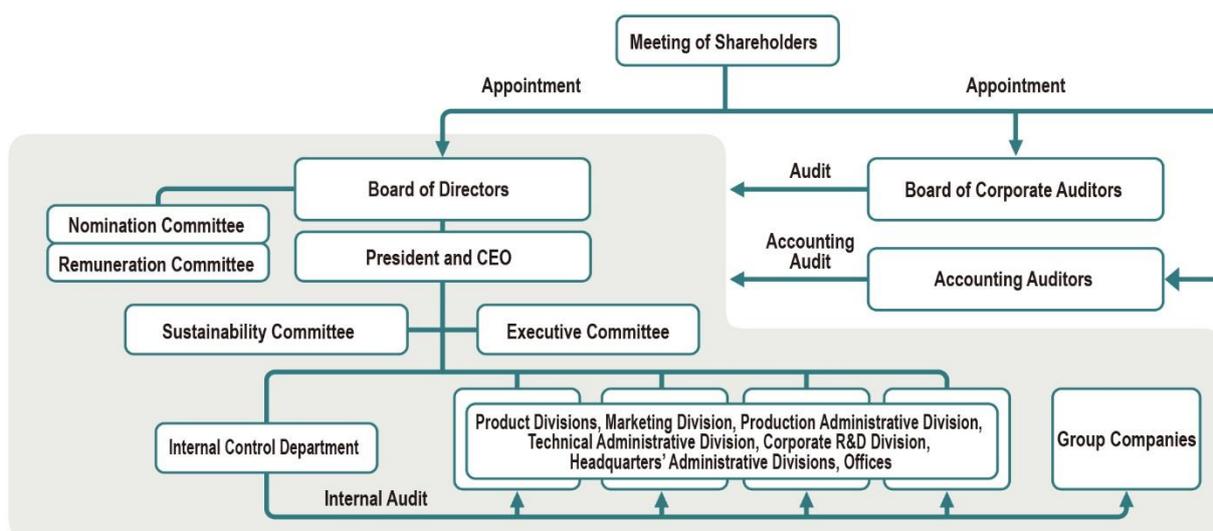
## 6 Systems for Ensuring that Audits by Corporate Auditors are Conducted Effectively

- 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 each of the internal auditing department, Accounting Auditors, and Corporate Auditors of the 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 the person who reported 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 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 costs and fees, which Corporate Auditors need to conduct their audit.

### [Operational Status]

Corporate Auditors attended important meetings such as the Board of Directors meetings and the Executive Committee meetings and reviewed the contents of *Ringi* approvals as necessary. In addition, the Company held periodic meetings with Representative Directors, the internal auditing department, Accounting Auditors, and Corporate Auditors of subsidiaries for exchange of opinions. Directors and employees reported the matters designated by the Board of Corporate Auditors and other important matters.

## ■ Corporate Governance Structure



## 1 Basic Approach to Corporate Governance

The DIC Group believes the purpose of corporate governance is to ensure effective decision making pertaining to its management policy of achieving sustainable corporate growth 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 a Policy on Corporate Governance to explain the basic approach to corporate governance as described above.

## 2 Outline of the Company's Corporate Governance

### 1) Board of Directors

From the perspective of making business decisions in a timely manner and the reinforcement of corporate governance, the Board of Directors consists of 7 Directors including 2 Outside Directors, they typically hold meetings once a month and they make decisions on matters that are delegated to the Board of Directors under the Companies Act and the important business matters that are stated in the regulations for meetings of the Board of Directors, receive the reports of the status of the execution of the business operations, and supervise the execution of the business.

### 2) Nomination Committee

To ensure objectivity in the decision making process of nomination of Directors, Corporate Auditors, and Executive Officers, the Company maintains a Nomination Committee which provides recommendations to the Board of Directors regarding appointments and dismissals of Directors, Corporate Auditors, and Executive Officers. The Nomination Committee consists of 3 Directors including 2 Outside Directors.

### 3) Remuneration Committee

To ensure objectivity in the determination of remuneration of Directors and Executive Officers, the Company has established a Remuneration Committee, to whom the Board of Directors has delegated the power to decide the amount of remuneration etc. of Directors and Executive Officers. The Remuneration Committee consists of 3 Directors including 2 Outside Directors.

### 4) Executive Committee

Serving as the advisory function on important matters related to the execution of the business operations, the Company holds Executive Committee meetings twice a month in principle. The Executive Committee consist of Executive Officers and others appointed by the Board of Directors, with 1 Corporate Auditor attending each Executive Committee meeting for audit purposes. The details of matters deliberated during Executive Committee meetings are reported to the Board of Directors.

### 5) Sustainability Committee

The Company holds the Sustainability Committee meetings several times per year as the advisory function on sustainability management, in order to make policy and action plans regarding sustainability and to evaluate and promote sustainability activities in its business. The Sustainability Committee consists of Executive Officers appointed by the Board of Directors, with 1 Corporate Auditor attending each Sustainability Committee meeting for audit purposes. The details of matters deliberated during Sustainability Committee meetings are reported to the Board of Directors.

## 6) Board of Corporate Auditors

The Board of Corporate Auditors consists of 4 Corporate Auditors including 2 Outside Auditors. Board of Corporate Auditors meetings are typically held once a month and in addition to deliberating and making decisions on audit policy and planning, each Corporate Auditor presents their audit report.

For more information of the Policy on Corporate Governance, please refer to the Company's website:  
<http://www.dic-global.com/en/about/governance.html>

# Consolidated Financial Statements

## Consolidated Balance Sheet

			(Millions of yen)		
Accounts	Current Fiscal Year As of December 31, 2016	Previous Fiscal Year As of December 31, 2015 (Reference)	Accounts	Current Fiscal Year As of December 31, 2016	Previous Fiscal Year As of December 31, 2015 (Reference)
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>I Current assets</b>	<b>398,737</b>	<b>408,658</b>	<b>I Current liabilities</b>	<b>265,339</b>	<b>271,280</b>
Cash and deposits	17,241	15,363	Notes and accounts payable-trade	94,392	95,569
Notes and accounts receivable-trade	215,369	221,006	Short-term loans payable	52,744	20,632
Merchandise and finished goods	82,611	87,947	Current portion of long-term loans payable	43,647	61,630
Work in process	9,461	9,369	Commercial papers	—	4,000
Raw materials and supplies	53,605	52,245	Current portion of bonds	—	8,000
Deferred tax assets	9,915	11,435	Lease obligations	584	572
Other	21,374	21,947	Income taxes payable	4,153	8,347
Allowance for doubtful accounts	(10,839)	(10,654)	Deferred tax liabilities	322	295
			Provision for bonuses	7,050	6,914
<b>II Non-current assets</b>	<b>366,091</b>	<b>370,199</b>	Other	62,447	65,321
<b>Property, plant and equipment</b>	<b>226,660</b>	<b>233,145</b>	<b>II Non-current liabilities</b>	<b>192,472</b>	<b>217,720</b>
Buildings and structures	92,092	95,879	Bonds payable	30,000	20,000
Machinery, equipment and vehicles	66,342	70,226	Long-term loans payable	109,918	139,900
Tools, furniture and fixtures	10,142	9,605	Lease obligations	4,394	4,718
Land	50,169	50,775	Deferred tax liabilities	9,598	8,555
Construction in progress	7,915	6,660	Net defined benefit liability	28,072	32,833
			Asset retirement obligations	1,334	1,213
<b>Intangible assets</b>	<b>8,942</b>	<b>11,256</b>	Other	9,156	10,501
Goodwill	501	906	<b>Total liabilities</b>	<b>457,811</b>	<b>489,000</b>
Software	4,878	6,470	<b>(Net assets)</b>		
Other	3,563	3,880	<b>I Shareholders' equity</b>	<b>348,979</b>	<b>321,878</b>
			Capital stock	96,557	96,557
<b>Investments and other assets</b>	<b>130,489</b>	<b>125,798</b>	Capital surplus	94,094	94,161
Investment securities	41,007	37,075	Retained earnings	159,541	137,071
Deferred tax assets	36,996	38,939	Treasury shares	(1,213)	(5,911)
Net defined benefit asset	28,074	24,885	<b>II Valuation and translation adjustments</b>	<b>(70,444)</b>	<b>(59,411)</b>
Other	25,899	25,296	Valuation difference on available-for-sale securities	5,248	3,688
Allowance for doubtful accounts	(1,487)	(397)	Deferred gains or losses on hedges	(187)	(73)
			Foreign currency translation adjustment	(48,626)	(29,925)
			Remeasurements of defined benefit plans	(26,879)	(33,101)
			<b>III Non-controlling interests</b>	<b>28,482</b>	<b>27,390</b>
<b>Total assets</b>	<b>764,828</b>	<b>778,857</b>	<b>Total net assets</b>	<b>307,017</b>	<b>289,857</b>
			<b>Total liabilities and net assets</b>	<b>764,828</b>	<b>778,857</b>

## Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2016	Previous Fiscal Year Ended December 31, 2015 (Reference)
<b>I Net sales</b>	<b>751,438</b>	<b>819,999</b>
II Cost of sales	571,895	635,106
Gross profit	179,543	184,893
III Selling, general and administrative expenses	125,361	133,825
<b>Operating income</b>	<b>54,182</b>	<b>51,068</b>
<b>IV Non-operating income</b>	<b>7,031</b>	<b>6,681</b>
Interest income	575	1,198
Dividends income	401	365
Equity in earnings of affiliates	3,266	2,735
Foreign exchange gains	607	—
Other	2,182	2,383
<b>V Non-operating expenses</b>	<b>5,416</b>	<b>8,754</b>
Interest expenses	3,227	5,485
Foreign exchange losses	—	567
Other	2,189	2,702
<b>Ordinary income</b>	<b>55,797</b>	<b>48,995</b>
<b>VI Extraordinary income</b>	<b>920</b>	<b>18,466</b>
State subsidy	842	255
Gain on bargain purchase	78	—
Gain on sales of non-current assets	—	14,229
Gain on sales of subsidiaries and affiliates securities	—	2,723
Compensation income	—	704
Gain on sales of investment securities	—	555
<b>VII Extraordinary loss</b>	<b>6,821</b>	<b>8,895</b>
Loss on disposal of non-current assets	4,412	3,550
Severance costs	1,416	3,787
Provision of allowance for doubtful accounts	553	—
Loss on disaster	440	—
Loss on valuation of investments in capital	—	716
Impairment loss	—	674
Loss on reduction of non-current assets	—	168
<b>Income before income taxes and non-controlling interests</b>	<b>49,896</b>	<b>58,566</b>
Income taxes-current	11,565	14,351
Income taxes-deferred	767	4,634
<b>Net income</b>	<b>37,564</b>	<b>39,581</b>
Net income attributable to non-controlling interests	2,797	2,187
<b>Net income attributable to owners of the parent</b>	<b>34,767</b>	<b>37,394</b>

## Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at January 1, 2016</b>	<b>96,557</b>	<b>94,161</b>	<b>137,071</b>	<b>(5,911)</b>	<b>321,878</b>
<b>Change in FY 2016</b>					
Dividends from surplus			(7,585)		(7,585)
Net income attributable to owners of the parent			34,767		34,767
Purchase of treasury shares				(19)	(19)
Retirement of treasury shares		(5)	(4,712)	4,717	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(62)			(62)
Net changes of items other than shareholders' equity					
<b>Total change in FY 2016</b>	<b>—</b>	<b>(67)</b>	<b>22,470</b>	<b>4,698</b>	<b>27,101</b>
<b>Balance at December 31, 2016</b>	<b>96,557</b>	<b>94,094</b>	<b>159,541</b>	<b>(1,213)</b>	<b>348,979</b>

	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		
<b>Balance at January 1, 2016</b>	<b>3,688</b>	<b>(73)</b>	<b>(29,925)</b>	<b>(33,101)</b>	<b>(59,411)</b>	<b>27,390</b>	<b>289,857</b>
<b>Change in FY 2016</b>							
Dividends from surplus							(7,585)
Net income attributable to owners of the parent							34,767
Purchase of treasury shares							(19)
Retirement of treasury shares							—
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(62)
Net changes of items other than shareholders' equity	1,560	(114)	(18,701)	6,222	(11,033)	1,092	(9,941)
<b>Total change in FY 2016</b>	<b>1,560</b>	<b>(114)</b>	<b>(18,701)</b>	<b>6,222</b>	<b>(11,033)</b>	<b>1,092</b>	<b>17,160</b>
<b>Balance at December 31, 2016</b>	<b>5,248</b>	<b>(187)</b>	<b>(48,626)</b>	<b>(26,879)</b>	<b>(70,444)</b>	<b>28,482</b>	<b>307,017</b>

# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2016	Previous Fiscal Year As of December 31, 2015 (Reference)	Accounts	Current Fiscal Year As of December 31, 2016	Previous Fiscal Year As of December 31, 2015 (Reference)
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>I Current assets</b>	<b>142,324</b>	<b>151,844</b>	<b>I Current liabilities</b>	<b>236,538</b>	<b>229,967</b>
Cash and deposits	791	558	Notes payable-trade	2,789	896
Notes receivable-trade	9,740	8,772	Accounts payable-trade	55,187	59,516
Accounts receivable-trade	61,838	65,253	Short-term loans payable	147,358	119,265
Merchandise and finished goods	19,760	21,270	Commercial papers	–	4,000
Work in process	4,033	4,253	Current portion of bonds	–	8,000
Raw materials and supplies	7,273	7,024	Accounts payable-other	23,644	25,974
Advance payments-trade	441	496	Income taxes payable	250	5,161
Prepaid expenses	1,417	1,593	Accrued consumption taxes	383	135
Deferred tax assets	3,284	4,059	Provision for bonuses	4,676	4,561
Short-term loans receivable	9,257	11,879	Provision for directors' bonuses	63	54
Accounts receivable-other	23,998	26,174	Accrued expenses	580	641
Other	547	540	Advances received	221	291
Allowance for doubtful accounts	(55)	(26)	Deposits received	616	997
			Other	772	477
<b>II Non-current assets</b>	<b>507,436</b>	<b>504,812</b>	<b>II Non-current liabilities</b>	<b>147,722</b>	<b>171,351</b>
<b>Property, plant and equipment</b>	<b>94,202</b>	<b>91,895</b>	Bonds payable	30,000	20,000
Buildings	30,993	31,760	Long-term loans payable	101,190	134,979
Structures	5,925	4,800	Provision for retirement benefits	14	11
Machinery and equipment	21,096	21,782	Provision for loss on business of subsidiaries and affiliates	3,600	3,600
Vehicles	65	59	Asset retirement obligations	512	509
Tools, furniture and fixtures	4,442	4,504	Deferred tax liabilities	7,811	6,844
Land	28,015	28,025	Other	4,595	5,409
Construction in progress	3,666	965	<b>Total liabilities</b>	<b>384,260</b>	<b>401,318</b>
			<b>(Net assets)</b>		
<b>Intangible assets</b>	<b>4,176</b>	<b>5,272</b>	<b>I Shareholders' equity</b>	<b>265,519</b>	<b>257,763</b>
Software	3,908	4,983	<b>Capital stock</b>	<b>96,557</b>	<b>96,557</b>
Other	268	289	<b>Capital surplus</b>	<b>94,156</b>	<b>94,161</b>
			Legal capital surplus	94,156	94,156
<b>Investments and other assets</b>	<b>409,058</b>	<b>407,646</b>	Other capital surplus	–	5
Investment securities	14,798	12,677	<b>Retained earnings</b>	<b>76,020</b>	<b>72,956</b>
Stocks of subsidiaries and affiliates	335,413	335,859	Other retained earnings		
Investments in capital of subsidiaries and affiliates	19,322	19,322	Reserve for tax deferral of subsidies	29	30
Long-term loans receivable	489	2,625	Reserve for tax deferral of insurance gains	9	1
Prepaid pension cost	20,600	19,224	Reserve for tax deferral of capital gains from eminent domain	916	921
Other	18,519	18,142	Reserve for reduction entry of replaced property	5,527	5,686
Allowance for doubtful accounts	(83)	(203)	Retained earnings brought forward	69,539	66,318
			<b>Treasury shares</b>	<b>(1,213)</b>	<b>(5,911)</b>
<b>Total assets</b>	<b>649,760</b>	<b>656,657</b>	<b>II Valuation and translation adjustments</b>	<b>(19)</b>	<b>(2,424)</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>4,816</b>	<b>3,067</b>
			<b>Deferred gains or losses on hedges</b>	<b>(4,835)</b>	<b>(5,491)</b>
			<b>Total net assets</b>	<b>265,500</b>	<b>255,338</b>
			<b>Total liabilities and net assets</b>	<b>649,760</b>	<b>656,657</b>

## Non-Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2016	Previous Fiscal Year Ended December 31, 2015 (Reference)
<b>I Net sales</b>	<b>228,876</b>	<b>241,445</b>
II Cost of sales	183,684	196,520
Gross profit	45,192	44,925
III Selling, general and administrative expenses	31,994	32,290
<b>Operating income</b>	<b>13,198</b>	<b>12,634</b>
<b>IV Non-operating income</b>	<b>8,074</b>	<b>7,430</b>
Interest income	73	171
Dividends income	6,928	6,380
Other	1,073	879
<b>V Non-operating expenses</b>	<b>3,232</b>	<b>4,308</b>
Interest expenses	2,184	3,047
Other	1,047	1,262
<b>Ordinary income</b>	<b>18,040</b>	<b>15,756</b>
<b>VI Extraordinary income</b>	<b>846</b>	<b>19,990</b>
Gain on sales of land	4	11,928
State subsidy	842	—
Gain on sales of subsidiaries and affiliates securities	—	7,762
Gain on transfer of business	—	300
<b>VII Extraordinary loss</b>	<b>760</b>	<b>1,867</b>
Loss on disposal of non-current assets	760	1,252
Loss on valuation of investments in capital	—	615
<b>Income before income taxes</b>	<b>18,127</b>	<b>33,879</b>
Income taxes-current	2,216	6,193
Income taxes-deferred	549	1,028
<b>Net income</b>	<b>15,361</b>	<b>26,658</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	Other 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			
<b>Balance at January 1, 2016</b>	<b>96,557</b>	<b>94,156</b>	<b>5</b>	<b>94,161</b>	<b>30</b>	<b>1</b>	<b>921</b>	<b>5,686</b>	<b>66,318</b>	<b>72,956</b>	<b>(5,911)</b>	<b>257,763</b>
<b>Change in FY 2016</b>												
Reversal of reserve for tax deferral of subsidies					(2)				2	—		—
Provision of reserve for tax deferral of insurance gains							8		(8)	—		—
Reversal of reserve for tax deferral of insurance gains							(0)		0	—		—
Reversal of reserve for tax deferral of capital gains from eminent domain								(28)	28	—		—
Reversal of reserve for reduction entry of replaced property									(302)	302	—	—
Adjustment to reserve due to change in tax rate					1	0	23	143	(167)	—		—
Dividends from surplus									(7,585)	(7,585)		(7,585)
Net income									15,361	15,361		15,361
Purchase of treasury shares											(20)	(20)
Retirement of treasury shares				(5)	(5)				(4,713)	(4,713)	4,717	—
Net changes of items other than shareholders' equity												
<b>Total change in FY 2016</b>	<b>—</b>	<b>—</b>	<b>(5)</b>	<b>(5)</b>	<b>(1)</b>	<b>8</b>	<b>(4)</b>	<b>(159)</b>	<b>3,221</b>	<b>3,064</b>	<b>4,698</b>	<b>7,757</b>
<b>Balance at December 31, 2016</b>	<b>96,557</b>	<b>94,156</b>	<b>—</b>	<b>94,156</b>	<b>29</b>	<b>9</b>	<b>916</b>	<b>5,527</b>	<b>69,539</b>	<b>76,020</b>	<b>(1,213)</b>	<b>265,519</b>

	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	
<b>Balance at January 1, 2016</b>	<b>3,067</b>	<b>(5,491)</b>	<b>(2,424)</b>	<b>255,338</b>
<b>Change in FY 2016</b>				
Reversal of reserve for tax deferral of subsidies				—
Provision of reserve for tax deferral of insurance gains				—
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				—
Adjustment to reserve due to change in tax rate				—
Dividends from surplus				(7,585)
Net income				15,361
Purchase of treasury shares				(20)
Retirement of treasury shares				—
Net changes of items other than shareholders' equity	1,750	655	2,405	2,405
<b>Total change in FY 2016</b>	<b>1,750</b>	<b>655</b>	<b>2,405</b>	<b>10,162</b>
<b>Balance at December 31, 2016</b>	<b>4,816</b>	<b>(4,835)</b>	<b>(19)</b>	<b>265,500</b>

## Audit Reports

### Audit Report of the Independent Auditors for the Consolidated Financial Statement

#### INDEPENDENT AUDITOR'S REPORT

February 24, 2017

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 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, 2016 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, 2016 to December 31, 2016, 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, 2016, 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 Auditors for the Non-Consolidated Financial Statement

### INDEPENDENT AUDITOR'S REPORT

February 24, 2017

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, 2016 of DIC Corporation (the "Company"), and the related statements of income and changes in net assets for the 119th fiscal year from January 1, 2016 to December 31, 2016, 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, 2016, 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 119th fiscal year (from January 1, 2016 to December 31, 2016), 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, 2017

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]

## The DIC Group's Branding Program

In line with its goal of achieving sustainable growth, in fiscal year 2016, the DIC Group embarked upon a new branding program, establishing a new brand slogan, which conveys the value that the DIC Group provides and articulating 3 corporate values.

### Brand slogan

# Color & Comfort

Based on the DIC Group's "Color & Comfort by Chemistry" management vision, the new brand slogan was chosen because it clearly and concisely conveys the value that the DIC Group provides and because its suitability for global use will encourage greater brand awareness worldwide.

"Color & Comfort" expresses the DIC Group's desire to help create a society that adds rich color and comfort to people's lives. Looking ahead, the DIC Group will work to communicate the message of its new brand slogan in a consistent manner to both internal and external stakeholders.

### 3 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



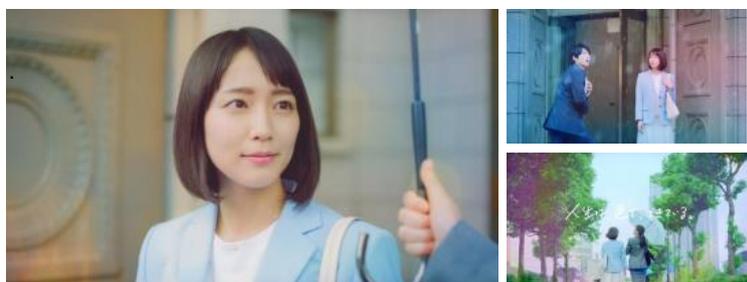
DIC draws on its expertise and comprehensive strengths to offer solutions

The DIC Group has summarized the value that it brings to stakeholders in the form of 3 corporate values.

## The Company Begins Airing New Brand Advertisement for Television, “What Color is Today?”

As part of its plan for communicating the value of its brand, in October 2016, the Company kicked off the 30-second first installment of its new television advertisement, “What Color is Today?”, starring promising young actress Riho Yoshioka. Backed by an original song, “What Color is Today?” and drawing inspiration from the “Color & Comfort” brand slogan and “Making it Colorful” corporate value, this innovative advertisement, which is based on the concept “Life is colors,” uses color materials to visualize the main character’s kaleidoscope of human emotions.

A documentary film on the making of the advertisement that provides a glimpse of Ms. Yoshioka’s fresh, unpretentious personality can be viewed on the Company’s website ([www.dic-global.com/en](http://www.dic-global.com/en)), as well as on YouTube.



**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 2017)

### The Company is also promoting a variety of other branding initiatives

#### Corporate PR film



The Company has prepared a corporate PR film that explains what kind of a company DIC is in an easy-to-understand manner. The film can be viewed on the Company’s website, as well as on YouTube.

#### Corporate brand advertising



Transit advertisement

Web banner advertisement

The Company has produced corporate brand advertisements that are linked conceptually to the television advertisement for use across a wide range of media.

#### Web page



The Company has established a web page on its branding efforts that is also smartphone-friendly.