



Color & Comfort

# Notice of Convocation

of the 121st Annual General Meeting of Shareholders

## Color & Comfort

Please kindly note that no gifts will be given to shareholders attending the General Meeting of Shareholders. We appreciate your understanding.

Please note that this is an unofficial English translation of the Japanese Notice of Convocation of the 121st 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.

(Securities Identification Code: 4631)

**DIC Corporation**

English Version



# Color & Comfort

Making it Colorful

Innovation through Compounding  
Specialty Solutions

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# 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 fiscal year 2018, DIC Corporation celebrated its 110th anniversary. This milestone renewed my appreciation for our printing inks business, which has been the core of our operations since our establishment. In addition to deserving recognition for its extraordinary resilience, printing inks and key derivative businesses, namely pigments and polymers, continue to account for the greater portion of our income.

At the same time, the global society of today demands that we address key imperatives arising from growing environment, including marine plastic and food safety, and from social changes such as the spread of digitization. In recognition of the aforementioned issues, and as demonstrated by our performance in fiscal year 2018, we acknowledged the urgent need to switch to a business structure that brings continuous growth and strength under macroenvironmental conditions, including those affecting raw materials.

Accordingly, we have formulated a new medium-term management plan, "DIC111," to clarify strategies for transforming our business portfolio, that is, for building a sophisticated portfolio focused on social changes and challenges by advancing qualitative reforms in existing core businesses and creating new businesses with the potential to become mainstays. By implementing this plan, I would like to move closer to "what DIC should be" one step at a time.

Regarding the year-end dividend for the fiscal year 2018, we propose to pay 65 yen per share, as originally anticipated. As a result, the annual dividend will be 125 yen per share, an increase of 5 yen per share compared to the previous year.

In the years ahead, we will continue to be sustained by the unwavering support of our shareholders. We look forward to your continued guidance.

**Kaoru Ino**  
Representative Director, President and CEO



# Notice of Convocation

Securities Identification Code: 4631  
March 8, 2019

To Our Shareholders,

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

## DIC Corporation

Kaoru Ino, Representative Director

### Notice of Convocation of the 121st Annual General Meeting of Shareholders

The 121st Annual General Meeting of Shareholders of DIC Corporation (the "Company") will be held as described below and you are cordially invited to attend.

If you cannot attend the General Meeting in person, you may exercise your voting rights by mail or via the Internet or other electromagnetic means. Upon review of the Reference Documents for the General Meeting of Shareholders (pages 7–20), please exercise your voting rights in accordance with the Guidance Notes on the Exercise of Voting Rights (pages 5 and 6) by 5:15 p.m., Tuesday, March 26, 2019 (Japan time).

#### Date and Time

10:00 a.m., Wednesday, March 27, 2019 (Japan time)

#### Place

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

#### Agenda of the General Meeting

##### Matters to be Reported:

1. Business Report, Consolidated Financial Statements and Audit Reports of the Independent Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements for the 121st Fiscal Year (January 1, 2018–December 31, 2018)
2. Non-Consolidated Financial Statements for the 121st Fiscal Year (January 1, 2018–December 31, 2018)

##### Matters to be Resolved:

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

## Matters Decided upon Convocation of the General Meeting

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

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

### Materials Disclosed via the Internet

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

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

#### IR Information

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

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



## Guidance Notes on the Exercise of Voting Rights

The right to vote at the General Meeting of Shareholders is an important shareholder entitlement. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights using one of the following methods:



### Attend the General Meeting of Shareholders

Please submit the enclosed Exercise of Voting Rights Form at the reception desk at the General Meeting of Shareholders on the day of the meeting.

Date and time of the General Meeting of Shareholders

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**Wednesday, March 27, 2019**  
10:00 a.m. (Japan time)



### Exercise Your Voting Rights in Writing (By Mail)

Please indicate your approval or disapproval of the proposals on the enclosed Exercise of Voting Rights Form and return the Form to the Company by mail so that it arrives by the deadline indicated.

Deadline for arrival

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**Tuesday, March 26, 2019**  
No later than 5:15 p.m. (Japan time)



### Exercise Your Voting Rights via the Internet

Please indicate your approval or disapproval of the proposals in accordance with the instructions on page 6 by the deadline indicated.

Deadline for voting via the internet

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**Tuesday, March 26, 2019**  
No later than 5:15 p.m. (Japan time)

Institutional investors may use the electronic voting platform operated by ICJ, Inc.

## Instructions for Completing the Exercise of Voting Rights Form

議案	賛成	反対
第1号議案	<input type="radio"/>	<input type="radio"/>
第2号議案	<input type="radio"/>	<input type="radio"/>
第3号議案	<input type="radio"/>	<input type="radio"/>

Indicate your approval or disapproval of the proposals here.

- Proposal 1**
  - Approval >> Circle [賛]
  - Disapproval >> Circle [否]
- Proposals 2 and 3**
  - Approval of all candidates >> Circle [賛]
  - Disapproval of all candidates >> Circle [否]
  - Approval of certain candidates only >> Circle [賛] and enter the number(s) of the candidate(s) whose election you oppose.

# Instructions for Exercising Your Voting Rights via the Internet

## Voting via Smartphone Using the QR Code

This allows you to login without entering the login ID and temporary password provided on the Exercise of Voting Rights Form.

- 1 Scan the QR Code printed on the right side of the enclosed Exercise of Voting Rights Form.



- 2 Indicate your approval or disapproval of the proposals in accordance with the directions given.



You can exercise your voting rights using the QR Code ONLY ONCE. If you wish to change your vote, or to vote using the login ID and temporary password, please follow the instructions in "Voting Using the Login ID and Temporary Password" to the right.

### Caution

- Please note that the voting website cannot be accessed between 2:00 a.m. and 5:00 a.m. daily (Japan time).
- Depending on your specific computer, smartphone or mobile phone settings and/or Internet environment, you may not be able to use the voting website to exercise your voting rights.
- Any transmission fees or other costs incurred in accessing the voting website to exercise voting rights shall be borne by the individual shareholder.
- Please address any inquiries regarding the exercise of voting rights via the Internet using a computer, smartphone or mobile phone to the help desk indicated below.

## Voting Using the Login ID and Temporary Password

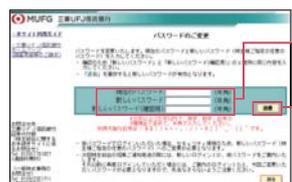
Voting website: <https://evote.tr.mufg.jp>

- 1 Access the voting website.
- 2 Enter the login ID and temporary password provided on the right side of the enclosed Exercise of Voting Rights Form.



Enter login ID and temporary password  
Click "Login"

- 3 Register new password.



Enter new password  
Click "Submit"

- 4 Indicate your approval or disapproval of the proposals in accordance with the directions given.

Inquiries regarding the exercise of voting rights via the Internet

**Stock Transfer Agency Department (Help Desk)**  
**Mitsubishi UFJ Trust and Banking Corporation**  
 Telephone: **0120-173-027** (Toll-free within Japan)  
 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

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

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

The Company proposes the year-end dividends as follows:

### 1 Type of Dividend

Cash

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

65 yen per share of common stock

Total amount of dividend: 6,161,588,485 yen

The Company previously paid out 60 yen per share as an interim dividend. Accordingly, the aggregate amount of the annual dividends for the fiscal year 2018 will be 125 yen per share.

### 3 Effective Date of Dividend

March 28, 2019

## Proposal 2

## Election of 9 Directors

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

The candidates for Directors are as follows:

Candidate No.	Candidate Name	Current Positions and Responsibilities at the Company	Attendance at Board of Directors' Meetings
1	<span>Re-Nominated</span> Yoshiyuki Nakanishi	Chairman of the Board of Directors	14/14 (100%)
2	<span>Re-Nominated</span> Kaoru Ino	Representative Director President and CEO	14/14 (100%)
3	<span>Re-Nominated</span> Masayuki Saito	Representative Director Executive Vice President Assistant to President and CEO CFO	13/14 (93%)
4	<span>Re-Nominated</span> Yoshihisa Kawamura	Director	14/14 (100%)
5	<span>Re-Nominated</span> Hideo Ishii	Director Managing Executive Officer President, Packaging & Graphic Business Group	14/14 (100%)
6	<span>Re-Nominated</span> Toshifumi Tamaki	Director Managing Executive Officer Head of Corporate Strategy Unit In Charge of Kawamura Memorial DIC Museum of Art	10/10 (100%)
7	<span>Re-Nominated</span> Kazuo Tsukahara	<span>Outside Director</span> <span>Independent Director</span> Director	14/14 (100%)
8	<span>Re-Nominated</span> Yoshiaki Tamura	<span>Outside Director</span> <span>Independent Director</span> Director	10/10 (100%)
9	<span>Newly Nominated</span> Kuniko Shouji	<span>Outside Director</span> <span>Independent Director</span>	—

Re-Nominated Re-Nominated Director Candidate      Newly Nominated Newly Nominated Director Candidate

Outside Director Outside Director Candidate      Independent Director Independent Director Candidate

Note: Figures for attendance at Board of Directors' meetings for Toshifumi Tamaki and Yoshiaki Tamura reflect the number of meetings held subsequent to these individuals' assumption of office on March 29, 2018 until December 31, 2018.

Candidate No.

1

# Yoshiyuki Nakanishi

 [DOB: November 3, 1954]

Number of the Company's  
Shares Held  
**16,402**

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

## ▶ Brief Personal History, Positions and Responsibilities

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

## ▶ Reasons for Being a Candidate for Director

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

### Notes:

1. There are no special interests between Yoshiyuki Nakanishi and the Company.
2. The number of the Company's shares held includes the number of those to be provided under the performance-based compensation plan, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.

Candidate No.

**2****Kaoru Ino**

[DOB: September 15, 1957]

Number of the Company's  
Shares Held**5,403**Attendance at Board of  
Directors' Meetings**14/14**

### ▶ Brief Personal History, Positions and Responsibilities

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

### ▶ Reasons for Being a Candidate for Director

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

Notes:

1. There are no special interests between Kaoru Ino and the Company.
2. The number of the Company's shares held includes the number of those to be provided under the performance-based compensation plan, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.

Candidate No.

**3****Masayuki Saito** [DOB: November 8, 1954]

Number of the Company's  
Shares Held  
**14,303**

Attendance at Board of  
Directors' Meetings  
**13/14**

### ▶ Brief Personal History, Positions and Responsibilities

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

### ▶ Principal Concurrent Position Held at Other Organization

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

### ▶ Reasons for Being a Candidate for Director

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

Notes:

1. There are no special interests between Masayuki Saito and the Company.
2. The number of the Company's shares held includes the number of those to be provided under the performance-based compensation plan, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.

Candidate No.

**4****Yoshihisa Kawamura** [DOB: November 12, 1960]

Number of the Company's  
Shares Held  
**85,489**

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

### ▶ Brief Personal History, Positions and Responsibilities

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

### ▶ Principal Concurrent Position Held at Other Organization

Chairman of the Board of Directors, DIC Graphics Corporation

### ▶ Reasons for Being a Candidate for Director

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

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

Candidate No.

**5****Hideo Ishii**

[DOB: December 30, 1954]



Number of the Company's  
Shares Held  
**6,065**

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

### ▶ Brief Personal History, Positions and Responsibilities

April 1979	Joined the Company
April 2009	General Manager, Graphic Arts Materials Technical Administrative Dept.
April 2010	Division President, Imaging & Reprographic Products Div.
January 2014	Executive Officer; In Charge of Application Materials Segment; General Manager, Liquid Compounds Product Div.
January 2015	Managing Executive Officer; In Charge of Printing Inks Segment; General Manager, Printing Inks Product Div.
March 2017	Director; Managing Executive Officer; President, Printing Inks Business Unit; General Manager, Printing Inks Product Div.; General Manager, Printing Inks Production Div.
January 2019- Present	Director; Managing Executive Officer; President, Packaging & Graphic Business Group

### ▶ Reasons for Being a Candidate for Director

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

Notes:

1. There are no special interests between Hideo Ishii and the Company.
2. The number of the Company's shares held includes the number of those to be provided under the performance-based compensation plan, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.

Candidate No.

**6****Toshifumi Tamaki**

[DOB: January 30, 1956]



Number of the Company's  
Shares Held  
**4,978**

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

### ▶ Brief Personal History, Positions and Responsibilities

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

### ▶ Reasons for Being a Candidate for Director

After joining the Company, Toshifumi Tamaki engaged in research and development in the polymers business and previously served as General Manager of the Polymer Technical Div. 2, General Manager of the Corporate R&D Div. and General Manager of the Technical Administrative Div. At present, he is Head of Corporate Strategy Unit. He has extensive experience and achievements in research and development, as well as knowledge regarding the management of global businesses. Accordingly, he is once again a candidate for Director.

Notes:

1. There are no special interests between Toshifumi Tamaki and the Company.
2. The number of the Company's shares held includes the number of those to be provided under the performance-based compensation plan, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.

Candidate No.

7

**Kazuo Tsukahara**

[DOB: April 17, 1950]

Outside Director

Independent Director

Number of the Company's  
Shares Held

0

Attendance at Board of  
Directors' Meetings

14/14

### ▶ Brief Personal History, Positions and Responsibilities

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

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

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

#### Notes:

- There are no special interests between Kazuo Tsukahara and the Company.
- Kazuo Tsukahara is a candidate for Outside Director. Matters to be particularly mentioned in connection therewith are as follows:
  - Number of Years since the Candidate First Assumed the Office of Outside Director of the Company  
At the conclusion of the General Meeting, he will have served for two years as Outside Director of the Company.
  - Summary of Liability Limitation Contracts  
The Company plans to extend the contract for limitation of liability with him if he is reelected. Pursuant to the contract, if he neglects his duties and causes damages to the Company, he shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that he acted in good faith and was not grossly negligent in performing his duties.
  - Designation as Independent Director  
He is designated as Independent Director pursuant to the rules of the Tokyo Stock Exchange. For the Company's Independence Standards for Independent Outside Officers, please refer to page 20.



Candidate No.

9

**Kuniko Shouji**

[DOB: January 8, 1954]

Newly Nominated

Outside Director

Independent Director

Number of the Company's  
Shares Held

0

Attendance at Board of  
Directors' Meetings

—

### ▶ Brief Personal History, Positions and Responsibilities

April 1977	Joined Mochida Pharmaceutical Co., Ltd.
July 1986	Joined Johnson & Johnson Medical K.K.(Currently, Johnson & Johnson K.K.)
September 2002	Joined Terumo Corporation
June 2004	Executive Officer, Terumo Corporation
June 2010	Director and Senior Executive Officer, Terumo Corporation
April 2017	Director and Advisor, Terumo Corporation
June 2017	Advisor, Terumo Corporation

### ▶ Principal Concurrent Positions Held at Other Organizations

Outside Director, Nichirei Corporation  
Outside Director, Medipal Holdings Corporation

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

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

Notes:

1. Kuniko Shouji is a newly nominated candidate for Director.
2. There are no special interests between Kuniko Shouji and the Company.
3. Kuniko Shouji is a candidate for Outside Director. Matters to be particularly mentioned in connection therewith are as follows:
  - (1) Summary of Liability Limitation Contracts  
The Company plans to enter into a contract for limitation of liability with her if she is elected. Pursuant to the contract, if she neglects her duties and causes damages to the Company, she shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that she acted in good faith and was not grossly negligent in performing her duties.
  - (2) Designation as Independent Director  
The Company plans to designate her 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 20.

## Proposal 3

## Election of 2 Corporate Auditors

The term of office of Corporate Auditor Cindy Yoshiko Shirata will expire at the conclusion of the General Meeting. In addition, Corporate Auditor Jiro Mizutani will resign from his position. Accordingly, the Company proposes the election of two Corporate Auditors.

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

The candidates for Corporate Auditors are as follows:

Candidate No.

1

## Hiroyuki Ninomiya

[DOB: July 8, 1959]

Newly Nominated



Number of the Company's  
Shares Held  
**4,481**

### ▶ Brief Personal History and Positions

April 1984	Joined the Company
April 2008	General Manager, Accounting Dept.
January 2016	Executive Officer; In Charge of Finance and Accounting Div.
January 2018	Executive Officer, Head of Finance and Accounting Unit.
January 2019-	Executive Officer; ESG Unit
Present	

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

After joining the Company, Hiroyuki Ninomiya worked at Group companies in both Europe and the People's Republic of China, after which he served as General Manager of the Accounting Department and Head of the Finance and Accounting Unit. He has expertise in finance and accounting, as well as global knowledge regarding the DIC Group's businesses. Accordingly, he is a candidate for Corporate Auditor.

Notes:

1. Hiroyuki Ninomiya is a newly nominated candidate for Corporate Auditor.
2. There are no special interests between Hiroyuki Ninomiya and the Company.
3. The number of the Company's shares held includes the number of those to be provided under the performance-based compensation plan, a certain proportion of which will be sold at market and provided in cash equivalent to the proceeds from the sale.

Candidate No.

2

**Michiko Chiba**

[DOB: June 27, 1961]

Newly Nominated

Outside Corporate Auditor

Independent Corporate Auditor



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

### ▶ Brief Personal History and Positions

April 1984      Joined Tokyo Metropolitan Government  
 October 1989    Joined Showa Ota & Co. (currently, Ernst & Young ShinNihon LLC)  
 March 1993      Registered as certified public accountant  
 July 2010        Senior Partner, Ernst & Young ShinNihon LLC  
 September 2016- Present    Founded Chiba Certified Public Accountant Office

### ▶ Principal Concurrent Position Held at Other Organization

Outside Corporate Auditor, Cashio Computer Co., Ltd.

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

As noted above, Michiko Chiba is a certified public accountant. As such, she has specialized expertise in finance and accounting and extensive experience in corporate auditing. She is seen as an individual capable of effectively fulfilling the role of Outside Corporate Auditor to advise management of the DIC Group from an expert, multifaceted and independent perspective. Accordingly, she is a candidate for Outside Corporate Auditor.

Notes:

1. Michiko Chiba is a newly nominated candidate for Corporate Auditor.
2. There are no special interests between Michiko Chiba and the Company.
3. Michiko Chiba is a candidate for Outside Corporate Auditor. Matters to be particularly mentioned in connection therewith are as follows:
  - (1) Summary of Liability Limitation Contracts
 

The Company plans to enter into a contract for limitation of liability with her if she is elected. Pursuant to the contract, if she neglects her duties and causes damages to the Company, she shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that she acted in good faith and was not grossly negligent in performing her duties.
  - (2) Designation as Independent Corporate Auditor
 

The Company plans to designate her as Independent Corporate Auditor pursuant to the rules of the Tokyo Stock Exchange. For the Company's Independence Standards for Independent Outside Officers, please refer to page 20.

## Reference

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

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

**2 Independence Standards for Independent Outside Officers**

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

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

(Attachments)

# Business Report

(January 1, 2018 - December 31, 2018)

## 1 Current Conditions of the DIC Group

### 1 Business Progress and Achievements

Economic conditions worldwide recovered gradually in the fiscal year 2018, although signs of weakness were seen in certain areas. Moderate recovery persisted in North America and Europe. In Asia, economic conditions picked up slowly in Southeast Asia and India, despite slowing in the People's Republic of China (PRC). Japan's economy rallied steadily.

In this environment, consolidated net sales increased 2.0%, to 805.5 billion yen, reflecting multiple factors, including the revision of sales prices and firm shipments.

Operating income declined 14.3%, to 48.4 billion yen, hampered by rising raw materials prices, higher distribution costs and the depreciation of currencies in European emerging economies, among others.

Ordinary income was down 14.5%, to 48.7 billion yen, with causes including lower operating income.

Net income attributable to owners of the parent fell 17.0%, to 32.0 billion yen. Reasons behind this result included the decrease in ordinary income.

(Billions of yen)

	Fiscal Year 2017	Fiscal Year 2018	Change (%)	Change (%) [Local Currency Basis]
Net Sales	789.4	805.5	2.0%	3.3%
Operating Income	56.5	48.4	-14.3%	-11.4%
Ordinary Income	57.0	48.7	-14.5%	—
Net Income Attributable to Owners of the Parent	38.6	32.0	-17.0%	—
¥/US\$1.00(Average Rate)	112.33	110.46		
¥/EUR1.00(Average Rate)	127.03	130.46		

Results of operations by segment are as follows:

(Billions of yen)

Segment	Net Sales				Operating Income			
	Fiscal Year 2017	Fiscal Year 2018	Change (%)	Change (%) [ Local Currency Basis ]	Fiscal Year 2017	Fiscal Year 2018	Change (%)	Change (%) [ Local Currency Basis ]
Printing Inks	373.7	380.6	1.8%	4.6%	17.4	13.8	-21.0%	-10.8%
Fine Chemicals	135.4	132.3	-2.3%	-1.8%	17.4	16.4	-5.5%	-5.9%
Polymers	197.9	205.8	4.0%	3.8%	19.6	17.5	-10.6%	-10.7%
Compounds	64.7	65.2	0.8%	0.9%	5.0	3.2	-35.4%	-35.7%
Application Materials	56.1	58.5	4.3%	4.1%	2.6	3.2	23.0%	22.4%
Others, Corporate and Eliminations	(38.4)	(36.9)	—	—	(5.5)	(5.7)	—	—
Total	789.4	805.5	2.0%	3.3%	56.5	48.4	-14.3%	-11.4%

Segment results in key markets are detailed on pages 23-25. Year-on-year percentage changes in squared parentheses represent increases or decreases on a local currency basis. Interregional transactions within the Printing Inks segment are included. Accordingly, the aggregates of regional net sales and operating income figures for the Printing Inks segment differ from the figures presented above.



## Printing Inks

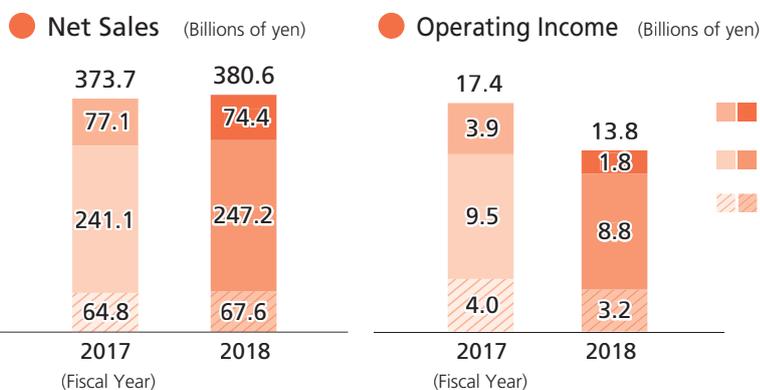
# 45.2%

Net Sales Composition Ratio



### Principal Products

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



Net Sales

**¥380.6 billion**  
Change **1.8%** [4.6%]

Operating Income

**¥13.8 billion**  
Change **-21.0%** [-10.8%]

## Japan

Net Sales **¥74.4 billion**  
Change **-3.6%**

Operating Income **¥1.8 billion**  
Change **-53.4%**

Sales in Japan declined, a consequence of diminished demand for publishing inks, among others.

Operating income fell sharply, owing to the aforementioned sales results, as well as to rising raw materials prices, higher distribution costs and other factors.



## The Americas and Europe

Net Sales **¥247.2 billion**  
Change **2.5%** [6.1%]

Operating Income **¥8.8 billion**  
Change **-7.7%** [9.3%]

Although sales of packaging inks rose, sales in North America edged down, owing to waning demand for publishing inks and news inks. In Europe, sales increased, boosted by brisk shipments of packaging inks. Sales in Central and South America were up in all product categories. As a result, overall sales in the Americas and Europe advanced, underpinned by an increase in sales of packaging inks, among others.

Despite rising in local currency terms, reflecting the aforementioned sales results and expanded sales of security inks, operating income was down after translation owing to the depreciation of currencies in emerging economies, including the Turkish lira.



## Asia and Oceania

Net Sales **¥67.6 billion**  
Change **4.3%** [7.1%]

Operating Income **¥3.2 billion**  
Change **-19.8%** [-18.6%]

Higher shipments of packaging inks and publishing inks bolstered sales in the PRC and Southeast Asia. Sales in Oceania fell, with causes including fading demand for publishing inks and news inks. Sales in India increased in all product categories. For these reasons, overall sales in Asia and Oceania advanced.

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



## Fine Chemicals

**15.7%**  
Net Sales Composition Ratio

### Principal Products

**[Pigments Product Div.]** Organic Pigments for Printing Inks, Organic Pigments for Coatings and Plastics, Organic Pigments for Color Filters, Special Effect Pigments, Pigments for Cosmetics, Metal Carboxylates, Sulphur Chemicals (Lubricant Additives)  
**[Liquid Crystal Materials Product Div.]** Thin Film Transistor (TFT) LCs, Super Twisted Nematic (STN) LCs

Net Sales

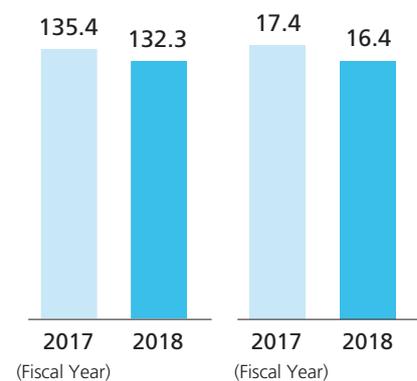
**¥132.3 billion**  
Change **-2.3%** [-1.8%]

Operating Income

**¥16.4 billion**  
Change **-5.5%** [-5.9%]

● Net Sales  
(Billions of yen)

● Operating Income  
(Billions of yen)



Sales of pigments were down, despite an increase in shipments of pigments for color filters and special effect pigments, among others. Reasons behind this result included a lull in shipments of pigments for cosmetics and flagging demand for other pigments. Sales of TFT LCs fell, with reasons including falling sales prices. As a consequence, segment sales declined.

Owing to the aforementioned sales results, as well as to the impact of environmental regulations in the PRC, segment operating income decreased.



## Polymers

**24.4%**  
Net Sales Composition Ratio

### Principal Products

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

Net Sales

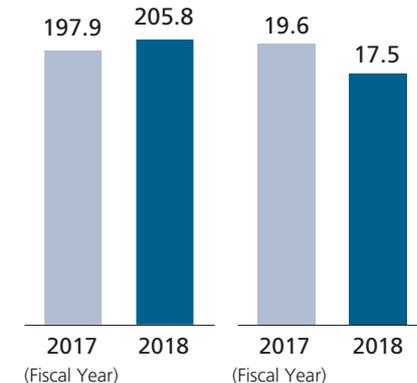
**¥205.8 billion**  
Change **4.0%** [3.8%]

Operating Income

**¥17.5 billion**  
Change **-10.6%** [-10.7%]

● Net Sales  
(Billions of yen)

● Operating Income  
(Billions of yen)



Sales of epoxy resins and other products for electronic and electrical equipment advanced both in Japan and overseas. In addition, the revision of sales prices progressed. For these and other reasons, segment sales rose.

Segment operating income declined, notwithstanding the aforementioned sales results. Factors behind this result included the fact that efforts to revise sales prices failed to keep up with rising raw materials prices.



## Compounds

**7.7%**  
Net Sales Composition Ratio

### Principal Products

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

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

Net Sales

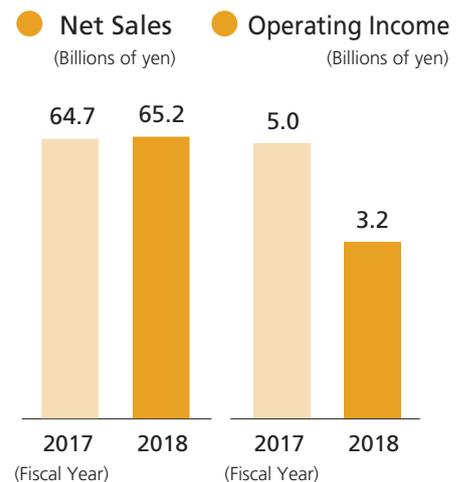
**¥65.2 billion**  
Change **0.8%** [0.9%]

Operating Income

**¥3.2 billion**  
Change **-35.4%** [-35.7%]

Shipments of PPS compounds and jet inks expanded steadily. Nonetheless, segment sales were up only slightly, owing to the scaling back of low-margin businesses and other factors.

Segment operating income fell sharply. This was attributable to a one-time cost increase associated with the scaling back of low-margin businesses, as well as to rising raw materials prices, among others.



## Application Materials

**6.9%**  
Net Sales Composition Ratio

### Principal Products

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

Net Sales

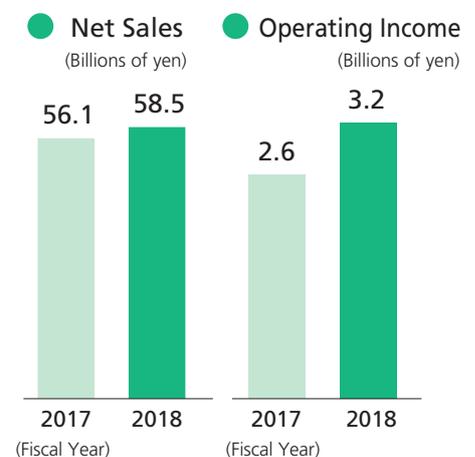
**¥58.5 billion**  
Change **4.3%** [4.1%]

Operating Income

**¥3.2 billion**  
Change **23.0%** [22.4%]

Segment sales increased, reflecting higher shipments of high-value-added products such as coextruded multilayer films and hollow-fiber membrane modules, among others.

Segment operating income rose substantially. Reasons behind this result included the aforementioned sales results.



## 2 Operating Results and Financial Position

Consolidated operating results and financial position are as follows:

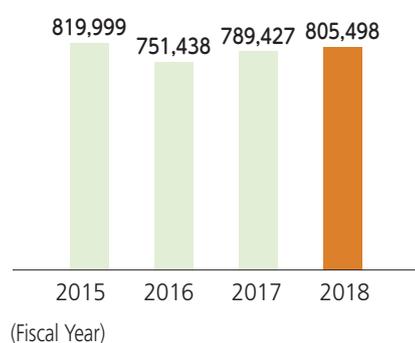
Category	Fiscal Year 2015 (January 1, 2015– December 31, 2015)	Fiscal Year 2016 (January 1, 2016– December 31, 2016)	Fiscal Year 2017 (January 1, 2017– December 31, 2017)	Fiscal Year 2018 (January 1, 2018– December 31, 2018)
Net Sales (Millions of yen)	819,999	751,438	789,427	805,498
Operating Income (Millions of yen)	51,068	54,182	56,483	48,385
Operating Margin (%)	6.2	7.2	7.2	6.0
Ordinary Income (Millions of yen)	48,995	55,797	56,960	48,702
Net Income Attributable to Owners of the Parent (Millions of yen)	37,394	34,767	38,603	32,028
Earnings per Share (Yen)	38.94	366.72	407.56	338.40
Net Assets (Millions of yen)	289,857	307,017	343,951	327,334
Total Assets (Millions of yen)	778,857	764,828	831,756	805,486

Notes:

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

### Net Sales

(Millions of yen)



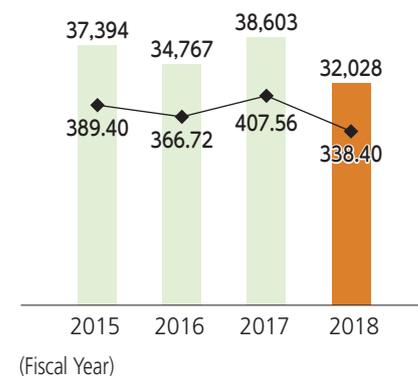
### Operating Income/Operating Margin

Operating Income (Millions of yen)  
Operating Margin (%)



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

Net Income Attributable to Owners of the Parent (Millions of yen)  
Earnings per Share (yen)



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

### 3 Financing Activities

#### 1) Methods of Financing

During the fiscal year 2018, 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, 2018, the total interest-bearing debt amounted to 264.5 billion yen (including leases), a decrease of 1.2 billion yen from the previous fiscal year-end.

#### 2) Principal Borrowings (as of December 31, 2018)

Lender	Balance of Borrowings (Millions of yen)
MUFG Bank, Ltd.	74,993
Mizuho Bank, Ltd.	37,995
THE SHIGA BANK, LTD.	9,765

### 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 2018, the DIC Group invested 32.1 billion yen in facilities. Principal investments to build new or expand existing facilities, by segment, were as follows:

Printing Inks	Japan	Establishment of DIC Packaging Solution Center
Fine Chemicals	Japan	Expansion of production facilities for blue pigments for color filters
Polymers	PRC	Expansion of production facilities for unsaturated polyester resins
Compounds	Japan	Expansion of production facilities for PPS compounds
Application Materials	USA	Expansion of production facilities for natural blue food coloring
Others and Corporate	Japan	Introduction of facilities for solar power generation



Production facilities for unsaturated polyester resins (PRC)



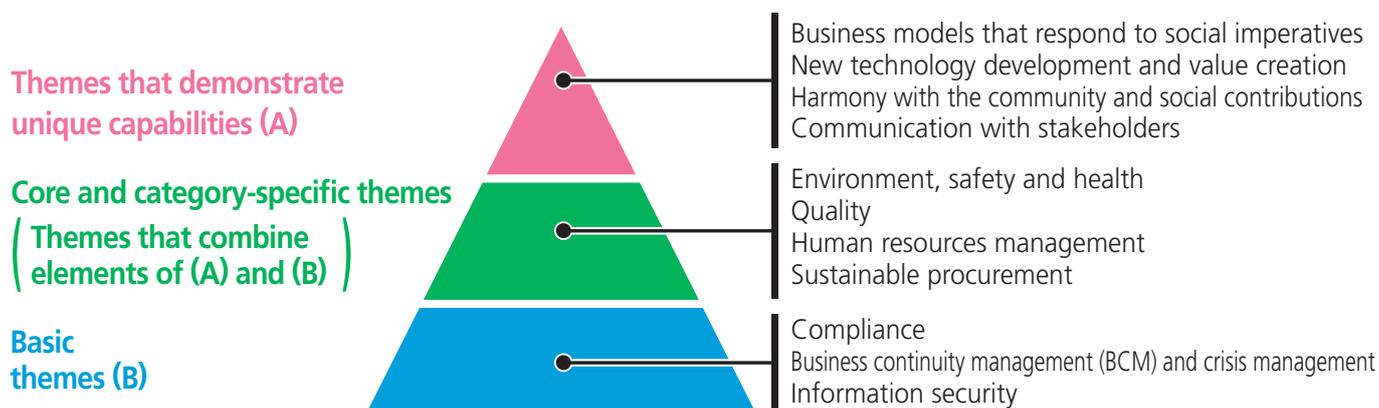
Production facilities for PPS compounds (Japan)

## 4 Sustainability Initiatives

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

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

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



Amid rising awareness of and expectations regarding quality, the DIC Group continues to promote efforts aimed at further enhancing product quality and increasing customer satisfaction, guided by its quality policy, “Contribute to the prosperity of customers and society by consistently providing reliable products.” To this end, the Group has established a quality assurance configuration aimed at building a stronger consensus between top management and people on the front lines, thereby enabling swift and effective responses to quality issues.

Special Topic

1

## The DIC Group's ESG Initiatives

Recognizing the increasing importance of ESG investment and the expansion of social imperatives pertaining to ESG-related issues, in fiscal year 2018 DIC established the ESG Unit to facilitate the more systematic implementation of related initiatives. The Group continues to promote a variety of efforts worldwide such as those outlined below with the aim of contributing to the realization of a sustainable society.

### 1 Setting of a New Target for the Reduction of CO<sub>2</sub> Emissions

The DIC Group works continuously to lower its emissions of CO<sub>2</sub>. In fiscal year 2018, the Group set an ambitious new target for reducing CO<sub>2</sub> emissions across global DIC Group sites by 30% from the fiscal year 2013 level by fiscal year 2030 with the aim of helping sustain and improve the environment.

In fiscal year 2018, a new megasolar system with a capacity of 1,600 kW (pictured) commenced operation at the Kashima Plant. New systems scheduled to start up in fiscal year 2019 include megasolar system with a capacity of 1,270 kW at the Tatebayashi Plant.



### 2 Initiatives Aimed at Contributing to Society

The DIC Group is committed to effective stewardship of the products it provides. Conscious always of the increasing importance of ensuring its products are environmentally friendly, the Group promotes the development of technologies and products that contribute to society by, among others, reducing the volume of hazardous substances it uses, creating products that contribute to clean technology and can be recycled, and realizing safer production processes that generate less waste and use less energy.

#### 1) Examples of sustainable DIC Group products

- Inks for food packaging made with rice bran biomass (renewable waste material)
- Highly recyclable polystyrene
- Dry laminating adhesives with barrier properties that help reduce food loss

#### 2) Recent highlights

DIC exhibited sustainable DIC Group products at TOKYO PACK 2018, an international packaging materials exhibition, which took place from October 2–5, 2018, at Tokyo Big Sight.



The DIC Group's booth at TOKYO PACK 2018

### 3 Formulation of the DIC Group Human Rights Policy

Companies today are expected to actively address global human rights issues. The DIC Group Code of Business Conduct lays down provisions prohibiting human rights violations. In conformance with global codes governing human rights, in May 2018 the Group formulated the DIC Group Human Rights Policy to guide related initiatives going forward.

### 4 External Assessments

The DIC Group's efforts to promote ESG initiatives are assessed by a number of external organizations. The Company has been selected for inclusion in the Dow Jones Sustainability Indices (DJSI) Asia Pacific Index, which selects companies capable of sustainable growth by assessing ESG performance, for four consecutive years. In 2018, the Index assessed the performance of approximately 600 companies in the Asia Pacific region, from which 150 were selected for inclusion, including the Company as one of 15 from the materials industries (six of which come from the chemicals sector). The Company has consistently been a constituent stock of the MSCI ESG indexes. In December 2018, the Company was selected for the first time for inclusion in the FTSE4Good Index Series.

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

**MSCI**



2018 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

**MSCI**



2018 Constituent  
MSCI Japan ESG  
Select Leaders Index



**FTSE4Good**



**FTSE Blossom  
Japan**

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that DIC Corporation has been independently assessed according to the FTSE Blossom Japan Index criteria and has satisfied the requirements to become a constituent stock of the Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong ESG practices. The Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

## 5 Challenges to be Addressed

DIC Group formulated a new medium-term management plan, DIC111, which is a three-year plan from 2019 to 2021. In DIC111, the DIC Group defined our target business areas as those which combine “economic value” represented by growth, profitability and capital efficiency and “social value” based on social imperative and is going to implement the following basic strategies to reach these areas.

- 1 Business portfolio transformation to achieve growth
  - Value Transformation  
Proceed with qualitative change by identifying business areas to focus on by segment
  - New Pillar Creation  
Accelerate creation of next-generation businesses by identifying the business areas at the intersection of social issues & social change and DIC Group’s competence as priority areas.
- 2 Strengthening management foundation to support global and ESG management
- 3 Cash flow management to pursue an optimal balance between financial health and shareholders return while implementing strategic investments



(The following information is as of December 31, 2018, unless otherwise noted.)

Special Topic

2

## Pursuit of Opportunities for Strategic Investment (M&As, etc.)

Guided by its three-year medium-term management plan (2016-2018), DIC108, DIC made a number of key strategic investments, including in mergers and acquisitions (M&As) with the aim of fostering next-generation businesses and laying the foundation for an overhaul of its business portfolio.

### 1 Acquisition of High-Purity Iron Oxide Pigments Business

In July 2018, DIC Group company Sun Chemical acquired the high-purity iron oxide pigments business of the Cathay Industries Group, the production base of which is located in Valparaiso, Indiana, in the United States.



High-purity iron oxide pigments

High-purity iron oxide pigments produced at the Valparaiso site are used as extensively in lip color, eye shadow, foundation primer and other cosmetics products. These pigments have obtained certification under the COSMOS (COSMetic Organic Standard) program—the global standard for organic and natural cosmetics—and are thus expected to help grow pigments for cosmetics into a core component of the DIC Group's pigments business, bolstered by market growth, as well as by rising awareness of product safety and the tightening of pertinent regulations. As such, this business will also contribute to the Group's sustainability. Looking ahead, the DIC Group will actively build on this acquisition to expand its global market share and reinforce its production infrastructure.

### 2 Acquisition of Luminescence Holdings

In February 2018, Sun Chemical acquired Luminescence Holdings Ltd., a manufacturer of security inks based in Essex, in the United Kingdom. Inks manufactured by Luminescence are used in security printing, that is, the printing of banknotes, tax stamps, passports, ID cards and other items for which the prevention of forgery and tampering is a key concern. In the year since the acquisition, Luminescence has seen robust sales, exceeding original estimates, largely due to the inks being high value-added products. Despite rising raw materials prices, attributable to the high price of oil, these results underpinned an improvement in profitability in the DIC Group's printing inks business in Europe in fiscal year 2018.



Optically variable inks

Sun Chemical is the leading manufacturer of printing inks in the Americas and Europe and boasts a product portfolio encompassing offset inks, flexo inks, gravure inks and coatings. While it already had a security inks business, the DIC Group looks forward to capitalizing on this acquisition—which brings together Luminescence's technological capabilities and the Group's vast global sales network—to boost its share of this market and cement its competitive advantage.

Special Topic

3

## Basic Strategies of Medium-Term Management Plan, DIC111

DIC Group is going to implement the following initiatives to realize a basic strategy of “business portfolio transformation to achieve growth” in the DIC Group’s new medium-term management plan from 2019 to 2021, DIC111.

### 1 Value Transformation

- Bolster competitiveness by transforming the DIC Group’s business structure  
Shift from businesses vulnerable to macroenvironment changes to those with differentiated high-value-added products
- Make businesses more conscious of social value  
Shift to businesses with more of a focus on value provided to customers and markets and on sustainability throughout product life cycles

(1) The DIC Group implemented organizational change as shown below as of January 1, 2019 to reflect the DIC Group’s intention to solve social challenges and provide value to society.

Segment	Business Concept (Value provided)	Product Division
Packaging & Graphic	Packaging materials that bring safety and peace of mind	<ul style="list-style-type: none"> <li>• Printing Material Products Div.</li> <li>• Packaging Material Products Div.</li> </ul>
Color & Display	Color and display materials that make life colorful	<ul style="list-style-type: none"> <li>• Color Material Products Div.</li> <li>• Display Material Products Div.</li> </ul>
Functional Products	Functional products that add comfort	<ul style="list-style-type: none"> <li>• Performance Material Products Div.</li> <li>• Composite Material Products Div.</li> </ul>

(2) The DIC Group will shift our existing business and pursue new value through business activities of each segment.

Segment	Value Transformation
Packaging & Graphic Publication inks	<ul style="list-style-type: none"> <li>• <b>Packaging solutions</b> Printing inks, adhesives, films, polystyrene</li> <li>• <b>Specialty inks</b> Jet inks, security inks</li> </ul>
Color & Display General purpose pigments	<ul style="list-style-type: none"> <li>• <b>High-performance products</b> Functional pigments (color filters, effects, cosmetics and NIP*), LC materials, next-generation display materials</li> <li>• <b>Naturally derived products</b> Natural colorants</li> </ul> <p style="text-align: right;">*Non impact printing</p>
Functional Products General processed products Solvent-based products	<ul style="list-style-type: none"> <li>• <b>Environment-friendly products</b> Waterborne resins, urethane resins, UV-curable resins</li> <li>• <b>High-value-added products</b> Epoxy resins, PPS compounds, industrial adhesive tapes, hollow-fiber membrane modules</li> </ul>

## 2 New Pillar Creation

- Create new businesses from the perspective of social challenges and social changes  
Contribute to the resolution of challenges through business activities by identifying areas at the intersection of social challenges/social changes and DIC Group's core competencies
- Make active use of external resources  
Acquire new technologies and establish new social ecosystems through M&As and the use of corporate venture capital (CVC)

The DIC Group will contribute to solving social challenges through the DIC Group's competences by identifying following business areas as priority areas.

Priority Area	Social Challenge	DIC Group's Competence	Target
Electronics	High-speed communications Shift to AI, IoT and IoE	Optical control technology Design technologies for functional materials Dispersion and ink techniques	Next-generation display PCB, Semiconductor, Sensor
Automotive	Connected Autonomous Shared Electric	Composite technologies	Multi-materialization Next-generation battery materials
Next-Generation Packaging	Food issues Food safety and security Marine plastic Distribution revolution	Global channels Packaging solutions	Approach to safety, security and food loss Sustainable packaging
Health Care	Health and longevity Food safety and security	Algae cultivation technology Color materials	Replacement of artificial colorants Nutrition

For more information of the medium-term management plan, DIC 111, please refer to the Company's website:  
<http://www.dic-global.com/en/ir/plan.html>

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

### 1) The Company

#### Corporate Headquarters

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

#### Branch Offices

Osaka Branch (Osaka)    Nagoya Branch (Aichi)

#### Plants and R&D Facilities

Tokyo Plant (Tokyo)

Sakai Plant (Osaka)

Komaki Plant (Aichi)

Central Research Laboratories (Chiba)

Chiba Plant (Chiba)

Kashima Plant (Ibaraki)

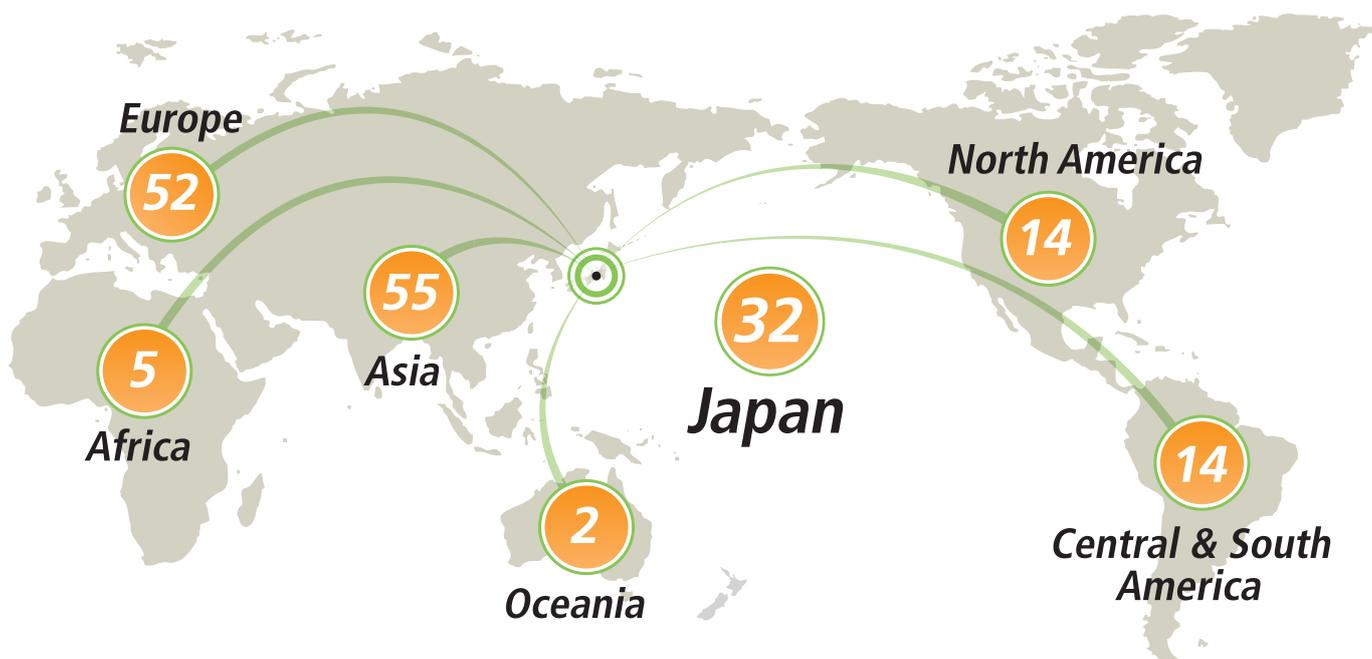
Saitama Plant (Saitama)

Hokuriku Plant (Ishikawa)

Yokkaichi Plant (Mie)

Tatebayashi Plant (Gunma)

### Global Network (174 companies in 64 countries and territories)



## 2) Subsidiaries and Affiliates

### Printing Inks (109 companies)

DIC Graphics Corporation (Tokyo, Japan)  
DIC COLOR DESIGN, Inc. (Tokyo, Japan)  
Sun Chemical Group Coöperatief U.A. (Netherlands)  
PT. DIC GRAPHICS (Indonesia)  
Nantong DIC Color Co., Ltd. (PRC)  
DIC India Limited (India)  
DIC Australia Pty Limited (Australia)  
DIC (MALAYSIA) SDN. BHD. (Malaysia)  
and 101 other companies

### Fine Chemicals (6 companies)

Qingdao DIC Finechemicals CO., LTD. (PRC)  
and 5 other companies

### Polymers (27 companies)

SEIKO PMC CORPORATION (Tokyo, Japan)  
DIC Material Inc. (Tokyo, Japan)  
DIC Kitanihon Polymer Co., Ltd. (Miyagi, Japan)  
DIC KYUSHU POLYMER Co., Ltd. (Oita, Japan)  
Siam Chemical Industry Co., Ltd. (Thailand)  
DIC Zhangjiagang Chemicals Co., Ltd. (PRC)  
LIDYE CHEMICAL CO., LTD. (Taiwan)  
Changzhou Huari New Material Co., Ltd. (PRC)  
DIC SYNTHETIC RESINS (ZHONGSHAN) CO., LTD. (PRC)  
and 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 Decor, Inc. (Saitama, Japan)  
DIC PLASTICS Inc. (Saitama, Japan)  
DIC KAKO INC. (Shiga, Japan)  
Earthrise Nutritionals, LLC. (USA)  
Shanghai DIC Pressure-Sensitive Adhesive Materials Co., Ltd (PRC)  
and 10 other companies

### Others (11 companies)

DIC Asia Pacific Pte Ltd (Singapore)  
DIC (CHINA) CO., LTD. (PRC)  
and 9 other companies

## 7 Principal Subsidiaries and Affiliates

Company Name	Location	Capital	Ownership of voting rights	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\$310,161 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	54.5%	Manufacture and sale of papermaking chemicals and resins for printing inks and imaging and reprographic products
DIC INVESTMENTS JAPAN, LLC.	Tokyo, Japan	¥91 million	100.0%	Investment in and financing for DIC Group companies
TAIYO HOLDINGS CO., LTD.	Saitama, Japan	¥9,331 million	19.5%	Investment in and financing for Taiyo Group companies
RENAISSANCE, INCORPORATED	Tokyo, Japan	¥2,210 million	22.1%	Sports club business and nursing care and rehabilitation business

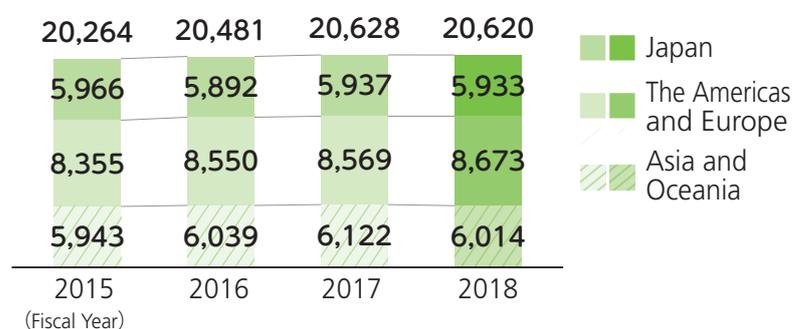
Notes:

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. Ownership of voting rights includes indirect investments.
3. Although the ownership of voting rights of TAIYO HOLDINGS CO., LTD. is 19.5%, the Company deems it as an affiliate because the Company has substantial influence over it.

## 8 Workforce Statistics

Segment	Number of Employees
Printing Inks	10,515
Fine Chemicals	2,609
Polymers	3,292
Compounds	1,233
Application Materials	1,037
Others	707
Corporate (Shared)	1,227
<b>Total</b>	<b>20,620</b>

■ Number of Employees



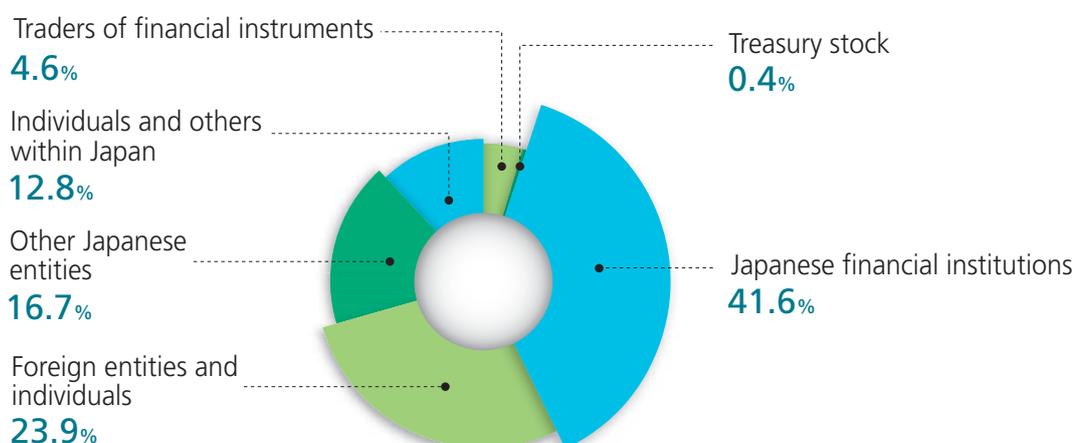
## 2 Stock Information

**1 Total Number of Shares Authorized**  
150,000,000

**2 Total Number of Shares Issued**  
95,156,904

**3 Number of Shareholders**  
37,322

### ■ Distribution of Shareholders by Investor Type



### 4 Major Shareholders

Name of Shareholder	Number of Shares Owned (Thousands)	Shareholding Percentage (%)
SHOEI INC.	12,694	13.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,041	6.37
Japan Trustee Services Bank, Ltd. (Trust Account)	5,950	6.28
The Dai-ichi Life Insurance Company, Limited	3,500	3.69
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,226	3.40
JP MORGAN CHASE BANK 385632	3,191	3.37
SMBC Nikko Securities Inc.	2,368	2.50
Aioi Nissay Dowa Insurance Co., Ltd.	2,020	2.13
NIPPON LIFE INSURANCE COMPANY	1,900	2.00
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,737	1.83

#### Notes:

- The above table lists the top 10 shareholders.
- The shareholding percentage is calculated by subtracting the number of treasury shares (363,535 shares) from the total number of shares issued. The number of treasury shares does not include shares held by Trust & Custody Services Bank, Ltd. (147,800 shares) as trustee of the Company's board benefit trust (BBT).

## 3 Matters Concerning Directors and Corporate Auditors

### 1 Directors and Corporate Auditors

#### 1. Directors

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations	Attendance at Board of Directors' Meetings
Chairman of the Board of Directors	Yoshiyuki Nakanishi		14/14 (100%)
Representative Director President and CEO	Kaoru Ino		14/14 (100%)
Representative Director Executive Vice President	Masayuki Saito	Assistant to the President and CEO CFO Chairman of the Supervisory Board, Sun Chemical Group Coöperatief U.A.	13/14 (93%)
Director	Yoshihisa Kawamura	Chairman of the Board of Directors, DIC Graphics Corporation	14/14 (100%)
Director Managing Executive Officer	Hideo Ishii	President, Printing Inks Business Unit General Manager, Printing Inks Product Div.	14/14 (100%)
Director Managing Executive Officer	Toshifumi Tamaki	Head of Corporate Strategy Unit In charge of Kawamura Memorial DIC Museum of Art Chairman, DIC (CHINA) CO., LTD.	10/10 (100%)
Outside Director Independent Director Director	Yukako Uchinaga	Board Chair, Japan Women's Innovative Network (J-Win, a non-profit organization) Outside Director, AEON CO., LTD. Outside Director, HOYA CORPORATION Outside Director, TEIJIN LIMITED	12/14 (86%)
Outside Director Independent Director Director	Kazuo Tsukahara	Outside Director, NACHI-FUJIKOSHI CORP.	14/14 (100%)
Outside Director Independent Director Director	Yoshiaki Tamura	Outside Director, Kawasaki Heavy Industries, Ltd.	10/10 (100%)

#### 2. Corporate Auditors

Position	Name	Responsibilities at the Company and Principal Concurrent Positions at Other Organizations	Attendance at Board of Directors' Meetings	Attendance at Board of Corporate Auditors' Meetings
Fulltime Corporate Auditor	Yoshiyuki Mase		14/14 (100%)	16/16 (100%)
Fulltime Corporate Auditor	Jiro Mizutani		14/14 (100%)	16/16 (100%)
Outside Corporate Auditor Independent Corporate Auditor Corporate Auditor	Katsunori Takechi	Attorney Outside Corporate Auditor, Tokyu Fudosan Holdings Corporation	14/14 (100%)	16/16 (100%)
Outside Corporate Auditor Independent Corporate Auditor Corporate Auditor	Cindy Yoshiko Shirata	Outside Director, WIN-Partners Co., Ltd. Outside Director, Ryoden Corporation Outside Director, TAKARA PRINTING CO., LTD.	14/14 (100%)	15/16 (94%)

#### Notes:

- Directors Yukako Uchinaga, Kazuo Tsukahara and Yoshiaki Tamura are Outside Directors.
- Corporate Auditors Katsunori Takechi and Cindy Yoshiko Shirata are Outside Corporate Auditors.
- Corporate Auditor Yoshiyuki Mase is qualified as a certified public tax accountant, oversaw corporate accounts at the Company for many years, and has extensive expertise in finance and accounting.
- In addition to providing expertise in corporate law, Outside Corporate Auditor Katsunori Takechi provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act and has extensive expertise in finance and accounting.

## Notes:

5. Outside Corporate Auditor Cindy Yoshiko Shirata engages in the study and education of financial accounting and management as an academic expert in accounting, and has extensive expertise in finance and accounting.
6. Outside Directors Yukako Uchinaga, Kazuo Tsukahara and Yoshiaki Tamura and Outside Corporate Auditors Katsunori Takechi and Cindy Yoshiko Shirata are designated as Independent Directors/Auditors in accordance with the rules of the Tokyo Stock Exchange.
7. Directors Toshifumi Tamaki and Yoshiaki Tamura were newly elected and assumed office at the 120th Annual General Meeting of Shareholders, held on March 29, 2018.
8. At the conclusion of the 120th Annual General Meeting of Shareholders, held on March 29, 2018, Directors Hitoshi Wakabayashi and Takao Suzuki retired from their positions.
9. In June 2018, Outside Director Yukako Uchinaga became an Outside Director of TEIJIN LIMITED.
10. In February 2019, Outside Director Kazuo Tsukahara retired from his position as Outside Director of NACHI-FUJIKOSHI CORP.
11. In June 2018, Outside Director Yoshiaki Tamura became an Outside Director of Kawasaki Heavy Industries, Ltd.
12. In March 2018, Outside Corporate Auditor Cindy Yoshiko Shirata retired from her position as Guest Researcher at Hosei University's Research Institute for Innovation Management.
13. Figures for attendance at Board of Directors' meetings for Directors Toshifumi Tamaki and Yoshiaki Tamura reflect the number of meetings held subsequent to these individuals' assumption of office on March 29, 2018 until December 31, 2018.
14. The Company executed the contract for limitation of liability with all of the Outside Directors and Outside Corporate Auditors. Pursuant to the contract, if they neglect their duties and cause damages to the Company, they shall be liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that they acted in good faith and were not grossly negligent in performing their duties.
15. As of January 1, 2019, certain Directors' responsibilities at the Company and principal concurrent positions 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	Hideo Ishii	President, Packaging & Graphic Business Group
Director Managing Executive Officer	Toshifumi Tamaki	Head of Corporate Strategy Unit In Charge of Kawamura Memorial DIC Museum of Art

## (Reference)

The Company has adopted an Executive Officer system in order to facilitate the prompt execution of operations and better clarify responsibilities. As of January 1, 2019, Executive Officers who do not concurrently serve as Directors are as shown below.

Position	Name	Responsibilities at the Company
Managing Executive Officer	Kazunari Sakai	General Manager, Technical Management Unit
Managing Executive Officer	Masami Hatao	President, Color & Display Business Group General Manager, Display Material Products Div.
Managing Executive Officer	Naoyoshi Furuta	General Manager, Production Management Unit
Managing Executive Officer	Masaya Nakafuji	Head of General Affairs and Legal Unit In Charge of Diversity
Managing Executive Officer	Kazuo Hatakenaka	President, Functional Products Business Group General Manager, Performance Material Products Div.
Executive Officer	Rudi Lenz	Vice Chairman of the Board, Sun Chemical Corporation
Executive Officer	Koji Tanigami	Representative Director, President and CEO, DIC Graphics Corporation
Executive Officer	Shinsuke Toshima	Chairman, DIC (CHINA) CO., LTD. Chairman, DIC (Shanghai) Co., Ltd.
Executive Officer	Taihei Mukose	Head of Purchasing and Logistics & Information Systems Unit
Executive Officer	Kiyotaka Kawashima	General Manager, R&D Management Unit General Manager, Central Research Laboratories
Executive Officer	Masanobu Mizukoshi	General Manager, Composite Material Products Div.
Executive Officer	Hiroyuki Ninomiya	ESG Unit

Position	Name	Responsibilities at the Company
Executive Officer	Paul Koek	Managing Director, DIC Asia Pacific Pte Ltd
Executive Officer	Myron Petruch	President and CEO, Sun Chemical Corporation
Executive Officer	Takeshi Asai	General Manager, Corporate Planning Dept. In Charge of Osaka Branch and Nagoya Branch
Executive Officer	Koji Asada	Head of ESG Unit
Executive Officer	Masahiro Kikuchi	Deputy Managing Director (South Asia), DIC Asia Pacific Pte Ltd
Executive Officer	Masamichi Sota	General Manager, Printing Material Products Div. General Manager, Packaging & Graphic Business Planning Dept.
Executive Officer	Yuji Morinaga	General Manager, Packaging Material Products Div.
Executive Officer	Shuji Furuta	Head of Finance and Accounting Unit
Executive Officer	Kiyofumi Takano	General Manager, New Business Development Headquarters
Executive Officer	Yoshinari Akiyama	General Manager, Color Material Products Div.

## 2 Remuneration for Directors and Corporate Auditors

Category	Number of Directors and Corporate Auditors	Composition of Remuneration (Millions of yen)			Total Amount (Millions of yen)
		Basic Remuneration	Bonus	Stock Compensation	
Directors	11	251	46	16	313
Outside Directors included in the above	4	36	—	—	36
Corporate Auditors	4	84	—	—	84
Outside Corporate Auditors included in the above	2	24	—	—	24
<b>Total</b>	<b>15</b>	<b>335</b>	<b>46</b>	<b>16</b>	<b>397</b>

Notes:

1. The above data includes two Directors who retired at the conclusion of the 120th Annual General Meeting of Shareholders held on March 29, 2018.
2. The total amount in the bonus column represents bonuses that are scheduled to be paid after the 121st Annual General Meeting of Shareholders.
3. The total amount of stock compensation is in accordance with the performance-based stock compensation plan that was approved at the 119th Annual General Meeting of Shareholders.

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

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

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

Corporate Auditors are eligible for basic remuneration only.

#### Remuneration for Directors and Corporate Auditors

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

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

### 3 Outside Directors and Corporate Auditors

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

The Company has engaged the Japan Women's Innovative Network (J-Win), a non-profit organization, to provide training and other services. The Company is also engaged in minor sales transactions with TEIJIN LIMITED. Outside Director Yukako Uchinaga holds principal concurrent positions in both organizations. These transactions account for less than 0.1% of consolidated net sales of the DIC Group annually.

The Company also has transactions involving the purchase of equipment with Ryoden Corporation, in which Outside Corporate Auditor Cindy Yoshiko Shirata holds a principal concurrent position. These transactions account for less than 0.1% of consolidated net sales of the DIC Group annually.

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

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

Position	Name	Attendance at Board of Directors' Meetings	Attendance at Board of Corporate Auditors' Meetings	Statements at the Meetings
Director	Yukako Uchinaga	12/14 (86%)	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
	Kazuo Tsukahara	14/14 (100%)	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
	Yoshiaki Tamura	10/10 (100%)	—	Proactively made statements on proposed resolutions based on extensive experience and expertise in corporate management
Corporate Auditor	Katsunori Takechi	14/14 (100%)	16/16 (100%)	Proactively made statements on proposed resolutions from his perspective as an attorney with specialized expertise
	Cindy Yoshiko Shirata	14/14 (100%)	15/16 (94%)	Proactively made statements on proposed resolutions from her perspective as an academic expert in accounting with specialized expertise relating to financial accounting and management

Note: Figure for attendance at Board of Directors' meetings for Yoshiaki Tamura reflects the number of meetings held subsequent to his assumption of office on March 29, 2018 until December 31, 2018.

## 4 Matters Concerning the Independent Auditor

### 1 Name of Audit Firm

Deloitte Touche Tohmatsu LLC

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

	Total Amount (Millions of yen)
Amount of Remuneration and Other Payments Paid by the Company	140
Total Amount of Money and Other Property Benefits to be Paid by the Company and its Subsidiaries	330

Notes:

1. The audit agreement entered into by the Company and its Independent Auditor does not distinguish clearly between the amount derived from the audit under the Companies Act and the amount derived from the audit under the Financial Instruments and Exchange Act and the two amounts cannot be substantially distinguished from each other. Consequently, both are included in the amount of remuneration to be paid by the Company.
2. The accounts of principal overseas subsidiaries are audited by firms other than the firm named above (independent auditor or public accountants or other individuals or firms that hold a certification equivalent to that of independent auditor in Japan) in conformity with the requirements of laws in their respective countries of domicile that correspond to the Companies Act or Financial Instruments and Exchange Act.
3. The Board of Corporate Auditors received briefings about the audit performance for the past fiscal year done by the Independent Auditor, transitional changes of remuneration for them, quality of audit and remuneration standards for other audit firms from Directors and about audit plans for fiscal year 2018 from the Independent Auditor, and reviewed said briefings accordingly. As a result, remuneration and other payments for the Independent Auditor were approved by the Board of Corporate Auditors, because it was appropriate to conduct the audit plan and align the standard to maintain audit quality.

### 3 Non-Audit Services

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

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

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

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

## 5

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

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

### I. Basic Concepts Regarding Internal Controls

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

### II. DIC Group Internal Control Systems

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

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

#### Operational Status

The Company has clarified decision-making authority within the DIC Group via the Articles of Incorporation, regulations for meetings of the Board of Directors, regulations for *Ringi*, regulations for authorization, etc. in order to ensure the performance of duties and enhancement of supervisory functions, and the Company continuously reviews these documents. In line with this, in fiscal year 2018, the Company revised regulations for meetings of the Board of Directors and regulations for *Ringi*.

The Company has nominated three individuals to serve as Outside Directors who constitute one-third of the Board of Directors.

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

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

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

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

### Operational Status

The Company made important business decisions based upon regulations for meetings of the Board of Directors, regulations for *Ringi* and other related regulations. Information on the annual budget was shared through internal briefings and monthly progress reports were submitted to the Board of Directors. The new medium-term management plan has been discussed in the meetings of 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. In order to raise an awareness of information security, an e-learning program and targeted e-mail attack drills were conducted.

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

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

### Operational Status

The Company confirmed that the Sustainability Committee finished identifying high priority risks and implemented appropriate countermeasures based on the Company's risk management policy. As part of its business continuity management (BCM) program, the Company confirmed the effectiveness of business continuity planning (BCP) by conducting BCP drills involving product divisions and pertinent departments.

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

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

### Operational Status

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

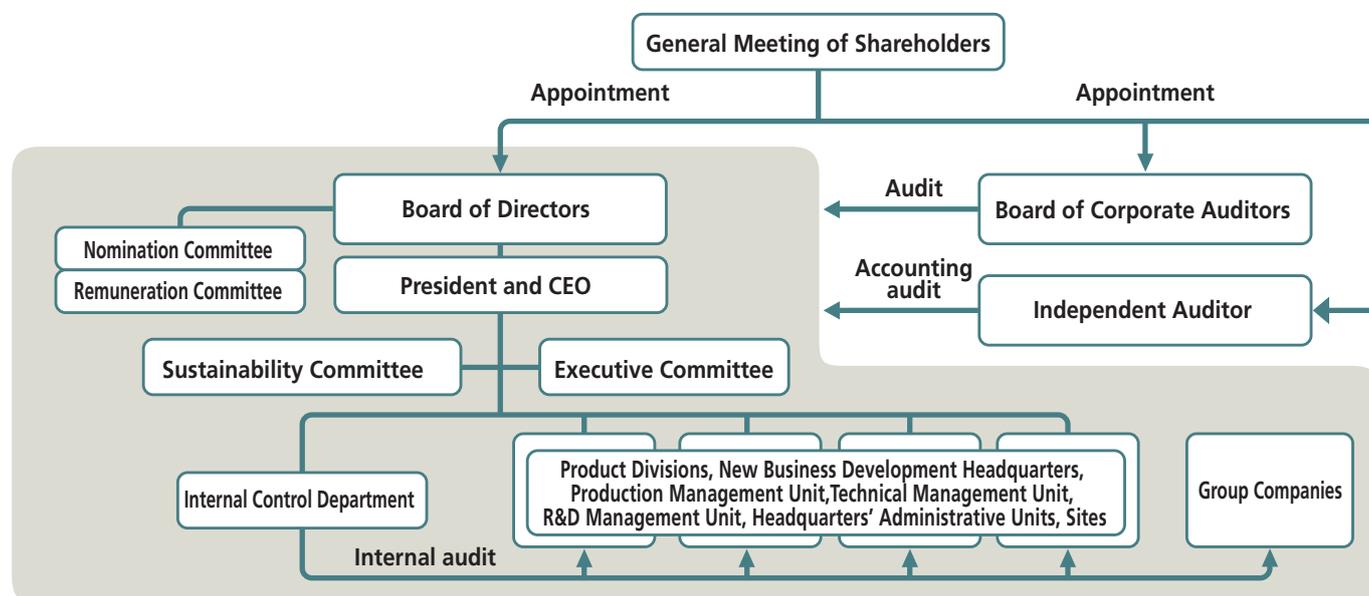
## 6 Systems for Ensuring that Audits by Corporate Auditors are Conducted Effectively

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

### Operational Status

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

### Corporate Governance Structure



## Reference Corporate Governance

### 1 Basic Approach to Corporate Governance

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

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

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

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

#### 1) Board of Directors

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

#### 2) Nomination Committee

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



#### 3) Remuneration Committee

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



#### 4) Executive Committee

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

## 5) Sustainability Committee

The Sustainability Committee, which functions as an advisory body, meets several times annually to formulate sustainability policies and activity plans, as well as to evaluate and promote sustainability initiatives. The Sustainability Committee consists of directors and others designated by the Board of Directors. As part of the auditing process, one Corporate Auditor also attends Sustainability Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors. In fiscal year 2018, the Company established the ESG Unit with the aim of promoting the further global expansion of ESG-related initiatives.

## 6) Board of Corporate Auditors

The Board of Corporate Auditors comprises four members, including two Outside Corporate Auditors (one of whom is female). In principle, the Board of Corporate Auditors meets once monthly. Board activities include debating and determining auditing policies and auditing plans. Board members also report on the results of audits conducted, as well as attend important meetings, including those of the Board of Directors, the Executive Committee and the Sustainability Committee, meet with Representative Directors on a periodic basis to exchange information and opinions, and collect business reports from Directors, Executive Officers and employees. In addition, the Company has established an Office of Corporate Auditors, to which it assigns three dedicated personnel to assist the Corporate Auditors in their duties.

# Consolidated Financial Statements

## Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2018	Previous Fiscal Year As of December 31, 2017 (Reference)	Accounts	Current Fiscal Year As of December 31, 2018	Previous Fiscal Year As of December 31, 2017 (Reference)
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>I Current assets</b>	<b>418,543</b>	<b>424,976</b>	<b>I Current liabilities</b>	<b>255,926</b>	<b>266,590</b>
Cash and deposits	19,782	17,883	Notes and accounts payable-trade	118,554	117,199
Notes and accounts receivable-trade	209,763	226,968	Short-term loans payable	29,986	61,385
Merchandise and finished goods	94,611	90,010	Current portion of long-term loans payable	49,792	27,677
Work in process	9,403	9,053	Lease obligations	667	557
Raw materials and supplies	61,937	58,911	Income taxes payable	2,843	4,793
Deferred tax assets	8,891	9,574	Deferred tax liabilities	325	399
Other	23,878	23,340	Provision for bonuses	6,283	7,071
Allowance for doubtful accounts	(9,722)	(10,763)	Other	47,476	47,509
<b>II Non-current assets</b>	<b>386,943</b>	<b>406,780</b>	<b>II Non-current liabilities</b>	<b>222,226</b>	<b>221,215</b>
<b>Property, plant and equipment</b>	<b>228,151</b>	<b>231,677</b>	Bonds payable	60,000	50,000
Buildings and structures	88,892	92,443	Long-term loans payable	119,791	122,017
Machinery, equipment and vehicles	70,951	70,554	Lease obligations	4,229	4,045
Tools, furniture and fixtures	11,395	11,129	Deferred tax liabilities	6,672	11,653
Land	48,985	50,307	Net defined benefit liability	20,519	22,774
Construction in progress	7,928	7,244	Asset retirement obligations	1,482	1,329
<b>Intangible assets</b>	<b>13,782</b>	<b>7,584</b>	Other	9,533	9,397
Goodwill	34	199	<b>Total liabilities</b>	<b>478,152</b>	<b>487,805</b>
Software	2,887	3,837	<b>(Net assets)</b>		
Customer-related assets	3,359	874	<b>I Shareholders' equity</b>	<b>396,600</b>	<b>375,942</b>
Other	7,502	2,674	Capital stock	96,557	96,557
<b>Investments and other assets</b>	<b>145,010</b>	<b>167,519</b>	Capital surplus	94,445	94,445
Investment securities	67,523	76,867	Retained earnings	207,421	186,768
Deferred tax assets	28,612	31,871	Treasury shares	(1,823)	(1,828)
Net defined benefit asset	25,089	33,408	<b>II Valuation and translation adjustments</b>	<b>(97,704)</b>	<b>(60,813)</b>
Other	23,947	26,858	Valuation difference on available-for-sale securities	1,407	7,874
Allowance for doubtful accounts	(161)	(1,485)	Deferred gains or losses on hedges	14	(3)
<b>Total assets</b>	<b>805,486</b>	<b>831,756</b>	Foreign currency translation adjustment	(67,617)	(46,462)
			Remeasurements of defined benefit plans	(31,508)	(22,222)
			<b>III Non-controlling interests</b>	<b>28,438</b>	<b>28,822</b>
			<b>Total net assets</b>	<b>327,334</b>	<b>343,951</b>
			<b>Total liabilities and net assets</b>	<b>805,486</b>	<b>831,756</b>

# Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2018	Previous Fiscal Year Ended December 31, 2017 (Reference)
<b>I Net sales</b>	<b>805,498</b>	<b>789,427</b>
<b>II Cost of sales</b>	<b>629,850</b>	<b>605,809</b>
Gross profit	175,648	183,618
<b>III Selling, general and administrative expenses</b>	<b>127,263</b>	<b>127,135</b>
Operating income	48,385	56,483
<b>IV Non-operating income</b>	<b>9,682</b>	<b>8,352</b>
Interest income	3,781	1,817
Dividends income	425	447
Equity in earnings of affiliates	3,845	4,069
Other	1,631	2,019
<b>V Non-operating expenses</b>	<b>9,365</b>	<b>7,875</b>
Interest expenses	5,114	3,565
Foreign exchange losses	828	1,456
Other	3,423	2,854
<b>Ordinary income</b>	<b>48,702</b>	<b>56,960</b>
<b>VI Extraordinary income</b>	<b>4,617</b>	<b>2,112</b>
Gain on sales of investment securities	3,270	—
Gain on sales of subsidiaries and affiliates securities	679	315
Gain on sales of non-current assets	431	1,156
Insurance income	237	—
Gain on change in equity	—	641
<b>VII Extraordinary loss</b>	<b>4,483</b>	<b>4,243</b>
Loss on disposal of non-current assets	2,535	2,682
Severance costs	1,539	951
Loss on disaster	409	—
Early termination fee	—	376
Impairment loss	—	234
<b>Income before income taxes and non-controlling interests</b>	<b>48,836</b>	<b>54,829</b>
Income taxes-current	11,015	10,517
Income taxes-deferred	4,019	3,388
<b>Net income</b>	<b>33,802</b>	<b>40,924</b>
Net income attributable to non-controlling interests	1,774	2,321
<b>Net income attributable to owners of the parent</b>	<b>32,028</b>	<b>38,603</b>

## Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2018	96,557	94,445	186,768	(1,828)	375,942
<b>Change in FY 2018</b>					
Dividends from surplus			(11,375)		(11,375)
Net income attributable to owners of the parent			32,028		32,028
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares				15	15
Net changes of items other than shareholders' equity					
<b>Total change in FY 2018</b>	—	—	20,653	5	20,658
Balance at December 31, 2018	96,557	94,445	207,421	(1,823)	396,600

	Valuation and translation adjustments					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at January 1, 2018	7,874	(3)	(46,462)	(22,222)	(60,813)	28,822	343,951
<b>Change in FY 2018</b>							
Dividends from surplus							(11,375)
Net income attributable to owners of the parent							32,028
Purchase of treasury shares							(10)
Disposal of treasury shares							15
Net changes of items other than shareholders' equity	(6,467)	17	(21,155)	(9,286)	(36,891)	(384)	(37,275)
<b>Total change in FY 2018</b>	(6,467)	17	(21,155)	(9,286)	(36,891)	(384)	(16,617)
Balance at December 31, 2018	1,407	14	(67,617)	(31,508)	(97,704)	28,438	327,334

# Non-Consolidated Financial Statements

## Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	Current Fiscal Year As of December 31, 2018	Previous Fiscal Year As of December 31, 2017 (Reference)	Accounts	Current Fiscal Year As of December 31, 2018	Previous Fiscal Year As of December 31, 2017 (Reference)
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>I Current assets</b>	<b>145,768</b>	<b>146,777</b>	<b>I Current liabilities</b>	<b>212,268</b>	<b>229,620</b>
Cash and deposits	4,661	918	Notes payable-trade	10,740	10,795
Notes receivable-trade	8,509	7,522	Accounts payable-trade	61,403	58,243
Accounts receivable-trade	53,354	65,708	Short-term loans payable	119,063	136,929
Merchandise and finished goods	23,705	21,595	Accounts payable-other	14,470	15,150
Work in process	4,616	3,926	Income taxes payable	449	1,979
Raw materials and supplies	8,939	7,458	Provision for bonuses	4,225	4,667
Advance payments-trade	474	540	Provision for directors' bonuses	47	63
Prepaid expenses	1,695	1,626	Accrued expenses	546	486
Deferred tax assets	2,827	3,240	Advances received	131	193
Short-term loans receivable	10,631	8,440	Deposits received	567	601
Accounts receivable-other	25,786	25,277	Asset retirement obligations	—	35
Other	589	546	Other	628	478
Allowance for doubtful accounts	(17)	(20)			
<b>II Non-current assets</b>	<b>532,915</b>	<b>540,951</b>	<b>II Non-current liabilities</b>	<b>179,060</b>	<b>174,512</b>
<b>Property, plant and equipment</b>	<b>99,233</b>	<b>98,085</b>	Bonds payable	60,000	50,000
Buildings	32,740	32,202	Long-term loans payable	102,098	106,408
Structures	6,001	6,010	Provision for retirement benefits	14	17
Machinery and equipment	25,524	24,663	Provision for stock payments	152	121
Vehicles	71	61	Provision for loss on business of subsidiaries and affiliates	3,057	3,600
Tools, furniture and fixtures	5,758	5,221	Asset retirement obligations	637	481
Land	27,973	27,973	Deferred tax liabilities	8,600	9,580
Construction in progress	1,168	1,955	Other	4,501	4,306
<b>Intangible assets</b>	<b>3,533</b>	<b>4,570</b>	<b>Total liabilities</b>	<b>391,328</b>	<b>404,132</b>
Software	2,350	3,107			
Other	1,184	1,463	<b>(Net assets)</b>		
<b>Investments and other assets</b>	<b>430,148</b>	<b>438,296</b>	<b>I Shareholders' equity</b>	<b>289,106</b>	<b>279,860</b>
Investment securities	9,832	18,977	<b>Capital stock</b>	<b>96,557</b>	<b>96,557</b>
Stocks of subsidiaries and affiliates	360,398	360,040	<b>Capital surplus</b>	<b>94,156</b>	<b>94,156</b>
Investments in capital of subsidiaries and affiliates	18,625	19,322	Legal capital surplus	94,156	94,156
Long-term loans receivable	7	8	<b>Retained earnings</b>	<b>100,216</b>	<b>90,976</b>
Prepaid pension cost	23,938	21,711	Other retained earnings		
Other	17,494	18,322	Reserve for tax deferment of subsidies	103	27
Allowance for doubtful accounts	(146)	(83)	Reserve for tax deferment of insurance gains	8	9
			Reserve for tax deferment of capital gains from eminent domain	876	896
			Reserve for reduction entry of replaced property	5,005	5,264
			Retained earnings brought forward	94,224	84,781
			<b>Treasury shares</b>	<b>(1,823)</b>	<b>(1,828)</b>
			<b>II Valuation and translation adjustments</b>	<b>(1,751)</b>	<b>3,736</b>
			Valuation difference on available-for- sale securities	1,117	7,253
			Deferred gains or losses on hedges	(2,868)	(3,518)
<b>Total assets</b>	<b>678,683</b>	<b>687,728</b>	<b>Total net assets</b>	<b>287,355</b>	<b>283,596</b>
			<b>Total liabilities and net assets</b>	<b>678,683</b>	<b>687,728</b>

## Non-Consolidated Statement of Income

(Millions of yen)

Accounts	Current Fiscal Year Ended December 31, 2018	Previous Fiscal Year Ended December 31, 2017 (Reference)
<b>I Net sales</b>	235,394	232,045
<b>II Cost of sales</b>	190,401	184,169
Gross profit	44,993	47,877
<b>III Selling, general and administrative expenses</b>	33,220	32,333
Operating income	11,773	15,543
<b>IV Non-operating income</b>	12,824	17,514
Interest income	109	63
Dividends income	11,833	16,662
Other	882	789
<b>V Non-operating expenses</b>	3,303	2,672
Interest expenses	2,059	1,870
Other	1,244	802
<b>Ordinary income</b>	21,294	30,385
<b>VI Extraordinary income</b>	3,813	—
Gain on sales of investment securities	3,270	—
Reversal of provision for loss on business of subsidiaries and associates	543	—
<b>VII Extraordinary loss</b>	1,066	1,453
Loss on disposal of non-current assets	1,066	1,076
Early termination fee	—	376
<b>Income before income taxes</b>	24,041	28,933
Income taxes-current	1,664	2,436
Income taxes-deferred	1,761	165
<b>Net income</b>	20,616	26,332

## Non-Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus		Retained earnings						Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings					Total retained earnings		
				Reserve for tax deferment of subsidies	Reserve for tax deferment of insurance gains	Reserve for tax deferment of capital gains from eminent domain	Reserve for reduction entry of replaced property	Retained earnings brought forward			
Balance at January 1, 2018	96,557	94,156	94,156	27	9	896	5,264	84,781	90,976	(1,828)	279,860
<b>Change in FY 2018</b>											
Provision of reserve for tax deferment of subsidies				89				(89)	—		—
Reversal of reserve for tax deferment of subsidies				(13)				13	—		—
Reversal of reserve for tax deferment of insurance gains					(1)			1	—		—
Reversal of reserve for tax deferment of capital gains from eminent domain						(20)		20	—		—
Reversal of reserve for reduction entry of replaced property							(259)	259	—		—
Dividends from surplus								(11,375)	(11,375)		(11,375)
Net income								20,616	20,616		20,616
Purchase of treasury shares										(10)	(10)
Disposal of treasury shares										15	15
Net changes of items other than shareholders' equity											
<b>Total change in FY 2018</b>	—	—	—	76	(1)	(20)	(259)	9,443	9,240	6	9,246
Balance at December 31, 2018	96,557	94,156	94,156	103	8	876	5,005	94,224	100,216	(1,823)	289,106

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at January 1, 2018	7,253	(3,518)	3,736	283,596
<b>Change in FY 2018</b>				
Provision of reserve for tax deferment of subsidies				—
Reversal of reserve for tax deferment of subsidies				—
Reversal of reserve for tax deferment of insurance gains				—
Reversal of reserve for tax deferment of capital gains from eminent domain				—
Reversal of reserve for reduction entry of replaced property				—
Dividends from surplus				(11,375)
Net income				20,616
Purchase of treasury shares				(10)
Disposal of treasury shares				15
Net changes of items other than shareholders' equity	(6,136)	650	(5,486)	(5,486)
<b>Total change in FY 2018</b>	(6,136)	650	(5,486)	3,760
Balance at December 31, 2018	1,117	(2,868)	(1,751)	287,355

# Audit Reports

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

### INDEPENDENT AUDITOR'S REPORT

February 26, 2019

To the Board of Directors of  
DIC Corporation:

Deloitte Touche Tohmatsu LLC

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

Yoshiaki Kitamura

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

Koji Inoue

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of December 31, 2018 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, 2018 to December 31, 2018, 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, 2018, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

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

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

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

### INDEPENDENT AUDITOR'S REPORT

February 26, 2019

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, 2018 of DIC Corporation (the "Company"), and the related statements of income and changes in net assets for the 121st fiscal year from January 1, 2018 to December 31, 2018, 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, 2018, 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 121st fiscal year (from January 1, 2018 to December 31, 2018), 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 26, 2019

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]



**1** Fulltime Corporate Auditor  
Yoshiyuki Mase

**2** Fulltime Corporate Auditor  
Jiro Mizutani

**3** Corporate Auditor\*  
Katsunori Takechi

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

